



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

## QUARTERLY REPORT OCTOBER 2018

<b>BOARD OF TRUSTEES</b>	
<b>Representative</b>	<b>Municipality</b>
D. Schueller	City of Berkley
C. Wilson	Village of Beverly Hills
K. Jones	Village of Bingham Farms
P. T. O'Meara	City of Birmingham
H. Drinkwine	City of Clawson
R. Fortura	City of Huntington Woods
S. Mitchell	City of Lathrup Village
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
L. Sirls	City of Southfield
C. Wilson	Township of Southfield

<b>OFFICERS</b>	
Chairman:	H. Drinkwine
Vice Chairman:	G. Rassel
Secretary:	C. Wilson
Advisory Committee:	H. Drinkwine, S. Pietrzak, G. Rassel, C. Wilson

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

Board of Trustees  
Southeastern Oakland County Water Authority

Subject: Quarterly Report - October 2018

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first three month's operation of the fiscal year 2018/19. 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.

**BOARD OF TRUSTEES**

The governing body of the Authority is a Board of Trustees, consisting of one representative from each constituent municipality. The Board held its Organization Meeting on July 11, 2018, and members were elected to serve as Officers for the fiscal year beginning July 2018. The current Officers are:

Chairman: H. Drinkwine  
Vice Chairman: G. Rassel  
Secretary: C. Wilson

Representatives on the Board are entitled to one vote for each 250 million gallons, or major fraction thereof, of water purchased during the preceding fiscal year. The number of votes of each constituent member for the fiscal year, beginning July 2018 is as follows:

<b>Municipality</b>	<b>Votes</b>
Berkley	2
Beverly Hills	1
Bingham Farms	1
Birmingham	4
Clawson	1
Huntington Woods	1
Lathrup Village	1
Pleasant Ridge	1
Royal Oak	7
Southfield	13
Southfield Township	<u>1</u>
Total:	33

The Board meets in regular session on the second Wednesday of each month for the purpose of conducting all business coming before the Board.

The Authority has entered into contracts with the individual members for an indefinite period of time, but at least to July 1, 2038. These contracts obligate the Authority to supply and sell water to the member municipalities, charging for this service a rate sufficient to pay the operating costs and capital improvements.

**FINANCIAL STATEMENT**

The total net income before depreciation for the first 3 months of 2018/19 was \$2,205,541. This was \$34,083 less than budgeted and is about the same as the net income of \$2,246,381 for the first 3 months of 2017/18.

	Actual	Compared to Budget
Revenue	\$9,587,721	- \$ 299,383
Expenses	\$7,382,181	- \$ 265,300
Net Income (before depreciation)	\$2,205,541	- \$ 34,083

Net income at this time of year is planned to be high in order to accommodate the fixed/variable rates we are charged by GLWA. GLWA is collecting 60% of their revenue through a fixed monthly charge. This results in a high fixed monthly charge but a low cost per thousand cubic feet purchased. In the first quarter of the year, our GLWA water bills were significantly less than our water sales revenue. Our GLWA water bills will be higher than our water sales revenue in the colder months. We will be using some of the net income for the first quarter to pay these higher water bills later in the fiscal year.

The decrease in revenue was primarily due to lower than planned water sales (-\$305,000) which were partially offset by an increase in interest revenue (+\$7,000). Expenses were lower than planned due to lower than planned water purchases (-\$166,000) and lower non-labor Administrative & General (-\$93,000) expenses. All other expense categories were very close to budget.

Water sales for the first 3 months of the fiscal year were 2.4% less than budgeted and were 0.8% higher than the previous year. Water sales for the first 3 months are summarized in the table below. Additional financial detail is attached.

**WATER SALES – DAILY AVERAGE (MGD)**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Over or Under 2017</b>
July	36.61	34.59	45.77	40.71	43.59	+ 2.88
August	32.91	37.06	41.54	38.40	38.31	- 0.09
September	28.27	33.86	32.96	33.87	31.95	- 1.92
Million Gals./Day	32.68	35.18	40.17	37.70	38.02	+ 0.32
Variance	+7.6%	+13.7%	-6.2%	+0.8%		

We incurred capital expenditures of \$196,645 in the first quarter of the year for the initial expenses for the rehabilitation of the 16” water main in Coolidge between 13 Mile and 14 Mile (\$195,000) and for the initial engineering expenses for the rehabilitation or replacement of the 16” water main in 14 Mile from Greenfield to just east of Coolidge (\$1,000).

The table below is the precipitation record, as recorded at the Webster Station. Total rainfall for the period was much lower than last year but we continued to experience frequent rain events in July, which substantially reduced the need for our residents to sprinkle their lawns.

**PRECIPITATION - INCHES**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
July	2.70	1.30	2.85	1.10	1.08
August	7.20	2.10	2.80	2.30	1.36
September	2.20	1.30	4.49	0.70	3.06
Total:	12.10	4.70	10.14	4.10	5.50

**MAJOR PROJECTS**

**GLWA RATE INCREASE**

GLWA’s rate to SOCWA increased by 2.8% as of July 1, 2018 as a result of lower projected water sales due to the loss of Genesee County as a GLWA customer. SOCWA increased the rates to its customers by 1.8% as of July 2, 2018. SOCWA was able to offset part of the GLWA rate increase as the result of lower operating costs and higher projected sales volumes for 2018/19. SOCWA planned water sales were based on the average water sales in calendar years 2016 and 2017 while GLWA is using a lower projected sales volume. For the first 3 months of 2018/19, SOCWA’s actual water sales have been close to our budgeted water sales.

**SUMMER 2018 OPERATIONS**

The summer of 2018 was moderate and resulted in water sales that were only 0.8% higher for the months of June, July and August of 2018 compared to the same months of 2017. SOCWA staff was able to successfully operate our water storage system with lower volumes from GLWA throughout the summer.

**GREAT LAKES WATER AUTHORITY (GLWA) ISSUES**

GLWA became operational on January 1, 2016. GLWA and DWSD are continuing to work together to address many transition issues. GLWA is continuing to add staff, especially in their newly established planning function. The GLWA website, [www.glwater.org](http://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.

**Amendment of SOCWA’s Water Purchase Contract**

SOCWA was able to renegotiate lower maximum day and peak hour flow rates with GLWA for future years. The resulting contract amendment has been approved by both the SOCWA and GLWA Boards. Our contractual volumes were reduced by 2.9% which will result in annual savings of about \$500,000 in our GLWA water costs. We plan to operate the SOCWA water system at flow rates that are lower than our contractual limits in order to be able to further reduce our contractual volumes in the future.

### 2018/19 Water Rates

The process that will result in the rates from GLWA for 2019/20 has begun. A series of meetings are being held this fall to communicate rate information. Our proposed 2019/20 rates will be delivered by GLWA in late January 2019. GLWA is continuing to provide a high level of communication with their customers by posting data on their website prior to each meeting and then reviewing the data at each meeting. SOCWA staff will be attending each of these meetings and we will report the results at the following Board meeting. We plan to have a rate projection for the SOCWA communities for review at the February, 2018 Board meeting.

### GLWA Debt Refinancing

GLWA successfully refinanced over \$500 million of existing water and sewer bonds in September 2018 in order to obtain lower interest rates on some of their existing debt obligations. This resulted in a savings of \$2.9 million in annual interest costs for the water system which should help to moderate the rate increase SOCWA will receive from GLWA for 2019/20.

### GLWA Customer Outreach Program

The 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 four elected customer co-chairs of the Technical Advisory Committee 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. SOCWA staff is also working with GLWA on a number of issues including employee selection and evaluation of several engineering consulting contracts. The principals of Project Innovations, the third-party facilitator that ran the Customer Outreach Program, retired in mid-2018. The third-party facilitation role has been assumed by Bridgeport Consulting. Bridgeport has done an excellent job in getting up to speed on the many Customer Outreach activities. The Customer Outreach Program continues to be very important in continuing the excellent relationship between GLWA and its customers.

### **CONSTRUCTION PROJECTS**

SOCWA is working on the rehabilitation of a one-mile section of 16-inch cast iron water main in Coolidge between 13 Mile and 14 Mile by inserting a polyethylene plastic liner inside of the existing pipe. This project started right after Labor Day and is scheduled to be completed by November 15. This is the first installation of this type and size in the state of Michigan. We will have intermittent closures of one lane of southbound Coolidge from 14 Mile to 13 Mile while the construction is taking place. This project is being funded from retained earnings.

The SOCWA Board approved hiring HRC to develop engineering plans for the rehabilitation of SOCWA's 16-inch water main in 14 Mile from Greenfield to just east of Coolidge and for the replacement of a pressure reducing valve located at 14 Mile and Coolidge. This section of 14 Mile is being repaved by Birmingham and Royal Oak during spring of 2019. Our existing main is located within the roadway for about half of the length being repaved. The SOCWA Board will be deciding on a course of action regarding this main at its December Board meeting.

On May 30, 2018, we experienced a lightning strike on the DTE electrical supply to Webster Station. The resulting surge destroyed the lightning arrestors that protect the main power feed to Webster Station and a separate set of lightning arrestors that protect the main transformer. We replaced all 6 lightning arrestors immediately after Labor Day, which is the end of our peak water pumping period, because the replacement required us to take Webster out of service for a day.

## **ANNUAL AUDIT**

Representatives of Plante & Moran were in the SOCWA office for about a week during September performing their audit of our accounting records. The final audit will be reviewed with the SOCWA Audit Committee during October 2018 and will be reviewed by the SOCWA Board at their November 14, 2018 meeting.

New audit standards required SOCWA to conduct an actuarial valuation of our liability for Other Post Employment Benefits (OPEB). The SOCWA Board approved hiring the actuarial firm of Gabriel, Roeder to perform these analyses as of June 30, 2017 and June 30, 2018. The 2018 analysis showed that the OPEB plan for salaried employees was 97.5% funded and the OPEB plan for Union employees was 91.6% funded. I will be asking the SOCWA Board to make additional contributions to our OPEB trusts before the end of December 2018 in order to increase our funding levels.

Respectfully submitted,

Jeffrey A. McKeen, P.E.  
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
 BUDGET ANALYSIS  
 Period: 07/01/18..09/30/18

SOCWA

Fiscal Start Date: 07/01/18  
 G/L Budget Filter: FY 18-19

All amounts are in USD.

Description	ESTIMATED	ACTUAL	Variences Over or (Under)
<b><u>REVENUES</u></b>			
<b><u>OPERATIONS</u></b>			
SALE OF WATER	5,685,180.00	5,662,493.60	-22,686.40
SALE OF WATER OTHERS	4,167,725.00	3,885,369.46	-282,355.54
	<u>9,852,905.00</u>	<u>9,547,863.06</u>	<u>(305,041.94)</u>
<b><u>OTHER INCOME</u></b>			
RENTALS	17,199.00	16,399.12	-799.88
WATER ANALYSIS-LAB & MISC	3,000.00	2,130.00	-870
INTEREST ON INVESTMENTS	14,000.00	21,329.19	7,329.19
	<u>34,199.00</u>	<u>39,858.31</u>	<u>5,659.31</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 9,887,104.00</u></b>	<b><u>\$ 9,587,721.37</u></b>	<b><u>\$ (299,382.63)</u></b>
<b><u>EXPENSES</u></b>			
WATER PURCHASED FOR RESALE	0.00	0.00	0.00
WATER PURCHASE IN TRANSIT	7,029,000.00	6,862,572.27	-166,427.73
POWER, PUMPING & GROUNDS WEBSTEF	144,469.00	148,531.22	4,062.22
POWER , PUMPING & GROUNDS	60,699.00	39,159.13	-21,539.87
COMPUTER OPERATIONS	19,389.00	17,984.89	-1,404.11
PURIFICATION	24,042.00	20,083.15	-3,958.85
METERS & MAINS	49,602.00	54,139.56	4,537.56
ADMINISTRATIVE & GENERAL	320,280.00	239,710.65	-80,569.35
	<u>7,647,481.00</u>	<u>7,382,180.87</u>	<u>(265,300.13)</u>
<b><u>FIXED CHARGES</u></b>			
INTEREST ON BONDS	0	0	0
BOND MATURITIES	0	0	0
<b>TOTAL EXPENSES</b>	<b>7,647,481.00</b>	<b>7,382,180.87</b>	<b>-265,300.13</b>
<b>NET INCOME BEFORE DEPRECIATION</b>	<b><u>\$ 2,239,623.00</u></b>	<b><u>\$ 2,205,540.50</u></b>	<b><u>\$ (34,082.50)</u></b>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
 COMPARATIVE STATEMENT OF INCOME  
 Period: 07/01/18..09/30/18

SOCWA

Fiscal Start Date: 07/01/18  
 G/L Budget Filter: FY 18-19

All amounts are in USD.

Description	ACTUAL YEAR TO DATE	2018/2019 Average Per 1,000 cubic feet	2017/2018 Average Per 1,000 cubic feet
<b><u>REVENUES</u></b>			
<b><u>OPERATIONS</u></b>			
SALE OF WATER	5,662,493.60	16.9039	16.6027
SALE OF WATER OTHERS	3,885,369.46	29.3089	28.6885
	<u>9,547,863.06</u>	<u>20.42</u>	<u>20.09</u>
<b><u>OTHER INCOME</u></b>			
RENTALS	16,399.12	0.0351	0.0418
WATER ANALYSIS-LAB & MISC	2,130.00	0.0046	0.0018
INTEREST ON INVESTMENTS	21,329.19	0.0456	0.0209
	<u>39,858.31</u>	<u>0.0852</u>	<u>\$ 0.0645</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 9,587,721.37</u></b>	<b><u>\$ 20.5064</u></b>	<b><u>\$ 20.1509</u></b>
<b><u>EXPENSES</u></b>			
WATER PURCHASED FOR RESALE	0.00	0.0000	0.0000
WATER PURCHASE IN TRANSIT	6,862,572.27	14.6778	14.3619
POWER, PUMPING & GROUNDS	148,531.22	0.3177	0.2471
POWER, PUMPING & GROUNDS	39,159.13	0.0838	0.0633
COMPUTER OPERATIONS	17,984.89	0.0385	0.0340
PURIFICATION	20,083.15	0.0430	0.0305
METERS & MAINS	54,139.56	0.1158	0.0541
ADMINISTRATIVE & GENERAL	239,710.65	0.5127	0.5155
	<u>7,382,180.87</u>	<u>15.7891</u>	<u>15.3062</u>
NET INCOME BEFORE DEPRECIATION	2,205,540.50	4.7173	4.8447
DEPRECIATION	124,812.25	0.2670	0.0733
<b>NET INCOME</b>	<b><u>\$ 2,080,728.25</u></b>	<b><u>\$ 4.4503</u></b>	<b><u>\$ 4.7714</u></b>



SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
 STATEMENT OF REVENUES & EXPENDITURES  
 COMPARED WITH TOTAL BUDGET  
 Period: 07/01/18..09/30/18

SOCWA

Fiscal Start Date: 07/01/18  
 G/L Budget Filter: FY 18-19

All amounts are in USD.

Description	TOTAL BUDGET 2018-2019	TOTAL ACTUAL 3 Months	REMAINING BUDGET	% Received or expended
<b><u>REVENUES</u></b>				
<b><u>OPERATIONS</u></b>				
SALE OF WATER	17,900,500.00	5,662,493.60	12,238,006.40	31.63%
SALE OF WATER OTHERS	<u>9,995,900.00</u>	<u>3,885,369.46</u>	<u>6,110,530.54</u>	38.87%
	27,896,400.00	9,547,863.06	18,348,536.94	34.23%
<b><u>OTHER INCOME</u></b>				
RENTALS	122,000.00	16,399.12	105,600.88	13.44%
WATER ANALYSIS-LAB & MISC	10,000.00	2,130.00	7,870.00	21.30%
INTEREST ON INVESTMENTS	<u>50,000.00</u>	<u>21,329.19</u>	<u>28,670.81</u>	42.66%
	182,000.00	39,858.31	142,141.69	21.90%
TOTAL REVENUES	<u>\$ 28,078,400.00</u>	<u>\$ 9,587,721.37</u>	<u>\$ 18,490,678.63</u>	34.15%
<b><u>EXPENSES</u></b>				
WATER PURCHASED FOR RESALE	24,070,300.00	0.00	24,070,300.00	0.00%
POWER, PUMPING & GROUNDS	597,355.00	148,531.22	448,823.78	24.86%
POWER , PUMPING & GROUNDS	251,635.00	39,159.13	212,475.87	15.56%
COMPUTER OPERATIONS	81,095.00	17,984.89	63,110.11	22.18%
PURIFICATION	100,025.00	20,083.15	79,941.85	20.08%
METERS & MAINS	205,560.00	54,139.56	151,420.44	26.34%
ADMINISTRATIVE & GENERAL	<u>897,380.00</u>	<u>239,710.65</u>	<u>657,669.35</u>	26.71%
	26,203,350.00	519,608.60	25,683,741.40	1.98%
NET INCOME BEFORE DEPRECIATION	1,875,050.00	9,068,112.77	7,193,062.77	483.62%
DEPRECIATION	499,249.00	124,812.25	(374,436.75)	25.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
 COMPARATIVE STATEMENT  
 Period: 07/01/18..09/30/18

SOCWA

Fiscal Start Date: 07/01/18

G/L Budget Filter: FY 18-19

All amounts are in USD.

	2018/2019	2017/2018	OVER OR (UNDER)
<b><u>REVENUES</u></b>			
<b><u>OPERATIONS</u></b>			
SALE OF WATER	5,662,493.60	5,479,283.07	183,210.53
SALE OF WATER OTHERS	3,885,369.46	3,834,310.00	51,059.46
	<u>9,547,863.06</u>	<u>9,313,593.07</u>	<u>234,269.99</u>
<b><u>OTHER INCOME</u></b>			
RENTALS	16,399.12	19,392.40	(2,993.28)
WATER ANALYSIS-LAB & MISC	2,130.00	840.00	1,290.00
INTEREST ON INVESTMENTS	21,329.19	9,678.72	11,650.47
	<u>39,858.31</u>	<u>29,911.12</u>	<u>9,947.19</u>
TOTAL REVENUES	<u>\$ 9,587,721.37</u>	<u>\$ 9,343,504.19</u>	<u>\$ 244,217.18</u>
<b><u>EXPENSES</u></b>			
WATER PURCHASED FOR RESALE	0.00	-	-
WATER PURCHASE IN TRANSIT	6,862,572.27	6,659,269.84	203,302.43
OPERATING EXPENSES	519,608.60	437,852.96	81,755.64
FIXED CHARGES	0.00	-	-
	<u>7,382,180.87</u>	<u>7,097,122.80</u>	<u>285,058.07</u>
NET INCOME BEFORE DEPRECIATION	<u>\$ 2,205,540.50</u>	<u>\$ 2,246,381.39</u>	<u>\$ (40,840.89)</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
TOTAL CHARGES  
Period: 07/01/18..09/30/18

SOCWA

Fiscal Start Date: 07/01/18  
G/L Budget Filter: FY 18-19

All amounts are in USD.

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	14,533.200	\$248,987.60
BEVERLY HILLS	15,337.000	\$257,492.72
BINGHAM FARMS	4,990.500	\$82,962.18
BIRMINGHAM	45,002.200	\$754,033.23
CLAWSON	12,444.300	\$209,650.32
HUNTINGTON WOODS	10,204.800	\$169,100.69
LATHRUP VILLAGE	6,630.400	\$111,308.02
PLEASANT RIDGE	4,400.300	\$73,691.67
ROYAL OAK	76,666.800	\$1,301,226.41
SOUTHFIELD	137,850.000	\$2,339,199.00
DETROIT ZOO & RACKHAM	6,921.900	\$114,841.79
MEMBERS	<u>334,981.400</u>	<u>5,662,493.634</u>
NON-MEMBERS		
BLOOMFIELD HILLS	26,368.506	\$771,525.76
BOOMFIELD TOWNSHIP	<u>106,197.910</u>	<u>\$3,113,843.72</u>
	132,566.416	\$3,885,369.48
TOTAL:	467,547.816	9,547,863.117

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
Improvement Fund  
Period: 07/01/18..09/30/18

Fixed Asset Expenditures

Consulting engineering for 14 Mile	1,293.33
Coolidge water main rehab 13-14 Mile	195,352.00
	<hr/>
	<b>\$ 196,645.33</b>