



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

QUARTERLY REPORT OCTOBER 2020

BOARD OF TRUSTEES	
Representative	Municipality
D. Schueller	City of Berkley
C. Wilson	Village of Beverly Hills
K. Jones	Village of Bingham Farms
A. Fletcher	City of Birmingham
M. Hodges	City of Clawson
R. Fortura	City of Huntington Woods
S. Mitchell	City of Lathrup Village
J. Breuckman	City of Pleasant Ridge
A. Filipski	City of Royal Oak
L. Sirls	City of Southfield
C. Wilson	Township of Southfield

OFFICERS	
Chairman:	D. Schueller
Vice Chairman:	C. Wilson
Secretary:	K. Jones
Advisory Committee:	D. Schueller, R. Fortura, K. Jones, C. Wilson

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

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - October 2020

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 2020/21. 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 8, 2020, and members were elected to serve as Officers for the fiscal year beginning July 2020. The current Officers are:

Chairman: D. Schueller
Vice Chairman: C. Wilson
Secretary: K. Jones

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 2020 is as follows:

Municipality	Votes
Berkley	2
Beverly Hills	1
Bingham Farms	1
Birmingham	4
Clawson	1
Huntington Woods	1
Lathrup Village	1
Pleasant Ridge	1
Royal Oak	9
Southfield	15
Southfield Township	<u>1</u>
Total:	37

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 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 2020/21 was \$2,330,321. This was \$703,821 higher than budgeted and is substantially higher than the net income of \$1,668,637 for the first 3 months of 2019/20.

	Actual	Compared to Budget
Revenue	\$9,736,282	+ \$ 576,046
Expenses	\$7,405,961	- \$ 127,775
Net Income (before depreciation)	\$2,330,321	+ \$ 703,821

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 increase in revenue was primarily due to higher than planned water sales (+\$632,000). Expenses were lower than planned due to lower expenses for contractor costs (-\$73,000), maintenance (-\$38,000), supplies (-\$13,000), non-labor Administrative & General (-\$20,000) and utilities (-\$13,000) which were partially offset by increased water purchases (+\$33,000).

Water sales for the first 3 months of the fiscal year were 5.7% higher than budgeted and were 10.5% 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)

Month	2016	2017	2018	2019	2020	Over or Under 2019
July	45.77	40.71	43.59	36.06	44.53	+ 8.47
August	41.54	38.40	38.31	38.35	39.57	+ 1.22
September	32.96	33.87	31.95	30.00	31.16	+ 1.16
Million Gals./Day	40.17	37.70	38.02	34.85	38.50	+ 3.65
Variance	-6.2%	+0.8%	-8.3%	+10.5%		

We incurred capital expenditures of \$14,058 in the first quarter of the year for the final expenses for the replacement of the 16” water main in 14 Mile from Greenfield to just east of Coolidge (\$9,000), for the replacement of a water meter (\$3,000) and the final payment for the installation of plexiglass barriers in our main office (\$3,000).

The table below is the precipitation record, as recorded at the Webster Station. Total rainfall for the period was much lower than last year which increased the amount of water consumed for lawn watering. However, we did have 7 days with rainfall greater than 0.5 inches during the quarter, which is very unusual.

PRECIPITATION - INCHES

Month	2016	2017	2018	2019	2020
July	2.85	1.10	1.08	7.15	2.46
August	2.80	2.30	1.36	3.04	7.31
September	4.49	0.70	3.06	4.84	2.72
Total:	10.14	4.10	5.50	15.03	12.49

MAJOR PROJECTS

GLWA RATE INCREASE

GLWA postponed their rate increase to SOCWA, which had been scheduled for July 1, 2020, to January 1, 2021. This was done to provide the GLWA customer communities some rate relief to help with their response to the pandemic. SOCWA has also postponed our rate increase to the member communities until January 1, 2021.

SUMMER 2020 OPERATIONS

The summer of 2020 was a very good period for water sales. Sales volumes were significantly higher than in recent summers. SOCWA staff was able to successfully operate our water storage system with lower volumes from GLWA throughout the summer. Our maximum day occurred on July 7 when we purchased 52.63 million gallons from GLWA. This was 21% higher than the maximum day for 2019 but was still 13% below our GLWA contract limit. We had 40 days with water sales over 40 million gallons during the summer of 2020 compared with only 15 days during the summer of 2019.

PANDEMIC RESPONSE

SOCWA operations have continued in a 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. We are also consulting regularly with the Oakland County Health Department regarding employee illnesses.

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 during the first quarter. While operations have been normal, it has been a lot of work to keep them that way! All their contributions are greatly appreciated.

The SOCWA Board continues to hold their monthly meetings using the Zoom remote meeting tool.

GREAT LAKES WATER AUTHORITY (GLWA) ISSUES

GLWA became operational on January 1, 2016. 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.

GLWA Board

Wayne County named John Zech as their GLWA Board member. Mr. Zech has served as City Manager in several Wayne County communities. The GLWA Board now has a full complement of 6 members.

2021/22 Water Rates

The process that will result in the rates from GLWA for 2021/22 has begun. A series of meetings are being held this fall to communicate rate information. Our proposed 2021/22 rates will be delivered by GLWA in late January 2021. 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 2021 Board meeting.

GLWA Customer Outreach Program

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 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. Bridgeport Consulting, the third-party facilitator that guides the Customer Outreach program has just been awarded a contract extension. Bridgeport has done an excellent job in modifying the many Customer Outreach activities so that they can still be effective without in person meetings. The Customer Outreach Program continues to be very important in continuing the excellent relationship between GLWA and its customers.

WATER SERVICE REPLACEMENT CONTRACT

SOCWA used the services of HRC to conduct a request for proposals process that resulted in contracts that can be used by the member communities for the replacement of lead water services and for verifying the material type for service lines of unknown material type. 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. Several communities have begun to use the services of the lead service line replacement contractor. The State of Michigan has still not issued their requirements for verifying the material type of unknown services, so no communities are currently performing any service line verifications.

PENSION FUNDING

MERS completed their annual actuarial analysis of SOCWA's pension plans. The combined union and salaried pension plans were 97% funded as of December 31, 2019. This is the highest funding level that

we have obtained since 1991, which is as far back as I have been able to find records. The funding levels were 98% for the union defined benefit (DB) plan, 96% for the salaried DB plan, 83% for the salaried hybrid plan and 234% for the union hybrid plan. The union hybrid plan only has three employees and had some assets from prior employees. SOCWA has been contributing substantially above the actuarially required amounts to both the salaried DB and union DB plan for several years and the unfunded liabilities for the plans have almost been eliminated. MERS has modified their demographic assumptions which will be reflected in the 2020 actuarial study.

ANNUAL AUDIT

Representatives of Plante & Moran will be conducting the annual audit of SOCWA remotely this year. Plante & Moran completed the majority of their work in early September and we are awaiting their audit report. The final audit will be reviewed with the SOCWA Audit Committee during October 2020 and will be reviewed by the SOCWA Board at their November 11, 2020 meeting.

New audit standards require SOCWA to conduct an annual actuarial valuation of our liability for Other Post Employment Benefits (OPEB). We performed this year's valuation using a tool provided by Milliman, which was significantly less expensive and much quicker than having the analysis performed by our prior actuarial firm. The valuation as of June 30, 2020 showed that the OPEB plan for salaried employees was 143.6% funded and the OPEB plan for Union employees was 120.7% funded. We have begun to use the OPEB trust funds to pay for a portion of our retiree health care expenses.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT
07/01/20..09/30/20

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	5,459,695.98	5,383,482.00	76,213.98
SALE OF WATER OTHERS	4,246,870.40	3,691,255.00	555,615.40
	9,706,566.38	9,074,737.00	631,829.38
RENTALS	18,835.58	17,499.00	1,336.58
WATER ANALYSIS & MISC	490.00	3,000.00	-2,510.00
GRANT REVENUE	0.00	0.00	0.00
INTEREST ON INVESTMENTS	10,390.44	15,000.00	-4,609.56
LEAD SERVICE REPLACEMENT	0.00	50,000.00	-50,000.00
	29,716.02	85,499.00	-55,782.98
TOTAL REVENUES	9,736,282.40	9,160,236.00	576,046.40
EXPENSES			
PURCHASE OF WATER FOR RESALE	0.00	0.00	0.00
POWER, PUMPING & GROUNDS WEBSTER	114,243.79	144,309.19	-30,065.40
POWER, PUMPING & GROUNDS	31,011.25	66,387.34	-35,376.09
COMPUTER OPERATIONS	29,800.93	21,238.62	8,562.31
PURIFICATION	30,886.21	52,194.20	-21,307.99
METERS & MAINS	26,985.94	56,276.60	-29,290.66
ADMINISTRATION & GENERAL	265,462.32	268,330.00	-2,867.68
LEAD SERVICE LINE REPLACEMENT	0.00	50,000.00	-50,000.00
WATER IN TRANSIT	6,907,570.71	6,875,000.00	32,570.71
	7,405,961.15	7,533,735.95	-127,774.80
TOTAL EXPENSES	7,405,961.15	7,533,735.95	-127,774.80
NET INCOME BEFORE DEPRECIATION	2,330,321.25	1,626,500.05	703,821.20

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/20..09/30/20

	TOTAL ACTUAL	TOTAL BUDGET 2020-2021	BALANCE TO BUDGET	% Received or expended
REVENUES				
SALE OF WATER MEMBERS	5,459,695.98	17,315,000.00	-11,855,304.02	32%
SALE OF WATER OTHERS	4,246,870.40	9,058,698.00	-4,811,827.60	47%
	9,706,566.38	26,373,698.00	-16,667,131.62	37%
RENTALS	18,835.58	122,002.00	-103,166.42	15%
WATER ANALYSIS & MISC	490.00	10,000.00	-9,510.00	5%
GRANT REVENUE	0.00	0.00	0.00	0%
INTEREST ON INVESTMENTS	10,390.44	50,000.00	-39,609.56	21%
LEAD SERVICE REPLACEMENT	0.00	500,000.00	-500,000.00	0%
TOTAL REVENUES	9,736,282.40	27,055,700.00	-17,319,417.60	36%
EXPENSES				
PURCHASE OF WATER FOR RESALE	0.00	23,795,000.00	-23,795,000.00	0%
POWER, PUMPING & GROUNDS WEBSTER	114,243.79	575,275.00	-461,031.21	20%
POWER, PUMPING & GROUNDS	31,011.25	276,270.00	-245,258.75	11%
COMPUTER OPERATIONS	29,800.93	89,000.00	-59,199.07	33%
PURIFICATION	30,886.21	146,100.00	-115,213.79	21%
METERS & MAINS	26,985.94	232,605.00	-205,619.06	12%
ADMINISTRATION & GENERAL	265,462.32	796,700.00	-531,237.68	33%
LEAD SERVICE LINE REPLACEMENT	0.00	500,000.00	-500,000.00	0%
WATER IN TRANSIT	6,907,570.71	0.00	6,907,570.71	0%
TOTAL EXPENSES	7,405,961.15	26,410,950.00	-19,004,988.85	28%
NET INCOME BEFORE DEPRECIATION	2,330,321.25	644,750.00	1,685,571.25	361%
DEPRECIATION	160,156.75			
NET INCOME	2,170,164.50			

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/20..09/30/20

	2020/2021	2019/2020	OVER OR (UNDER)
SALE OF WATER	5,459,695.98	5,164,046.64	295,649.34
SALE OF WATER OTHERS	4,246,870.40	3,549,694.56	697,175.84
	9,706,566.38	8,713,741.20	992,825.18
RENTALS	18,835.58	20,532.64	-1,697.06
WATER ANALYSIS-LAB & MISC	490.00	470.00	20.00
INTEREST ON INVESTMENTS	10,390.44	18,973.92	-8,583.48
	29,716.02	39,976.56	-10,260.54
TOTAL REVENUES	9,736,282.40	8,753,717.76	982,564.64
WATER PURCHASED FOR RESALE	0.00	2,245,309.79	-2,245,309.79
WATER PURCHASE IN TRANSIT	6,907,570.71	4,345,676.21	2,561,894.50
OPERATING EXPENSES	498,390.44	494,094.95	4,295.49
FIXED CHARGES	0.00		0.00
TOTAL EXPENSES	7,405,961.15	7,085,080.95	320,880.20
NET INCOME BEFORE DEPRECIATION	2,330,321.25	1,668,636.81	
DEPRECIATION	160,156.75	147,322.07	
NET INCOME	2,170,164.50	1,521,314.74	

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
YTD Income Statement with Ave. Cubic Feet
07/01/20..09/30/20

	ACTUAL REVENUES	2020/2021 Average Per 1,000 cubic feet	2019/2020 Average Per 1,000 cubic feet
SALE OF WATER	5,459,695.98	16.7633	16.8473
SALE OF WATER OTHERS	4,246,870.40	28.7317	29.0620
	9,706,566.38	20.4994	20.3277
RENTALS	18,835.58	0.0398	0.0479
WATER ANALYSIS-LAB & MISC	490.00	0.0010	0.0011
INTEREST ON INVESTMENTS	10,390.44	0.0219	0.0443
	29,716.02	0.0628	0.0933
TOTAL REVENUES	\$9,736,282.40	20.5622	20.4210
WATER PURCHASED FOR RESALE	0.00	0.0000	5.2379
POWER, PUMPING & GROUNDS WEBSTER	114,243.79	0.2413	0.3347
POWER , PUMPING & GROUNDS	31,011.25	0.0655	0.0607
COMPUTER OPERATIONS	29,800.93	0.0629	0.0520
PURIFICATION	30,886.21	0.0652	0.0724
METERS & MAINS	26,985.94	0.0570	0.0487
ADMINISTRATIVE & GENERAL	265,462.32	0.5606	0.5841
WATER IN TRANSIT	6,907,570.71	14.5882	10.1378
TOTAL EXPENSES	7,405,961.15	15.6407	16.5283
NET INCOME BEFORE DEPRECIATION	\$2,330,321.25	4.9214	3.8927
DEPRECIATION	160,156.75		
NET INCOME	\$2,170,164.50		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES
07/01/20..09/30/20

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
BERKLEY	14,071.78	\$239,726.91
BEVERLY HILLS	16,175.90	\$266,991.38
BINGHAM FARMS	4,862.20	\$79,859.12
BIRMINGHAM	45,935.18	\$760,781.41
CLAWSON	9,197.37	\$158,911.52
HUNTINGTON WOODS	8,569.83	\$142,640.75
LATHRUP VILLAGE	6,643.86	\$112,297.38
PLEASANT RIDGE	4,521.80	\$74,820.16
ROYAL OAK	75,341.63	\$1,267,030.38
SOUTHFIELD	134,044.30	\$2,252,522.11
DETROIT ZOO & RACKHAM	6,329.64	\$104,113.04
MEMBERS	<u>325,693.49</u>	<u>\$5,459,694.16</u>
NON MEMBERS		
BLOOMFIELD HILLS	28,634.35	\$823,432.03
BLOOMFIELD TOWNSHIP	119,177.11	\$3,423,440.19
	<u>147,811.46</u>	<u>\$4,246,872.22</u>
TOTAL	473,504.95	\$9,706,566.38

**SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
CONSTRUCTION IN PROGRESS
7/1/20..9/30/20**

FIXED ASSET EXPENDITURES

NORMANDY AND CROOKS	2,795.10
14 MILE MAIN REPLACEMENT	8,500.00
ADMIN. OFFICES	2,763.00
	<hr/>
	14,058.10