



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

QUARTERLY REPORT January 2018

BOARD OF TRUSTEES	
Representative	Municipality
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
K. Marten	City of Lathrup Village
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
L. Schultz	City of Southfield
R. Walsh	Township of Southfield

OFFICERS	
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

January 2018

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - January 2018

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 2017/18. 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 2017/18 was \$1,897,022, which was \$473,948 higher than budgeted. This was a significant decrease from the net income of \$2,500,157 for the first six months of 2016/17.

	Actual	Compared to Budget
Revenue	\$14,864,011	- \$25,162
Expenses	\$12,966,988	- \$499,111
Net Income (before depreciation)	\$ 1,897,022	+ \$473,948

The increase in net income increased our working capital to 28.5% as of December 31, 2017. This is higher than the 8.3% working capital goal approved by the Board and it is an increase from the 22.7% working capital as of December 31, 2016.

The decrease in revenue was primarily due to slightly lower (-0.1%) than planned water sales to both the member communities (-\$2,000) and to Bloomfield Hills and Bloomfield Twp. (-\$17,000). Revenue from rentals (-\$23,000) were below budget while interest revenue (+\$20,000) was greater than budget. Water sales volumes for the six month period were 3.6% lower than the actual water sales for the same period in 2016/17.

The decrease in expenses was due largely to decreased cost for water purchased (-\$192,000), lower than planned expenses for non-labor Administrative & General (-\$189,000), maintenance (-\$66,000), labor (-\$26,000), utilities (-\$23,000), supplies (-\$18,000) which were partially offset by increased costs for Miss Dig (+\$8,000) and regulatory required water testing (+\$5,000).

Capital expenditures for the first six months of the fiscal year totaled \$37,537 and were for the replacement of our accounting software (\$14,000), partial expenses for the replacement of a pressure reducing valve at Quarton and Chesterfield in Birmingham (\$12,000), the replacement of the control SCADA system (\$6,000) and partial expenses for the replacement of a water meter (\$5,000).

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.

	2015/16	2016/17	2017/18	Over or Under 2016/17
Total Sales (MCF)	709,766	763,173	737,417	-25,469
Water Sales	\$19.42	\$19.90	\$20.06	+0.16
Other Income	<u>0.11</u>	<u>0.07</u>	<u>0.10</u>	<u>+0.03</u>
Total Income	\$19.53	\$19.97	\$20.16	+\$0.19
Water Purchased for Resale	16.46	15.45	16.32	+0.87
Operating Expenses	1.39	1.24	1.27	+0.03
Total Operating Expenses	\$17.85	\$16.69	\$17.59	+\$0.90
Available for Improvements	\$1.68	\$3.28	\$2.57	-\$1.01

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	- \$393,636	
Revenues From Other Sources	+ <u>21,694</u>	
TOTAL REVENUES		- <u>\$371,942</u>
<u>Operating Expenses</u>		
Water Purchased for Resale	+ \$242,927	
Other Operating Expenses	- 11,734	
TOTAL EXPENDITURES		<u>+\$231,193</u>
NET INCOME BEFORE DEPRECIATION		-\$603,135

The following is the record of water sales to member municipalities for the period July 1 through December 31. The six month record shows a decrease in water sales of 3.3% during the current fiscal year compared with the same period of the previous fiscal year. For the six month period, our sales were almost exactly the same as the budgeted sales.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH DECEMBER 31						
Month	2013	2014	2015	2016	2017	Over or Under 2016
July	35.92	36.61	34.59	45.77	40.71	-5.06
August	38.34	32.91	37.06	41.54	38.40	-3.14
September	32.31	28.27	33.86	32.96	33.87	+0.91
October	24.58	23.09	25.69	23.82	25.37	+1.55
November	21.63	21.76	21.19	20.80	20.57	-0.23
December	21.89	21.24	20.66	21.42	20.85	-0.57
Average	29.13	27.34	28.86	31.10	29.99	-1.11
Variance		-6.2%	+5.6%	+7.8%	-3.6%	

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

PRECIPITATION – INCHES					
Month	2013	2014	2015	2016	2017
July	3.00	2.70	1.30	2.85	1.10
August	3.30	7.20	2.10	2.80	2.30
September	2.00	2.20	1.30	4.49	0.70
October	3.10	1.70	1.80	1.80	5.70
November	2.40	2.40	1.30	1.35	4.30
December	<u>3.60</u>	<u>1.20</u>	<u>1.50</u>	<u>1.70</u>	<u>1.50</u>
Total:	17.40	17.40	9.30	14.99	15.60

MAJOR PROJECTS

GLWA WATER RATES

GLWA will be announcing the rates for 2018/19 in late January. GLWA is budgeting water sales for 2018/19 that will be unchanged from the 2017/18 budget. This will help to mitigate the rate increases from GLWA in the past several years caused, in part, by reduced water sales including the loss of Genesee County as a GLWA customer. GLWA has made several cost control efforts which will help to reduce the rate impact of the loss of Genesee County as a water customer.

GLWA ISSUES

Customer Partnership Agreement

A new “One Water” Customer Partnership Agreement was adopted by GLWA and its customers at a customer meeting on September 28. The signed version of this agreement is attached. This new agreement replaces two separate agreements, one for the water system that dated to 2003 and one for the sewer system that dated to the late 1990’s. This agreement will serve as the guide for the relationship between GLWA and its customers in the future.

GLWA Customer Outreach

I have been serving as one of five elected customer co-chairs of the Technical Advisory Committee that guides GLWA's Customer Outreach process. Significant progress has been made in improving the level of communication and understanding between the 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.

A number of customers, including me, have been working with GLWA staff to plan for the forthcoming retirement of Project Innovations personnel that have served as the third party facilitators which are a critical component of the Customer Outreach process. This group assisted GLWA with an RFP process to select a new third party facilitator. The committee that reviewed the RFP responses was composed of six GLWA customer representatives and three GLWA representatives. Bridgeport Consulting was selected as the new facilitator and this selection was approved by the GLWA Board. Bridgeport began their work on January 1, 2018. A transition plan is being followed that will result in Bridgeport and Project Innovations working together until Project Innovations personnel retire in May of 2018. The GLWA customer group will be closely monitoring this project due to its importance to the relationship between GLWA and its customers.

Flint

Flint finally signed their long term agreement with GLWA on November 21, 2017. The agreement calls for Flint to post a security deposit equivalent to 3 months of water bills with GLWA for a minimum of 2 years. It is expected that the Governor will appoint a Flint resident to the GLWA Board seat that represents the areas served by GLWA outside of Wayne, Oakland and Macomb Counties.

GLWA Board of Directors

Mr. Freman Hendrix, one of the two GLWA Directors representing Detroit was elected Board Chair for 2018. Mr. Hendrix replaces Mr. Bob Daddow, the Oakland County representative, who had been Board Chair since the formation of GLWA.

Highland Park

Highland Park continues to owe GLWA approximately \$5.5 million in unpaid water bills and \$32 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.

PENSION FUNDING

The Board continued to take additional steps to address the underfunded status of SOCWA's pension plans by contributing additional funding to both the salaried and union pension plans. SOCWA has been contributing substantially above the actuarially required amounts to the salaried pension plan for six years and the unfunded liability for that plan has been significantly reduced. The 2017 incremental contribution to the Union plan was the second year we have

made an incremental contribution. MERS will complete their actuarial study to determine the funding status of the pension plans before June 2018.

COOLIDGE WATER MAIN REHABILITATION PROJECT

SOCWA is working on the rehabilitation of a one mile section of 16" ductile iron water main in Coolidge between 13 Mile and 14 Mile by installing a polyethylene or composite plastic liner. We have hired HRC to develop a bid package for this project, which we plan to complete in the spring or fall of 2018. This location is a great candidate for lining due to the many underground utilities and extensive traffic issues that would make a direct burial installation difficult and expensive. This would also be a great location to test pipe lining technology which has the potential to lower the cost of replacement of water mains. The cost estimate for the project is in excess of \$1 million and it will be funded through retained earnings.

ANNUAL AUDIT

The audit report for the 2016/17 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 increased by \$2,121,000 during the fiscal year and that working capital continues to be maintained above the goal level established by the Board. The net position of SOCWA increased by \$2,055,000 during the year which was substantially higher than the increase in net position recorded for 2015/16.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 July 1, 2017 through December 31, 2017

<u>REVENUES</u>	<u>ESTIMATED REVENUES</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCES OVER OR UNDER</u>
<u>OPERATION</u>			
SALE OF WATER	\$9,285,042.00	\$9,282,840.75	(\$2,201.25)
SALE OF WATER OTHERS	5,524,046.00	5,506,961.28	(17,084.72)
	<u>\$14,809,088.00</u>	<u>\$14,789,802.03</u>	<u>(\$19,285.97)</u>
<u>OTHER INCOME</u>			
RENTALS	\$60,585.00	\$37,328.80	(\$23,256.20)
WATER ANALYSIS-LAB & MISC.	4,500.00	\$1,760.00	(2,740.00)
INTEREST ON INVESTMENTS	15,000.00	\$35,119.88	20,119.88
	<u>\$80,085.00</u>	<u>\$74,208.68</u>	<u>(\$5,876.32)</u>
<u>TOTAL REVENUES</u>	<u>\$14,889,173.00</u>	<u>\$14,864,010.71</u>	<u>(\$25,162.29)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,791,246.00	\$6,659,273.38	(\$131,972.62)
WATER PURCHASE IN TRANSIT	\$5,433,249.00	\$5,373,325.57	(59,923.43)
POWER, PUMPING & GROUNDS WEBSTER	\$298,823.00	\$260,953.87	(37,869.13)
POWER, PUMPING & GROUNDS	\$122,561.00	\$47,927.81	(74,633.19)
COMPUTER OPERATIONS	\$36,725.00	\$37,805.46	1,080.46
PURIFICATION	\$34,450.00	\$37,879.94	3,429.94
METERS & MAINS	\$100,195.00	\$84,581.93	(15,613.07)
ADMINISTRATIVE & GENERAL	\$648,850.00	\$465,240.46	(\$183,609.54)
	<u>\$13,466,099.00</u>	<u>\$12,966,988.42</u>	<u>(\$499,110.58)</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$0.00	\$0.00	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL EXPENSES	\$26,932,198.00	\$25,933,976.84	(\$998,221.16)
NET INCOME BEFORE DEPRECIATION	<u>\$1,423,074.00</u>	<u>\$1,897,022.29</u>	<u>\$473,948.29</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 July 1, 2017 through December 31, 2017

	AMOUNT	2017/18 AVERAGE PER 1,000 CUBIC FEET	2016/17 AVERAGE PER 1,000 CUBIC FEET
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$9,282,840.75	\$16.8663	\$16.7366
SALE OF WATER OTHERS	5,506,961.28	29.4430	\$28.7064
	<u>\$14,789,802.03</u>	<u>\$20.0562</u>	<u>\$19.8951</u>
<u>OTHER INCOME</u>			
RENTALS	\$37,328.80	\$0.0506	\$0.0481
LAB & MISCELLANEOUS	1,760.00	0.0024	\$0.0038
INTEREST ON INVESTMENTS	35,119.88	0.0476	\$0.0169
	<u>\$74,208.68</u>	<u>\$0.1006</u>	<u>\$0.0688</u>
TOTAL REVENUES:	<u>\$14,864,010.71</u>	<u>\$20.1568</u>	<u>\$19.9639</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,659,273.38	\$9.0305	\$8.7419
WATER PURCHASE IN TRANSIT	\$5,373,325.57	7.2867	\$6.7064
POWER, PUMPING & GROUNDS WEBSTER	\$260,953.87	0.3539	\$0.3030
POWER, PUMPING & GROUNDS	\$47,927.81	0.0650	\$0.1310
COMPUTER OPERATIONS	\$37,805.46	0.0513	\$0.0300
PURIFICATION	\$37,879.94	0.0514	\$0.0551
METERS & MAINS	\$84,581.93	0.1147	\$0.1296
ADMINISTRATIVE & GENERAL	\$465,240.46	0.6309	\$0.5911
BOND INTEREST	\$0.00	0.0000	\$0.0000
	<u>\$12,966,988.42</u>	<u>\$17.5843</u>	<u>\$16.6879</u>
INC. BEFORE DEPRECIATION	\$1,897,022.29	\$2.5725	\$3.2760
DEPRECIATION	\$271,615.00	\$0.3683	\$0.3272
NET INCOME	<u>\$1,625,407.29</u>	<u>\$2.2042</u>	<u>\$2.9488</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
July 1, 2017 through December 31, 2017

	TOTAL BUDGET 2017/18	ACTUAL 6 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$17,460,700.00	\$9,282,840.75	\$8,177,859.25	53.16%
SALE OF WATER OTHERS	\$9,400,900.00	5,506,961.28	3,893,938.72	58.58%
	<u>\$26,861,600.00</u>	<u>\$14,789,802.03</u>	<u>\$12,071,797.97</u>	55.06%
<u>OTHER INCOME</u>				
RENTALS	\$124,400.70	\$37,328.80	\$87,071.90	30.01%
LAB & MISCELLANEOUS	\$10,000.00	1,760.00	8,240.00	17.60%
INTEREST ON INVESTMENTS	\$25,000.00	35,119.88	(10,119.88)	140.48%
	<u>\$159,400.70</u>	<u>\$74,208.68</u>	<u>\$85,192.02</u>	46.55%
TOTAL REVENUES:	<u>\$27,021,000.70</u>	<u>\$14,864,010.71</u>	<u>\$12,156,989.99</u>	55.01%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$23,500,400.00	\$6,659,273.38	\$16,841,126.62	28.34%
POWER, PUMPING & GROUNDS WEBSTER	\$583,100.00	\$260,953.87	\$322,146.13	44.75%
POWER, PUMPING & GROUNDS	\$295,827.00	\$47,927.81	\$247,899.19	88.21%
COMPUTER OPERATIONS	\$73,450.00	\$37,805.46	\$35,644.54	65.25%
PURIFICATION	\$88,900.00	\$37,879.94	\$51,020.06	42.53%
METERS & MAINS	\$155,885.00	\$84,581.93	\$71,303.07	24.30%
ADMINISTRATIVE & GENERAL	\$1,038,000.00	\$465,240.46	\$572,759.54	0.00%
BOND INTEREST	\$0.00	\$0.00	\$0.00	0.00%
TOTAL EXPENDITURES	<u>\$25,735,562.00</u>	<u>\$7,593,662.85</u>	<u>\$18,141,899.15</u>	29.51%
NET INCOME BEFORE DEPRECIATION	\$1,285,438.70	\$7,270,347.86	-\$5,984,909.16	565.59%
DEPRECIATION	\$543,230.00	\$271,615.00	\$271,615.00	50.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT July 1, 2017 through December 31, 2017

	<u>2017/2018</u>	<u>2016/2017</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$9,282,840.75	\$9,402,445.78	(\$119,605.03)
SALE OF WATER OTHERS	5,506,961.28	5,780,991.77	(274,030.49)
	<u>\$14,789,802.03</u>	<u>\$15,183,437.55</u>	<u>(\$393,635.52)</u>
<u>OTHER INCOME</u>			
RENTALS	\$37,328.80	\$36,720.28	\$608.52
LAB & MISCELLANEOUS	1,760.00	2,865.88	(1,105.88)
INT. ON INVESTMENTS	35,119.88	12,928.89	22,190.99
	<u>\$74,208.68</u>	<u>\$52,515.05</u>	<u>\$21,693.63</u>
TOTAL REVENUES	<u>\$14,864,010.71</u>	<u>\$15,235,952.60</u>	<u>(\$371,941.89)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,659,273.38	\$6,671,561.72	(\$12,288.34)
WATER PURCHASE IN TRANSIT	5,373,325.57	5,118,109.95	255,215.62
OPERATING EXPENSES	934,389.47	946,123.68	(11,734.21)
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	<u>\$12,966,988.42</u>	<u>\$12,735,795.35</u>	<u>\$231,193.07</u>
NET INCOME	\$1,897,022.29	\$2,500,157.25	(\$603,134.96)

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES July 1, 2017 December 31, 2017

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	24,839.900	\$422,171.68
BEVERLY HILLS	22,578.200	\$380,742.90
BINGHAM FARMS	6,899.200	\$115,271.78
BIRMINGHAM	68,875.900	\$1,154,387.75
CLAWSON	20,374.800	\$342,574.95
HUNTINGTON WOODS	12,557.800	\$211,917.18
LATHRUP VILLAGE	11,455.100	\$189,811.93
PLEASANT RIDGE	6,909.900	\$115,351.27
ROYAL OAK	131,716.200	\$2,224,789.54
SOUTHFIELD	235,585.400	\$3,980,348.91
DETROIT ZOO & RACKHAM	8,587.100	\$145,472.95
	<hr/> <hr/>	<hr/> <hr/>
MEMBERS	550,379.500	\$9,282,840.84
NON-MEMBERS		
BLOOMFIELD HILLS	39,192.236	1,143,996.77
BOOMFIELD TOWNSHIP	<u>147,845.693</u>	<u>4,362,964.52</u>
	<u>187,037.929</u>	<u>5,506,961.29</u>
	<hr/> <hr/>	<hr/> <hr/>
TOTAL:	737,417.429	\$14,789,802.13

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
July 1, 2017 through December 31, 2017

FIXED ASSET EXPENDITURES

Microsoft 365 accounting software project	14,350.00
Control SCADA	3,804.49
PLC update 14 Mile/Lahser	2,056.70
ABB Water Master Meter	5,035.00
Pressure reducing valve Quarton & Chesterfield	11,722.00
Coolidge Highway water main project	569.23
	<u>\$ 37,537.42</u>