



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

QUARTERLY REPORT January 2021

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

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

January 2021

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - January 2021

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 2020/21. 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 2020/21 was \$1,619,811, which was \$380,249 higher than budgeted. This was an increase from the net income of \$1,104,428 for the first six months of 2019/20.

	Actual	Compared to Budget
Revenue	\$15,307,028	+ \$556,739
Expenses	\$13,687,611	+ \$176,885
Net Income (before depreciation)	\$ 1,619,416	+ \$379,854

SOCWA's working capital was 21.0% as of January 8, 2021. This is higher than the 8.3% working capital goal approved by the Board and an increase from the 17.2% working capital as of December 31, 2019.

The increase in revenue was primarily due to higher than planned water sales to Bloomfield Hills and Bloomfield Twp. (+\$547,000) and higher than planned revenue for the replacement of lead services (+\$129,000). These increases were partially offset by decreases in water sales to the member communities (-\$109,000) and in interest on investments (-\$9,000). Water sales volumes for the six-month period were 6.3% higher than the actual water sales for the same period in 2019/20.

The increase in expenses was due largely to higher costs for lead service replacements (+\$129,000), for water purchased (+\$73,000), Miss Dig (+\$27,000), labor (+\$24,000) and regulatory required water testing (+\$18,000) which were partially offset by lower than planned expenses for non-labor Administrative & General (-\$27,000), supplies (-\$24,000), maintenance (-\$23,000) and utilities (-\$20,000).

Capital expenditures for the first six months of the fiscal year totaled \$8,760 and were the initial costs for the replacement of a water meter in Royal Oak (\$6,000) and the final expenses for improvements to the Webster Office (\$3,000).

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.

	2018/19	2019/20	2020/21	Over or Under 2019/20
Total Sales (MCF)	728,542	686,246	729,333	+43,087
Water Sales	\$20.42	\$20.34	20.45	+0.11
Other Income	<u>0.12</u>	<u>0.12</u>	<u>0.53</u>	<u>+0.42</u>
Total Income	\$20.54	\$20.46	20.99	+\$0.53
Water Purchased for Resale	16.84	17.33	16.83	-0.50
Operating Expenses	<u>1.55</u>	<u>1.52</u>	<u>1.94</u>	<u>+0.42</u>
Total Operating Expenses	\$18.39	\$18.85	\$18.77	-\$0.08
Available for Improvements	\$2.15	\$1.61	\$2.22	+\$0.61

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	+ \$960,022
Revenues From Lead Service Lines	+ 304,369
Revenues From Other Sources	+ <u>1,202</u>
TOTAL REVENUES	+ \$ <u>1,265,593</u>
<u>Operating Expenses</u>	
Water Purchased for Resale	+ \$381,369
Lead Service Line Replacements	+ 304,369
Other Operating Expenses	+ <u>64,867</u>
TOTAL EXPENDITURES	+ \$ <u>750,605</u>
NET INCOME BEFORE DEPRECIATION	+ \$514,988

The following is the record of SOCWA water sales for the period July 1 through December 31. The six-month record shows an increase in water sales of 6.3% during the current fiscal year compared with the same period of the previous fiscal year. Water sales were higher than the previous year for the first three months but lower than the previous year for the last three months of the July 1 through December 31 period. For the six-month period, our water sales were 3.1 % higher than budgeted sales.

Precipitation for the July 1 through December 31 was only 2% less than the previous year. However, there was extended dry periods during the lawn sprinkling season which were

punctuated by intense rain events. This resulted in higher water sales than would be expected given the total rainfall for the six-month period.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH DECEMBER 31						
Month	2016	2017	2018	2019	2020	Over or Under 2019
July	45.77	40.71	43.59	36.08	44.53	+8.45
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
October	23.82	25.37	22.80	22.48	22.88	+0.40
November	20.80	20.57	20.54	20.21	19.78	-0.34
December	21.42	20.85	20.30	20.12	19.73	-0.39
Average	31.10	29.99	29.62	27.90	29.65	+1.75
Variance	+7.8%	-3.6%	-1.2%	-5.8%	+6.3%	

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

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	4.34	4.84	2.72
October	1.80	5.70	5.37	4.97	3.27
November	1.35	4.30	2.71	1.52	2.49
December	1.70	1.50	1.60	2.60	5.30
Total:	14.99	15.60	16.46	24.12	23.55

MAJOR PROJECTS

GLWA WATER RATES

GLWA will be announcing the rates for 2021/22 in late January. GLWA is budgeting water sales for 2021/22 that will be lower than the 2020/21 budget which will result in a cost increase from GLWA. SOCWA water rate estimates for 2021/22 will be provided to the SOCWA Board at their January 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. John Zech, the GLWA Director representing Wayne County was elected Board Chair for 2021. Mr. Zech replaces Dr. Beverly Walker-Griffea, the State appointed representative for the areas outside of Oakland, Wayne and Macomb Counties, who was Board Chair for 2020. GLWA is using an annual rotation for Board Officers.

Highland Park

Highland Park continues to owe GLWA approximately \$8.9 million in unpaid water bills and \$36 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. SOCWA will pay approximately \$78,000 during 2020/21 as our share of Highland Park's unpaid water bills, which are being allocated among all GLWA customers.

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.

WATER SERVICE REPLACEMENT CONTRACT

SOCWA used the services of HRC to develop contracts for the replacement of lead water services and for service line verification that can be used by the member communities. Service line replacements have been conducted in Birmingham and Pleasant Ridge using this contract. There is a new expense line item in our financial statements for lead service replacement costs. These costs are being reimbursed by the appropriate city and are reported in a new revenue line item. The State of Michigan has yet to provide guidance as to what will be required to verify service line material, so no work has been completed under that contract. 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 the member communities should help to reduce the cost of performing this required work.

SOCWA WATER SALES

SOCWA water sales improved considerably compared with the first 6 months of 2019/20 due to the dry weather this summer, which increased water usage for irrigation. However, 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. We are continuing to plan for a long-term decline in water sales.

PENSION FUNDING

The Board has taken several steps in previous years to address the underfunded status of SOCWA's pension plans. This has resulted in significant improvements in the funding levels of the pension plans. As of December 31, 2019, the combined pension plans were 96.6% funded.

MERS will complete their actuarial studies to determine the funding status of the pension plans as of December 31, 2020 before June 2021.

ANNUAL AUDIT

The audit report for the 2019/20 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 \$99,000 during the fiscal year due to the final 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 \$224,000 during the year.

The SOCWA Board approved a new five-year contract with Plante & Moran for audit services through 2025.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT
07/01/20..12/31/20

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	9,057,947.66	9,166,621.00	-108,673.34
SALE OF WATER OTHERS	5,860,295.24	5,313,670.00	546,625.24
	14,918,242.90	14,480,291.00	437,951.90
RENTALS	61,953.21	59,998.00	1,955.21
WATER ANALYSIS & MISC	1,490.00	5,000.00	-3,510.00
INTEREST ON INVESTMENTS	20,972.97	30,000.00	-9,027.03
LEAD SERVICE REPLACEMENT	304,368.50	175,000.00	129,368.50
	388,784.68	269,998.00	118,786.68
TOTAL REVENUES	15,307,027.58	14,750,289.00	556,738.58
EXPENSES			
PURCHASE OF WATER FOR RESALE	6,917,817.41	6,749,000.00	168,817.41
POWER, PUMPING & GROUNDS WEBSTER	296,472.21	291,798.04	4,674.17
POWER, PUMPING & GROUNDS	67,401.46	135,178.07	-67,776.61
COMPUTER OPERATIONS	70,300.40	44,458.01	25,842.39
PURIFICATION	82,508.73	73,047.10	9,461.63
METERS & MAINS	127,573.79	115,965.53	11,608.26
ADMINISTRATION & GENERAL	465,143.97	474,280.00	-9,136.03
LEAD SERVICE LINE REPLACEMENT	304,368.50	175,000.00	129,368.50
WATER IN TRANSIT	5,356,024.93	5,452,000.00	-95,975.07
	13,687,611.40	13,510,726.75	176,884.65
TOTAL EXPENSES	13,687,611.40	13,510,726.75	176,884.65
NET INCOME BEFORE DEPRECIATION	1,619,416.18	1,239,562.25	379,853.93

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/20..12/31/20

	TOTAL ACTUAL	TOTAL BUDGET 2020-2021	BALANCE TO BUDGET	% Received or expended
REVENUES				
SALE OF WATER MEMBERS	9,057,947.66	17,315,000.00	-8,257,052.34	52%
SALE OF WATER OTHERS	5,860,295.24	9,058,698.00	-3,198,402.76	65%
	14,918,242.90	26,373,698.00	-11,455,455.10	57%
RENTALS	61,953.21	122,002.00	-60,048.79	51%
WATER ANALYSIS & MISC	1,490.00	10,000.00	-8,510.00	15%
INTEREST ON INVESTMENTS	20,972.97	50,000.00	-29,027.03	42%
LEAD SERVICE REPLACEMENT	304,368.50	500,000.00	-195,631.50	61%
	388,784.68	682,002.00	-293,217.32	57%
TOTAL REVENUES	15,307,027.58	27,055,700.00	-11,748,672.42	57%
EXPENSES				
PURCHASE OF WATER FOR RESALE	6,917,817.41	23,795,000.00	-16,877,182.59	29%
POWER, PUMPING & GROUNDS WEBSTER	296,472.21	575,275.00	-278,802.79	52%
POWER, PUMPING & GROUNDS	67,401.46	276,270.00	-208,868.54	24%
COMPUTER OPERATIONS	70,300.40	89,000.00	-18,699.60	79%
PURIFICATION	82,508.73	146,100.00	-63,591.27	56%
METERS & MAINS	127,573.79	232,605.00	-105,031.21	55%
ADMINISTRATION & GENERAL	465,143.97	796,700.00	-331,556.03	58%
LEAD SERVICE LINE REPLACEMENT	304,368.50	500,000.00	-195,631.50	61%
WATER IN TRANSIT	5,356,024.93	0.00	5,356,024.93	0%
TOTAL EXPENSES	13,687,611.40	26,410,950.00	-12,723,338.60	52%
NET INCOME BEFORE DEPRECIATION	1,619,416.18	644,750.00	974,666.18	251%
DEPRECIATION	320,313.50			
NET INCOME	1,299,102.68			

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/20..12/31/20

	2020/2021	2019/2020	OVER OR (UNDER)
SALE OF WATER	9,057,947.66	8,781,826.92	276,120.74
SALE OF WATER OTHERS	5,860,295.24	5,176,393.80	683,901.44
	14,918,242.90	13,958,220.72	960,022.18
RENTALS	61,953.21	35,272.42	26,680.79
WATER ANALYSIS-LAB & MISC	1,490.00	790.00	700.00
INTEREST ON INVESTMENTS	20,972.97	47,151.16	-26,178.19
LEAD SERVICE LINE REPLACEMENT	304,368.50	0.00	304,368.50
	388,784.68	83,213.58	305,571.10
TOTAL REVENUES	15,307,027.58	14,041,434.30	1,265,593.28
WATER PURCHASED FOR RESALE	6,917,817.41	6,590,986.35	326,831.06
WATER PURCHASE IN TRANSIT	5,356,024.93	5,301,487.00	54,537.93
LEAD SERVICE LINE REPLACEMENT	304,368.50	0.00	304,368.50
OPERATING EXPENSES	1,109,400.56	1,044,532.89	64,867.67
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	13,687,611.40	12,937,006.24	750,605.16
NET INCOME BEFORE DEPRECIATION	1,619,416.18	1,104,428.06	514,988.12
DEPRECIATION	320,313.50	147,322.07	172,991.43
NET INCOME	1,299,102.68	957,105.99	341,996.69

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
YTD Income Statement with Ave. Cubic Feet
07/01/20..12/31/20

	ACTUAL REVENUES	2020/2021 Average Per 1,000 cubic feet	2019/2020 Average Per 1,000 cubic feet
SALE OF WATER	9,057,947.66	17.0689	17.1264
SALE OF WATER OTHERS	5,860,295.24	29.4988	29.8382
	14,918,242.90	20.4546	20.3400
RENTALS	61,953.21	0.0849	0.0514
WATER ANALYSIS-LAB & MISC	1,490.00	0.0020	0.0012
INTEREST ON INVESTMENTS	20,972.97	0.0288	0.0687
LEAD SERVICE REPLACEMENT	304,368.50	0.4173	0.0000
	388,784.68	0.5331	0.1213
TOTAL REVENUES	\$15,307,027.58	20.9877	20.4612
WATER PURCHASED FOR RESALE	6,917,817.41	9.4851	9.6044
POWER, PUMPING & GROUNDS WEBSTER	296,472.21	0.4065	0.4461
POWER , PUMPING & GROUNDS	67,401.46	0.0924	0.0818
COMPUTER OPERATIONS	70,300.40	0.0964	0.0613
PURIFICATION	82,508.73	0.1131	0.0995
METERS & MAINS	127,573.79	0.1749	0.0996
ADMINISTRATIVE & GENERAL	465,143.97	0.6378	0.7338
LEAD SERVICE REPLACEMENT	304,368.50	0.4173	0.0000
WATER IN TRANSIT	5,356,024.93	7.3437	7.7253
TOTAL EXPENSES	13,687,611.40	18.7673	18.8518
NET INCOME BEFORE DEPRECIATION	\$1,619,416.18	2.2204	1.6094
DEPRECIATION	320,313.50		
NET INCOME	\$1,299,102.68		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES
07/01/20..12/31/20

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
BERKLEY	24,536.96	\$423,839.73
BEVERLY HILLS	23,781.80	\$401,833.34
BINGHAM FARMS	6,577.60	\$111,194.60
BIRMINGHAM	67,667.22	\$1,148,350.53
CLAWSON	17,508.96	\$304,164.17
HUNTINGTON WOODS	13,246.58	\$225,250.27
LATHRUP VILLAGE	11,771.78	\$201,218.91
PLEASANT RIDGE	6,602.00	\$111,990.84
ROYAL OAK	123,689.28	\$2,117,816.76
SOUTHFIELD	225,780.06	\$3,852,646.58
DETROIT ZOO & RACKHAM	9,508.56	\$159,641.93
MEMBERS	<u>530,670.80</u>	<u>\$9,057,947.66</u>
NON MEMBERS		
BLOOMFIELD HILLS	38,337.04	\$1,132,680.12
BLOOMFIELD TOWNSHIP	160,325.45	\$4,727,615.12
	<u>198,662.49</u>	<u>\$5,860,295.24</u>
TOTAL	729,333.29	\$14,918,242.90

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
CONSTRUCTION IN PROGRESS
7/1/20..12/31/20

FIXED ASSET EXPENDITURES

NORMANDY AND CROOKS	5,996.64
ADMIN. OFFICES	2,763.00
	<hr/>
	8,759.64