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 * Clawson * Huntington Woods * Lathrup Village * Pleasant Ridge
 * Royal Oak * Southfield * Southfield Township

QUARTERLY REPORT April 2017

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J. A. McKeen	General Manager
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May 5, 2017

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2017

Board Members:

The April 2017 Quarterly Report is either included with your agenda packet or has been sent to you electronically. We encourage you to use this electronic version to disseminate the report to your Council/Commission members. If you need paper copies, please let us know.

It is recommended that the Quarterly Report – April 2017 be received and filed.

Submitted by:

Terri A. Mazure
Accountant/Treasurer

Approved by:

Jeffrey A. McKeen, P.E.
General Manager

Suggested Resolution: “That the Quarterly Report – April 2017 be received and filed.”

April 2017

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2017

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first nine months operation of the fiscal year 2016/17. 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.

FINANCIAL STATEMENT

The total net operating income before depreciation for the first 9 months of 2016/17 was \$2,074,201 which compares positively with a net operating income of \$665,372 for the first 9 months of 2015/16. The net operating income was \$1,009,298 greater than planned net income and \$1,408,829 greater than the net income for the first 9 months of 2015/16.

	Actual	Compared to Budget
Revenue	\$ 20,255,243	+ \$ 1,096,577
Expenses	\$ 18,181,043	+ \$ 87,280
Net Income (before depreciation)	\$ 2,074,201	+ \$ 1,009,298

The increase in revenue was primarily due to higher than planned water sales (+\$1,090,000), rental income (+\$7,000) and interest on investments (+\$4,000), which was partially offset by a decrease in miscellaneous revenue (-\$4,000). We do not have any grant funding for the Healthy Lawn and Garden program this year. The reduction in grant revenue is offset by a corresponding reduction in grant expenses. The increase in expenses was primarily due to higher than planned water purchases (+\$299,000) which were partially offset by lower than budgeted expenses for non-labor Administrative & General (-\$89,000), labor (-\$50,000), maintenance (-\$32,000), supplies (-\$25,000) and utilities (-\$16,000).

Water sales volumes for the first 9 months of the current fiscal year are summarized in the table below. The total water sales volumes for the fiscal year to date are 4.4% above budget and are 5.0% higher than the sales for the same period in 2015/16. We are still continuing to experience a decline in water sales volumes during the off-peak months; however, the excellent weather we had in July and August have more than offset the decline in off-peak month water sales in the current fiscal year.

Capital expenditures for the first nine months of the fiscal year totaled \$186,795 and were for the replacement of the roofs at Shafter and Oliver Stations (\$97,000), replacement of the control SCADA system (\$62,000), remodeling the Webster Control Room (\$13,000), the purchase of a valve exerciser

(\$8,000), remodeling of the Webster Office (\$7,000), and the initial expenses associated with the lining of a 16" main in Coolidge from 13 Mile to 14 Mile (\$1,000).

As of March 31, 2017, our working capital was 21.2% based on unrestricted assets. This is higher than the working capital policy level of 8.3% which was established by the Board and higher than the 12.5% working capital as of March 31, 2016.

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

	2014/15	2015/16	2016/17	Over or Under 2015/16
Water Purchased for Resale	\$15.68	\$17.45	\$16.56	- 0.89
Operating Expenses	1.46	1.42	1.35	- 0.07
Fixed Charges	<u>0.02</u>	<u>0.00</u>	<u>0.00</u>	<u>- 0.00</u>
	\$17.16	\$18.87	\$17.91	- 0.96

Additional financial detail is attached.

COMPARATIVE STATEMENT

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

Revenues From the Sale of Water	+\$1,340,010
Revenues From Other Sources	- <u>21,570</u>
TOTAL REVENUES	+\$1,318,440
<u>Operating Expenses</u>	
Water Purchased for Resale	-\$93,246
Other Operating Expenses	+ <u>2,857</u>
TOTAL EXPENDITURES	- <u>90,389</u>
NET INCOME BEFORE DEPRECIATION	+\$1,408,829

The increase in revenue for the sale of water was due to the significantly higher water sales to SOCWA members, Bloomfield Hills and Bloomfield Twp. The decrease in expenses is the result of decreased water purchases.

The following is the record of SOCWA water sales for the period July 1, 2016 to March 31, 2017. The nine month record shows an increase in water sales of 5.0% during the current fiscal year compared with the same period of the previous fiscal year. While summer period water sales were significantly higher than in recent years, we are continuing to experience significant decreases in water sales during the winter months compared with prior years. It appears that our base level of water sales, which is independent of weather, is continuing to decline.

WATER CONSUMPTION – DAILY AVERAGE (MGD)						
JULY 1 THROUGH MARCH 31						
Month	12/13	13/14	14/15	15/16	16/17	Over or Under 15/16
July	52.33	35.92	36.61	34.59	45.77	+ 11.18
August	43.25	38.34	32.91	37.06	41.54	+ 4.48
September	38.20	32.31	28.27	33.86	32.96	- 0.90
October	25.70	24.58	23.09	25.69	23.82	- 1.87
November	22.03	21.63	21.76	21.19	20.80	- 0.39
December	21.60	21.89	21.24	20.66	21.42	+ 0.76
January	22.49	23.81	22.37	21.57	21.26	- 0.31
February	21.87	24.19	22.92	21.33	20.75	- 0.58
March	21.76	23.51	23.04	20.90	20.73	- 0.18
Million Gals./Day	29.89	27.39	25.74	26.34	27.65	+ 1.31
Variance	+2.5%	-8.4%	-6.0%	+2.3%	+5.0%	

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

PRECIPITATION – INCHES					
Month	12/13	13/14	14/15	15/16	16/17
July	3.80	3.00	2.70	1.30	2.85
August	4.30	3.30	7.20	2.10	2.80
September	2.00	2.00	2.20	1.30	4.49
October	1.70	3.10	1.70	1.80	1.80
November	0.72	2.40	2.40	1.30	1.35
December	0.00	3.60	1.20	1.50	1.70
January	1.90	1.30	2.60	0.90	2.30
February	2.10	0.70	1.20	0.70	2.00
March	1.00	0.80	0.40	2.50	2.80
Total:	17.52	20.20	21.60	13.40	22.09

MAJOR PROJECTS

GLWA WATER RATES

GLWA announced their proposed rates for 2017/18 in late January. GLWA has proposed a 6.0% rate increase in their rates to SOCWA. The primary reasons for this increase are the loss of Genesee County as a customer of GLWA and the continuing decline in water sales that GLWA and SOCWA are continuing to experience during the non-summer months. GLWA was able to keep their budget unchanged for 2017/18 as a result of savings due to the very large bond refinancing that was completed in late 2016 and other operational efficiencies that have been implemented. The 2017/18 rates have not yet been approved by the GLWA Board. I anticipate that they will be approved in late May.

SOCWA is proposing a 2.0% increase in our rates to the member communities. SOCWA is budgeting significantly higher water sales for 2017/18 than were budgeted for 2016/17. This enables us to mitigate the effect of the proposed GLWA rate increase.

GLWA ISSUES

GLWA became operational on January 1, 2016 and has completed their first year of operation. GLWA is continuing to add staff, especially in their newly established planning function. 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.

The GLWA director representing Wayne County resigned in December of 2016. Abe Munfakh, a consulting engineer with significant water and sewer experience has been named as the director representing Wayne County. This brings the Board to its full strength of 6 members. Bob Daddow, the director representing Oakland County, has been reelected as Board Chair for 2017.

GLWA Water Residential Assistance Program (WRAP)

GLWA has begun implementing the WRAP program, which provides water and sewer payment assistance to low income customers in the GLWA service area. This program is funded by GLWA with 0.5% of their revenue. Most SOCWA communities are participating in this program and low income residents of those communities are eligible to receive assistance.

GLWA Service to Flint

GLWA, the City of Flint, Genesee County have announced the framework for a series of agreements that will retain Flint as a GLWA customer and provide back-up service to Flint using the water system that is being built to supply Genesee County. The impact of these agreements on the customers of GLWA and the water rates being charged by GLWA will be unclear until these agreements are completed although the incremental revenue from water sales to Flint should help to lower the proposed GLWA rate increase for 2017/18.

Highland Park

Highland Park continues to owe GLWA approximately \$3.5 million in unpaid water bills and about \$30 million in unpaid sewer bills. GLWA and Highland Park are continuing discussions as part of a confidential court ordered facilitation process. Highland Park is paying a portion of their current charges but these payments are not large enough to prevent their outstanding balance from continuing to grow.

GLWA Customer Outreach

The GLWA Board has indicated that they plan to continue the Customer Outreach process that was used by DWSD. SOCWA staff is continuing to participate in the GLWA Customer Outreach Process. I have been re-elected as one of four customer co-chairs of the Technical Advisory Committee that guides this process. The City of Detroit is being represented in this process by a new co-chair representing Detroit. 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.

SOCWA MAINTENANCE PROJECTS

SOCWA staff has begun a series of maintenance projects on various components of the SOCWA system. An electrical systems inspection and maintenance project will begin in April. The electrical systems at all SOCWA pump stations will be inspected and preventive maintenance will be performed. The performance of the SOCWA storage system during the summer of 2016 will be reviewed and modeled in order to determine the appropriate level of GLWA water supply for future contract negotiations. SOCWA staff is also investigating the options for the replacement of the 16" diameter water main in Coolidge between 13 Mile and 14 Mile.

SOCWA REMODELING PROJECTS

The SOCWA offices, which were built in the early 1970s, have been remodeled to a significantly more open, modern design. SOCWA uses a SCADA (Supervisory Control and Data Acquisition) system to operate the SOCWA water storage and distribution system. The computer software used by this system is obsolete and is no longer supported by the manufacturer. As a result, we are deploying a new SCADA system, which includes new computer hardware, software and radio systems, at all of our locations. The system has been completed and is undergoing final testing and will be fully operational for summer operations. The Control Room at Webster Station has also been remodeled to accommodate the new SCADA equipment.

LEAD AND COPPER TESTING

The Michigan Department of Environmental Quality is contemplating significant changes to the rules regarding lead and copper in drinking water. SOCWA staff is working as part of a GLWA/customer work group to develop a regional response to the changes that will be coming from the MDEQ. SOCWA staff will also be working with the member communities on these issues. SOCWA member communities will be conducting lead and copper testing at selected addresses this summer.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 JULY 1, 2016 THROUGH MARCH 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	\$12,746,854.00	\$12,961,895.63	\$215,041.63
SALE OF WATER OTHERS	6,300,204.00	7,174,820.25	874,616.25
	<u>\$19,047,058.00</u>	<u>\$20,136,715.88</u>	<u>\$1,089,657.88</u>
<u>OTHER INCOME</u>			
RENTALS	\$84,408.30	\$91,643.78	\$7,235.48
WATER ANALYSIS-LAB & MISC.	7,000.00	2,505.97	(4,494.03)
GRANT REVENUE	0.00	0.00	0.00
INTEREST ON INVESTMENTS	20,200.00	24,377.74	4,177.74
	<u>\$111,608.30</u>	<u>\$118,527.49</u>	<u>\$6,919.19</u>
<u>TOTAL REVENUES</u>	<u>\$19,158,666.30</u>	<u>\$20,255,243.37</u>	<u>\$1,096,577.07</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$11,300,000.00	\$11,789,476.90	\$489,476.90
WATER PURCHASE IN TRANSIT	5,210,000.00	5,019,292.49	(190,707.51)
POWER, PUMPING & GROUNDS WEBSTER	423,763.00	350,984.27	(72,778.73)
POWER, PUMPING & GROUNDS	201,975.03	151,309.69	(50,665.34)
COMPUTER OPERATIONS	54,375.00	58,714.63	4,339.63
PURIFICATION	61,600.00	63,237.37	1,637.37
METERS & MAINS	108,750.00	104,815.51	(3,934.49)
ADMINISTRATIVE & GENERAL	733,300.00	643,211.73	(90,088.27)
	<u>\$18,093,763.03</u>	<u>\$18,181,042.59</u>	<u>\$87,279.56</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$0.00	\$0.00	\$0.00
BOND MATURITIES	0.00	0.00	0.00
<u>TOTAL EXPENSES</u>	<u>\$18,093,763.03</u>	<u>\$18,181,042.59</u>	<u>\$87,279.56</u>
<u>NET INCOME BEFORE DEPRECIATION</u>	<u>\$1,064,903.27</u>	<u>\$2,074,200.78</u>	<u>\$1,009,297.51</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 JULY 1, 2016 THROUGH MARCH 31, 2017

	2016/17 AVERAGE PER 1,000 CUBIC FEET	2016/15 AVERAGE PER 1,000 CUBIC FEET
AMOUNT	CUBIC FEET	CUBIC FEET
<u>REVENUES</u>		
<u>OPERATION</u>		
SALE OF WATER	\$12,961,895.63	\$16.8547
SALE OF WATER OTHERS	7,174,820.25	29.1871
	\$20,136,715.88	\$19.8419
<u>OTHER INCOME</u>		
RENTALS	\$91,643.78	\$0.0903
LAB & MISCELLANEOUS	2,505.97	0.0025
INTEREST ON INVESTMENTS	24,377.74	0.0240
	\$118,527.49	\$0.1168
TOTAL REVENUES:	\$20,255,243.37	\$19.9587
<u>EXPENSES</u>		
WATER PURCHASED FOR RESALE	\$11,789,476.90	\$11.6169
WATER PURCHASE IN TRANSIT	5,019,292.49	4.9458
POWER, PUMPING & GROUNDS WEBSTER	350,984.27	0.3458
POWER, PUMPING & GROUNDS	151,309.69	0.1491
COMPUTER OPERATIONS	58,714.63	0.0579
PURIFICATION	63,237.37	0.0623
METERS & MAINS	104,815.51	0.1033
ADMINISTRATIVE & GENERAL	643,211.73	0.6338
BOND INTEREST	0.00	0.0000
	\$18,181,042.59	\$17.9148
INC. BEFORE DEPRECIATION	\$2,074,200.78	\$2.0438
DEPRECIATION	\$374,566.50	\$0.3691
NET INCOME	\$1,699,634.28	\$1.6747

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2016 THROUGH MARCH 31, 2017

	TOTAL BUDGET 2016/17	ACTUAL 9 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$16,951,300.00	\$12,961,895.63	\$3,989,404.37	76.47%
SALE OF WATER OTHERS	\$8,346,700.00	7,174,820.25	1,171,879.75	85.96%
	\$25,298,000.00	\$20,136,715.88	\$5,161,284.12	79.60%
<u>OTHER INCOME</u>				
RENTALS	\$114,800.00	\$91,643.78	\$23,156.22	79.83%
LAB & MISCELLANEOUS	\$10,000.00	2,505.97	7,494.03	25.06%
GRANT REVENUE	\$0.00	0.00	0.00	0.00%
INTEREST ON INVESTMENTS	\$25,000.00	24,377.74	622.26	97.51%
	\$149,800.00	\$118,527.49	\$31,272.51	79.12%
TOTAL REVENUES:	\$25,447,800.00	\$20,255,243.37	\$5,192,556.63	79.60%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$21,984,000.00	\$11,789,476.90	\$10,194,523.10	53.63%
WATER PURCHASE IN TRANSIT	\$0.00	5,019,292.49	(5,019,292.49)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	\$568,000.00	350,984.27	217,015.73	61.79%
POWER, PUMPING & GROUNDS	\$271,450.00	151,309.69	120,140.31	55.74%
COMPUTER OPERATIONS	\$72,500.00	58,714.63	13,785.37	80.99%
PURIFICATION	\$88,800.00	63,237.37	25,562.63	71.21%
METERS & MAINS	\$150,000.00	104,815.51	45,184.49	69.88%
ADMINISTRATIVE & GENERAL	\$884,700.00	643,211.73	241,488.27	72.70%
BOND INTEREST	\$0.00	0.00	0.00	0.00%
TOTAL EXPENDITURES	\$24,019,450.00	\$18,181,042.59	\$5,838,407.41	75.69%
NET INCOME BEFORE DEPRECIATION	\$1,428,350.00	\$2,074,200.78	-\$645,850.78	145.22%
DEPRECIATION	\$499,422.00	\$374,566.50	\$124,855.50	75.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT JULY 1, 2016 THROUGH MARCH 31, 2017

	<u>2016/2017</u>	<u>2015/2016</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$12,961,895.63	\$12,407,826.41	\$554,069.22
SALE OF WATER OTHERS	7,174,820.25	6,388,879.60	785,940.65
	<u>\$20,136,715.88</u>	<u>\$18,796,706.01</u>	<u>\$1,340,009.87</u>
<u>OTHER INCOME</u>			
RENTALS	\$91,643.78	\$95,541.10	(\$3,897.32)
LAB & MISCELLANEOUS	2,505.97	25,691.19	(23,185.22)
GRANT REVENUE	0.00	0.00	0.00
INT. ON INVESTMENTS	24,377.74	18,865.41	5,512.33
	<u>\$118,527.49</u>	<u>\$140,097.70</u>	<u>(\$21,570.21)</u>
TOTAL REVENUES	<u>\$20,255,243.37</u>	<u>\$18,936,803.71</u>	<u>\$1,318,439.66</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$11,789,476.90	\$11,686,290.32	\$103,186.58
WATER PURCHASE IN TRANSIT	5,019,292.49	5,215,725.40	(196,432.91)
OPERATING EXPENSES	1,372,273.20	1,369,415.77	2,857.43
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	<u>\$18,181,042.59</u>	<u>\$18,271,431.49</u>	<u>(\$90,388.90)</u>
NET INCOME	\$2,074,200.78	\$665,372.22	\$1,408,828.56

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2016 THROUGH MARCH 31, 2017

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	39,483.600	\$657,398.88
BEVERLY HILLS	32,654.100	\$543,853.53
BINGHAM FARMS	8,973.300	\$148,627.03
BIRMINGHAM	92,557.000	\$1,542,848.41
CLAWSON	26,725.900	\$451,387.88
HUNTINGTON WOODS	17,668.300	\$296,067.38
LATHRUP VILLAGE	11,475.100	\$194,300.26
PLEASANT RIDGE	8,404.600	\$140,904.60
ROYAL OAK	183,063.500	\$3,085,821.76
SOUTHFIELD	335,893.000	\$5,642,590.09
DETROIT ZOO & RACKHAM	12,140.300	\$203,095.74
MEMBERS	769,038.700	\$12,906,895.55
BLOOMFIELD HILLS	46,541.189	1,360,584.52
BOOMFIELD TOWNSHIP	<u>199,280.062</u>	<u>5,821,472.26</u>
NON-MEMBERS	<u>245,821.251</u>	<u>7,182,056.78</u>
TOTAL:	<u>1,014,859.951</u>	<u>\$20,088,952.34</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2016 THROUGH MARCH 31, 2017

FIXED ASSET EXPENDITURES

Webster Office Remodel	6,608.15
Control Room Remodel	12,764.60
Shafter Station New Roof	69,073.00
Oliver Station New Roof	27,940.00
Control SCADA	61,678.67
Valve exerciser	7,950.00
Coolidge Hwy water ma	780.83
	<u>\$ 186,795.25</u>