



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

QUARTERLY REPORT OCTOBER 2017

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
A. Sullivan	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

Board of Trustees
 Southeastern Oakland County Water Authority

Subject: Quarterly Report - October 2017

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 2017/18. 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 13, 2016, and members were elected to serve as Officers for the fiscal year beginning July 2016. 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 2016, 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	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 2017/18 was \$2,246,381. This was \$359,000 greater than budgeted but is a significant decrease from the net income of \$2,717,419 for the first 3 months of 2016/17.

	Actual	Compared to Budget
Revenue	\$9,343,504	- \$ 11,833
Expenses	\$7,097,123	- \$ 371,204
Net Income (before depreciation)	\$2,246,381	+ \$ 359,371

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 they would have been under GLWA's previous rate design. Our GLWA water bills will be higher than historical levels 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 slightly lower than planned water sales (-\$13,951). Expenses were lower than planned due to lower than planned water purchases (-\$132,000), and decreases in expenses for non-labor Administrative & General (-\$127,000), labor (-\$50,000), maintenance (-\$35,000) and utilities (-\$14,000).

Water sales for the first 3 months of the fiscal year were very close to budget and were 6.2% lower 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	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
Million Gals./Day	35.56	32.68	35.18	40.17	37.70	- 2.47
Variance	-8.2%	+7.6%	+13.7%	-6.2%		

We incurred capital expenditures of \$10,965 in the first quarter of the year for the Control SCADA project (\$5,000) and the initial expenses for our new Accounting system (\$6,000).

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

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
Total:	8.30	12.10	4.70	10.14	4.10

MAJOR PROJECTS

GLWA RATE INCREASE

GLWA's rate to SOCWA increased by 4.0% as of July 1, 2017 as a result of lower projected water sales which were partially offset by incremental revenue from Flint and by lower bond costs due to the refinancing completed by GLWA earlier in 2016/17. SOCWA increased the rates to its customers by 1.0% as of July 2, 2017. SOCWA was able to offset most of the GLWA rate increase as the result of lower operating costs and higher projected sales volumes for 2017/18. SOCWA planned water sales were based on the average water sales in calendar 2015 and 2016 while GLWA is using a lower projected sales volume. For the first 3 months of 2017/18, SOCWA's actual water sales have been very close to our budgeted water sales.

SUMMER 2017 OPERATIONS

The summer of 2017 was significantly cooler than the summer of 2016. As a result, water sales were 6.2% lower for the months of June, July and August of 2017 compared to the same months of 2016. SOCWA staff was able to successfully operate our water storage system with lower volumes from GLWA throughout the summer. We will be exploring further reductions in our contract volumes with GLWA in the future.

GREAT LAKES WATER AUTHORITY (GLWA) ISSUES

GLWA became operational on January 1, 2016. The transition from DWSD to GLWA was seamless with no transition issues noted. 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.

Board of Directors

Abe Munfakh, an engineering consultant, has been named to the GLWA Board as the replacement for Joe Nardone as the Board member representing Wayne County. All 6 Board positions are now filled.

Mr. Bob Daddow, the GLWA Board representative for Oakland County Board and chair of the GLWA Board discussed the many issues facing GLWA at the July SOCWA Board meeting.

2018/19 Water Rates

The process that will result in the rates from GLWA for 2018/19 has begun. A series of meetings are being held this fall to communicate rate information. Our proposed 2018/19 rates will be delivered by GLWA in late January 2018. 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 \$1 billion of existing water and sewer bonds in late 2016 in order to obtain lower interest rates on some of their existing debt obligations. This resulted in substantial interest costs savings which helped to moderate the rate increase SOCWA received from GLWA for 2017/18.

Highland Park Debt

GLWA continues to have significant overdue water and sewer bills for Highland Park. GLWA has received a court judgment against Highland Park for the full amount owed but the Judge that issued the judgment has stayed the collection of this judgment. This result has been appealed to the Michigan Supreme Court. Highland Park has increased the amount money they are paying to GLWA but these payments have not been enough to prevent Highland Park's unpaid debts from continuing to grow.

City of Flint

GLWA began resupplying water to Flint on October 16, 2015. This was done in order to resolve a series of fiascos that began when Flint began to use their water treatment plant to provide water from the Flint River to the City of Flint in April of 2014. Flint had previously been a customer of DWSD. DWSD and Flint developed a 9 month contract which required Flint to pay the estimated cost of their water purchases to DWSD before water began flowing. This contract has been extended several times through October of 2017 and Flint continues to pay GLWA in advance. GLWA has extended an excellent long term contract offer to Flint which has not yet been approved by the Flint City Council. The MDEQ has sued Flint in Federal Court in order to force Flint to sign the long term agreement with GLWA. The court case is currently pending.

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 current runs the Customer Outreach Program, have indicated that they will be retiring in mid-2018. As a result, the customers leading the Outreach Program have been working with GLWA to conduct an RFP to identify a replacement consultant. I am serving as one of two customers on the interview team to select the replacement consultant. This project will be very important in continuing the excellent relationship between GLWA and its customers



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CONSTRUCTION PROJECTS

The SOCWA Board approved an engineering consulting contract to conduct an inspection of all of our electrical equipment. This inspection was completed during the summer of 2017 and resulted in a minor amount of equipment repair and rehabilitation.

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 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

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 is being reviewed with the SOCWA Audit Committee during November, 2017 and will be reviewed by the SOCWA Board at their December, 2017 meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 July 1, 2017 THROUGH September 30, 2017

<u>REVENUES</u>	ESTIMATED REVENUES	ACTUAL REVENUES	VARIANCES OVER OR UNDER
<u>OPERATION</u>			
SALE OF WATER	\$5,451,521.00	\$5,479,283.07	\$27,762.07
SALE OF WATER OTHERS	3,876,023.00	3,834,310.00	(41,713.00)
	<u>\$9,327,544.00</u>	<u>\$9,313,593.07</u>	<u>(\$13,950.93)</u>
<u>OTHER INCOME</u>			
RENTALS	\$17,793.00	\$19,392.40	\$1,599.40
WATER ANALYSIS-LAB & MISC.	2,500.00	\$840.00	(1,660.00)
GRANT REVENUE	0.00	\$0.00	0.00
INTEREST ON INVESTMENTS	7,500.00	\$9,678.72	2,178.72
	<u>\$27,793.00</u>	<u>\$29,911.12</u>	<u>\$2,118.12</u>
<u>TOTAL REVENUES</u>	<u>\$9,355,337.00</u>	<u>\$9,343,504.19</u>	<u>(\$11,832.81)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.00	\$0.00
WATER PURCHASE IN TRANSIT	\$6,791,246.00	\$6,659,269.84	(131,976.16)
POWER, PUMPING & GROUNDS WEBSTER	\$157,154.00	\$114,571.12	(42,582.88)
POWER, PUMPING & GROUNDS	\$73,916.00	\$29,329.25	(44,586.75)
COMPUTER OPERATIONS	\$18,363.00	\$15,742.90	(2,620.10)
PURIFICATION	\$17,225.00	\$14,121.42	(3,103.58)
METERS & MAINS	\$38,973.00	\$25,070.51	(13,902.49)
ADMINISTRATIVE & GENERAL	\$371,450.00	\$239,017.76	(\$132,432.24)
	<u>\$7,468,327.00</u>	<u>\$7,097,122.80</u>	<u>(\$371,204.20)</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	\$14,936,654.00	\$14,194,245.59	(\$742,408.41)
NET INCOME BEFORE DEPRECIATION	<u>\$1,887,010.00</u>	<u>\$2,246,381.39</u>	<u>\$359,371.39</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 July 1, 2017 THROUGH September 30, 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	\$5,479,283.07	\$16.6027	\$16.3682
SALE OF WATER OTHERS	3,834,310.00	28.6885	\$28.0638
	<u>\$9,313,593.07</u>	<u>\$20.0864</u>	<u>\$19.9273</u>
<u>OTHER INCOME</u>			
RENTALS	\$19,392.40	\$0.0418	\$0.0368
LAB & MISCELLANEOUS	840.00	0.0018	\$0.0035
INTEREST ON INVESTMENTS	9,678.72	0.0209	\$0.0085
	<u>\$29,911.12</u>	<u>\$0.0645</u>	<u>\$0.0488</u>
TOTAL REVENUES:	<u>\$9,343,504.19</u>	<u>\$20.1509</u>	<u>\$19.5467</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.0000	\$0.0000
WATER PURCHASE IN TRANSIT	\$6,659,269.84	14.3619	\$13.5377
POWER, PUMPING & GROUNDS WEBSTER	\$114,571.12	0.2471	\$0.2492
POWER, PUMPING & GROUNDS	\$29,329.25	0.0633	\$0.0918
COMPUTER OPERATIONS	\$15,742.90	0.0340	\$0.0286
PURIFICATION	\$14,121.42	0.0305	\$0.0418
METERS & MAINS	\$25,070.51	0.0541	\$0.0561
ADMINISTRATIVE & GENERAL	\$239,017.76	0.5155	\$0.4473
BOND INTEREST	\$0.00	0.0000	\$0.0000
	<u>\$7,097,122.80</u>	<u>\$15.3062</u>	<u>\$14.4526</u>
INC. BEFORE DEPRECIATION	\$2,246,381.39	\$4.8447	\$5.5235
DEPRECIATION	\$34,000.00	\$0.0733	\$0.2538
NET INCOME	<u>\$2,212,381.39</u>	<u>\$4.7714</u>	<u>\$5.2697</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
July 1, 2017 THROUGH September 30, 2017

	TOTAL BUDGET 2017/18	ACTUAL 3 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$17,460,700.00	\$5,479,283.07	\$11,981,416.93	31.38%
SALE OF WATER OTHERS	\$9,400,900.00	3,834,310.00	5,566,590.00	40.79%
	\$26,861,600.00	\$9,313,593.07	\$17,548,006.93	34.67%
<u>OTHER INCOME</u>				
RENTALS	\$124,400.70	\$19,392.40	\$105,008.30	15.59%
LAB & MISCELLANEOUS	\$10,000.00	840.00	9,160.00	8.40%
GRANT REVENUE	\$0.00	0.00	0.00	0.00%
INTEREST ON INVESTMENTS	\$25,000.00	9,678.72	15,321.28	38.71%
	\$159,400.70	\$29,911.12	\$129,489.58	18.76%
TOTAL REVENUES:	\$27,021,000.70	\$9,343,504.19	\$17,677,496.51	34.58%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$23,500,400.00	\$0.00	\$23,500,400.00	0.00%
POWER, PUMPING & GROUNDS WEBSTER	\$583,100.00	\$114,571.12	\$468,528.88	19.65%
POWER, PUMPING & GROUNDS	\$295,827.00	\$29,329.25	\$266,497.75	38.73%
COMPUTER OPERATIONS	\$73,450.00	\$15,742.90	\$57,707.10	39.93%
PURIFICATION	\$88,900.00	\$14,121.42	\$74,778.58	17.71%
METERS & MAINS	\$155,885.00	\$25,070.51	\$130,814.49	9.06%
ADMINISTRATIVE & GENERAL	\$1,038,000.00	\$239,017.76	\$798,982.24	0.00%
BOND INTEREST	\$0.00	\$0.00	\$0.00	0.00%
TOTAL EXPENDITURES	\$25,735,562.00	\$437,852.96	\$25,297,709.04	1.70%
NET INCOME BEFORE DEPRECIATION	\$1,285,438.70	\$8,905,651.23	-\$7,620,212.53	692.81%
DEPRECIATION	\$136,000.00	\$34,000.00	\$102,000.00	25.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT July 1, 2017 THROUGH September 30, 2017

	<u>2017/2018</u>	<u>2016/2017</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$5,479,283.07	\$5,602,191.99	(\$122,908.92)
SALE OF WATER OTHERS	3,834,310.00	4,201,504.49	(367,194.49)
	<u>\$9,313,593.07</u>	<u>\$9,803,696.48</u>	<u>(\$490,103.41)</u>
<u>OTHER INCOME</u>			
RENTALS	\$19,392.40	\$18,127.88	\$1,264.52
LAB & MISCELLANEOUS	840.00	1,710.88	(870.88)
GRANT REVENUE	0.00	0.00	0.00
INT. ON INVESTMENTS	9,678.72	4,175.94	5,502.78
	<u>\$29,911.12</u>	<u>\$24,014.70</u>	<u>\$5,896.42</u>
TOTAL REVENUES	<u>\$9,343,504.19</u>	<u>\$9,827,711.18</u>	<u>(\$484,206.99)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.00	\$0.00
WATER PURCHASE IN TRANSIT	6,659,269.84	6,660,215.00	(945.16)
OPERATING EXPENSES	437,852.96	450,077.01	(12,224.05)
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	<u>\$7,097,122.80</u>	<u>\$7,110,292.01</u>	<u>(\$13,169.21)</u>
NET INCOME	\$2,246,381.39	\$2,717,419.17	(\$471,037.78)

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES July 1, 2017 THROUGH September 30, 2017

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	14,427.000	\$241,753.57
BEVERLY HILLS	14,522.400	\$239,776.27
BINGHAM FARMS	5,025.800	\$81,720.22
BIRMINGHAM	44,337.300	\$728,455.94
CLAWSON	11,073.500	\$184,827.09
HUNTINGTON WOODS	7,689.700	\$127,515.62
LATHRUP VILLAGE	6,148.100	\$101,331.97
PLEASANT RIDGE	4,558.300	\$74,534.82
ROYAL OAK	76,724.900	\$1,278,439.47
SOUTHFIELD	139,538.900	\$2,322,456.39
DETROIT ZOO & RACKHAM	5,977.800	\$98,471.78
	<hr/>	<hr/>
MEMBERS	330,023.700	\$5,479,283.16
NON-MEMBERS		
BLOOMFIELD HILLS	29,079.820	827,402.56
BOOMFIELD TOWNSHIP	<u>104,573.615</u>	<u>3,006,907.46</u>
	<u>133,653.435</u>	<u>3,834,310.02</u>
	<hr/>	<hr/>
TOTAL:	463,677.135	\$9,313,593.18

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
July 1, 2017 THROUGH September 30, 2017

FIXED ASSET EXPENDITURES

Microsoft 365 accounting software project	6,125.00
Control SCADA	2,783.50
PLC update 14 Mile/Lahser	<u>2,056.70</u>
	\$ 10,965.20