



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

QUARTERLY REPORT APRIL 2023

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April 2023

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2023

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 2022/23. 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 nine months of 2022/23 was \$957,173 which was \$517,945 higher than planned and \$1,318,375 higher than the net income for the first nine months of 2021/22.

	Actual	Compared to Budget
Revenue	\$ 21,436,991	+ \$ 348,879
Expenses	\$ 20,479,818	- \$ 169,065
Net Income (before depreciation)	\$ 957,173	+ \$ 517,944

The increase in revenue was due to higher than planned water sales to members (+\$405,000), grant revenue (+\$77,000), interest on investments (+\$65,000) and miscellaneous revenue (+\$40,000) which were partially offset by decrease in sales to non-members (-\$242,000). The decrease in expenses was primarily due to lower than planned maintenance (-\$77,000), labor (-\$72,000), non-labor administrative and general expenses (-\$37,000), supplies (-\$31,000) which were partially offset by higher than expenses for water purchase +\$25,000) and utilities (+\$23,000).

Water sales volumes for the first nine months of the current fiscal year are summarized in the table below. The total water sales volumes for the fiscal year to date are 1.7% above budget and are 7.7% higher than the sales for the same period in 2021/22.

Capital expenditures for the first nine months of the fiscal year totaled \$235,484 and were for the initial expenses for a multi-year project that will separate the two water storage tanks at Webster Station (\$130,000), the purchase of two trucks (\$56,000), the initial expenses for the replacement of two PRVs (\$26,000), the initial expenses for the replacement of water meters (\$8,000), the purchase of a new computer server (\$8,000) and the final expenses for the replacement of the 16" water main in 14 Mile Road (\$7,000).

As of April 5, 2023, 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 18.1% working capital as of March 31, 2022.

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

	2020/21	2021/22	2022/23	Over or Under 2021/22
Water Purchased for Resale	\$18.18	\$19.70	\$19.43	- 0.27
Operating Expenses	1.54	\$1.81	\$1.54	- 0.27
	\$19.72	\$21.51	\$20.97	- 0.54

Additional financial detail is attached.

COMPARATIVE STATEMENT

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

Revenues From the Sale of Water	+\$2,117,649	
Revenues From Other Sources	<u>+192,113</u>	
TOTAL REVENUES		+\$2,309,762
<u>Operating Expenses</u>		
Water Purchased for Resale	+\$1,095,670	
Other Operating Expenses	- <u>104,283</u>	
TOTAL EXPENDITURES		+ <u>\$991,387</u>
NET INCOME BEFORE DEPRECIATION		+\$1,318,375

The increase in revenue resulted from significantly higher water sales volumes. The increase in water purchases was due to the July 1, 2022 GLWA rate increase and higher water sales. The decrease in Operating expenses was due almost entirely to the incremental funding for the union defined benefit pension plans in the previous year. All other Operating expenses were basically unchanged.

The following is the record of SOCWA water sales for the period July 1, 2022 to March 31, 2023. The nine-month record shows a 7.7% increase in water sales during the current fiscal year compared with the same period of the previous fiscal year. The more normal weather last summer and fall increased our water sales for lawn sprinkling. Precipitation for the first nine months of the fiscal year was 45% lower than the previous year, see table below.

WATER CONSUMPTION – DAILY AVERAGE (MGD)						
JULY 1 THROUGH MARCH 31						
Month	18/19	19/20	20/21	21/22	22/23	Over or Under 21/22
July	43.59	36.06	44.53	30.79	39.81	+ 9.02
August	38.31	38.35	39.57	33.02	37.13	+ 4.11
September	31.95	30.00	31.16	29.77	34.10	+ 4.33
October	22.80	22.48	22.85	22.51	24.52	+ 2.91
November	20.54	20.21	19.78	20.68	21.00	+ 0.32
December	20.30	20.12	19.73	20.74	21.02	+ 0.28
January	21.31	20.23	19.83	22.36	20.76	- 1.60
February	22.39	20.31	20.84	22.24	20.78	- 1.46
March	21.45	19.83	20.16	20.63	20.37	- 0.26
Million Gals./Day	27.02	25.33	26.57	24.77	26.67	+ 1.90
Variance	-1.0%	-6.3%	+4.9%	-6.8%	+7.7%	

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

PRECIPITATION – INCHES					
Month	18/19	19/20	20/21	21/22	22/23
July	2.76	7.15	2.46	7.15	2.95
August	2.74	3.04	7.31	5.64	3.06
September	3.10	4.84	2.72	6.00	3.11
October	2.51	4.97	3.27	6.20	2.67
November	2.56	1.52	2.49	2.39	2.42
December	2.06	2.60	5.30	4.30	2.15
January	1.52	4.21	0.89	2.43	1.48
February	2.03	1.21	0.42	1.69	1.76
March	<u>1.96</u>	<u>3.41</u>	<u>2.34</u>	<u>2.52</u>	<u>1.63</u>
Total:	21.24	32.95	27.20	38.32	21.23

MAJOR PROJECTS

SOCWA WATER SALES

As discussed above, SOCWA water sales volumes for the first nine months of 2022/23 were slightly (1.7%) above budget but were significantly (7.7%) greater than the water sales for the first nine months of 2021/22. This was due to the more normal weather in the summer and fall of 2022 compared to the extremely wet summer and fall of 2021.

GLWA WATER RATES

In late February, the GLWA Board approved a rate increase of 7.3% for SOCWA for 2023/24. This was the fifth consecutive year for which the GLWA Board has approved rates in February or March, which is significantly earlier than in previous years. The primary reasons for the rate increase are an increase in GLWA's operations and maintenance expenses and reallocation of costs between GLWA customers that adversely affected SOCWA. At the beginning of 2023, SOCWA had recommended that the member communities prepare their budgets with a 4.0% SOCWA rate increase. The final SOCWA rates for 2023/24 will be set at the June Board 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 maintaining the excellent relationship between GLWA and its customers.

SOCWA Contract Reopener

GLWA held contract reopeners with all of their water customers during 2022. These reopeners, which occur every four years under the contract between SOCWA and GLWA, provide an opportunity to reset the contract values for Maximum Day and Peak Hour flows. After several meetings, SOCWA was unable to convince GLWA that lower contract values for SOCWA were appropriate. I appealed this decision to GLWA CEO Suzanne Coffey, and she provided SOCWA the opportunity to conduct an off cycle contract reopener during 2023. SOCWA staff has begun performing the engineering analysis that will be required to convince GLWA that lower contract volumes for SOCWA are appropriate.

GLWA Board of Directors

Mr. Freman Hendrix, one of the GLWA Directors representing Detroit, was elected Board Chair for 2023. Mr. Hendrix replaces Ms. Jaye Quadrozzi, the Director representing Oakland County, who was Board Chair for 2022. GLWA is using an annual rotation for Board Officers.

Highland Park

Highland Park continues to owe GLWA approximately \$12 million in unpaid water bills and \$44 million in unpaid sewer bills. Highland Park has been making regular payments to GLWA, but the

payments are not large enough to keep the unpaid balance from continuing to grow. GLWA is continuing to pursue collection of these unpaid amounts through a variety of legal actions in various court venues. GLWA has received several positive rulings in several of their legal actions. These have only resulted in a modest increase in payments from Highland Park. GLWA did not include any costs associated with Highland Park's unpaid water bills in their rates for 2023/24.

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.

LEAD WATER SERVICE REPLACEMENT CONTRACT

SOCWA has developed a contract for the replacement of lead water services that is being used by the member communities. These revenues and costs, which offset each other, are being reimbursed by the appropriate community and are being reported below the line in the attached financial information. The member communities with lead water services will need to replace 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.

WATER SERVICE VERIFICATION CONTRACT

SOCWA has also developed a contract for the service line verification work that is being used by the member communities. Each community is required to perform this work in order to meet the EGLE requirements. Having this contract available should help to reduce the cost of this required work.

WEBSTER WATER TANK SEPARATION PROJECT

We have begun working on a long-term project to separate the two large water storage tanks at Webster Station. This \$3.5 million project will result in increased operational flexibility and increase the resiliency of the SOCWA water storage system. We have hired HRC to do the engineering design work for this project. We applied for and received an infrastructure planning grant from Oakland County that will pay for half of the engineering costs of this project. We also applied for a low interest loan for this project from Michigan's Drinking Water State Revolving Fund. However, our project did not have high enough priority to be included in the 2023 program. Our project is being carried over for funding consideration in the 2024 program. We are working with HRC to develop a schedule for this project that allows the work to be completed during one winter period as the Webster Storage system is critical to our summer operations. It appears that the long lead times required to obtain large valves and fittings will control the scheduling of this project.

PENSION AND OPEB FUNDING

The Board has taken several steps in previous years to address the funding status of SOCWA's pension and OPEB plans. This has resulted in significant improvements in the funding levels of both plans. As of December 31, 2021, the combined pension plans were 106% funded. This is the first time in at least 20 years that the pension plans have been fully funded. As of June 30, 2022, the combined OPEB plans were 143.9% funded. MERS will complete their actuarial studies to determine the funding status of the

pension plans as of December 31, 2022 before June 2023 and we will complete the next OPEB actuarial study as of June 30, 2023 in August of 2023.

ANNUAL AUDIT

The audit report for the 2021/22 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 \$193,000 during the fiscal year due to lower water sales during the summer of 2021. The working capital continues to be maintained above the goal level established by the Board. The net position of SOCWA decreased by \$430,195 during the year.

The SOCWA Board approved a consulting contract with Plante Moran Government Accounting Professionals to assist SOCWA staff in preparing for the 2022/23 audit. We are starting to work on our fixed asset process, which has been a weakness in prior year's audits. Our goal is to have the SOCWA accounting staff fully prepared for the upcoming audit.

LEAD AND COPPER SAMPLING REQUIREMENTS

The SOCWA member communities will be conducting another round of lead and copper testing between June 1 and September 30, 2023. SOCWA will be working with the member communities to coordinate the sampling, the analysis of the samples and the reporting to EGLE.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT
07/01/22 -03/31/23

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	13,707,918.22	13,302,787.00	405,131.22
SALE OF WATER OTHERS	7,416,547.16	7,659,009.00	-242,461.84
TOTAL SALE OF WATER REVENUES	21,124,465.38	20,961,796.00	162,669.38
RENTALS	101,455.70	96,316.00	5,139.70
WATER ANALYSIS & MISC	46,513.83	7,000.00	39,513.83
INTEREST ON INVESTMENTS	88,014.68	23,000.00	65,014.68
GRANT REVENUE	76,541.54	0.00	76,541.54
TOTAL OTHER REVENUES	312,525.75	126,316.00	186,209.75
TOTAL REVENUES	21,436,991.13	21,088,112.00	348,879.13
LEAD SERVICE REPLACEMENT	2,296,347.29	1,000,000.00	1,296,347.29
EXPENSES			
PURCHASE OF WATER FOR RESALE	13,250,065.98	13,177,000.00	73,065.98
POWER, PUMPING & GROUNDS WEBSTER	418,482.94	434,834.25	-16,351.31
POWER, PUMPING & GROUNDS	171,928.96	247,872.12	-75,943.16
COMPUTER OPERATIONS	61,275.68	75,262.50	-13,986.82
PURIFICATION	100,340.52	104,467.41	-4,126.89
METERS & MAINS	161,212.21	168,997.25	-7,785.04
ADMINISTRATION & GENERAL	592,324.53	668,450.00	-76,125.47
WATER IN TRANSIT	5,724,187.56	5,772,000.00	-47,812.44
TOTAL EXPENSES	20,479,818.38	20,648,883.53	-169,065.15
LEAD SERVICE LINE REPLACEMENT	2,296,367.29	1,000,000.00	1,296,367.29
NET INCOME BEFORE DEPRECIATION	957,172.75	439,228.47	517,944.28

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/22 - 03/31/23

	Period Actual	Total Budget 2022-2023	Remaining Budget	% Received or Expended
REVENUES				
SALE OF WATER MEMBERS	13,707,918.22	17,585,999.00	-3,878,080.78	78%
SALE OF WATER OTHERS	7,416,547.16	10,056,200.00	-2,639,652.84	74%
TOTAL SALE OF WATER REVENUES	21,124,465.38	27,642,199.00	-6,517,733.62	76%
RENTALS	101,455.70	130,600.00	-29,144.30	78%
WATER ANALYSIS & MISC	46,513.83	10,000.00	36,513.83	465%
INTEREST ON INVESTMENTS	88,014.68	30,000.00	58,014.68	293%
GRANT REVENUE	76,541.54	0.00	76,541.54	0%
TOTAL OTHER REVENUES	312,525.75	170,600.00	141,925.75	
TOTAL REVENUES	21,436,991.13	27,812,799.00	-6,375,807.87	77%
LEAD SERVICE REPLACEMENT	2,296,347.29	1,500,000.00	796,347.29	153%
EXPENSES				
PURCHASE OF WATER FOR RESALE	13,250,065.98	25,154,337.00	-11,904,271.02	53%
POWER, PUMPING & GROUNDS WEBSTER	418,482.94	574,145.00	-155,662.06	73%
POWER, PUMPING & GROUNDS	171,928.96	328,020.00	-156,091.04	52%
COMPUTER OPERATIONS	61,275.68	100,350.00	-39,074.32	61%
PURIFICATION	100,340.52	139,290.00	-38,949.48	72%
METERS & MAINS	161,212.21	225,235.00	-64,022.79	72%
ADMINISTRATION & GENERAL	592,324.53	828,000.00	-235,675.47	72%
WATER IN TRANSIT	5,724,187.56	0.00	5,724,187.56	0%
TOTAL EXPENSES	20,479,818.38	27,349,377.00	-6,869,558.62	75%
LEAD SERVICE LINE REPLACEMENT	2,296,367.29	1,500,000.00	796,367.29	153%
NET INCOME BEFORE DEPRECIATION	957,172.75	463,422.00	493,750.75	207%
DEPRECIATION	481,073.25			
NET INCOME	476,099.50			

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/22 - 03/31/23

	Period Actual 2022/2023	Period Actual 2021/2022	Over/Under
REVENUES			
SALE OF WATER	13,707,918.22	12,796,247.03	911,671.19
SALE OF WATER OTHERS	7,416,547.16	6,210,569.66	1,205,977.50
TOTAL SALE OF WATER REVENUES	21,124,465.38	19,006,816.69	2,117,648.69
RENTALS	101,455.70	101,478.71	-23.01
WATER ANALYSIS-LAB & MISC	46,513.83	131.00	46,382.83
INTEREST ON INVESTMENTS	88,014.68	18,802.58	69,212.10
GRANT REVENUE	76,541.54	0.00	76,541.54
TOTAL OTHER REVENUES	312,525.75	120,412.29	192,113.46
TOTAL REVENUES	21,436,991.13	19,127,228.98	2,309,762.15
LEAD SERVICE LINE REPLACEMENT	2,296,347.29	1,845,796.52	450,550.77
EXPENSES			
WATER PURCHASED FOR RESALE	13,250,065.98	12,234,054.65	1,016,011.33
WATER PURCHASE IN TRANSIT	5,724,187.56	5,644,528.51	79,659.05
OPERATING EXPENSES	1,505,564.84	1,609,847.88	-104,283.04
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	20,479,818.38	19,488,431.04	991,387.34
LEAD SERVICE LINE REPLACEMENT	2,296,367.29	1,845,796.52	450,570.77
NET INCOME BEFORE DEPRECIATION	957,172.75	-361,202.06	1,318,374.81
DEPRECIATION	481,073.25	482,500.29	-1,427.04
NET INCOME	476,099.50	-843,702.35	1,319,801.85

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES
07/01/22 - 03/31/23

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
MEMBERS		
BERKLEY	35,640.38	655,596.95
BEVERLY HILLS	31,059.00	568,480.86
BINGHAM FARMS	8,273.60	151,227.34
BIRMINGHAM	88,775.20	1,629,189.81
CLAWSON	26,869.20	487,148.57
HUNTINGTON WOODS	17,056.51	314,478.64
LATHRUP VILLAGE	11,343.28	218,604.85
PLEASANT RIDGE	8,058.40	148,774.94
ROYAL OAK	205,785.69	3,730,638.26
SOUTHFIELD	305,951.56	5,618,204.87
DETROIT ZOO & RACKHAM	9,957.26	185,573.14
MEMBERS TOTAL	748,770.08	13,707,918.23
NON MEMBERS		
BLOOMFIELD HILLS	43,312.28	1,403,453.49
BLOOMFIELD TOWNSHIP	184,718.38	6,013,093.70
NON MEMBERS TOTAL	228,030.66	7,416,547.19
GRAND TOTAL	976,800.74	21,124,465.42

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT WITH AVERAGE PER CUBIC FOOT
07/01/22 - 03/31/23

	Period Actual	2022/2023 Average Per 1,000 cubic feet	2021/2022 Average Per 1,000 cubic feet
REVENUES			
SALE OF WATER	13,707,918.22	18.3072	17.9076
SALE OF WATER OTHERS	7,416,547.16	32.5243	32.2036
TOTAL SALE OF WATER REVENUES	21,124,465.38	21.6262	29.4224
RENTALS	101,455.70	0.1039	0.1118
WATER ANALYSIS-LAB & MISC	46,513.83	0.0476	0.0001
INTEREST ON INVESTMENTS	88,014.68	0.0901	0.0207
GRANT REVENUE	76,541.54	0.0784	0.00
TOTAL OTHER REVENUES	312,525.75	0.3199	0.1327
TOTAL REVENUES	21,436,991.13	21.9461	21.0786
EXPENSES			
WATER PURCHASED FOR RESALE	13,250,065.98	13.5648	13.4822
POWER, PUMPING & GROUNDS WEBSTER	418,482.94	0.4284	0.4588
POWER , PUMPING & GROUNDS	171,928.96	0.1760	0.1546
COMPUTER OPERATIONS	61,275.68	0.0627	0.0721
PURIFICATION	100,340.52	0.1027	0.1020
METERS & MAINS	161,212.21	0.1650	0.2080
ADMINISTRATIVE & GENERAL	592,324.53	0.6064	0.8118
WATER IN TRANSIT	5,724,187.56	5.8601	6.2204
TOTAL EXPENSES	20,479,818.38	20.9662	21.5100
NET INCOME BEFORE DEPRECIATION	957,172.75		
DEPRECIATION	481,073.25		
NET INCOME	476,099.50		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
CAPITAL EXPENSES
07/01/22 - 03/31/23

Fixed Asset Expenditures

2 Vehicles - Ford Escape	55,942.00
Computer Server	7,931.74
Water Meter Replacement	8,465.69
Webster Tank Separation Project	130,248.64
14 Mile Road Water Main Rehaulitaton	6,658.87
13 Mile & Southfield PRV	26,236.98
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Total Expenditures	235,483.92