



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

QUARTERLY REPORT January 2024

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Jeff McKeen	General Manager
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January 2024

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - January 2024

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 2023/24. 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 2023/24 was \$125,154, which was \$1,077,108 less than budgeted. This was a very large decrease from the net income of \$1,765,101 for the first six months of 2022/23.

	Actual	Compared to Budget
Revenue	\$14,633,887	- \$2,125,550
Expenses	\$14,508,733	- \$1,048,442
Net Income (before depreciation)	\$ 125,154	- \$1,077,108

SOCWA's working capital was 20.3% as of December 30, 2023. This is higher than the 8.3% working capital goal approved by the Board and a decrease from the 23.6% working capital as of December 29, 2022.

The decrease in revenue was primarily due to lower than planned water sales to the member communities (-\$1,132,000) and to Bloomfield Hills and Bloomfield Twp. (-\$1,256,000) which were partially offset by higher than planned miscellaneous revenue (+\$186,000) and interest income (+\$84,000). Water sales volumes for the six-month period were 14.6% lower than the actual water sales volumes for the same period in 2022/23 and were 14.7% lower than budgeted.

The decrease in expenses was due largely to lower than planned costs for water purchased (-\$954,000), utilities (-\$29,000), supplies (-\$28,000), Miss Dig (-\$22,000, which are largely a matter of timing), non-labor Administrative & General (-\$21,000), maintenance (-\$20,000) and labor (-9,000) which were partially offset by higher regulatory water testing costs (+\$35,000).

Capital expenditures for the first six months of the fiscal year totaled \$133,048 and were for purchase of two vehicles (\$68,000) and for the initial expenses for the replacement of two pressure reducing valves (\$62,000).

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.

	2021/22	2022/23	2023/24	Over or Under 2022/23
Total Sales (MCF)	645,997	728,574	622,172	-106,402
Water Sales	\$20.99	\$21.70	\$22.87	+1.17
Other Income	<u>0.12</u>	<u>0.16</u>	<u>0.65</u>	+0.49
Total Income	\$21.11	\$21.86	23.52	+\$1.66
Water Purchased for Resale	18.94	18.19	21.48	+3.29
Operating Expenses	<u>1.86</u>	<u>1.42</u>	<u>1.84</u>	+0.42
Total Operating Expenses	\$20.80	\$19.60	\$23.32	+\$3.71
Available for Improvements	\$0.31	\$2.26	\$0.20	-\$2.06

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	- \$1,580,048	
Revenues From Other Sources	+ <u>166,201</u>	
TOTAL REVENUES		- \$ <u>1,413,847</u>
<u>Operating Expenses</u>		
Water Purchased for Resale	+ \$114,436	
Other Operating Expenses	+ <u>111,664</u>	
TOTAL EXPENDITURES		+ \$ <u>226,100</u>
NET INCOME BEFORE DEPRECIATION		- \$1,639,947

The table on the next page is the record of SOCWA water sales volumes for the period July 1 through December 31. The six-month record shows a very large decrease in water sales volume of 14.6% during the current fiscal year compared with the same period of the previous fiscal year. Water sales volumes were also 14.6% below budget for the period. Precipitation was much higher than normal for July and August. Water sales were lower than the previous year for all six months of the period.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH DECEMBER 31						
Month	2019	2020	2021	2022	2023	Over or Under 2022
July	36.08	44.53	30.79	39.81	33.77	-6.04
August	38.35	39.57	33.02	37.13	31.19	-5.94
September	30.00	31.16	29.77	34.10	28.27	-5.83
October	22.48	22.88	22.51	24.52	21.26	-3.26
November	20.21	19.78	20.68	21.00	18.69	-2.31
December	20.12	19.73	20.74	21.02	18.46	-2.56
Average	27.90	29.65	26.26	29.62	25.29	-4.33
Variance	-5.8%	+6.3%	-11.4%	+12.8%	-14.6%	

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

PRECIPITATION – INCHES					
Month	2019	2020	2021	2022	2023
July	7.15	2.46	7.15	3.06	4.25
August	3.04	7.31	5.64	4.93	5.47
September	4.84	2.72	6.00	1.89	1.42
October	4.97	3.27	6.20	0.53	3.14
November	1.52	2.49	2.39	1.28	1.19
December	<u>2.60</u>	<u>5.30</u>	<u>2.13</u>	<u>2.60</u>	<u>3.40</u>
Total:	24.12	23.55	30.15	14.29	18.87

MAJOR PROJECTS

GLWA WATER RATES

GLWA will be announcing the rates for 2024/25 in January. GLWA is budgeting water sales for 2024/25 that will be lower than the 2023/24 budget which may make the expected rate increase from GLWA greater than in previous years. SOCWA water rate estimates for 2024/25 will be provided to the SOCWA Board at their February 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. Brian Baker, the GLWA Director representing Macomb County, was elected Board Chair for 2024. Mr. Baker replaces Mr. Freman Hendrix, one of the GLWA Directors representing Detroit, who was Board Chair for 2023. GLWA is using an annual rotation for Board Officers.

Highland Park

A settlement has been reached between GLWA, Highland Park and the State of Michigan that resolves the various court actions over Highland Park's unpaid water and sewer bills. As of June 30, 2023, Highland Park owed over \$54 million in unpaid bills for water service (\$12.1 million) and sewer service (\$42.2 million). As part of this settlement, Highland Park will be using a third party to set their water and sewer rates and all water and sewer revenue will be deposited into a trust account which will pay GLWA's bills before any remaining funds are provided to Highland Park. The State of Michigan will be providing \$25 million to GLWA for sewer infrastructure projects and \$5 million for water infrastructure projects. GLWA has determined that they will use a portion of this money to make refunds to their customers that have seen increased costs due to Highland Park not paying their GLWA bills. The refunds will be made after all the settlement details have been resolved. SOCWA will receive a refund of \$327,000. GLWA will be making larger refunds to their sewer customers. The SOCWA Board determined that this refund will be passed along to the member communities based on historic water consumption. These refunds will probably not be made until the 2024/25 fiscal year.

GLWA will not be including any costs associated with Highland Park's unpaid water bills in their rates for 2024/25.

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.

SUMMER 2023 OPERATIONS

The summer of 2023 was very poor for water sales. The consistently rainy weather greatly reduced the amount of water sold for outdoor irrigation. SOCWA water sales volumes for the first half of the year decreased by 14.6% from last year. Our maximum day occurred on June 2 when we purchased 46.22 million gallons from GLWA. This was only 0.2% lower than the maximum day for 2022 and was 24% below our GLWA contract limit. The weather deteriorated after early June, and we had only 3 days with water sales over 40 million gallons during the summer of 2023 compared with 28 days with water sales over 40 million gallons during the summer of 2022. SOCWA water sales were significantly below budget for every month of the first half of the year.

WEBSTER WATER TANK SEPARATION PROJECT

We have begun working on a project to separate the two large water storage tanks at Webster Station. This \$4 million project will result in increased operational flexibility and increase the resiliency of the SOCWA water storage system. The engineering design work for this project has been completed. We applied for and received an infrastructure planning grant from Oakland County that paid for a portion 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 or 2024 programs.

The first phase of this project, the installation of a 36" isolation valve at Webster Station, will take place in early 2024. We are currently revisiting the construction schedule for the remainder of this project.

WATER SERVICE REPLACEMENT AND VERIFICATION CONTRACTS

SOCWA has a contract in place that can be used by the member communities for the replacement of lead water services. 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 all the member communities has helped reduce the cost of performing this required work. Several communities have begun to use the services of the lead service line replacement contractor.

SOCWA also has a contract in place that can be used by the member communities to verify water service line material type. The State of Michigan is requiring each community to verify the material type of a random sample of about 20% of the water service lines in the community. Several communities have begun to use the services of the service line verification contractor.

ANNUAL AUDIT

The audit report for the 2022/23 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 \$1.3 million in the fiscal year due to increased water sales. Working capital continues to be maintained above the goal level established by the Board. The net position of SOCWA increased by \$945,313 during the year.

Audit standards require SOCWA to conduct an annual actuarial valuation of our liability for Other Post Employment Benefits (OPEB or retiree health insurance). We performed this year's valuation using a tool provided by Milliman, which was significantly less expensive and much quicker than having the analysis performed by our prior actuarial firm. The valuation as of June 30, 2023 showed that the OPEB plan for salaried employees was 186.0% funded and the OPEB plan for Union employees was 137.0% funded. We are now using the OPEB trust funds to pay for all of our retiree health insurance expenses.

NEW GENERAL MANAGER

I will be retiring as the General Manager of SOCWA and SOCRRA during the second quarter of 2024 after more than 22 years of service. In preparation for my retirement, the SOCWA and SOCRRA Boards conducted a detailed interview process that resulted in the selection of Eric Griffin as the new General Manager of SOCWA and SOCRRA. Eric is starting as General Manager on February 12, 2024. I will be continuing to work with Eric for a couple of months to ensure a smooth transition. Eric is an engineer that has been working for GLWA and DWSD for over 10 years. He worked closely with SOCWA staff on SCADA and metering issues, so he is familiar with the SOCWA water system.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT
07/01/23 -12/31/23

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	9,071,416.00	10,203,754.00	(1,132,338.00)
SALE OF WATER OTHERS	5,156,064.77	6,412,312.00	(1,256,247.23)
TOTAL SALE OF WATER REVENUES	14,227,480.77	16,616,066.00	(2,388,585.23)
RENTALS	59,274.04	63,370.60	(4,096.56)
WATER ANALYSIS & MISC	670.00	3,000.00	(2,330.00)
INTEREST ON INVESTMENTS	158,552.41	75,000.00	83,552.41
MISCELLANEOUS REVENUES	187,909.73	2,000.00	185,909.73
TOTAL OTHER REVENUES	406,406.18	143,370.60	263,035.58
TOTAL REVENUES	14,633,886.95	16,759,436.60	(2,125,549.65)
LEAD SERVICE REPLACEMENT	525,326.75	1,350,000.00	(824,673.25)
EXPENSES			
PURCHASE OF WATER FOR RESALE	7,285,449.13	8,019,000.00	(733,550.87)
POWER, PUMPING & GROUNDS WEBSTER	285,251.81	305,770.04	(20,518.23)
POWER, PUMPING & GROUNDS	97,834.26	158,442.08	(60,607.82)
COMPUTER OPERATIONS	50,712.81	51,999.65	(1,286.84)
PURIFICATION	98,160.92	77,262.48	20,898.44
METERS & MAINS	119,521.57	131,400.88	(11,879.31)
ADMINISTRATION & GENERAL	492,888.36	514,300.00	(21,411.64)
WATER IN TRANSIT	6,078,914.18	6,299,000.00	(220,085.82)
TOTAL EXPENSES	14,508,733.04	15,557,175.13	(1,048,442.09)
LEAD SERVICE LINE REPLACEMENT	525,516.01	1,350,000.00	(824,483.99)
NET INCOME BEFORE DEPRECIATION	125,153.91	1,202,261.47	(1,077,107.56)
DEPRECIATION	317,512.00		
NET INCOME	(192,358.09)		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/23 - 12/31/23

	Period Actual	Total Budget 2023-2024	Remaining Budget	% Received or Expended
REVENUES				
SALE OF WATER MEMBERS	9,071,416.00	19,015,100.00	(9,943,684.00)	48%
SALE OF WATER OTHERS	5,156,064.77	10,686,200.00	(5,530,135.23)	48%
TOTAL SALE OF WATER REVENUES	14,227,480.77	29,701,300.00	(15,473,819.23)	48%
RENTALS	59,274.04	130,999.90	(71,725.86)	45%
WATER ANALYSIS & MISC	670.00	10,000.00	(9,330.00)	7%
INTEREST ON INVESTMENTS	158,552.41	150,000.00	8,552.41	106%
MISCELLANEOUS REVENUES	187,909.73	2,000.00	185,909.73	9395%
TOTAL OTHER REVENUES	406,406.18	292,999.90	113,406.28	
TOTAL REVENUES	14,633,886.95	29,994,299.90	(15,360,412.95)	49%
LEAD SERVICE REPLACEMENT	525,326.75	2,500,000.00	(1,974,673.25)	21%
EXPENSES				
PURCHASE OF WATER FOR RESALE	7,285,449.13	27,357,000.00	(20,071,550.87)	27%
POWER, PUMPING & GROUNDS WEBSTER	285,251.81	595,500.08	(310,248.27)	48%
POWER, PUMPING & GROUNDS	97,834.26	314,240.16	(216,405.90)	31%
COMPUTER OPERATIONS	50,712.81	103,499.63	(52,786.82)	49%
PURIFICATION	98,160.92	154,524.96	(56,364.04)	64%
METERS & MAINS	119,521.57	263,049.76	(143,528.19)	45%
ADMINISTRATION & GENERAL	492,888.36	830,300.00	(337,411.64)	59%
WATER IN TRANSIT	6,078,914.18	0.00	6,078,914.18	0%
TOTAL EXPENSES	14,508,733.04	29,618,114.59	(15,109,381.55)	49%
LEAD SERVICE LINE REPLACEMENT	525,516.01	2,500,000.00	(1,974,483.99)	21%
NET INCOME BEFORE DEPRECIATION	125,153.91	376,185.31	(251,031.40)	33%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/23 - 12/31/23

	Period Actual 2023-2024	Period Actual 2022-2023	Over/Under
REVENUES			
SALE OF WATER	9,071,416.00	9,838,319.70	(766,903.70)
SALE OF WATER OTHERS	5,156,064.77	5,969,209.20	(813,144.43)
TOTAL SALE OF WATER REVENUES	14,227,480.77	15,807,528.90	(1,580,048.13)
RENTALS	59,274.04	64,270.20	(4,996.16)
WATER ANALYSIS-LAB & MISC	670.00	730.00	(60.00)
INTEREST ON INVESTMENTS	158,552.41	53,668.40	104,884.01
MISCELLANEOUS REVENUES	187,909.73	121,536.43	66,373.30
TOTAL OTHER REVENUES	406,406.18	240,205.03	166,201.15
TOTAL REVENUES	14,633,886.95	16,047,733.93	(1,413,846.98)
LEAD SERVICE LINE REPLACEMENT	525,326.75	1,929,068.89	(1,403,742.14)
EXPENSES			
WATER PURCHASED FOR RESALE	7,285,449.13	7,358,750.64	(73,301.51)
WATER PURCHASE IN TRANSIT	6,078,914.18	5,891,175.88	187,738.30
OPERATING EXPENSES	1,144,369.73	1,032,706.18	111,663.55
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	14,508,733.04	14,282,632.70	226,100.34
LEAD SERVICE LINE REPLACEMENT	525,516.01	1,932,238.89	(1,406,722.88)
NET INCOME BEFORE DEPRECIATION	125,153.91	1,765,101.23	(1,639,947.32)
DEPRECIATION	317,512.00	320,715.50	(3,203.50)
NET INCOME	(192,358.09)	1,444,385.73	(1,636,743.82)

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES
07/01/23 - 12/31/23

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
MEMBERS		
BERKLEY	23,681.68	455,535.18
BEVERLY HILLS	19,909.70	383,085.58
BINGHAM FARMS	5,601.10	107,060.71
BIRMINGHAM	61,769.28	1,178,353.04
CLAWSON	17,512.56	334,551.21
HUNTINGTON WOODS	10,832.02	209,257.63
LATHRUP VILLAGE	6,675.09	135,356.78
PLEASANT RIDGE	5,466.20	105,017.54
ROYAL OAK	115,753.89	2,241,312.71
SOUTHFIELD	195,948.22	3,774,658.89
DETROIT ZOO & RACKHAM	7,340.19	140,985.91
MEMBERS TOTAL	470,489.93	9,065,175.18
NON MEMBERS		
BLOOMFIELD HILLS	30,537.23	1,028,793.90
BLOOMFIELD TOWNSHIP	121,144.84	4,125,311.67
NON MEMBERS TOTAL	151,682.07	5,154,105.57
GRAND TOTAL	622,172.00	14,219,280.75

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT WITH AVERAGE PER CUBIC FOOT
07/01/23 - 12/31/23

	Period Actual	2023/2024 Average Per 1,000 cubic feet	2022/2023 Average Per 1,000 cubic feet
REVENUES			
SALE OF WATER	9,071,416.00	19.2808	18.1692
SALE OF WATER OTHERS	5,156,064.77	33.9926	31.9055
TOTAL SALE OF WATER REVENUES	14,227,480.77	22.8674	21.6965
RENTALS	59,274.04	0.0953	0.0882
WATER ANALYSIS-LAB & MISC	670.00	0.0011	0.0010
INTEREST ON INVESTMENTS	158,552.41	0.2548	0.0726
MISCELLANEOUS REVENUES	187,909.73	0.3020	0.1668
TOTAL OTHER REVENUES	406,406.18	0.6532	0.1618
TOTAL REVENUES	14,633,886.95	23.5206	21.8584
EXPENSES			
WATER PURCHASED FOR RESALE	7,285,449.13	11.7097	10.1002
POWER, PUMPING & GROUNDS WEBSTER	285,251.81	0.4585	0.4062
POWER , PUMPING & GROUNDS	97,834.26	0.1572	0.1658
COMPUTER OPERATIONS	50,712.81	0.0815	0.0610
PURIFICATION	98,160.92	0.1578	0.1082
METERS & MAINS	119,521.57	0.1921	0.1104
ADMINISTRATIVE & GENERAL	492,888.36	0.7922	0.5657
WATER IN TRANSIT	6,078,914.18	9.7705	8.0859
TOTAL EXPENSES	14,508,733.04	23.3195	19.6033
NET INCOME BEFORE DEPRECIATION	125,153.91		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
CAPITAL EXPENSES
07/01/23 - 12/31/23

Fixed Asset Expenditures

2023 Ford F150 Pick Up #1	32,213.00
12 Mile Meter Station (PRV)	30,204.00
2023 Ford F150 Pick Up #2	36,080.00
11 & Franklin (16" Valve)	31,810.00
11 & Greenfield (2-8" Valves & Handwheels)	2,655.92
Tank Separation (Engineering)	84.83

Total Expenditures 133,047.75