



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

QUARTERLY REPORT October 2023

BOARD OF TRUSTEES	
Representative	Municipality
Shawn Young	City of Berkley
Jeff Campbell	Village of Beverly Hills
Kurt Jones	Village of Bingham Farms
Melissa Coatta	City of Birmingham
Trevor Zablocki	City of Clawson
Rocco Fortura	City of Huntington Woods
Karen Miller	City of Lathrup Village
Jim Breuckman	City of Pleasant Ridge
Aaron Filipski	City of Royal Oak
Pat Ryan	City of Southfield
Jeff Campbell	Township of Southfield

OFFICERS	
Chair:	Jim Breuckman
Vice Chairman:	Kurt Jones
Secretary:	Rocco Fortura
Advisory Committee:	Breuckman, Jones, Fortura, Filipski

Jeff McKeen	General Manager
Bob Jackovich	Operations Manager

Board of Trustees
 Southeastern Oakland County Water Authority

Subject: Quarterly Report - October 2023

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 2023/24. 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 12, 2023, and members were elected to serve as Officers for the fiscal year beginning July 2023. The current Officers are:

Chairman: J. Breuckman
 Vice Chairman: K. Jones
 Secretary: R. Fortura

Representatives on the Board are entitled to one vote for each 200 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 2023 is as follows:

Municipality	Votes
Berkley	2
Beverly Hills	2
Bingham Farms	1
Birmingham	5
Clawson	1
Huntington Woods	1
Lathrup Village	1
Pleasant Ridge	1
Royal Oak	10
Southfield	15
Southfield Township	<u>1</u>
Total:	40

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 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 2023/24 was \$996,904. This was \$1,029,300 lower than budgeted and is substantially lower than the net income of \$2,220,562 for the first 3 months of 2022/23.

	Actual	Compared to Budget
Revenue	\$8,834,342	- \$1,864,376
Expenses	\$7,837,438	- \$ 835,076
Net Income (before depreciation)	\$ 996,904	- \$1,029,300

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 our water sales revenue. Our GLWA water bills will be higher than our water sales revenue 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 almost completely due to lower than planned water sales (-\$1,885,000). Expenses were lower than planned due to lower expenses for water purchases (-\$734,000), labor (-\$37,000), utilities (-\$26,000), non-labor Administrative & General (-\$12,000), miscellaneous expenses (-\$12,000), maintenance (-\$8,000) and supplies (-\$7,000).

Water sales volumes for the first 3 months of the fiscal year were 17.6% lower than budgeted and were 16.0% lower than the previous year. The water sales volumes for the first 3 months are summarized in the table below. Water sales were significantly lower than last year due to the cool, rainy weather during the quarter.

WATER SALES – DAILY AVERAGE (MGD)

Month	2019	2020	2021	2022	2023	Over or Under 2022
July	36.06	44.53	30.75	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
Million Gals./Day	34.85	38.50	31.20	37.05	31.11	- 5.94
Variance	+10.5%	-19.0%	+18.8%	-16.0%		

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
Total:	15.03	12.49	18.79	9.88	11.14

SOCWA incurred capital expenditures of \$98,497 in the first quarter of the year for the purchase of two vehicles (\$68,000) and the purchase of a pressure reducing valve (\$30,000).

Additional financial detail is attached.

MAJOR PROJECTS

GLWA RATE INCREASE

GLWA increased their water sales rate to SOCWA by 7.3% as of July 1, 2023. This increase was lower than projected because the GLWA Board removed the costs associated with Highland Park not paying their water bills from the final GLWA rates. SOCWA increased our water sales rate to the member communities by 4.35% as of July 1, 2023. SOCWA was able to absorb some of the GLWA rate increase due to operational efficiencies on the SOCWA system. SOCWA also passed along to the member and customer communities the decrease in GLWA rates that resulted from the removal of the Highland Park unpaid bills from the final GLWA rates.

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 for the first quarter decreased by 16.0% 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.

GREAT LAKES WATER AUTHORITY (GLWA) ISSUES

GLWA became operational on January 1, 2016. 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.

2024/25 Water Rates

The process that will result in the rates from GLWA for 2024/25 has begun. A series of meetings are being held this fall to communicate rate information. Our proposed 2024/25 rates will be delivered by GLWA in late January 2024. 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 2024 Board meeting.

GLWA Customer Outreach Program

GLWA is continuing to utilize 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 nine 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 good relationship between GLWA and its customers.

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 is evaluating whether they will be able to 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.

Highland Park made an incremental \$1 million payment to GLWA during the summer of 2023 under court order. GLWA refunded this amount to their water and sewer customers based on the amount of money that had been included in previous rates for Highland Park's unpaid bills. Since Highland Park's sewer bills are much larger than their water bills, only 12% of that \$1 million was credited to water customers. SOCWA's share was only \$8,200. That amount is being refunded to SOCWA's customers on their bill for October water service based on their water usage during the 2022/23 fiscal 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. We are currently revisiting the construction schedule for this project.

WATER SERVICE REPLACEMENT AND VERIFICATION CONTRACTS

SOCWA has contracts in place that can be used by the member communities for the replacement of lead water services and for verifying the material type for service lines of unknown material type. 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 could help to 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.

PENSION FUNDING

MERS completed their annual actuarial analysis of SOCWA's pension plans. The combined union and salaried pension plans were 102% funded as of December 31, 2022. This is a slight decrease from the 106% funded as of December 31, 2021. The funding levels were 98% for the union defined benefit (DB) plan, 107% for the salaried DB plan, 97% for the salaried hybrid plan and 93% for the union hybrid plan. SOCWA has contributed substantially above the actuarially required amounts to both the salaried DB and union DB plan for several years in order to eliminate the unfunded liabilities for the plans.

ANNUAL AUDIT

Representatives of Plante & Moran conducted their annual audit in our offices during September. We are awaiting their audit report. The final audit will be reviewed with the SOCWA Audit Committee during October 2022 and will be reviewed by the SOCWA Board at their November 8, 2023 meeting.

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.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT
07/01/23 -09/30/23

	Period Actual	Period Budget	Variance
REVENUES			
SALE OF WATER MEMBERS	5,238,783.05	6,041,377.00	-802,593.95
SALE OF WATER OTHERS	3,515,279.67	4,598,156.00	-1,082,876.33
TOTAL SALE OF WATER REVENUES	8,754,062.72	10,639,533.00	-1,885,470.28
RENTALS	15,002.76	19,185.30	-4,182.54
WATER ANALYSIS & MISC	317.83	2,500.00	-2,182.17
INTEREST ON INVESTMENTS	64,958.87	37,500.00	27,458.87
GRANT REVENUE	0.00	0.00	0.00
TOTAL OTHER REVENUES	80,279.46	59,185.30	21,094.16
TOTAL REVENUES	8,834,342.18	10,698,718.30	-1,864,376.12
LEAD SERVICE REPLACEMENT	73,299.60	750,000.00	-676,700.40
EXPENSES			
PURCHASE OF WATER FOR RESALE	0.00	0.00	0.00
POWER, PUMPING & GROUNDS WEBSTER	118,771.17	162,125.02	-43,353.85
POWER, PUMPING & GROUNDS	39,046.06	82,718.54	-43,672.48
COMPUTER OPERATIONS	25,796.79	26,249.66	-452.87
PURIFICATION	32,452.75	38,631.24	-6,178.49
METERS & MAINS	68,477.76	65,689.94	2,787.82
ADMINISTRATION & GENERAL	267,445.02	278,100.00	-10,654.98
WATER IN TRANSIT	7,285,448.83	8,019,000.00	-733,551.17
TOTAL EXPENSES	7,837,438.38	8,672,514.40	-835,076.02
LEAD SERVICE LINE REPLACEMENT	73,298.60	750,000.00	-676,701.40
NET INCOME BEFORE DEPRECIATION	996,903.80	2,026,203.90	-1,029,300.10

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES COMPARED WITH TOTAL BUDGET
07/01/23 - 09/30/23

	Period Actual	Total Budget 2023-2024	Remaining Budget	% Received or Expended
REVENUES				
SALE OF WATER MEMBERS	5,238,783.05	19,015,100.00	-13,776,316.95	28%
SALE OF WATER OTHERS	3,515,279.67	10,686,200.00	-7,170,920.33	33%
TOTAL SALE OF WATER REVENUES	8,754,062.72	29,701,300.00	-20,947,237.28	29%
RENTALS	15,002.76	130,999.90	-115,997.14	11%
WATER ANALYSIS & MISC	317.83	10,000.00	-9,682.17	3%
INTEREST ON INVESTMENTS	64,958.87	150,000.00	-85,041.13	43%
GRANT REVENUE	0.00	0.00	0.00	
TOTAL OTHER REVENUES	80,279.46	290,999.90	-210,720.44	
TOTAL REVENUES	8,834,342.18	29,992,299.90	-21,157,957.72	29%
LEAD SERVICE REPLACEMENT	73,299.60	2,500,000.00	-2,426,700.40	3%
EXPENSES				
PURCHASE OF WATER FOR RESALE	0.00	27,357,000.00	-27,357,000.00	0%
POWER, PUMPING & GROUNDS WEBSTER	118,771.17	595,500.08	-476,728.91	20%
POWER, PUMPING & GROUNDS	39,046.06	314,240.16	-275,194.10	12%
COMPUTER OPERATIONS	25,796.79	103,499.63	-77,702.84	25%
PURIFICATION	32,452.75	154,524.96	-122,072.21	21%
METERS & MAINS	68,477.76	263,049.76	-194,572.00	26%
ADMINISTRATION & GENERAL	267,445.02	830,300.00	-562,854.98	32%
WATER IN TRANSIT	7,285,448.83	0.00	7,285,448.83	0%
TOTAL EXPENSES	7,837,438.38	29,618,114.59	-21,780,676.21	26%
LEAD SERVICE LINE REPLACEMENT	73,298.60	2,500,000.00	-2,426,701.40	3%
NET INCOME BEFORE DEPRECIATION	996,903.80	374,185.31	622,718.49	266%
DEPRECIATION	158,756.00			
NET INCOME	838,147.80			

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT
07/01/23 - 09/30/23

	Period Actual 2023/2024	Period Actual 2022/2023	Over/Under
REVENUES			
SALE OF WATER	5,238,783.05	5,720,530.61	-481,747.56
SALE OF WATER OTHERS	3,515,279.67	4,238,708.28	-723,428.61
TOTAL SALE OF WATER REVENUES	8,754,062.72	9,959,238.89	-1,205,176.17
RENTALS	15,002.76	20,084.90	-5,082.14
WATER ANALYSIS-LAB & MISC	317.83	530.03	-212.20
INTEREST ON INVESTMENTS	64,958.87	14,873.96	50,084.91
GRANT REVENUE	0.00	0.00	0.00
TOTAL OTHER REVENUES	80,279.46	35,488.89	44,790.57
TOTAL REVENUES	8,834,342.18	9,994,727.78	-1,160,385.60
LEAD SERVICE LINE REPLACEMENT	73,299.60	563,556.42	-490,256.82
EXPENSES			
WATER PURCHASED FOR RESALE	0.00	0.00	0.00
WATER PURCHASE IN TRANSIT	7,285,448.83	7,307,272.70	-21,823.87
OPERATING EXPENSES	551,989.55	466,892.93	85,096.62
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	7,837,438.38	7,774,165.63	63,272.75
LEAD SERVICE LINE REPLACEMENT	73,298.60	563,576.42	-490,277.82
NET INCOME BEFORE DEPRECIATION	996,903.80	2,220,562.15	-1,223,658.35
DEPRECIATION	158,756.00	160,357.75	-1,601.75
NET INCOME	838,147.80	2,060,204.40	-1,222,056.60

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES
07/01/23 - 09/30/23

MUNICIPALITY	WATER CONSUMPTION CUBIC FEET	TOTAL WATER CHARGES
MEMBERS		
BERKLEY	12,665.75	242,154.81
BEVERLY HILLS	12,472.80	235,134.53
BINGHAM FARMS	3,858.20	71,821.53
BIRMINGHAM	38,995.42	729,544.88
CLAWSON	9,444.77	179,270.70
HUNTINGTON WOODS	6,550.52	124,281.94
LATHRUP VILLAGE	3,858.21	76,711.67
PLEASANT RIDGE	3,540.70	66,482.48
ROYAL OAK	67,764.32	1,292,171.11
SOUTHFIELD	112,029.04	2,131,177.30
DETROIT ZOO & RACKHAM	4,799.60	90,032.10
MEMBERS TOTAL	275,979.33	5,238,783.05
NON MEMBERS		
BLOOMFIELD HILLS	22,179.87	725,170.58
BLOOMFIELD TOWNSHIP	84,420.84	2,790,109.09
NON MEMBERS TOTAL	106,600.71	3,515,279.67
GRAND TOTAL	382,580.04	8,754,062.72

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
INCOME STATEMENT WITH AVERAGE PER CUBIC FOOT
07/01/23 - 09/30/23

	Period Actual	2023-2024 Average Per 1,000 cubic feet	2022-2023 Average Per 1,000 cubic feet
REVENUES			
SALE OF WATER	5,238,783.05	18.9825	17.9219
SALE OF WATER OTHERS	3,515,279.67	32.9761	31.0637
TOTAL SALE OF WATER REVENUES	8,754,062.72	22.8817	21.8575
RENTALS	15,002.76	0.0392	0.0441
WATER ANALYSIS-LAB & MISC	317.83	0.0008	0.0012
INTEREST ON INVESTMENTS	64,958.87	0.1698	0.0310
GRANT REVENUE	0.00	0.0000	0.00
TOTAL OTHER REVENUES	80,279.46	0.2098	0.0763
TOTAL REVENUES	8,834,342.18	23.0915	21.9337
EXPENSES			
WATER PURCHASED FOR RESALE	0.00	0.0000	0.0000
POWER, PUMPING & GROUNDS WEBSTER	118,771.17	0.3104	0.2332
POWER , PUMPING & GROUNDS	39,046.06	0.1021	0.1194
COMPUTER OPERATIONS	25,796.79	0.0674	0.0577
PURIFICATION	32,452.75	0.0848	0.0899
METERS & MAINS	68,477.76	0.1790	0.0669
ADMINISTRATIVE & GENERAL	267,445.02	0.6991	0.4662
WATER IN TRANSIT	7,285,448.83	19.0429	16.0372
TOTAL EXPENSES	7,837,438.38	20.4857	17.0705
NET INCOME BEFORE DEPRECIATION	996,903.80		
DEPRECIATION	158,756.00		
NET INCOME	838,147.80		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
CAPITAL EXPENSES
07/01/23 - 09/30/23

Fixed Asset Expenditures

Vehicle Purchase 2023 Ford F150 Pick Up #1	32,213.00
PRV for 12 Mile Meter Station	30,204.00
Vehicle Purchase 2023 Ford F150 Pick Up #2	36,080.00
Total Expenditures	98,497.00