



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

QUARTERLY REPORT APRIL 2010

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April 2010

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2010

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 2009/10. 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 2009/10 was \$1,979,674.

	Actual	Compared to Budget
Revenue	\$ 11,015,856	+ \$ 353,509
Expenses	\$ 9,036,182	- \$ 896,824
Net Income (before depreciation)	\$ 1,979,674	+ \$ 1,250,333

The increase in revenue was primarily due to greater than planned water sales (+\$245,926) and miscellaneous revenue being larger than planned, both due to selling water to Bloomfield Hills. Interest income was lower than planned due to extremely low interest rates (-\$13,000) and rental income was also below budget (-\$5,000). The decrease in expenses was due to lower than budgeted water purchases (-\$912,000), labor (-\$11,000), utilities (-\$26,000), and miscellaneous expenses (-\$15,000, partially offset by higher than planned non-labor Administrative & General expenses (+\$63,000).

Water sales for the first 9 months of the current fiscal year are summarized in the table below. The total water sales for the fiscal year to date are 4.7% below budget and are 0.8% less than the sales for the same period in 2008/09. It is important to remember that the actual water sales included selling water to Bloomfield Hills while the budget water sales did not. Water sales to the SOCWA member communities declined by 5.2% compared to 2008/09. The continuing decline in water sales is becoming a serious issue.

The net income figure is planned to be high at this time of the year because we are accumulating funds to pay our bond principal and interest payments, which are due in late June, and to fund our construction projects.

Capital expenditures for the first six months of the fiscal year totaled \$55,101 and were for work on the 11 Mile Road project (\$32,000), the purchase of a new truck (\$13,000), the purchase of a new

landscaping trailer (\$5,000) and the refurbishment of two meter vaults (\$5,000). Additional financial detail is attached.

As of April 5, 2010, our working capital was 13.4% based on unrestricted assets. This is higher than the working capital policy level of 8.3% which was established by the Board. We plan to finish the 2009/10 fiscal year with a working capital higher than 8.3%. If restricted assets are included, our fund balance would increase to 17.3%.

Additional financial detail is attached.

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

	2007/08	2008/09	2009/10	Over or Under 2008/09
Water Purchased for Resale	\$8.09	\$8.13	\$8.23	+0.10
Operating Expenses	1.66	1.85	2.02	+ 0.17
Fixed Charges	<u>0.10</u>	<u>0.10</u>	<u>0.08</u>	- 0.02
	9.85	10.08	10.33	+ 0.25

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	+\$1,405,399	
Revenues From Other Sources	+ <u>111,766</u>	
TOTAL REVENUES		+\$1,517,165
<u>Operating Expenses</u>		
Water Purchased for Resale	+\$133,612	
Other Operating Expenses	+ 136,366	
Fixed Charges	<u>-9,000</u>	
TOTAL EXPENDITURES		+<u>\$260,978</u>
NET INCOME BEFORE DEPRECIATION		+\$1,256,187

The decrease in water sales revenue is the result of decreased water sales. The decrease in revenue from other sources is due to a decrease in interest on investments, partially offset by increases in rental, miscellaneous and grant revenue.

The decrease in expenses for water purchases is the result of decreased water sales. Expenses other than water purchases were largely unchanged.

The following is the record of water sales to member municipalities for the period July 1, 2009 through March 31, 2010. The nine month record shows a decrease in water sales of 0.8 % during the current fiscal year compared with the same period of the previous fiscal year. It is important to remember that the water sales for 2009/10 include the sale of water to Bloomfield Hills but the water sales for 2008/09 do not.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH MARCH 31						
Month	05/06	06/07	07/08	08/09	09/10	Over or Under 08/09
July	37.62	37.07	42.24	30.78	32.56	+ 1.78
August	39.78	37.96	35.36	36.22	32.50	- 3.72
September	34.89	26.93	30.71	27.93	28.73	+ 0.80
October	25.24	22.27	24.10	21.07	20.77	- 0.30
November	21.82	20.92	20.11	19.00	19.24	+ 0.24
December	21.12	20.67	20.30	19.71	19.65	- 0.16
January	20.97	20.72	20.53	19.99	19.84	- 0.15
February	20.80	22.52	20.80	19.98	19.52	- 0.46
March	20.69	21.63	20.54	18.90	19.32	+ 0.42
Million Gals./Day	26.57	25.68	26.12	23.69	23.51	- 0.18
Variance	-0.1%	-3.3%	+1.7%	-9.3%	-0.8%	

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

PRECIPITATION – INCHES					
Month	05/06	06/07	07/08	08/09	09/10
July	3.20	1.60	1.00	3.05	1.55
August	0.65	1.90	4.55	0.27	4.00
September	2.95	2.56	1.20	6.55	1.56
October	0.30	2.90	2.35	1.80	2.85
November	3.95	3.00	1.90	3.15	0.20
December	1.60	3.40	4.75	4.05	2.80
January	2.50	3.30	2.40	2.85	0.80
February	0.95	0.65	3.90	1.95	1.65
March	<u>2.95</u>	<u>4.90</u>	<u>1.90</u>	<u>6.31</u>	<u>0.67</u>
Total:	19.05	24.21	23.95	29.98	16.08

MAJOR PROJECTS

DWSD WATER RATES

A rate increase to SOCWA of 12.5% was approved by the Board of Water Commissioners and is proposed to be effective on July 1, 2010. The Detroit City Council has not yet taken any action on the proposed rate increases but we still anticipate that the rate increase will go into effect on July 1.

OTHER DWSD ISSUES

We are continuing to participate in the DWSD Customer Partnering Process. John Schandavel has been re-elected as one of the co-chairs of the Technical Advisory Committee that guides this process. DWSD has also announced an effort to update their 50 year master plan, which is about 8 years old. This plan was developed with only minor customer input and a number of their key demographic assumptions need to be updated to reflect the changes in the region in the last 8 years. Both John and I have volunteered to serve on a customer group that will be working with DWSD on this master plan update. We are also working with DWSD to explore possible changes to DWSD operations and capital expenditures in reaction to the significant decreases in water sales volumes that have been observed by both DWSD and its customers. Significant progress continues to be made on improving the level of communication and understanding between DWSD and their customers through this process. All parties involved realize that this must be a continuing effort in order to continue these improvements.

FIXED BASE METER READING SYSTEM

SOCWA staff has been working with the member communities to evaluate the use of a fixed base meter reading system for use by the SOCWA communities. In a fixed base system, customers' water meters are read remotely from fixed antennae locations. The technology for this type of meter reading system has progressed so that there are a number of options available to read almost all the various types of water meters that are in service throughout the SOCWA communities. This type of system would eliminate the need for meter readers, would provide significantly improved customer meter data and would easily enable monthly billing for water use. We are working with the member communities to evaluate the available technology and to assess the costs of fixed base meter reading systems.

BLUE ECONOMY

I am working with a group established by the Engineering Society of Detroit to evaluate the use of water and water based industry as one method of improving the economy of the Detroit metropolitan area. This group is working on ways of trying to utilize the excess water supply and waste water treatment capacity that exists on the DWSD system. Charlie Fleetham, President of Project Innovations, gave a presentation on the Blue Economy efforts at the January 2010 Board meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

JAM/ksh

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 JULY 1, 2009 THROUGH MARCH 31, 2010

<u>REVENUES</u>	<u>ESTIMATED REVENUES</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCES OVER OR UNDER</u>
<u>OPERATION</u>			
SALE OF WATER	\$10,520,399.60	\$9,589,166.68	(\$931,232.92)
SALE OF WATER OTHERS	0.00	1,177,158.88	1,177,158.88
	<u>\$10,520,399.60</u>	<u>\$10,766,325.56</u>	<u>\$245,925.96</u>
<u>OTHER INCOME</u>			
RENTALS	\$82,447.00	\$77,553.92	(\$4,893.08)
WATER ANALYSIS-LAB & MISC.	9,000.00	138,887.50	129,887.50
GRANT REVENUE	28,000.00	23,851.65	(4,148.35)
INTEREST ON INVESTMENTS	22,500.00	9,237.25	(13,262.75)
	<u>\$141,947.00</u>	<u>\$249,530.32</u>	<u>\$107,583.32</u>
<u>TOTAL REVENUES</u>	<u>\$10,662,346.60</u>	<u>\$11,015,855.88</u>	<u>\$353,509.28</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,783,473.00	\$5,846,746.74	(\$936,726.26)
WATER PURCHASE IN TRANSIT	1,342,629.00	1,367,519.65	24,890.65
POWER, PUMPING & GROUNDS WEBSTER	375,480.00	377,668.93	2,188.93
POWER, PUMPING & GROUNDS	194,452.75	150,184.84	(44,267.91)
COMPUTER OPERATIONS	28,401.01	24,104.42	(4,296.59)
PURIFICATION	45,299.99	46,048.20	748.21
METERS & MAINS	137,437.49	132,704.79	(4,732.70)
ENGINEERING	60,488.00	64,663.03	4,175.03
ADMINISTRATIVE & GENERAL	888,926.00	950,122.35	61,196.35
	<u>\$9,856,587.24</u>	<u>\$8,959,762.95</u>	<u>(\$896,824.29)</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$76,418.75	\$76,418.75	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>\$76,418.75</u>	<u>\$76,418.75</u>	<u>\$0.00</u>
TOTAL EXPENSES	<u>\$9,933,005.99</u>	<u>\$9,036,181.70</u>	<u>(\$896,824.29)</u>
NET INCOME BEFORE DEPRECIATION	<u>\$729,340.61</u>	<u>\$1,979,674.18</u>	<u>\$1,250,333.57</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 JULY 1, 2009 THROUGH MARCH 31, 2010

	2009/10 AVERAGE PER 1,000 CUBIC FEET	2008/09 AVERAGE PER 1,000 CUBIC FEET
AMOUNT	CUBIC FEET	CUBIC FEET
<u>REVENUES</u>		
<u>OPERATION</u>		
SALE OF WATER	\$9,589,166.68	\$11.0927
SALE OF WATER OTHERS	1,177,158.88	1.3617
	\$10,766,325.56	\$12.4544
		\$10.7500
<u>OTHER INCOME</u>		
RENTALS	\$77,553.92	\$0.0897
LAB & MISCELLANEOUS	162,739.15	0.1883
INTEREST ON INVESTMENTS	9,237.25	0.0107
	\$249,530.32	\$0.2599
		\$0.1582
TOTAL REVENUES:	\$11,015,855.88	\$12.7143
		\$10.9082
<u>EXPENSES</u>		
WATER PURCHASED FOR RESALE	\$5,746,746.74	\$6.6478
WATER PURCHASE IN TRANSIT	1,367,519.65	1.5819
POWER, PUMPING & GROUNDS WEBSTER	377,668.93	0.4369
POWER, PUMPING & GROUNDS	150,184.84	0.1737
COMPUTER OPERATIONS	24,104.42	0.0279
PURIFICATION	46,048.20	0.0533
METERS & MAINS	132,704.79	0.1535
ENGINEERING	64,663.03	0.0748
ADMINISTRATIVE & GENERAL	950,122.35	1.0991
BOND INTEREST	76,418.75	0.0884
	\$8,936,181.70	\$10.3373
		\$10.0774
INC. BEFORE DEPRECIATION	\$2,079,674.18	\$2.4058
		\$0.8308
DEPRECIATION	\$381,546.00	\$0.4414
		\$0.4425
NET INCOME	\$1,698,128.18	\$1.9644
		\$0.3883

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2009 THROUGH MARCH 31, 2010

	TOTAL BUDGET 2009/10	ACTUAL 9 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$14,132,802.00	\$9,589,166.68	\$4,543,635.32	67.85%
SALE OF WATER OTHERS	0.00	1,177,158.88	(1,177,158.88)	0.00%
	<u>\$14,132,802.00</u>	<u>\$10,766,325.56</u>	<u>\$3,366,476.44</u>	<u>76.18%</u>
<u>OTHER INCOME</u>				
RENTALS	\$120,126.00	\$77,553.92	\$42,572.08	64.56%
LAB & MISCELLANEOUS	12,000.00	138,887.50	(126,887.50)	1157.40%
GRANT REVENUE	42,000.00	23,851.65	18,148.35	56.79%
INTEREST ON INVESTMENTS	30,000.00	9,237.25	20,762.75	30.79%
	<u>\$204,126.00</u>	<u>\$249,530.32</u>	<u>(\$45,404.32)</u>	<u>122.24%</u>
TOTAL REVENUES:	<u>\$14,336,928.00</u>	<u>\$11,015,855.88</u>	<u>\$3,321,072.12</u>	<u>76.84%</u>
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$10,916,371.00	\$5,846,746.74	\$5,069,624.26	53.56%
WATER PURCHASE IN TRANSIT	0.00	1,367,519.65	(1,367,519.65)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	512,300.00	377,668.93	134,631.07	73.72%
POWER, PUMPING & GROUNDS	261,350.00	150,184.84	111,165.16	57.47%
COMPUTER OPERATIONS	37,868.00	24,104.42	13,763.58	63.65%
PURIFICATION	60,400.00	46,048.20	14,351.80	76.24%
METERS & MAINS	183,250.00	132,704.79	50,545.21	72.42%
ENGINEERING	82,100.00	64,663.03	17,436.97	78.76%
ADMINISTRATIVE & GENERAL	1,066,500.00	950,122.35	116,377.65	89.09%
BOND INTEREST	152,837.50	76,418.75	76,418.75	50.00%
TOTAL EXPENDITURES	<u>\$13,272,976.50</u>	<u>\$9,036,181.70</u>	<u>\$4,236,794.80</u>	<u>68.08%</u>
NET INCOME BEFORE DEPRECIATION	\$1,063,951.50	\$1,979,674.18	-\$915,722.68	186.07%
DEPRECIATION	\$513,840.00	\$381,546.00	\$132,294.00	74.25%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT JULY 1, 2009 THROUGH MARCH 31, 2010

	<u>2009/10</u>	<u>2008/09</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$9,589,166.68	\$9,360,926.38	\$228,240.30
SALE OF WATER OTHERS	1,177,158.88	0.00	1,177,158.88
	<u>\$10,766,325.56</u>	<u>\$9,360,926.38</u>	<u>\$1,405,399.18</u>
 <u>OTHER INCOME</u>			
RENTALS	\$77,553.92	\$82,446.92	(\$4,893.00)
LAB & MISCELLANEOUS	138,887.50	11,161.45	127,726.05
GRANT REVENUE	23,851.65	25,601.80	(1,750.15)
INT. ON INVESTMENTS	9,237.25	18,554.09	(9,316.84)
	<u>\$249,530.32</u>	<u>\$137,764.26</u>	<u>\$111,766.06</u>
 TOTAL REVENUES	 <u>\$11,015,855.88</u>	 <u>\$9,498,690.64</u>	 <u>\$1,517,165.24</u>
 <u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$5,846,746.74	\$5,832,914.54	\$13,832.20
WATER PURCHASE IN TRANSIT	1,367,519.65	1,247,739.40	119,780.25
OPERATING EXPENSES	1,745,496.56	1,609,130.35	136,366.21
FIXED CHARGES	76,418.75	85,418.75	(9,000.00)
TOTAL EXPENSES	<u>\$9,036,181.70</u>	<u>\$8,775,203.04</u>	<u>\$260,978.66</u>
 NET INCOME	 \$1,979,674.18	 \$723,487.60	 \$1,256,186.58

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2009 THROUGH MARCH 31, 2010

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	41,876.500	\$485,767.40
BEVERLY HILLS	34,811.200	403,809.92
BINGHAM FARMS	8,659.300	100,447.88
BIRMINGHAM	87,897.200	1,019,607.52
CLAWSON	29,867.400	346,461.84
HUNTINGTON WOODS	18,707.900	217,011.64
LATHRUP VILLAGE	12,151.400	140,956.24
PLEASANT RIDGE	8,916.600	103,432.56
ROYAL OAK	197,681.600	2,293,106.56
SOUTHFIELD	371,015.300	4,303,777.49
DETROIT ZOO & RACKHAM	15,067.900	174,787.64
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MEMBERS	\$826,652.300	\$9,589,166.69
NON-MEMBERS		
BLOOMFIELD HILLS	<u>37,804.397</u>	<u>698,625.29</u>
MEMBERS/NON-MEMBERS TOTAL:	\$864,456.697	\$10,287,791.98
BLOOMFIELD HILLS 08/09 Adjustment		478,533.58
TOTAL:	<hr/> <hr/> \$864,456.697	<hr/> <hr/> \$10,766,325.56

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2009 THROUGH MARCH 31, 2010

FIXED ASSET EXPENDITURES

11 Mile Road Project	\$31,968.95
Quarton and Chesterfield	3,508.03
Trailer	4,750.00
12 Mile & Greenfield	1,617.03
Truck	<u>13,257.00</u>
TOTALS:	\$55,101.01