



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

QUARTERLY REPORT JANUARY 2010

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J. Schandavel	Authority Engineer
R. Jackovich	Chief Operator

January 2010

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - January 2010

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 2009/10. 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 2009/10 was \$1,153,491.

	Actual	Compared to Budget
Revenue	\$8,178,122	+ \$210,892
Expenses	\$7,024,631	- \$368,560
Net Income (before depreciation)	\$ 1,153,491	+ \$579,452

This level of net income is significantly higher than planned and is also significantly higher than the net income of \$537,376 recorded for the same period in the 2008/09 fiscal year. We are well on the way to achieving a debt coverage ratio in excess of the 110% expected by the bond rating agencies. This level of net income allowed us to build our working capital to 11.4%, based on unrestricted assets, as of December 29, 2009. This is higher than the 8.3% working capital goal approved by the Board and it is a significant improvement over the 10.1% working capital as of December 29, 2008.

The increase in revenue was primarily due to the sale of water to Bloomfield Hills, which was not included in our budget for 2009/10 (+\$1,031,000). The revenue from Bloomfield Hills covered the period from February 11, 2009 to December 31, 2009, so it is larger than the typical 6 month revenue we will receive from Bloomfield Hills. This increase was partially offset by lower than planned water sales to the member communities (-\$918,000). Miscellaneous revenue was much higher than budgeted due to the payment from Bloomfield Hills required under our water sales contract. Interest on investments (-\$9,000) and rental revenue (-\$22,000) were below plan. Water sales for this period were 0.9% lower than for the same months of 2008/09 despite selling water to Bloomfield Hills during 2009/10.

The decrease in expenses was due largely to lower than planned water purchases (-\$444,000) and utility expenses (-\$24,000), partially offset by higher than planned costs for labor (+\$17,000), maintenance (+\$5,000), and the unbudgeted contribution to the Health Care Trust (+\$100,000).

Capital expenditures for the first six months of the fiscal year totaled \$49,914 and were for work on the 11 Mile Road project (\$32,000), the purchase of a new truck (\$13,000) and refurbishment of two meter vaults (\$5,000). 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.

	2007/08	2008/09	2009/10	Over or Under 2008/09
Total Sales (MCF)	709,368	634,815	629,116	-5,699
Water Sales	\$10.75	\$10.75	\$12.69	+\$1.94
Other Income	<u>0.15</u>	<u>0.10</u>	<u>0.20</u>	+ 0.10
Total Income	\$10.90	\$10.85	\$12.89	+\$2.04
Water Purchased for Resale	\$ 8.15	\$ 8.11	\$ 8.95	+\$0.84
Operating Expenses	1.60	1.81	2.16	+ 0.35
Fixed Charges	<u>0.13</u>	<u>0.13</u>	<u>0.13</u>	<u>0.00</u>
Total Operating Expenses	\$ 9.88	\$10.05	\$11.24	+\$1.19
Available for Debt Service and Improvements	\$ 1.02	\$ 0.80	\$ 1.65	+ \$0.85

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	+ \$1,157,870	
Revenues From Other Sources	+ <u>100,506</u>	
TOTAL REVENUES		+ <u>\$1,258,376</u>
<u>Operating Expenses</u>		
Water Purchased for Resale	+ \$481,447	
Other Operating Expenses	+ 218,329	
Fixed Charges	- <u>9,000</u>	
TOTAL EXPENDITURES		+ <u>\$690,776</u>
NET INCOME BEFORE DEPRECIATION		+\$567,600

The following is the record of water sales to member municipalities for the period July 1 through December 31. The six month record shows a decrease in water sales of 0.9% during the current fiscal year compared with the same period of the previous fiscal year despite including the sale of water to Bloomfield Hills for the 2009 period. Water sales to the SOCWA member communities decreased by 5.6% compared to 2008.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH DECEMBER 31						
Month	2005	2006	2007	2008	2009	Over or Under 2008
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	-0.06
Average	30.10	27.09	28.84	25.81	25.59	-0.22
Variance		-10.0%	+6.5%	-10.5%	-0.9%	

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

PRECIPITATION – INCHES					
Month	2005	2006	2007	2008	2009
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	<u>1.60</u>	<u>3.40</u>	<u>4.75</u>	<u>4.05</u>	<u>2.80</u>
Total:	12.65	15.36	15.75	18.87	12.96

MAJOR PROJECTS

DWSD WATER RATES

For several reasons, DWSD was not able to announce their proposed rate increases for the 2010/11 fiscal year in early December as has been the practice the past several years. DWSD will be announcing the rates for 2010/11 in late January. Preliminary information provided by DWSD has indicated that our rate will increase by about 11% for 2010/11. We have provided a projected 8.5% increase in the SOCWA rate for 2010/11 rate for the SOCWA member communities for planning purposes. We will be providing an updated estimate to the member communities in March of 2010, which will include the actual DWSD rate increase.

DWSD WATER SALES CONTRACT

The new water sales contract between SOCWA and DWSD has been approved by the Detroit City Council and all of the property transfer documents have been completed. Following their existing policy, DWSD allowed us to retroactively sell water to Bloomfield Hills (see discussion below) as of February 11, 2009, the date the DWSD contract was approved by the SOCWA Board.

DWSD is continuing to negotiate new water sales contracts with their suburban customers. As of the end of 2009, 53 contracts have been completed and approved by the Detroit City Council. Another 22 communities are in various stages of negotiations. Only 11 communities have yet to start negotiating new contracts with DWSD. The contract negotiation process is going much better than had been anticipated by anyone.

OTHER DWSD ISSUES

We are continuing to participate in the DWSD Customer Partnering Process. John Schandavel has been elected by the customer group to continue as one of 5 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. I have volunteered to serve on a customer group that will be working with DWSD on this master plan update. 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 an ongoing effort in order to continue these improvements.

SALE OF WATER TO BLOOMFIELD HILLS

Due to Detroit City Council's approval of the new SOCWA water sales contract, we were allowed to sell water to Bloomfield Hills retroactively to February 11, 2009 (the date the DWSD contract was approved by the SOCWA Board). The revenue and associated expense for this period of retroactive water sales has been booked into the financial statements for the first half of 2009/10. We have resolved all of the billing issues that resulted from this retroactive approval. The interconnection of the SOCWA and Bloomfield Hills water systems has been completed. The addition of Bloomfield Hills should increase our water sales by about 5%. However, during the first half of the year, the sale of water to the existing SOCWA communities declined by 5.6%, so our total water sales declined from the first half of 2008/09. Selling water to Bloomfield Hills provides more sales volume over which SOCWA's fixed costs could be shared and should result in lower water rates for the SOCWA communities.

MOODY'S BOND RATING

In December, Moody's upgraded SOCWA's bond rating to A3 from our previous rating of Baa1. In Moody's rating system, an A rating indicates above average creditworthiness and the 3 indicates that SOCWA is in the lower third of that category. The upgraded rating was primarily the result of our good financial performance for the past several years despite our declining water

sales. The addition of Bloomfield Hills as a customer of SOCWA also helped our rating. We received some very positive comments from the Moody's analyst.

RETIREE HEALTH CARE FUNDING

At the recommendation of our auditors, SOCWA established a retiree health care trust fund for our union and retired employees. This trust was established through MERS and funded with \$100,000. Having this trust in place will help to lower our Other Post-Employment Benefit (OPEB) liability, which will reduce the charge that we will have to book for a portion of the unfunded liability for our 2009/10 audit. The salaried employees of SOCWA have a similar trust which will be used to pay for their health care insurance premiums during retirement.

ANNUAL AUDIT

The audit report for the 2008/09 fiscal year was completed by our auditors, Plante & Moran. This was the second audit performed by Plante & Moran under our three year agreement. For the 2008/09 audit, the financial statements contained in the audit were prepared by the SOCRRA staff and reviewed by the auditors. 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, although improved considerably over the previous year, continues to remain under the goal level established by the Board. This issue was addressed during the preparation of the 2009/10 budget and we should be over the working capital goal level at the end of this fiscal year.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

JAM/ksh

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

<u>REVENUES</u>	<u>ESTIMATED REVENUES</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCES OVER OR UNDER</u>
<u>OPERATION</u>			
SALE OF WATER	\$7,868,871.60	\$6,950,677.08	(\$918,194.52)
SALE OF WATER OTHERS	0.00	1,031,449.42	1,031,449.42
	<u>\$7,868,871.60</u>	<u>\$7,982,126.50</u>	<u>\$113,254.90</u>
<u>OTHER INCOME</u>			
RENTALS	\$55,358.00	\$33,678.00	(\$21,680.00)
WATER ANALYSIS-LAB & MISC.	6,000.00	138,541.00	132,541.00
GRANT REVENUE	22,000.00	17,583.65	(4,416.35)
INTEREST ON INVESTMENTS	15,000.00	6,192.94	(8,807.06)
	<u>\$98,358.00</u>	<u>\$195,995.59</u>	<u>\$97,637.59</u>
<u>TOTAL REVENUES</u>	<u>\$7,967,229.60</u>	<u>\$8,178,122.09</u>	<u>\$210,892.49</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$4,689,888.00	\$3,443,093.25	(\$1,246,794.75)
WATER PURCHASE IN TRANSIT	1,388,137.00	2,190,559.01	802,422.01
POWER, PUMPING & GROUNDS WEBSTER	254,820.00	271,739.52	16,919.52
POWER, PUMPING & GROUNDS	127,542.00	92,820.05	(34,721.95)
COMPUTER OPERATIONS	18,934.00	15,885.16	(3,048.84)
PURIFICATION	30,200.00	29,117.20	(1,082.80)
METERS & MAINS	91,625.00	94,826.60	3,201.60
ENGINEERING	41,502.00	42,528.30	1,026.30
ADMINISTRATIVE & GENERAL	674,125.00	767,643.53	93,518.53
	<u>\$7,316,773.00</u>	<u>\$6,948,212.62</u>	<u>(\$368,560.38)</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	\$7,393,191.75	\$7,024,631.37	(\$368,560.38)
NET INCOME BEFORE DEPRECIATION	<u>\$574,037.85</u>	<u>\$1,153,490.72</u>	<u>\$579,452.87</u>

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

	AMOUNT	2009/10 AVERAGE PER 1,000 CUBIC FEET	2008/09 AVERAGE PER 1,000 CUBIC FEET
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$6,950,677.08	\$11.0483	\$10.7500
SALE OF WATER OTHERS	1,031,449.42	1.6395	0.0000
	<u>\$7,982,126.50</u>	<u>\$12.6878</u>	<u>\$10.7500</u>
<u>OTHER INCOME</u>			
RENTALS	\$33,678.00	\$0.0535	\$0.0872
LAB & MISCELLANEOUS	156,124.65	0.2482	0.0345
INTEREST ON INVESTMENTS	5,069.85	0.0081	0.0269
	<u>\$194,872.50</u>	<u>\$0.2029</u>	<u>\$0.1486</u>
TOTAL REVENUES:	<u>\$8,176,999.00</u>	<u>\$12.8908</u>	<u>\$10.8986</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$3,443,093.25	\$5.4729	\$6.1115
WATER PURCHASE IN TRANSIT	2,190,559.01	3.4820	2.0045
POWER, PUMPING & GROUNDS WEBSTER	271,739.52	0.4319	0.3543
POWER, PUMPING & GROUNDS	92,820.05	0.1475	0.1209
COMPUTER OPERATIONS	15,885.16	0.0252	0.0294
PURIFICATION	29,117.20	0.0463	0.0508
METERS & MAINS	94,826.60	0.1507	0.1322
ENGINEERING	42,528.30	0.0676	0.0753
ADMINISTRATIVE & GENERAL	815,035.92	1.2955	1.0387
BOND INTEREST	76,418.75	0.1215	0.1346
	<u>\$7,072,023.76</u>	<u>\$11.2412</u>	<u>\$10.0522</u>
INC. BEFORE DEPRECIATION	\$1,104,975.24	\$1.7564	\$0.8465
DEPRECIATION	\$254,364.00	\$0.4043	\$0.4047
NET INCOME	<u>\$850,611.24</u>	<u>\$1.3521</u>	<u>\$0.4418</u>

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

	TOTAL BUDGET 2009/10	ACTUAL 6 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$14,132,802.00	\$6,950,677.08	\$7,182,124.92	49.18%
SALE OF WATER OTHERS	0.00	1,031,449.42	(1,031,449.42)	0.00%
	<u>\$14,132,802.00</u>	<u>\$7,982,126.50</u>	<u>\$6,150,675.50</u>	56.48%
<u>OTHER INCOME</u>				
RENTALS	\$120,126.00	\$33,678.00	\$86,448.00	28.04%
LAB & MISCELLANEOUS	12,000.00	138,541.00	(126,541.00)	1154.51%
GRANT REVENUE	42,000.00	17,583.65	24,416.35	41.87%
INTEREST ON INVESTMENTS	30,000.00	6,192.94	23,807.06	20.64%
	<u>\$204,126.00</u>	<u>\$195,995.59</u>	<u>\$8,130.41</u>	96.02%
TOTAL REVENUES:	<u>\$14,336,928.00</u>	<u>\$8,178,122.09</u>	<u>\$6,158,805.91</u>	57.04%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$10,916,371.00	\$3,443,093.25	\$7,473,277.75	31.54%
WATER PURCHASE IN TRANSIT	0.00	2,190,559.01	(2,190,559.01)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	512,300.00	271,739.52	240,560.48	53.04%
POWER, PUMPING & GROUNDS	261,350.00	92,820.05	168,529.95	35.52%
COMPUTER OPERATIONS	37,868.00	15,885.16	21,982.84	41.95%
PURIFICATION	60,400.00	29,117.20	31,282.80	48.21%
METERS & MAINS	183,250.00	94,826.60	88,423.40	51.75%
ENGINEERING	82,100.00	42,528.30	39,571.70	51.80%
ADMINISTRATIVE & GENERAL	1,066,500.00	767,643.53	298,856.47	71.98%
BOND INTEREST	152,837.50	76,418.75	76,418.75	50.00%
TOTAL EXPENDITURES	<u>\$13,272,976.50</u>	<u>\$7,024,631.37</u>	<u>\$6,248,345.13</u>	52.92%
NET INCOME BEFORE DEPRECIATION	\$1,063,951.50	\$1,153,490.72	-\$89,539.22	108.42%
DEPRECIATION	\$513,840.00	\$254,364.00	\$259,476.00	49.50%

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

	<u>2009/10</u>	<u>2008/09</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$6,950,677.08	\$6,824,256.42	\$126,420.66
SALE OF WATER OTHERS	1,031,449.42	0.00	1,031,449.42
	<u>\$7,982,126.50</u>	<u>\$6,824,256.42</u>	<u>\$1,157,870.08</u>
<u>OTHER INCOME</u>			
RENTALS	\$33,678.00	\$55,358.00	(\$21,680.00)
LAB & MISCELLANEOUS	138,541.00	1,316.88	137,224.12
GRANT REVENUE	17,583.65	20,591.06	(3,007.41)
INT. ON INVESTMENTS	5,069.85	17,100.78	(12,030.93)
	<u>\$194,872.50</u>	<u>\$94,366.72</u>	<u>\$100,505.78</u>
TOTAL REVENUES	<u>\$8,176,999.00</u>	<u>\$6,918,623.14</u>	<u>\$1,258,375.86</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$3,443,093.25	\$3,879,696.40	(\$436,603.15)
WATER PURCHASE IN TRANSIT	2,190,559.01	1,272,508.92	918,050.09
OPERATING EXPENSES	1,361,952.75	1,143,623.31	218,329.44
FIXED CHARGES	76,418.75	85,418.75	(9,000.00)
TOTAL EXPENSES	<u>\$7,072,023.76</u>	<u>\$6,381,247.38</u>	<u>\$690,776.38</u>
NET INCOME	\$1,104,975.24	\$537,375.76	\$567,599.48

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

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	29,081.900	\$337,350.04
BEVERLY HILLS	25,404.500	294,692.20
BINGHAM FARMS	6,839.100	79,333.56
BIRMINGHAM	66,040.700	766,072.12
CLAWSON	20,920.500	242,677.80
HUNTINGTON WOODS	13,842.700	160,575.32
LATHRUP VILLAGE	8,470.200	98,254.32
PLEASANT RIDGE	6,813.600	79,037.76
ROYAL OAK	140,386.800	1,628,486.88
SOUTHFIELD	269,318.200	3,124,091.12
DETROIT ZOO & RACKHAM	12,078.100	140,105.96
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MEMBERS	599,196.300	\$6,950,677.08
NON-MEMBERS		
BLOOMFIELD HILLS	29,919.686	552,915.83
MEMBERS/NON-MEMBERS TOTAL:	629,115.986	\$7,503,592.91
BLOOMFIELD HILLS 08/09 Adjustment		478,533.58
TOTAL:	<hr/> <hr/> 629,115.986	<hr/> <hr/> \$7,982,126.49

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

FIXED ASSET EXPENDITURES

11 Mile Road Project	\$31,968.95
Quarton and Chesterfield	3,081.03
12 Mile & Greenfield	1,617.03
Truck	<u>13,257.00</u>
TOTALS:	\$49,924.01