



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

QUARTERLY REPORT OCTOBER 2009

BOARD OF TRUSTEES	
Representative	Municipality
B. Jerome	City of Berkley
C. Wilson	Village of Beverly Hills
D. Ketai	Village of Bingham Farms
P. T. O'Meara	City of Birmingham
H. Drinkwine	City of Clawson
C. Galed	City of Huntington Woods
J. Mueller	City of Lathrup Village
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
G. Mekjian	City of Southfield
R. N. Holloway	Township of Southfield

OFFICERS	
Chairman:	H. Drinkwine
Vice Chairman:	R. N. Holloway
Secretary:	B. Jerome
Advisory Committee:	H. Drinkwine R. N. Holloway S. Pietrzak J. Mueller

J. A. McKeen	General Manager
M. A. Czuprenski	Operations Director
J. Schandavel	Authority Engineer
R. Jackovich	Chief Operator

Board of Trustees
 Southeastern Oakland County Water Authority

Subject: Quarterly Report - October 2009

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first three 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.

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 8, 2009, and members were elected to serve as Officers for the fiscal year beginning July 2009. Following is a list of the current Officers:

Chairman: H. Drinkwine
 Vice Chairman: R. Holloway
 Secretary: B. Jerome

Representatives on the Board are entitled to one vote for each 250 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 2009, is as follows:

Municipality	Votes
Berkley	2
Beverly Hills	1
Bingham Farms	1
Birmingham	4
Clawson	1
Huntington Woods	1
Lathrup Village	1
Pleasant Ridge	1
Royal Oak	8
Southfield	15
Southfield Township	<u>1</u>
Total:	36

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 into 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, capital improvements, and the obligations to the bondholders.

FINANCIAL STATEMENT

The total net income before depreciation for the first 3 months of 2009/10 was \$793,223. This is an improvement over the net income of \$429,805 for the first 3 months of 2008/09.

	Actual	Compared to Budget
Revenue	\$4,763,140	- \$ 201,668
Expenses	\$3,969,917	- \$ 529,792
Net Income (before depreciation)	\$ 793,223	+\$ 328,125

We are well on the way toward achieving a debt coverage ratio in excess of the 110% expected by the bond rating agencies.

The decrease in revenue was primarily due to lower than planned water sales (-\$325,000). Water sales to Bloomfield Hills (\$390,000), which were not budgeted, were not enough to offset a decline in water sales to the member communities (-\$715,000). Grant and interest revenue items were also below budget (-\$12,000). These decreases were partially offset by an increase in miscellaneous revenue (\$135,000) due to the connection fee paid by Bloomfield Hills. Expenses were also below plan primarily due to lower than planned water purchases (-\$409,000). In addition, costs were below budget for labor (-\$28,000), maintenance (-\$17,000) and non-labor Administrative & General (-\$63,000).

SOCWA began selling water to Bloomfield Hills on July 17, 2009. No sales to Bloomfield Hills were included in the budget for 2009/10. Even with this additional customer, water sales for the first 3 months of the fiscal year were 9.4% below budget and were 1.2% lower than the same period of the previous fiscal year. Water sales to the SOCWA member communities were 6.8% below the sales for the first quarter of 2008/09. Water sales for the first 3 months are summarized in the table below. Additional financial detail is attached.

WATER SALES – DAILY AVERAGE (MGD)

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
Million Gals./Day	37.43	34.06	36.16	31.68	31.29	- 0.39
Variance	- 9.0%	+6.2%	-12.4%	-1.2%		

We incurred capital expenditures of \$18,637 in the first quarter of the year. The expenses included the purchase of a new truck (\$13,000) and minor expenditures on 2 vault rehabilitation projects and 1 main replacement project (\$5,000).

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
Total:	6.80	6.06	6.75	9.87	7.11

MAJOR PROJECTS

DWSD WATER SALES CONTRACT

The new water sales contract between SOCWA and DWSD was approved by the Detroit City Council on September 15, 2009. Included in this contract was the ability to sell water to Bloomfield Hills, see discussion below, and the transfer of the ownership of several facilities from SOCWA to DWSD. These facilities are the piping that connects the DWSD mainline to the DWSD meters that supply the SOCWA system.

DWSD is continuing to negotiate new water sales contracts with their suburban customers. As of the end of September, 51 contracts have been completed and approved by the Detroit City Council. Another 21 communities are in various stages of negotiations. Only 13 communities have yet to start negotiating new contracts with DWSD. This process is working very well for all customers with the exception of the City of Flint. Flint and Genesee County have indicated that they intend to build their own water supply system, independent of the DWSD system. They have applied for and received a water withdrawal permit from Lake Huron. This is the first permit that the MDEQ has processed under the new guidelines following the approval of the Great Lakes Compact. The permit is the first of many steps that will be required before Flint and Genesee have a system independent of DWSD. The financing of a project of this magnitude will be difficult given the current financial climate. We are not sure what DWSD's next steps will be regarding Flint and Genesee.

SALE OF WATER TO BLOOMFIELD HILLS

We received the approval of DWSD to begin selling water to Bloomfield Hills as of July 17, 2009. Following previously adopted policies, this approval date was made retroactive to February 11, 2009 (the date the DWSD contract was approved by the SOCWA Board) after the contract received the final approval by the Detroit City Council. We are working with the parties to resolve the billings previously issued in order to account for this retroactive approval. The interconnection of the SOCWA and Bloomfield Hills water systems is nearing completion as of the end of September. The addition of Bloomfield Hills should increase our water sales by about 5%. However, during the first quarter, the sale of water to the existing SOCWA communities declined by more than 5%, so our total water sales declined from the first quarter 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.

DWSD WATER ISSUES

The process that will result in the rates from DWSD for 2010/11 has begun. A series of meetings is being held this fall to communicate rate information. Our proposed 2010/11 rates will be delivered by DWSD on January 21, 2010. DWSD will be using the same water rate methodology that was used to develop the rates for previous years except that they will be phasing in the implementation of a fixed/variable rate system. Under fixed/variable rates, a portion of the DWSD costs will be collected using a fixed monthly dollar amount with the remainder of the DWSD costs being collected from a \$ per MCF charge for the amount of water sold. The impact of this change on SOCWA rates is currently under review. DWSD 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 to the SOCWA communities at the February, 2010 Board meeting.

We have been continuing to participate in the DWSD Customer Partnering Process. John Schandavel continues to serve as one of four co-chairs of the Technical Advisory Committee that guides this process. Both John and I served on a customer group that is working to provide input to DWSD as part of their update of their master plan. We feel this is especially important because the recent economic problems have served to substantially reduce the demand for water in both the SOCWA and DWSD service areas. These lower water sales in turn put significant cost pressure on both SOCWA and DWSD and we need to be able to respond together in order to effectively manage this problem. Significant progress has been made in improving the level of communication and understanding between DWSD and its customers through this process, which will be a continuing effort.

DWSD MANAGEMENT CHANGES

Pam Turner was named Director of DWSD effective July 22, 2009. Pam is a long term DWSD employee, who was Assistant Director of Water Supply Operations before being named Acting Director when Victor Mercado left in the fall of 2008. We are taking the necessary steps to make sure that our excellent working relationship with DWSD continues with their new management personnel.

NEW CONTRACT WITH UTILITY WORKERS

After brief negotiations with the Utility Workers we were able to agree to a 2 year contract with a wage freeze for both years and significant health care revisions. Several wording changes were also made to the contract to resolve issues that have not been clear in the past. The contract was approved by both the Utility Workers and by the SOCWA Board and is in effect until June 30, 2011.

NEW CONTRACT WITH RACKHAM GOLF COURSE

As part of our new contract between DWSD and SOCWA, we were requested by DWSD to enter into a new contract with Rackham Golf Course for the sale of water from SOCWA to Rackham. We had been selling water to Rackham under a 1954 contract between SOCWA and DWSD. DWSD no longer desired to be a party to this contract. We were able to quickly negotiate a new contract with Rackham, which was modeled after our recent contract with the Detroit Zoo. The contract with Rackham was approved by both the SOCWA Board and by the City of Detroit during September. All of our water sales and purchase contracts are now completed.

ANNUAL AUDIT

Representatives of Plante & Moran were in the SOCWA office for about a week during September performing their audit of our accounting records. The final audit is being reviewed with the SOCWA Audit Committee during October, 2009 and will be reviewed by the SOCWA Board at their November, 2009 meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

JAM/ksh

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 JULY 1, 2009 THROUGH SEPTEMBER 30, 2009

<u>REVENUES</u>	<u>ESTIMATED REVENUES</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCES OVER OR UNDER</u>
<u>OPERATION</u>			
SALE OF WATER	\$4,929,628.80	\$4,214,766.04	(\$714,862.76)
SALE OF WATER OTHERS	0.00	389,748.35	389,748.35
	<u>\$4,929,628.80</u>	<u>\$4,604,514.39</u>	<u>(\$325,114.41)</u>
<u>OTHER INCOME</u>			
RENTALS	\$17,679.00	\$17,679.00	\$0.00
WATER ANALYSIS-LAB & MISC.	3,000.00	138,356.00	135,356.00
GRANT REVENUE	7,000.00	0.00	(7,000.00)
INTEREST ON INVESTMENTS	7,500.00	2,590.75	(4,909.25)
	<u>\$35,179.00</u>	<u>\$158,625.75</u>	<u>\$123,446.75</u>
<u>TOTAL REVENUES</u>	<u>\$4,964,807.80</u>	<u>\$4,763,140.14</u>	<u>(\$201,667.66)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$1,361,884.00	\$0.00	(\$1,361,884.00)
WATER PURCHASE IN TRANSIT	2,445,829.12	3,398,478.13	952,649.01
POWER, PUMPING & GROUNDS WEBSTER	125,870.00	107,420.24	(18,449.76)
POWER, PUMPING & GROUNDS	65,234.71	42,250.79	(22,983.92)
COMPUTER OPERATIONS	9,467.01	6,518.70	(2,948.31)
PURIFICATION	15,099.99	9,017.15	(6,082.84)
METERS & MAINS	45,812.49	42,517.54	(3,294.95)
ENGINEERING	19,486.00	18,290.03	(1,195.97)
ADMINISTRATIVE & GENERAL	411,026.00	345,424.52	(65,601.48)
	<u>\$4,499,709.32</u>	<u>\$3,969,917.10</u>	<u>(\$529,792.22)</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$0.00	\$0.00	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL EXPENSES	\$4,499,709.32	\$3,969,917.10	(\$529,792.22)
NET INCOME BEFORE DEPRECIATION	<u>\$465,098.48</u>	<u>\$793,223.04</u>	<u>\$328,124.56</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 JULY 1, 2009 THROUGH SEPTEMBER 30, 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	\$4,214,766.04	\$11.6000	\$10.7500
SALE OF WATER OTHERS	389,748.35	18.4800	0.0000
	<u>\$4,604,514.39</u>	<u>\$30.0800</u>	<u>\$10.7500</u>
<u>OTHER INCOME</u>			
RENTALS	\$17,679.00	\$0.0460	\$0.0454
LAB & MISCELLANEOUS	138,356.00	0.3599	0.0010
INTEREST ON INVESTMENTS	2,590.75	0.0067	0.0244
	<u>\$158,625.75</u>	<u>\$0.1652</u>	<u>\$0.0708</u>
TOTAL REVENUES:	<u>\$4,763,140.14</u>	<u>\$30.2452</u>	<u>\$10.8208</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.0000	\$2.6400
WATER PURCHASE IN TRANSIT	3,398,478.13	8.8403	5.7007
POWER, PUMPING & GROUNDS WEBSTER	107,420.24	0.2794	0.2708
POWER, PUMPING & GROUNDS	42,250.79	0.1099	0.0980
COMPUTER OPERATIONS	6,518.70	0.0170	0.0199
PURIFICATION	6,017.15	0.0157	0.0298
METERS & MAINS	42,517.54	0.1106	0.1077
ENGINEERING	18,290.03	0.0476	0.0554
ADMINISTRATIVE & GENERAL	345,424.52	0.8985	0.7953
BOND INTEREST	0.00	0.0000	0.0000
	<u>\$3,966,917.10</u>	<u>\$10.3189</u>	<u>\$9.7176</u>
INC. BEFORE DEPRECIATION	\$796,223.04	\$2.0712	\$0.4476
DEPRECIATION	\$127,182.00	\$0.3308	\$0.1338
NET INCOME	<u>\$669,041.04</u>	<u>\$1.7403</u>	<u>\$0.3138</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 STATEMENT OF REVENUES & EXPENDITURES
 COMPARED WITH TOTAL BUDGET
 JULY 1, 2009 THROUGH SEPTEMBER 30, 2009

	TOTAL BUDGET 2009/10	ACTUAL 3 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$14,132,802.00	\$4,214,766.04	\$9,918,035.96	29.82%
SALE OF WATER OTHERS	0.00	389,748.35	(389,748.35)	0.00%
	<u>\$14,132,802.00</u>	<u>\$4,604,514.39</u>	<u>\$9,528,287.61</u>	<u>32.58%</u>
<u>OTHER INCOME</u>				
RENTALS	\$120,126.00	\$17,679.00	\$102,447.00	14.72%
LAB & MISCELLANEOUS	12,000.00	138,356.00	(126,356.00)	1152.97%
GRANT REVENUE	42,000.00	0.00	42,000.00	0.00%
INTEREST ON INVESTMENTS	30,000.00	2,590.75	27,409.25	8.64%
	<u>\$204,126.00</u>	<u>\$158,625.75</u>	<u>\$45,500.25</u>	<u>77.71%</u>
TOTAL REVENUES:	<u>\$14,336,928.00</u>	<u>\$4,763,140.14</u>	<u>\$9,573,787.86</u>	<u>33.22%</u>
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$10,916,371.00	\$0.00	\$10,916,371.00	0.00%
WATER PURCHASE IN TRANSIT	0.00	3,398,478.13	(3,398,478.13)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	512,300.00	107,420.24	404,879.76	20.97%
POWER, PUMPING & GROUNDS	261,350.00	42,250.79	219,099.21	16.17%
COMPUTER OPERATIONS	37,868.00	6,518.70	31,349.30	17.21%
PURIFICATION	60,400.00	9,017.15	51,382.85	14.93%
METERS & MAINS	183,250.00	42,517.54	140,732.46	23.20%
ENGINEERING	82,100.00	18,290.03	63,809.97	22.28%
ADMINISTRATIVE & GENERAL	1,066,500.00	345,424.52	721,075.48	32.39%
BOND INTEREST	152,837.50	0.00	152,837.50	0.00%
TOTAL EXPENDITURES	<u>\$13,272,976.50</u>	<u>\$3,969,917.10</u>	<u>\$9,303,059.40</u>	<u>29.91%</u>
NET INCOME BEFORE DEPRECIATION	\$1,063,951.50	\$793,223.04	\$270,728.46	74.55%
DEPRECIATION	\$513,840.00	\$127,182.00	\$386,658.00	24.75%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT JULY 1, 2009 THROUGH SEPTEMBER 30, 2009

	<u>2009/10</u>	<u>2008/09</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$4,214,766.04	\$4,188,572.22	\$26,193.82
SALE OF WATER OTHERS	389,748.35	0.00	389,748.35
	<u>\$4,604,514.39</u>	<u>\$4,188,572.22</u>	<u>\$415,942.17</u>
<u>OTHER INCOME</u>			
RENTALS	\$17,679.00	\$17,679.00	\$0.00
LAB & MISCELLANEOUS	138,356.00	405.00	137,951.00
GRANT REVENUE	0.00	0.00	0.00
INT. ON INVESTMENTS	2,590.75	9,504.89	(6,914.14)
	<u>\$158,625.75</u>	<u>\$27,588.89</u>	<u>\$131,036.86</u>
TOTAL REVENUES	<u>\$4,763,140.14</u>	<u>\$4,216,161.11</u>	<u>\$546,979.03</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$1,028,625.12	(\$1,028,625.12)
WATER PURCHASE IN TRANSIT	3,398,478.13	2,221,191.01	1,177,287.12
OPERATING EXPENSES	571,438.97	536,540.11	34,898.86
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	<u>\$3,969,917.10</u>	<u>\$3,786,356.24</u>	<u>\$183,560.86</u>
NET INCOME	\$793,223.04	\$429,804.87	\$363,418.17

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2009 THROUGH SEPTEMBER 30, 2009

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>	<u>READY TO SERVE</u>	<u>TOTAL CHARGES</u>
BERKLEY	15,884.500	\$184,260.20	\$0.00	\$184,260.20
BEVERLY HILLS	16,002.900	185,633.64	0.00	185,633.64
BINGHAM FARMS	4,904.900	56,896.84	0.00	56,896.84
BIRMINGHAM	42,650.400	494,744.64	0.00	494,744.64
BLOOMFIELD HILLS	21,090.277	389,748.35	0.00	389,748.35
CLAWSON	11,521.600	133,650.56	0.00	133,650.56
HUNTINGTON WOODS	8,772.600	101,762.16	0.00	101,762.16
LATHRUP VILLAGE	5,002.200	58,025.52	0.00	58,025.52
PLEASANT RIDGE	4,535.500	52,611.80	0.00	52,611.80
ROYAL OAK	81,791.400	948,780.24	0.00	948,780.24
SOUTHFIELD	164,239.600	1,905,179.36	0.00	1,905,179.36
DETROIT ZOO & RACKHAM	8,036.300	93,221.08	0.00	93,221.08
AUTHORITY	384,432.177	\$4,604,514.39	\$0.00	\$4,604,514.39

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2009 THROUGH SEPTEMBER 30, 2009

FIXED ASSET EXPENDITURES

11 Mile Road Project	\$2,162.85
Quarton and Chesterfield	1,821.25
12 Mile & Greenfield	1,396.32
Truck	<u>13,257.00</u>
TOTALS:	\$18,637.42