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 * Clawson * Huntington Woods * Lathrup Village * Pleasant Ridge
 * Royal Oak * Southfield * Southfield Township

QUARTERLY REPORT APRIL 2009

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April 2009

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2009

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 2008/09. 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 2008/09 was \$723,505.

	Actual	Compared to Budget
Revenue	\$ 9,498,691	- \$ 1,063,040
Expenses	\$ 8,775,206	- \$ 940,365
Net Income (before depreciation)	\$ 723,485	- \$ 122,675

The decrease in revenue was primarily due to lower than planned water sales (-\$1,027,000). Interest income was also lower than planned due to extremely low interest rates (-\$26,000). Income from all other sources was also lower than planned (-\$9,000). The decrease in expenses was due to lower than budgeted water purchases (-\$843,000), labor (-\$52,000), maintenance (\$-32,000), and utilities (-\$31,000), partially offset by higher than planned non-labor Administrative & General expenses (+\$24,000).

Water sales for the first 9 months of the current fiscal year are summarized in the table below. Water sales were below budget for all of the 9 months except for August of 2008. The total water sales for the fiscal year to date are 9.9% below budget and are 9.3% less than the sales for the same period in 2007/08. 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 major construction projects.

The capital expenditures for the first nine months of this year totaled \$644,287. These expenditures consisted of construction and engineering costs for the replacement of our water main on 11 Mile (\$621,000), equipment costs for connecting Bloomfield Hills (\$11,000, which

will be reimbursed by Bloomfield Hills), the final payments for the replacement of the Webster Station roofs (\$6,000) and expenses for the refurbishment of a meter vault at Southfield and 14 Mile (\$7,000).

As of April 3, 2009, our working capital was 5.2% based on unrestricted assets. This is lower than the fund balance policy level of 8.3% which was established by the Board. If restricted assets are included, our fund balance increases to 10.7%.

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.

	2006/07	2007/08	2008/09	Over or Under 2007/08
Water Purchased for Resale	\$8.09	\$8.09	\$8.13	+0.04
Operating Expenses	1.54	1.66	1.85	+ 0.19
Fixed Charges	<u>0.11</u>	<u>0.10</u>	<u>0.10</u>	<u>0.00</u>
	\$9.74	9.85	10.08	+ 0.23

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	-\$961,571
Revenues From Other Sources	- <u>23,038</u>
TOTAL REVENUES	-\$984,608
<u>Operating Expenses</u>	
Water Purchased for Resale	-\$690,791
Other Operating Expenses	+ 18,766
Fixed Charges	<u>-7,619</u>
TOTAL EXPENDITURES	-\$679,643
NET INCOME BEFORE DEPRECIATION	-\$304,965

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, 2008 through March 31, 2009. The nine month record shows a decrease in water sales of 9.3 % during the current fiscal year compared with the same period of the previous fiscal year. Water sales were below prior year sales for each month of the period except for August 2008.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH MARCH 31						
Month	04/05	05/06	06/07	07/08	08/09	Over or Under 07/08
July	35.71	37.62	37.07	42.24	30.78	- 11.46
August	33.69	39.78	37.96	35.36	36.22	+ 0.86
September	33.90	34.89	26.93	30.71	27.93	- 2.78
October	26.12	25.24	22.27	24.10	21.07	- 3.03
November	23.06	21.82	20.92	20.11	19.00	- 1.11
December	22.98	21.12	20.67	20.30	19.71	- 0.59
January	22.90	20.97	20.72	20.53	19.99	- 0.54
February	22.05	20.80	22.52	20.80	19.98	- 0.82
March	22.02	20.69	21.63	20.54	18.90	- 1.64
Million Gals./Day	26.59	26.57	25.68	26.12	23.69	- 2.43
Variance	- 3.9%	-0.1%	-3.3%	+1.7%	-9.3%	

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

PRECIPITATION – INCHES					
Month	04/05	05/06	06/07	07/08	08/09
July	2.70	3.20	1.60	1.00	3.05
August	3.70	0.65	1.90	4.55	0.27
September	0.80	2.95	2.56	1.20	6.55
October	1.65	0.30	2.90	2.35	1.80
November	2.45	3.95	3.00	1.90	3.15
December	3.00	1.60	3.40	4.75	4.05
January	2.50	2.50	3.30	2.40	2.85
February	3.10	0.95	0.65	3.90	1.95
March	<u>0.55</u>	<u>2.95</u>	<u>4.90</u>	<u>1.90</u>	<u>6.31</u>
Total:	20.45	19.05	24.21	23.95	29.98

MAJOR PROJECTS

DWSD WATER RATES

A rate increase to SOCWA of 9.3% was approved by the Board of Water Commissioners and is proposed to be effective on July 1, 2009. The Detroit City Council has not yet taken any action on the proposed rate increases. This will be the first significant rate increase we will have seen from DWSD since July 1, 2006.

DWSD WATER SALES CONTRACT

DWSD has agreed to modify our recently negotiated water sales contract to include Bloomfield Hills. DWSD accepted our proposal to simply add Bloomfield Hills, add a new meter location and keep our annual volume and maximum day flow rate unchanged. DWSD has requested that we resolve all of the property transfer issues before submitting the contract to the Detroit City Council for final approval (see discussion below).

As part of the new contract, we are transferring 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. We have provided DWSD a draft agreement for this transfer. We have also provided all of the technical items (drawings, permits, easements, property descriptions, etc.) requested by DWSD. We have also requested that Southfield and Ferndale supply easements required by DWSD for the facilities that are being transferred in these two cities. We plan to resolve the facility transfer issues by the end of May.

DWSD is continuing to negotiate new water sales contracts with their suburban customers. As of the end of March, 35 contracts have been completed and approved by the Detroit City Council. Another 29 communities are in various stages of negotiations. Only 22 communities have yet to start negotiating new contracts with DWSD. The water contract negotiation process has gone much quicker than anticipated.

OTHER DWSD ISSUES

We are continuing to participate in the DWSD Customer Partnering Process. John Schandavel continues to serve as one of the elected 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. 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.

SALE OF WATER TO BLOOMFIELD HILLS

After several years of discussions, we finally reached an agreement to sell water to Bloomfield Hills in December of 2008. The agreement has been approved by the SOCWA Board and by the Bloomfield Hills City Commission. Selling water to Bloomfield Hills provides more sales volume over which SOCWA's fixed costs can be shared, thereby lowering the water rates for the member communities. Bloomfield Hills is also contributing an upfront fee to SOCWA. This agreement also results in lower water purchase rates and a more secure water supply for Bloomfield Hills. As discussed above, DWSD has agreed to incorporate the sale of water to Bloomfield Hills into our DWSD contract. We plan to have water flowing to Bloomfield Hills by July 1, 2009.

MAJOR CONSTRUCTION PROJECT

Work has been completed on the replacement of about 2 miles of old bolted joint cast iron water main as part of the reconstruction of 11 Mile Road from Woodward to Greenfield. We are working with the cities involved in this project and the engineering firms to complete the allocation of the funds spent on this project. This project was funded out of retained earnings.

SECURITY CAMERAS

We have been working with the Oakland County Drain Commissioner's office for a number of months to determine how to improve the security of the water systems that supply Oakland County. One of the items included in these discussions was how to spend a Homeland Security Grant for Surveillance of Public Works Facilities that had been received by the Drain Commissioner's Office. Twenty-one surveillance cameras have been purchased through this grant for SOCWA. These cameras have been installed at a number of our locations. The images from these cameras are transferred directly to our Webster Station Control Room.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

JAM/ksh

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 JULY 1, 2008 THROUGH MARCH 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	\$10,388,284.00	\$9,360,926.38	(\$1,027,357.62)
READY TO SERVE	0.00	0.00	0.00
	<u>\$10,388,284.00</u>	<u>\$9,360,926.38</u>	<u>(\$1,027,357.62)</u>
<u>OTHER INCOME</u>			
RENTALS	\$82,446.92	\$82,446.92	\$0.00
WATER ANALYSIS-LAB & MISC.	18,000.00	11,161.45	(6,838.55)
GRANT REVENUE	28,000.00	25,601.80	(2,398.20)
INTEREST ON INVESTMENTS	45,000.00	18,554.08	(26,445.92)
	<u>\$173,446.92</u>	<u>\$137,764.25</u>	<u>(\$35,682.67)</u>
<u>TOTAL REVENUES</u>	<u>\$10,561,730.92</u>	<u>\$9,498,690.63</u>	<u>(\$1,063,040.29)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,566,010.60	\$5,832,917.54	(\$733,093.06)
WATER PURCHASE IN TRANSIT	1,358,075.80	1,247,739.40	(110,336.40)
POWER, PUMPING & GROUNDS WEBSTER	393,359.94	369,334.50	(24,025.44)
POWER, PUMPING & GROUNDS	192,790.27	120,364.23	(72,426.04)
COMPUTER OPERATIONS	28,176.03	23,530.07	(4,645.96)
PURIFICATION	43,875.00	42,744.71	(1,130.29)
METERS & MAINS	136,125.00	122,569.50	(13,555.50)
ENGINEERING	62,598.00	74,951.18	12,353.18
ADMINISTRATIVE & GENERAL	849,142.00	855,636.16	6,494.16
	<u>\$9,630,152.64</u>	<u>\$8,689,787.29</u>	<u>(\$940,365.35)</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$85,418.75	\$85,418.75	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>\$85,418.75</u>	<u>\$85,418.75</u>	<u>\$0.00</u>
TOTAL EXPENSES	\$9,715,571.39	\$8,775,206.04	(\$940,365.35)
NET INCOME BEFORE DEPRECIATION	<u>\$846,159.53</u>	<u>\$723,484.59</u>	<u>(\$122,674.94)</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 JULY 1, 2008 THROUGH MARCH 31, 2009

	2008/09 AVERAGE PER 1,000 CUBIC FEET	2007/08 AVERAGE PER 1,000 CUBIC FEET
AMOUNT	CUBIC FEET	CUBIC FEET
<u>REVENUES</u>		
<u>OPERATION</u>		
SALE OF WATER	\$9,360,926.38	\$10.7500
READY-TO-SERVE CHARGE	0.00	0.0000
	\$9,360,926.38	\$10.7500
<u>OTHER INCOME</u>		
RENTALS	\$82,446.92	\$0.0947
LAB & MISCELLANEOUS	36,763.25	0.0422
INTEREST ON INVESTMENTS	18,554.08	0.0213
	\$137,764.25	\$0.1435
TOTAL REVENUES:	\$9,498,690.63	\$10.8935
<u>EXPENSES</u>		
WATER PURCHASED FOR RESALE	\$5,832,917.54	\$6.6985
WATER PURCHASE IN TRANSIT	1,247,739.40	1.4329
POWER, PUMPING & GROUNDS WEBSTER	369,334.50	0.4241
POWER, PUMPING & GROUNDS	120,364.23	0.1382
COMPUTER OPERATIONS	23,530.07	0.0270
PURIFICATION	42,744.71	0.0491
METERS & MAINS	122,569.50	0.1408
ENGINEERING	74,951.18	0.0861
ADMINISTRATIVE & GENERAL	855,636.16	0.9826
BOND INTEREST	85,418.75	0.0981
	\$8,775,206.04	\$10.0774
INC. BEFORE DEPRECIATION	\$723,484.59	\$0.8308
DEPRECIATION	\$385,380.00	\$0.4426
NET INCOME	\$338,104.59	\$0.3883

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2008 THROUGH MARCH 31, 2009

	TOTAL BUDGET 2008/09	ACTUAL 9 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$13,961,992.50	\$9,360,926.38	\$4,601,066.12	67.05%
READY-TO-SERVE CHARGE	0.00	0.00	0.00	0.00%
	<u>\$13,961,992.50</u>	<u>\$9,360,926.38</u>	<u>\$4,601,066.12</u>	67.05%
<u>OTHER INCOME</u>				
RENTALS	\$126,125.92	\$82,446.92	\$43,679.00	65.37%
LAB & MISCELLANEOUS	24,000.00	11,161.45	12,838.55	46.51%
GRANT REVENUE	42,000.00	25,601.80	16,398.20	60.96%
INTEREST ON INVESTMENTS	60,000.00	18,554.08	41,445.92	30.92%
	<u>\$252,125.92</u>	<u>\$137,764.25</u>	<u>\$114,361.67</u>	54.64%
TOTAL REVENUES:	<u>\$14,214,118.42</u>	<u>\$9,498,690.63</u>	<u>\$4,715,427.79</u>	66.83%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$10,650,078.00	\$5,832,917.54	\$4,817,160.46	54.77%
WATER PURCHASE IN TRANSIT	0.00	1,247,739.40	(1,247,739.40)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	540,050.00	369,334.50	170,715.50	68.39%
POWER, PUMPING & GROUNDS	259,100.00	120,364.23	138,735.77	46.45%
COMPUTER OPERATIONS	37,568.00	23,530.07	14,037.93	62.63%
PURIFICATION	58,500.00	42,744.71	15,755.29	73.07%
METERS & MAINS	181,500.00	122,569.50	58,930.50	67.53%
ENGINEERING	81,425.00	74,951.18	6,473.82	92.05%
ADMINISTRATIVE & GENERAL	1,031,868.00	855,636.16	176,231.84	82.92%
BOND INTEREST	770,837.50	85,418.75	685,418.75	11.08%
TOTAL EXPENDITURES	<u>\$13,610,926.50</u>	<u>\$8,775,206.04</u>	<u>\$4,835,720.46</u>	64.47%
NET INCOME BEFORE DEPRECIATION	\$603,191.92	\$723,484.59	-\$120,292.67	119.94%
DEPRECIATION	\$513,840.00	\$385,380.00	\$128,460.00	75.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT JULY 1, 2008 THROUGH MARCH 31, 2009

	<u>2008/09</u>	<u>2007/08</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$9,360,926.38	\$10,322,496.98	(\$961,570.60)
READY-TO-SERVE CHARGE	0.00	0.00	0.00
	<u>\$9,360,926.38</u>	<u>\$10,322,496.98</u>	<u>(\$961,570.60)</u>
<u>OTHER INCOME</u>			
RENTALS	\$82,446.92	\$70,326.13	\$12,120.79
LAB & MISCELLANEOUS	11,161.45	8,598.31	2,563.14
GRANT REVENUE	25,601.80	18,195.98	7,405.82
INT. ON INVESTMENTS	18,554.08	63,681.54	(45,127.46)
	<u>\$137,764.25</u>	<u>\$160,801.96</u>	<u>(\$23,037.71)</u>
TOTAL REVENUES	<u>\$9,498,690.63</u>	<u>\$10,483,298.94</u>	<u>(\$984,608.31)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$5,832,917.54	\$6,458,447.12	(\$625,529.58)
WATER PURCHASE IN TRANSIT	1,247,739.40	1,313,000.37	(65,260.97)
OPERATING EXPENSES	1,609,130.35	1,590,364.50	18,765.85
FIXED CHARGES	85,418.75	93,037.50	(7,618.75)
TOTAL EXPENSES	<u>\$8,775,206.04</u>	<u>\$9,454,849.49</u>	<u>(\$679,643.45)</u>
NET INCOME	\$723,484.59	\$1,028,449.45	(\$304,964.86)

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2008 THROUGH MARCH 31, 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	43,184.000	\$464,228.02	\$0.00	\$464,228.02
BEVERLY HILLS	37,912.900	407,563.68	0.00	407,563.68
BINGHAM FARMS	9,363.400	100,656.55	0.00	100,656.55
BIRMINGHAM	91,500.800	983,633.62	0.00	983,633.62
CLAWSON	31,153.900	334,904.46	0.00	334,904.46
HUNTINGTON WOODS	20,084.000	215,902.99	0.00	215,902.99
LATHRUP VILLAGE	13,958.700	150,056.03	0.00	150,056.03
PLEASANT RIDGE	9,578.300	102,966.73	0.00	102,966.73
ROYAL OAK	209,414.000	2,251,200.70	0.00	2,251,200.70
SOUTHFIELD	388,531.800	4,176,717.08	0.00	4,176,717.08
DETROIT ZOO & RACKHAM	16,102.000	173,096.54	0.00	173,096.54
AUTHORITY	870,783.800	\$9,360,926.38	\$0.00	\$9,360,926.38

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2008 THROUGH MARCH 31, 2009

FIXED ASSET EXPENDITURES

11 Mile Road Project	\$620,612.78
Quarton and Chesterfield	10,643.46
14 Mile & Southfield	6,950.98
Webster Roof	<u>6,080.00</u>
TOTALS:	\$644,287.22