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

QUARTERLY REPORT APRIL 2011

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April 2011

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2011

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 2010/11. 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 2010/11 was \$951,199, which is \$414,207 greater than planned.

	Actual	Compared to Budget
Revenue	\$ 11,884,634	+ \$ 901,887
Expenses	\$ 10,867,641	+ \$ 487,680
Net Income (before depreciation)	\$ 951,199	+ \$ 414,207

The increase in revenue was primarily due to greater than planned water sales (+\$705,000), miscellaneous revenue being larger than planned (+\$191,000) due to the agreement to sell water to Bloomfield Twp., and rental income being larger than planned (+\$20,000). Interest income was lower than planned due to extremely low interest rates (-\$11,000). The increase in expenses was due to higher than budgeted water purchases (+\$422,000) and non-labor Administrative & General expenses (+\$122,000, primarily due the \$75,000 contribution to the MERS Health Care Savings Plan that was not budgeted), partially offset by lower than planned expenses for utilities (-\$24,000), labor (-\$8,000), and supplies (-\$8,000).

Water sales for the first 9 months of the current fiscal year are summarized in the table on the following page. The total water sales for the fiscal year to date are 6.2% above budget and are 3.5% greater than the sales for the same period in 2009/10. This is the first time in the last 3 years that we have seen an increase in water sales compared to the previous year.

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 nine months of the fiscal year totaled \$57,202 and were for the refurbishment of three meter vaults (\$39,000), engineering expenses for the replacement of our water

main on Crooks Road in Clawson (\$10,000) and the completion of the automatic gate at Webster Station (\$8,000).

As of April 7, 2011, our working capital was 16.8% 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 2010/11 fiscal year with a working capital higher than 8.3

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.

	2008/09	2009/10	2010/11	Over or Under 2009/10
Water Purchased for Resale	\$8.13	\$8.23	\$10.23	+ 2.00
Operating Expenses	1.85	2.02	1.93	- 0.09
Fixed Charges	<u>0.10</u>	<u>0.08</u>	<u>0.07</u>	<u>- 0.01</u>
	10.08	10.33	12.23	+ 1.90

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	+\$793,189
Revenues From Other Sources	+ <u>75,589</u>
TOTAL REVENUES	+\$868,778
<u>Operating Expenses</u>	
Water Purchased for Resale	+\$1,935,559
Other Operating Expenses	- 27,681
Fixed Charges	<u>-10,625</u>
TOTAL EXPENDITURES	+<u>\$1,897,253</u>
NET INCOME BEFORE DEPRECIATION	-\$1,028,475

The increase in water sales revenue is the result of the increase in SOCWA rates and increased water sales. The increase in revenue from other sources is due to the payment that we received from Bloomfield Twp. and an increase in rental income.

The increase in expenses for water purchases is the result of the rate increase we received from DWSD. Operating and interest expenses were reduced from last year.

The following is the record of water sales to member municipalities for the period July 1, 2010 to March 31, 2011. The nine month record shows an increase in water sales of 3.5 % 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 and 2010/11 include the sale of water to Bloomfield Hills but the water sales for the previous years do not.

WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH MARCH 31						
Month	06/07	07/08	08/09	09/10	10/11	Over or Under 09/10
July	37.07	42.24	30.78	32.56	34.23	+ 1.67
August	37.96	35.36	36.22	32.50	36.47	+ 3.97
September	26.93	30.71	27.93	28.73	28.83	+ 0.10
October	22.27	24.10	21.07	20.77	21.99	+ 1.22
November	20.92	20.11	19.00	19.24	19.13	- 0.11
December	20.67	20.30	19.71	19.65	19.45	- 0.20
January	20.72	20.53	19.99	19.84	19.75	- 0.09
February	22.52	20.80	19.98	19.52	19.92	+ 0.40
March	21.63	20.54	18.90	19.32	19.50	+ 0.18
Million Gals./Day	25.68	26.12	23.69	23.51	24.33	+ 0.82
Variance	-3.3%	+1.7%	-9.3%	-0.8%	+3.5%	

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

PRECIPITATION – INCHES					
Month	06/07	07/08	08/09	09/10	10/11
July	1.60	1.00	3.05	1.55	4.95
August	1.90	4.55	0.27	4.00	0.25
September	2.56	1.20	6.55	1.56	2.70
October	2.90	2.35	1.80	2.85	2.20
November	3.00	1.90	3.15	0.20	4.30
December	3.40	4.75	4.05	2.80	0.70
January	3.30	2.40	2.85	0.80	2.20
February	0.65	3.90	1.95	1.65	5.75
March	<u>4.90</u>	<u>1.90</u>	<u>6.31</u>	<u>0.67</u>	<u>3.20</u>
Total:	24.21	23.95	29.98	16.08	26.25

MAJOR PROJECTS

DWSD WATER RATES

A rate increase to SOCWA of 22.1% has been approved by the Board of Water Commissioners and the Detroit City Council and will be effective on July 1, 2011. The major reason for this large increase is that SOCWA will be selling water to Bloomfield Twp. as of July 1, see discussion below. Bloomfield Twp. is paying for most of the DWSD increase. As a result, the proposed rate for the SOCWA member communities is increasing only by about 2% for 2011/12.

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. We are continuing to work with DWSD on a number of issues including exploring 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.

SALE OF WATER TO BLOOMFIELD TWP.

All of the necessary agreements have been completed for SOCWA to begin selling water to Bloomfield Twp. as of July 1, 2011. Bloomfield Twp. has also paid the first of the three annual payments required under our water sales contract. The addition of Bloomfield Twp. will increase our water sales by about 25%, although our water sales will still be less than they were for the 2002/03 fiscal year. As a result of adding Bloomfield Twp. as a customer, our water sales rate from DWSD increased significantly, although Bloomfield Twp. is paying all of the incremental DWSD costs. Bloomfield Twp. is also paying a portion of SOCWA's Operation and Maintenance expenses, which serves to lower the rate that SOCWA charges its member communities.

Having Bloomfield Twp. as a customer will require us to run the SOCWA water system to a much higher level of usage this summer. We will be working with our system operators to develop the operating parameters that will be followed this summer.

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. The communications system that would be used to read the customers' water meters could also be used to transfer SOCWA's data, including security camera information, from our stations and meters to our office in Royal Oak. We issued a Request for Proposals for a system that could be used to read customers' water meters and to handle SOCWA's data.

Working with a group of representatives from the member communities, we conducted vendor interviews and identified two vendor groups that could meet the combined community and SOCWA requirements. We will be working with both vendor groups to fully establish the costs and capabilities of their respective systems. The type of communications systems being considered could also be used by the member communities for their communications needs.

CROOKS ROAD WATER MAIN REPLACEMENT

The Road Commission of Oakland County is rebuilding Crooks Road north of 14 Mile in Clawson. The proposed construction is in conflict with our existing 20" concrete water main. We have worked with the Road Commission and Clawson to develop plans to relocate our main so that is out of the way of the proposed road construction. The Road Commission has agreed to pay about 80% of the cost of this project. Construction will take place in the next couple of months.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 JULY 1, 2010 THROUGH MARCH 31, 2011

<u>REVENUES</u>	<u>ESTIMATED REVENUES</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCES OVER OR UNDER</u>
<u>OPERATION</u>			
SALE OF WATER	\$10,056,000.00	\$10,605,648.75	\$549,648.75
SALE OF WATER OTHERS	798,000.00	953,865.69	155,865.69
	<u>\$10,854,000.00</u>	<u>\$11,559,514.44</u>	<u>\$705,514.44</u>
<u>OTHER INCOME</u>			
RENTALS	\$82,447.00	\$102,505.32	\$20,058.32
WATER ANALYSIS-LAB & MISC.	7,000.00	198,063.21	191,063.21
GRANT REVENUE	16,800.00	13,301.75	(3,498.25)
INTEREST ON INVESTMENTS	22,500.00	11,248.99	(11,251.01)
	<u>\$128,747.00</u>	<u>\$325,119.27</u>	<u>\$196,372.27</u>
<u>TOTAL REVENUES</u>	<u>\$10,982,747.00</u>	<u>\$11,884,633.71</u>	<u>\$901,886.71</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,288,000.00	\$6,626,168.13	\$338,168.13
WATER PURCHASE IN TRANSIT	2,440,000.00	2,523,657.09	83,657.09
POWER, PUMPING & GROUNDS WEBSTER	390,404.21	390,362.77	(41.44)
POWER, PUMPING & GROUNDS	198,644.87	154,349.44	(44,295.43)
COMPUTER OPERATIONS	28,904.77	24,903.74	(4,001.03)
PURIFICATION	44,465.32	38,860.89	(5,604.43)
METERS & MAINS	133,972.18	118,069.18	(15,903.00)
ENGINEERING	58,120.00	68,716.17	10,596.17
ADMINISTRATIVE & GENERAL	797,450.00	922,553.49	125,103.49
	<u>\$10,379,961.35</u>	<u>\$10,867,640.90</u>	<u>\$487,679.55</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$65,793.75	\$65,793.75	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>\$65,793.75</u>	<u>\$65,793.75</u>	<u>\$0.00</u>
TOTAL EXPENSES	\$10,445,755.10	\$10,933,434.65	\$487,679.55
NET INCOME BEFORE DEPRECIATION	<u>\$536,991.90</u>	<u>\$951,199.06</u>	<u>\$414,207.16</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 JULY 1, 2010 THROUGH MARCH 31, 2011

	AMOUNT	2010/11 AVERAGE PER 1,000 CUBIC FEET	2009/10 AVERAGE PER 1,000 CUBIC FEET
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$10,605,648.75	\$12.5000	\$11.0927
SALE OF WATER OTHERS	953,865.69	20.8000	1.3617
	\$11,559,514.44	\$12.9256	\$12.4544
<u>OTHER INCOME</u>			
RENTALS	\$102,505.32	\$0.1146	\$0.0897
LAB & MISCELLANEOUS	211,364.96	0.2363	0.1883
INTEREST ON INVESTMENTS	11,248.99	0.0126	0.0107
	\$325,119.27	\$0.3635	\$0.2887
TOTAL REVENUES:	\$11,884,633.71	\$13.2892	\$12.7431
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,626,168.13	\$7.4092	\$6.6478
WATER PURCHASE IN TRANSIT	2,523,657.09	2.8219	1.5819
POWER, PUMPING & GROUNDS WEBSTER	390,362.77	0.4365	0.4369
POWER, PUMPING & GROUNDS	154,349.44	0.1726	0.1737
COMPUTER OPERATIONS	24,903.74	0.0278	0.0279
PURIFICATION	38,860.89	0.0435	0.0533
METERS & MAINS	118,069.18	0.1320	0.1535
ENGINEERING	68,716.17	0.0768	0.0748
ADMINISTRATIVE & GENERAL	922,553.49	1.0316	1.0991
BOND INTEREST	65,793.75	0.0736	0.0884
	\$10,933,434.65	\$12.2255	\$10.3373
INC. BEFORE DEPRECIATION	\$951,199.06	\$1.0636	\$2.4058
DEPRECIATION	\$386,567.37	\$0.4323	\$0.4414
NET INCOME	\$564,631.69	\$0.6314	\$1.9644

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2010 THROUGH MARCH 31, 2011

	TOTAL BUDGET 2010/11	ACTUAL 9 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$13,653,750.00	\$10,605,648.75	\$3,048,101.25	77.68%
SALE OF WATER OTHERS	1,102,400.00	953,865.69	148,534.31	86.53%
	<u>\$14,756,150.00</u>	<u>\$11,559,514.44</u>	<u>\$3,196,635.56</u>	78.34%
<u>OTHER INCOME</u>				
RENTALS	\$120,000.00	\$102,505.32	\$17,494.68	85.42%
LAB & MISCELLANEOUS	10,000.00	198,063.21	(188,063.21)	1980.63%
GRANT REVENUE	25,000.00	13,301.75	11,698.25	53.21%
INTEREST ON INVESTMENTS	30,000.00	11,248.99	18,751.01	37.50%
	<u>\$185,000.00</u>	<u>\$325,119.27</u>	<u>(\$140,119.27)</u>	175.74%
TOTAL REVENUES:	<u>\$14,941,150.00</u>	<u>\$11,884,633.71</u>	<u>\$3,056,516.29</u>	79.54%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$11,832,158.00	\$6,626,168.13	\$5,205,989.87	56.00%
WATER PURCHASE IN TRANSIT	0.00	2,523,657.09	(2,523,657.09)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	514,500.00	390,362.77	124,137.23	75.87%
POWER, PUMPING & GROUNDS	270,925.00	154,349.44	116,575.56	56.97%
COMPUTER OPERATIONS	38,914.00	24,903.74	14,010.26	64.00%
PURIFICATION	60,400.00	38,860.89	21,539.11	64.34%
METERS & MAINS	180,250.00	118,069.18	62,180.82	65.50%
ENGINEERING	79,100.00	68,716.17	10,383.83	86.87%
ADMINISTRATIVE & GENERAL	1,021,750.00	922,553.49	99,196.51	90.29%
BOND INTEREST	131,587.50	65,793.75	65,793.75	50.00%
TOTAL EXPENDITURES	<u>\$14,129,584.50</u>	<u>\$10,933,434.65</u>	<u>\$3,196,149.85</u>	77.38%
NET INCOME BEFORE DEPRECIATION	\$811,565.50	\$951,199.06	-\$139,633.56	117.21%
DEPRECIATION	\$515,423.10	\$386,567.37	\$128,855.73	75.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT JULY 1, 2010 THROUGH MARCH 31, 2011

	<u>2010/11</u>	<u>2009/10</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$10,605,648.75	\$9,589,166.68	\$1,016,482.07
SALE OF WATER OTHERS	953,865.69	1,177,158.88	(223,293.19)
	<u>\$11,559,514.44</u>	<u>\$10,766,325.56</u>	<u>\$793,188.88</u>
 <u>OTHER INCOME</u>			
RENTALS	\$102,505.32	\$77,553.92	\$24,951.40
LAB & MISCELLANEOUS	198,063.21	138,887.50	59,175.71
GRANT REVENUE	13,301.75	23,851.65	(10,549.90)
INT. ON INVESTMENTS	11,248.99	9,237.25	2,011.74
	<u>\$325,119.27</u>	<u>\$249,530.32</u>	<u>\$75,588.95</u>
 TOTAL REVENUES	 <u>\$11,884,633.71</u>	 <u>\$11,015,855.88</u>	 <u>\$868,777.83</u>
 <u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$6,626,168.13	\$5,846,746.74	\$779,421.39
WATER PURCHASE IN TRANSIT	2,523,657.09	1,367,519.65	1,156,137.44
OPERATING EXPENSES	1,717,815.68	1,745,496.56	(27,680.88)
FIXED CHARGES	65,793.75	76,418.75	(10,625.00)
TOTAL EXPENSES	<u>\$10,933,434.65</u>	<u>\$9,036,181.70</u>	<u>\$1,897,252.95</u>
 NET INCOME	 \$951,199.06	 \$1,979,674.18	 (\$1,028,475.12)

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2010 THROUGH MARCH 31, 2011

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	42,266.800	\$528,335.00
BEVERLY HILLS	37,033.600	462,920.00
BINGHAM FARMS	9,076.500	113,456.25
BIRMINGHAM	92,110.100	1,151,376.25
CLAWSON	30,829.700	385,371.25
HUNTINGTON WOODS	19,996.900	249,961.25
LATHRUP VILLAGE	10,929.100	136,613.75
PLEASANT RIDGE	9,119.200	113,990.00
ROYAL OAK	201,950.800	2,524,385.00
SOUTHFIELD	381,031.100	4,762,888.75
DETROIT ZOO & RACKHAM	14,108.100	176,351.25
	<u>848,451.900</u>	<u>\$10,605,648.75</u>
MEMBERS		
NON-MEMBERS		
BLOOMFIELD HILLS	<u>45,858.928</u>	<u>953,865.69</u>
	<u>894,310.828</u>	<u>\$11,559,514.44</u>
TOTAL:		

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2010 THROUGH MARCH 31, 2011

FIXED ASSET EXPENDITURES

Northland Meter	14,790.08
Crooks Road Water Main	9,949.50
13 & Southfield Meter	18,204.49
Webster Electric Gate	8,130.00
12 Mile & Greenfield Meter	<u>6,127.89</u>
TOTALS:	\$57,201.96