



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

QUARTERLY REPORT OCTOBER 2010

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 2010

Board Members:

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

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 14, 2010, and members were elected to serve as Officers for the fiscal year beginning July 2010. 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 2010, 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 2010/10 was \$780,246. This is a slight decrease from the net income of \$793,223 for the first 3 months of 2009/10.

Revenue	Actual \$5,362,850	Compared to Budget + \$ 415,971
Expenses	\$4,582,604	+ \$ 196,750
Net Income (before depreciation)	\$ 780,246	+\$ 219,221

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

The increase in revenue was primarily due to higher than planned water sales (+\$431,000). All other revenue items were below budget (-\$15,000). Expenses were greater than planned primarily due to larger than planned water purchases (+\$239,000). In addition, costs were below budget for labor (-\$13,000), utilities (-17,000) and maintenance (-\$11,000).

Water sales for the first 3 months of the fiscal year were 8.8% above budget and were 6.2% higher than the same period of the previous fiscal year. Water sales for the first 3 months are summarized in the table below. Additional financial detail is attached.

WATER SALES – DAILY AVERAGE (MGD)

Month	2006	2007	2008	2009	2010	Over or Under 2009
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
Million Gals./Day	34.06	36.16	31.68	31.29	33.22	+ 1.93
Variance	+ 6.2%	-12.4%	-1.2%	+6.2%		

We incurred capital expenditures of \$14,258 in the first quarter of the year. The expenses included the installation of an electric gate at Webster Station (\$8,000) and the refurbishment of a meter vault (\$6,000).

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

PRECIPITATION - INCHES

Month	2006	2007	2008	2009	2010
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
Total:	6.06	6.75	9.87	7.11	7.90

MAJOR PROJECTS

DWSD RATE INCREASE

DWSD's rate to SOCWA increased by 12.5% as of July 1, 2010. SOCWA absorbed some of this rate increase and only increased the rate to our members by 7.8%. Unfortunately, we expect that DWSD's water rates will continue to increase in the future.

DWSD WATER SALES CONTRACT

Our agreement with DWSD allows us to renegotiate our sales volumes (Annual, Maximum Day and Peak Hour volumes) after the first 2 years of the agreement have been completed. We will be conducting these negotiations with DWSD this fall and these sales volumes will be used in the calculation of the rates that will go into effect on July 1, 2011. Our next chance to renegotiate our sales volumes will take place in the fall of 2014, after the first 5 years of the agreement. The renegotiation of sales volumes will take place every 5 years thereafter.

We have held an initial meeting with DWSD to exchange information. We will complete the negotiations with DWSD so that the revised contract volumes can be approved by the Board by the January 15, 2011 deadline for the new volumes to be included in the DWSD rate calculations for 2011/12.

DWSD is continuing to negotiate new water sales contracts with their suburban customers. As of October 26, 72 contracts have been completed and approved by the Detroit City Council. One other community is negotiating with DWSD. Only 12 communities have yet to start negotiating new contracts with DWSD. The 12 communities that are not negotiating can be divided into four groups. Flint and Genesee County (4 communities) 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. A group of 5 downriver communities is exploring the constructing their own water treatment plants as is Grosse Pointe Park. There is no apparent reason why the other 2 communities have ignored the incentives that DWSD has provided for negotiating.

SALE OF WATER TO BLOOMFIELD TWP

We have discussed selling water to Bloomfield Township for several months. DWSD has indicated that they have no requirements for us to add Bloomfield Twp. as a SOCWA customer and that we would only have to amend our existing water sales contract. We will be preparing a proposal for Bloomfield

Twp. that will be reviewed with the SOCWA Board at their November meeting before being presented to Bloomfield Twp. Selling water to Bloomfield Twp. provides more sales volume over which SOCWA's fixed costs could be shared and should result in lower water rates for the SOCWA communities and for Bloomfield Twp.

DWSD WATER ISSUES

The process that will result in the rates from DWSD for 2011/12 has begun. A series of meetings are being held this fall to communicate rate information. Our proposed 2011/12 rates will be delivered by DWSD on January 18, 2011. DWSD will be using the same water rate methodology that was used to develop the rates for previous years except that they will be continuing to phase 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. For 2011/12 rates, we anticipate that approximately 50% of DWSD's fixed water charges will be recovered through a fixed monthly charge to their water customers. SOCWA currently plans to continue billing our communities on a commodity basis and not adopt a fixed/variable rate structure. 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, 2011 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. We feel that it is more important than ever to partner with DWSD due to the recent economic problems which 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. 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

DWSD announced the retirement of three of their senior management team in June and July. Pamela Turner, Director of DWSD, George Ellenwood, Assistant Director of Public Affairs and Woodrow McCarty, Assistant Director of Financial Services all retired this summer. This leaves three of DWSD's eleven senior management team positions vacant. It is unclear what DWSD's plans are to fill these positions. Darryl Latimer, who was the Deputy Director, was named Interim Director. The Technical Advisory Committee has requested to be involved in selecting the new Director of DWSD. We are taking the necessary steps to make sure that our excellent working relationship with DWSD continues with their new management personnel.

FIXED BASE METER READING SYSTEM

We have developed a request for proposals for a communication system that could be used both by SOCWA for our communication needs and by the member communities for fixed base meter reading. A fixed base metering system would allow the member communities to read their resident's water meters from the office without sending meter readers into the field.

Under the communication system being requested in this RFP, each member community would then be able to adopt a fixed base meter reading system that meets their needs, install the necessary meter interface equipment as their budget allows, and use the SOCWA data collection and communication

system to transmit the meter reads. This would require a communication system that could handle a variety of fixed base meter reading systems as well as the information from the SOCWA systems

The RFP has been released to the vendor community. Questions regarding the RFP are due by November 26; final proposals are due by December 10, 2010. We plan to establish a review committee of representatives of the member communities that will review the responses and bring a recommendation to the Board for approval.

SOCWA staff is continuing to investigate possible funding mechanisms, including the State Revolving Fund. We met with representatives of the State Revolving Fund to discuss their 2011 program. Grant applications will be due by May 1, 2011. It is uncertain how much money will be available for this program. If we decide to apply for funding through the State program, we will probably recommend that we hire an engineering firm to prepare the application. We are also talking with Homeland Security representatives to determine if funding is available for either planning purposes or for the deployment of a communications system.

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, 2010 and will be reviewed by the SOCWA Board at their November, 2010 meeting.

RETIREMENT OF KATHY HYDE

Kathy Hyde, who was the Board Secretary, among many other roles, retired from SOCWA on October 1 after 32 ½ years of service. We recognized Kathy and her many accomplishments at a retirement party on October 1. Karen Bever of the SOCWA staff has agreed to take over Kathy's role as Board Secretary. We are evaluating how to fill the other roles that Kathy performed for us. Kathy will be missed.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

JAM/ksh

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 BUDGET ANALYSIS
 JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>REVENUES</u>	<u>ESTIMATED REVENUES</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCES OVER OR UNDER</u>
<u>OPERATION</u>			
SALE OF WATER	\$4,419,000.00	\$4,748,062.50	\$329,062.50
SALE OF WATER OTHERS	496,000.00	598,287.02	102,287.02
	<u>\$4,915,000.00</u>	<u>\$5,346,349.52</u>	<u>\$431,349.52</u>
<u>OTHER INCOME</u>			
RENTALS	\$17,679.00	\$13,078.00	(\$4,601.00)
WATER ANALYSIS-LAB & MISC.	2,500.00	49.55	(2,450.45)
GRANT REVENUE	4,200.00	0.00	(4,200.00)
INTEREST ON INVESTMENTS	7,500.00	3,372.66	(4,127.34)
	<u>\$31,879.00</u>	<u>\$16,500.21</u>	<u>(\$15,378.79)</u>
<u>TOTAL REVENUES</u>	<u>\$4,946,879.00</u>	<u>\$5,362,849.73</u>	<u>\$415,970.73</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.00	\$0.00
WATER PURCHASE IN TRANSIT	3,753,000.00	4,001,140.24	248,140.24
POWER, PUMPING & GROUNDS WEBSTER	126,105.23	116,588.79	(9,516.44)
POWER, PUMPING & GROUNDS	64,658.15	46,458.58	(18,199.57)
COMPUTER OPERATIONS	9,447.75	7,160.22	(2,287.53)
PURIFICATION	14,265.36	9,723.75	(4,541.61)
METERS & MAINS	43,847.14	30,496.23	(13,350.91)
ENGINEERING	19,080.00	17,878.42	(1,201.58)
ADMINISTRATIVE & GENERAL	355,450.00	353,157.31	(2,292.69)
	<u>\$4,385,853.63</u>	<u>\$4,582,603.54</u>	<u>\$196,749.91</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	<u>\$4,385,853.63</u>	<u>\$4,582,603.54</u>	<u>\$196,749.91</u>
NET INCOME BEFORE DEPRECIATION	<u>\$561,025.37</u>	<u>\$780,246.19</u>	<u>\$219,220.82</u>

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT OF INCOME
 JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

	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	\$4,748,062.50	\$12.5000	\$11.6000
SALE OF WATER OTHERS	598,287.02	20.8000	18.4800
	\$5,346,349.52	\$13.0843	\$30.0800
<u>OTHER INCOME</u>			
RENTALS	\$13,078.00	\$0.0320	\$0.0460
LAB & MISCELLANEOUS	49.55	0.0001	0.3599
INTEREST ON INVESTMENTS	3,372.66	0.0083	0.0067
	\$16,500.21	\$0.0404	\$0.1652
TOTAL REVENUES:	\$5,362,849.73	\$13.1247	\$30.2452
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.0000	\$0.0000
WATER PURCHASE IN TRANSIT	4,001,140.24	9.7921	8.8403
POWER, PUMPING & GROUNDS WEBSTER	116,588.79	0.2853	0.2794
POWER, PUMPING & GROUNDS	46,458.58	0.1137	0.1099
COMPUTER OPERATIONS	7,160.22	0.0175	0.0170
PURIFICATION	9,723.75	0.0238	0.0157
METERS & MAINS	30,496.23	0.0746	0.1106
ENGINEERING	17,878.42	0.0438	0.0476
ADMINISTRATIVE & GENERAL	353,157.31	0.8643	0.8985
BOND INTEREST	0.00	0.0000	0.0000
	\$4,582,603.54	\$11.2151	\$10.3189
INC. BEFORE DEPRECIATION	\$780,246.19	\$1.9095	\$2.0712
DEPRECIATION	\$128,855.79	\$0.3154	\$0.3308
NET INCOME	\$651,390.40	\$1.5942	\$1.7403

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

	TOTAL BUDGET 2010/11	ACTUAL 3 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$13,653,750.00	\$4,748,062.50	\$8,905,687.50	34.77%
SALE OF WATER OTHERS	1,102,400.00	598,287.02	504,112.98	0.00%
	<u>\$14,756,150.00</u>	<u>\$5,346,349.52</u>	<u>\$9,409,800.48</u>	<u>36.23%</u>
<u>OTHER INCOME</u>				
RENTALS	\$120,000.00	\$13,078.00	\$106,922.00	10.90%
LAB & MISCELLANEOUS	10,000.00	49.55	9,950.45	0.50%
GRANT REVENUE	25,000.00	0.00	25,000.00	0.00%
INTEREST ON INVESTMENTS	30,000.00	3,372.66	26,627.34	11.24%
	<u>\$185,000.00</u>	<u>\$16,500.21</u>	<u>\$168,499.79</u>	<u>8.92%</u>
TOTAL REVENUES:	<u>\$14,941,150.00</u>	<u>\$5,362,849.73</u>	<u>\$9,578,300.27</u>	<u>35.89%</u>
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$11,832,158.00	\$0.00	\$11,832,158.00	0.00%
WATER PURCHASE IN TRANSIT	0.00	4,001,140.24	(4,001,140.24)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	514,500.00	116,588.79	397,911.21	22.66%
POWER, PUMPING & GROUNDS	270,925.00	46,458.58	224,466.42	17.15%
COMPUTER OPERATIONS	38,914.00	7,160.22	31,753.78	18.40%
PURIFICATION	60,400.00	9,723.75	50,676.25	16.10%
METERS & MAINS	180,250.00	30,496.23	149,753.77	16.92%
ENGINEERING	79,100.00	17,878.42	61,221.58	22.60%
ADMINISTRATIVE & GENERAL	1,021,750.00	353,157.31	668,592.69	34.56%
BOND INTEREST	0.00	0.00	0.00	0.00%
TOTAL EXPENDITURES	<u>\$13,997,997.00</u>	<u>\$4,582,603.54</u>	<u>\$9,415,393.46</u>	<u>32.74%</u>
NET INCOME BEFORE DEPRECIATION	\$943,153.00	\$780,246.19	\$162,906.81	82.73%
DEPRECIATION	\$515,423.10	\$128,855.79	\$386,567.31	25.00%

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
 COMPARATIVE STATEMENT JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

	<u>2010/11</u>	<u>2009/10</u>	<u>OVER OR (UNDER)</u>
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$4,748,062.50	\$4,214,766.04	\$533,296.46
SALE OF WATER OTHERS	598,287.02	389,748.35	208,538.67
	<u>\$5,346,349.52</u>	<u>\$4,604,514.39</u>	<u>\$741,835.13</u>
 <u>OTHER INCOME</u>			
RENTALS	\$13,078.00	\$17,679.00	(\$4,601.00)
LAB & MISCELLANEOUS	49.55	138,356.00	(138,306.45)
GRANT REVENUE	0.00	0.00	0.00
INT. ON INVESTMENTS	3,372.66	2,590.75	781.91
	<u>\$16,500.21</u>	<u>\$158,625.75</u>	<u>(\$142,125.54)</u>
 TOTAL REVENUES	 <u>\$5,362,849.73</u>	 <u>\$4,763,140.14</u>	 <u>\$599,709.59</u>
 <u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.00	\$0.00
WATER PURCHASE IN TRANSIT	4,001,140.24	3,398,478.13	602,662.11
OPERATING EXPENSES	581,463.30	571,438.97	10,024.33
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	<u>\$4,582,603.54</u>	<u>\$3,969,917.10</u>	<u>\$612,686.44</u>
 NET INCOME	 \$780,246.19	 \$793,223.04	 (\$12,976.85)

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	16,615.400	\$207,692.50
BEVERLY HILLS	17,674.400	220,930.00
BINGHAM FARMS	5,325.100	66,563.75
BIRMINGHAM	45,385.800	567,322.50
CLAWSON	12,521.100	156,513.75
HUNTINGTON WOODS	9,567.000	119,587.50
LATHRUP VILLAGE	4,713.200	58,915.00
PLEASANT RIDGE	4,611.600	57,645.00
ROYAL OAK	88,987.600	1,112,345.00
SOUTHFIELD	167,159.800	2,089,497.50
DETROIT ZOO & RACKHAM	7,284.000	91,050.00
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MEMBERS	379,845.000	\$4,748,062.50
NON-MEMBERS		
BLOOMFIELD HILLS	<u>28,763.799</u>	<u>598,287.02</u>
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TOTAL:	408,608.799	\$5,346,349.52

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010

FIXED ASSET EXPENDITURES

Webster Electric Gate	8,130.00
12 Mile & Greenfield	<u>6,127.89</u>
TOTALS:	\$14,257.89