

#### CITY of NOVI CITY COUNCIL

Agenda Item C June 4, 2012

**SUBJECT:** Approval of Proposed Water & Sewer Rate Resolutions for 2012 - 2013

**SUBMITTING DEPARTMENT:** Finance/Water & Sewer

CITY MANAGER APPROVAL;

**BACKGROUND INFORMATION:** 

The City of Novi purchases treated water and sewer services from outside sources. The attached rate schedules incorporate the pass-through increase from the Oakland County Water Resource Commission (OCWRC) approximately 1% for sewer services, with an increase from Detroit Water & Sewerage Department (DWSD) of approximately 4% (depending on consumption) for water services. In 2010, DWSD changed their rate structure from a consumption charge (also called usage rate or commodity charge) to a two-part rate structure which includes a fixed component for capital costs associated with water treatment plants and transmission mains and a consumption charge. The fixed component charge was phased in over three years with approximately 25% of the total value in 2010, 70% last year and this year 100% of the capital replacement cost for plant and transmission pipes. With this in mind, the City estimated what the fixed component and consumption charge would be based on the projected 100% fixed component charge and have structured our water rates based on this estimate in order to provide more consistency and stability for the City's consumer rates. The proposed water rates include a minimum rate which includes the fixed portion of DWSD's rate along with a portion of the City's fixed costs.

The Oakland County Water Resource Commission (OCWRC, formerly Oakland County Drain Commission) metered rate for the Huron Rouge Sewage Disposal System has increased approximately 1% over the prior year. The proposed sewer rates incorporate the pass-through increase. The City's sewer rates also include a minimum rate to cover a portion of the fixed costs.

The rate for the Novi-Walled Lake Sewer System remains the same as last year (fourth consecutive year without change).

The combined water and sewer rate increase to the average customer for the 2012-13 fiscal year will range from approximately 2-5% depending on size of meter, consumption, etc. The water equipment rates, inspection fees and miscellaneous charges have been adjusted to the City's current vendor contract for water installation fees and the current cost of our equipment and include the usual 15% administrative fee.

Attached for your information and consideration are the following:

- Water & Sewer Rate Resolutions
- Water & Sewer Revenue Allocation and Rate Billing Example in Dollars
- Rate information from DWSD, OCDC for Huron Rouge and Novi-Walled Lake Sewer System
- Map Novi Sanitary Sewer Districts

The City of Novi Water & Sewer Fund, the Oakland County Water Resource Commission (OCWRC) and the Detroit Water & Sewerage Department (DWSD) are all not-for-profit entities and therefore rates are intended and required to cover costs. The American Water Works Association (AWWA) recommends government agencies be prudent in the computations of reserves, either through depreciation or through a future debt service reserve to cover current and future replacement infrastructure costs.

#### **RECOMMENDED ACTION:**

	1	2	Υ	Ν
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Casey				
Council Member Fischer				

	1	2	Υ	Z
Council Member Margolis				
Council Member Mutch				
Council Member Wrobel				



# CITY OF NOVI

45175 W Ten Mile Road Novi, Michigan 48375-3024

# RESOLUTION WATER RATES

WHEREAS, the City of Novi through the Code of Ordinance, Section 34 has empowered itself to acquire, Construct, and operate a water supply system; and,

WHEREAS, by Section 34-19 the City of Novi may establish rates to operate said system; and,

WHEREAS, certain rates must reflect actual costs of providing services and materials; and,

WHEREAS, the cost to finance said system demonstrates a need to increase the water rates.

NOW, THEREFORE BE IT RESOLVED that the following rates shall be implemented as the rates of the Water Supply System pursuant to Section 34-19 for all bills rendered after August 1, 2012.

# WATER RATES Minimum (Fixed) Rate Schedule

Meter Size	Minimum Rate <u>per Quarter</u>
5/8"	\$ 37.00
1"	53.00
1 1/2"	115.00
2"	154.00
3"	440.00
4"	562.00
6"	1,176.00
8"	1,398.00
10"	1,604.00

Consumption Rate \$3.44 per Thousand Gallons

**NOW, THEREFORE BE IT RESOLVED that** the new rates related to water fees will be established as follows:

#### **EQUIPMENT FEES**

Service Size	<u>Meter Size</u>	Public Street <u>Plastic</u>	Private Street <u>Plastic</u>	Public Street <u>Copper</u>	Private Street <u>Copper</u>
1"	5/8″	\$1,495	\$1,185	\$1,725	\$1,340
1"	1"	\$1,635	\$1,325	\$1,865	\$1,480
1 ½"	1″	\$2,610	\$1,750	\$2,670	\$1,865
1 ½"	1 ½"	\$2,805	\$1,945	\$2,865	\$2,060
2"	1 ½"	\$3,210	\$2,405	\$3,440	\$2,520
2"	2"	\$3,350	\$2,545	\$3,580	\$2,660

Service on Public Roads over 60 feet, there will be an additional fee per Right of Way foot of:

SERVICE SIZE	FEE/PER RIGHT	FEE/PER RIGHT OF WAY FOOT							
	<u>Plastic</u>	<u>Copper</u>							
1"	\$ 12.00	\$17.00							
1 ½"	\$ 14.00	\$18.00							
2"	\$ 16.00	\$21.00							

An additional \$ 1,500 fee will be assessed for taps into a concrete water main. A separate additional fee will be assessed if a directional bore is needed (please contact the Water & Sewer Department).

#### **METERING EQUIPMENT FEES**

<u>SIZE</u>	<u>METER</u>	METER HORN	<u>FLANGES</u>	<u>STRAINER</u>	RADIO REMOTES
5/8"	\$ 150	\$ 40	N/A	N/A	\$86
1"	260	70	N/A	N/A	86
1 ½"	450	N/A	70	N/A	86
2"	575	N/A	90	N/A	86
3" (Compound)	2,085	N/A	90	735	86
4" (Compound)	2,980	N/A	130	890	86
6" (Compound)	3,790	N/A	210	1665	86

8" and larger Compound and Turbine meters and equipment will be actual costs plus 15% City of Novi Administrative Fee

#### **MISCELLANEOUS CHARGES**

Miscellaneous Inspection Fee		\$ 90
Turn-off or Turn-on Service (regular	r hours)	90
Turn-off or Turn-on Service (Saturd	ays or Evenings)	175
Turn-off or Turn-on Service (Sunday	ys or Holidays)	250
Water Meter Test		85
Unmetered Water - Single Family Resi	dential Construction	105
Unmetered Water - Non-Single Family	Residential Construction	365
Permits to Use Fire Hydrant Fees:		
Backflow Preventer & Meter D	eposit: 1" meter	500
Backflow Preventer & Meter D	eposit: 2" meter	800
Backflow Preventer & Meter D	eposit: 3" meter	1200
Hydrant Deposit		200
Permit Fee		60
Inspection Fee		60
Rental Fee	\$3.00/per day, \$20/per	r month

#### **WATER TAP FEES**

For the privilege of tapping into the Water Supply System, there shall be a charge of One Thousand Eight Hundred Fifty Dollars (\$1,850.00), multiplied by the unit factor set forth in the Unit Factor Chart as adopted by the City Council. With the exception of those users served directly by the water main constructed and financed by Special Assessment District Number 126 who will be charged Five Hundred Dollars (\$500.00) multiplied by the factor set forth in the Unit Factor Chart.

#### **SPECIAL RATES**

For miscellaneous services for which, in the judgment of the City Council a special rate should be established, such rates shall be established and charged in accordance with the schedule of rates adopted by resolution of the City Council.

#### **CERTIFICATION**

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held the 4th day of June 2012.

By: Maryanne Cornelius Its: City Clerk



## CITY OF NOVI

45175 W Ten Mile Road Novi, Michigan 48375-3024

#### RESOLUTION Huron-Rouge Sewer Rates

WHEREAS, the City of Novi through the Code of Ordinance, Section 34-145 has established that the rates established are to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for the maintenance of the system as are necessary to preserve the same in good repair and working order, to provide for the payment of the sewage disposal charge required to be paid to the county, to provide for the payment of the annual payments required to be made to the county in connection with the Huron-Rouge System, to provide for the payment and interest as required by the contract with the county, and to provide for the payment of such other expenditures and funds for the system as this division may require. Such rates shall be fixed and revised from time to time as may be necessary to produce these amounts.

**WHEREAS**, Oakland County has notified the City of Novi that their charge to us for sewage disposal has been increased for 2012-2013.

WHEREAS, the cost to finance said system demonstrates that the sewer rates will be increasing,

**NOW**, **THEREFORE BE IT RESOLVED**, that the following rates shall be implemented as the rates of the sewer system pursuant to Section 34-145 for all bills rendered after August 1, 2012.

#### **BASE SEWER RATES**

#### Minimum (Fixed) Rate Schedule

	Minimum Rate
<u>Meter Size</u>	per Quarter
5/8"	\$ 5.00
1"	10.00
1-1/2"	15.00
2"	20.00
3"	54.00
4"	70.00
6"	143.00
8" or larger	176.00

\$4.00 per thousand gallons for metered consumption, and \$84.59 per quarter/per tap unit for un-metered consumption

#### **INSPECTION FEE**

Sewer Inspection Fee.....\$90.00

#### High Strength Pollutants (HSP) and for Industrial Waste Control (IWC)

**WHEREAS**, the pass-through surcharges from the Detroit Water and Sewer Department for High Strength Pollutants (HSP) and for Industrial Waste Control (IWC) which are regulated by the Clean Water Act and may change every year.

**NOW, THEREFORE BE IT RESOLVED**, the City of Novi will collect the HSP and IWC surcharges as determined by the Detroit Water and Sewerage Department.

#### **CERTIFICATION**

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the

City Council of the City of Novi at a regular meeting held the 4th day of June 2012.



## CITY OF NOVI

45175 Ten Mile Road Novi, Michigan 48375-3024

#### **RESOLUTION**

#### Novi-Walled Lake Sewer System

**WHEREAS**, the Oakland County Drain Commission (OCDC) operates the Novi-Walled Lake Treatment Plant for the Cities of Novi and Walled Lake; and

WHEREAS, certain rates must reflect actual costs of providing services;

#### **USAGE FEE**

**NOW, THEREFORE BE IT RESOLVED**, that the new rate to the user of this system is established at \$76.61 per unit per quarter for all bills rendered after August 1, 2012.

#### **SEWER INSPECTION FEE**

**WHEREAS**, OCDC operates and maintains the Novi-Walled Lake Treatment Plant, and all sewer infrastructures for effluent to the plant;

**NOW, THEREFORE BE IT RESOLVED**, the City of Novi will collect the pass-through OCDC sewer inspection fee as determined by the OCDC.

#### **INDUSTRIAL PRETREATMENT PROGRAM (IPP)**

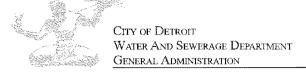
**WHEREAS**, the pass-through IPP surcharges from OCDC are regulated by the Clean Water Act and change every year;

**NOW, THEREFORE BE IT RESOLVED**, the City of Novi will collect the IPP surcharge as determined by the OCDC.

#### **CERTIFICATION**

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held the 4th day of June 2012.

By: Maryanne Cornelius Its: City Clerk



735 RANDOLPH STREET
DETROIT, MICHIGAN 48226

WWW.DETROITHISON FFICE

CITY CLERK

2012 MAR 16 P 2: 04

March 13, 2012

Novi City Clerk 45175 West Ten Mile Road Novi, MI 48375

RE: DWSD FY 2012/13 Water and Sewage Rates and Charges

On March 7, 2012, the Board of Water Commissioners approved water and sewage rates for Fiscal Year 2012/13.

These rates reflect our ongoing efforts to control expenditures and our commitment to providing reliable quality water and wastewater services to you.

The benefit of your participation through the collaborative process of the Technical Advisory Committee (TAC) and the Steering Committee (SC) continue to provide valuable recommendations for both our water supply and sewage disposal systems.

The rates and charges applicable to you are indicated on the enclosed document(s). These rates and charges are effective on all bills rendered by the Detroit Water and Sewerage Department as of August 1, 2012. They will apply to flows and/or usage beginning July 1, 2012.

If you have any questions regarding this matter please contact Raphael Chirolla of the Financial Planning Division – Rates Section at (313) 964-9202.

Sincerely yours,

Sue F. McCormick

Dec M. Cornica.

Director

**Enclosures** 

# FISCAL YEAR 2012-2013 WATER RATES

Community: Novi

Recommended Fixed Monthly Charge (a)

\$217,786.00

Recommended Consumption Rate (b)

per Mcf

\$19.91

- (a) Applied every month, irrespective of amount of water purchased.
- (b) Applied to metered water purchases.

# FISCAL YEAR 2012 - 13 SUBURBAN SEWAGE RATES

Servicing Authority:   Middle Rouge Valley District   User Charge Portion Charge   S   S   S	Community: Novi										
Charge   S	Servicing Authority: Middle Rouge Valley District										
Commodity Charge (Per 1,000 Cubic Feet)         5.79         5.33         11.12           Monthly Charge         514,369         645,191         1,159,560           Industrial Specific Charges         Industrial Surcharge Rates, Per Excess Pound         3. Pion Post Per	Community Specific Charges	<u>Charge</u>	<u>Portion</u>	<u>Charge</u>							
Industrial Specific Charges   Industrial Surcharge Rates, Per Excess Pound		5.79	5.33	11.12							
Industrial Surcharge Rates, Per Excess Pound	Monthly Charge	514,369	645,191	1,159,560							
in excess of 275 mg/l 0.251 0.187 0.438  2. Total Suspended Solids (TSS)   in excess of 350 mg/l 0.305 0.140 0.445  3. Phosphorus (P)   in excess of 12 mg/l 4.905 1.659 6.564  4. Fats, Oils, & Grease (FOG)   in excess of 100 mg/l 0.191 0.231 0.422  Industrial Waste Control Charge, per month:  Non-Residential Meter Size  5/8" 8.30 0.16 8.46 3/4" 12.45 0.24 12.69 1" 20.75 0.40 21.15 1-1/2" 45.65 0.88 46.53 2" 66.40 1.28 67.68 3" 120.35 2.32 122.67 4" 166.00 3.20 169.20 6" 249.00 4.80 253.80 8" 415.00 8.00 423.00 10" 581.00 11.20 592.20 12" 664.00 12.80 676.80 8" 415.00 8.00 423.00 10" 581.00 11.20 592.20 12" 664.00 12.80 676.80 14" 830.00 16.00 846.00 16" 996.00 19.20 1,015.20 18" 1,162.00 22.40 1,184.40 20" 1,328.00 25.60 1,353.60 24" 1,494.00 28.80 1,522.80		d									
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30" 1,660.00 32.00 1,692.00	20"	1,328.00	25.60	1,353.60							
•											
36" 1,826.00 35.20 1,861.20											
48" 1,992.00 38.40 2,030.40											



John P. McCulloch

May 7, 2012

Mr. Clay Pearson, Manager City of Novi 45175 W. Ten Mile Road Novi, Michigan 48375-3024

RE: Huron-Rouge Sewage Disposal System 2012-13 Rate Change

Dear Mr. Pearson:

This letter is intended to provide you with information about the sewage disposal rate for the 2012-13 rate year for the Huron-Rouge Sewage Disposal System. The rate recommendation includes the increase from Wayne County for the commodity and monthly charge and a decrease in the operations and maintenance component from my office.

We were notified by Wayne County of the preliminary sewage rates and charges for the 2012-13 rate year. These rates are anticipated to be effective on all bills for usage beginning July 1, 2012. We will notify you of any changes from Wayne County as we receive them. The detailed rates are as follows:

Detroit Charge per 1,000 cubic feet (MCF): \$11.12 Wayne County Monthly Charge per MCF: \$11.19

There will be a decrease in the Oakland County Water Resources Commissioner's office (WRC) operations and maintenance charges. My staff and I have carefully reviewed past revenues and expenses and developed a detailed forecast and rate summary on the attached sheet entitled Huron-Rouge Sewage Disposal System FY 2013 Rate Summary. Based on our review, the Huron-Rouge Sewage Disposal System 2012-13 rate will increase 0.4% percent from \$24.42 per MCF to \$24.52 per MCF effective July 1, 2012.

The assigned consumption value, or flat rate charge, for those customers who do not have water meters will remain at three MCF per unit, per quarter. It is our intent to review this number annually at the time of rate setting and make recommendations based on trends. The unit charge per quarter will be \$73.56. Charges are reflected in the attached updated schedule of rates and charges.

If you have any questions, please contact Sue Coffey at 248-858-0937.

Sincerely,

John P. McCulloch

Attachments





<u>FY</u>	Detroit <u>Rate</u>	<b>,</b>	e/DWSD xed	Wayne/ <u>DWSD</u>	ewer Sain	Interest Income	/lisc venue	CIP eserve	ERM Reserve	lajor serve	CWRC O&M	otal	al Rate er MCF	Wayne/DWSD <u>% Change</u>	OCWRC % Change	Total <u>% Change</u>
2000	\$ 7.70	\$	1.38	\$ 9.08		\$ -	\$ _	\$ 0.02	\$ -	\$ _	\$ 0.21	\$ 0.23	\$ 9.31			
2001	7.88		0.76	8.64		-	-	0.06	· -	-	0.21	0.27	8.91	-4.8%	17.4%	-4.3%
2002	7.66		1.28	8.94		-	-	-	-	_	0.21	0.21	9.15	3.5%	-22.2%	2.7%
2003	8.43		1.76	10.19		-	-	-	-	-	0.66	0.66	10.85	14.0%	214.3%	18.6%
2004	9.17		2.03	11.20		-	-	-	-	-	0.79	0.79	11.99	9.9%	19.7%	10.5%
2005	9.45		1.91	11.36		-	-	1.00	-	-	0.84	1.84	13.20	1.4%	132.9%	10.1%
2006	9.45		1.13	10.58		-	-	1.00	_	-	0.85	1.85	12.43	-6.9%	0.5%	-5.8%
2007	9.71		1.67	11.38		-	-	1.00	-	-	0.85	1.85	13.23	7.6%	0.0%	6.4%
2008	9.80		1.50	11.30		-	-	1.08	-	-	0.85	1.93	13.23	-0.7%	4.3%	0.0%
2009	10.38		2.00	12.38		-	-	1.08	-	-	0.85	1.93	14.31	9.6%	0.0%	8.2%
2010	10.52		2.75	13.27		-	-	1.08	-	-	0.90	1.98	15.25	7.2%	2.6%	6.6%
2011	10.52		5.75	16.27		(0.19)	(0.01)	1.08	0.35	-	0.76	1.99	18.26	22.6%	0.5%	19.7%
2012	10.79		11.33	22.12	0.25	(0.31)	(0.01)	1.14	0.39	0.16	0.68	2.30	24.42	36.0%	15.4%	33.7%
2013	\$11.12	\$	11.19	\$ 22.31	\$ 0.24	\$ (0.30)	\$ •	\$ 0.76	\$ 0.38	\$ 0.49	\$ 0.63	\$ 2.21	\$ 24.52	0.9%	-3.8%	0.4%

#### Note:

<sup>1)</sup> If flows remained the same as FY 2012 projections the overall rate increase would be 2.4% and OCWRC would be a 0.3% decrease

# HURON-ROUGE SEWAGE DISPOSAL SYSTEM SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2012

#### 1. Wastewater Disposal Charge

#### Metered Water Consumption

Each community shall report within ten days following the end of each calendar quarter the total equivalent master meted water consumption in the district served by the system. Where the master meted water consumption is not available, individual metered water consumption times 1.110 shall be equivalent to mastered metered water consumption.

Based on the quarterly report, each community shall pay \$24.52 per one thousand cubic feet (MCF) of equivalent master metered water consumption, as established by the County Agency.

#### Unmetered Water Consumption

Where metered water consumption is not available, then a consumption assigned by the County Agency shall be the equivalent master metered water consumption of each unit assigned to the user in accordance with the current Oakland county Water Resources Commissioner (WRC) Schedule of Unit Assignment Factors, with a minimum assignment of one unit for each connection.

The assigned consumption value for the flat rate charge remains at three MCF per unit, per quarter. It is our intent to review this number annually at the time of rate setting and make recommendations based on trends.

The unit charge per quarter will be \$73.56 per unit effective July 1, 2012.

#### 2. Penalty

The said sewage disposal service charge shall be payable quarterly. If any municipality does not pay its' service charge on the date when the same becomes due, then there shall be added to such a penalty of one percent for each month or fraction thereof for which the same remains unpaid.



John P. McCulloch

Poil 5:30.12

May 22, 2012

Mr. Clay Pearson, Manager City of Novi 45175 West Ten Mile Road Novi, Michigan 48375-3024

RE: Walled Lake-Novi Sewage Disposal System Rate Review

Dear Mr. Pearson:

After reviewing the financial statements from the Walled Lake-Novi Sewage Disposal System at the close of fiscal year 2011, it has been determined to keep the rate the same for the 2012/2013 rate year. Please be advised that the rates for the Walled Lake-Novi Sewage Disposal System will remain the same at \$66.62 per unit quarterly.

The Industrial Pretreatment Program (IPP) charge for sewer customers in the City of Novi will remain at \$15.02 per unit quarterly for non-domestic sewer customers.

If you have any questions regarding this matter, please contact Steven Korth at 248-858-7598.

Sincerely,

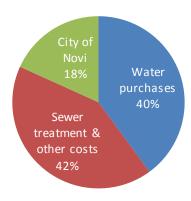
John P. McCulloch

c: Kathy Smith-Roy

Steven A. Korth, P.E.



# City of Novi Water & Sewer Fund 2012-13 Budgeted Revenue Allocation



## 2012-13 Budgeted Operating Revenue

Sewer treatment & other costs	\$	9,215,800
City of Novi	\$	4,016,600
Total Operating Revenue	\$ :	22,030,400

#### CITY OF NOVI

#### Example of Water & Sewer Charges using Huron Rouge Metered Rate

	<u>20</u>	<u>2011-2012</u> <u>2012-2013</u>		Inc	crease	
Quarterly:						
Base rate 4,000 gallons	\$	35.00 13.24	\$	37.00 13.76	\$	2.00 0.52
Sewer Base rate		5.00		5.00		-
4,000 gallons	\$	<b>15.12</b> 68.36	\$	<b>16.00</b> 71.76	\$	<b>0.88</b> 3.40
Annually:	\$	273.44	\$	287.04	\$	13.60

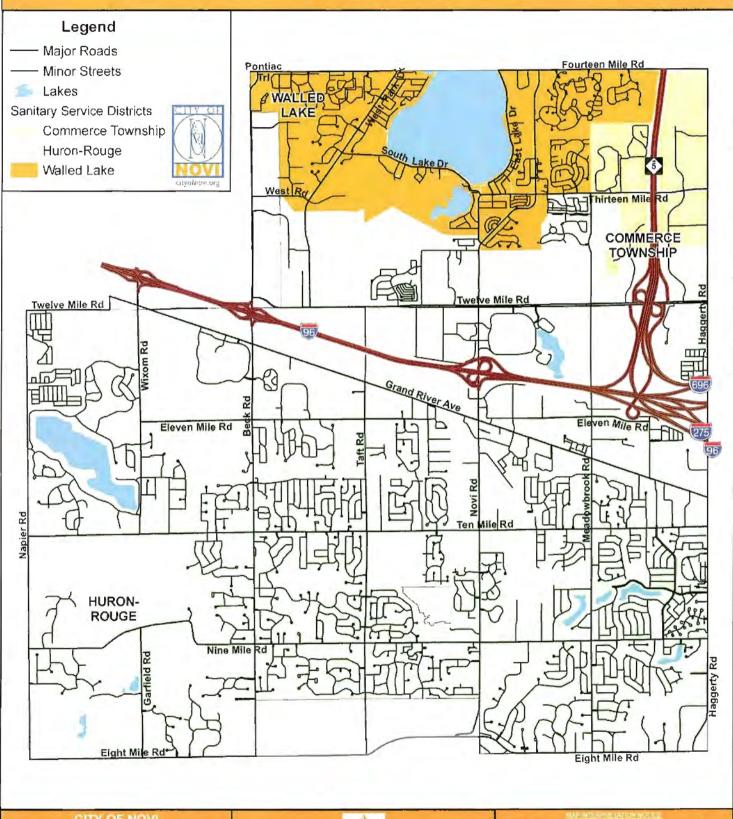
Estimated increase

4.97%

#### NOTES:

Example is based on annually water consumption of 16,000 gallons per quarter and a 5/8" meter. Rates include an increase from Detroit Water and Sewerage Department, and Increase from from Oakland County Water Resource Commission.

# City of Novi Sanitary System Service Districts



## CITY OF NOVI

