



CITY of NOVI CITY COUNCIL

Agenda Item H
June 16, 2014

SUBJECT: Approval of Proposed Water & Sewer Rate Resolutions for 2014 – 2015.

SUBMITTING DEPARTMENT: Finance/Water & Sewer

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

The Finance Department and Department of Public Services annually reviews and proposes water and sewer rates for City Council consideration. The City of Novi purchases treated water and sewer services from other governmental entities. The attached rate schedules incorporate the increase from the Detroit Water & Sewerage Department (DWSD) of approximately 7% for water services (down from 11% increase last year) and the combined pass-through increase from the Oakland County Water Resource Commission (OCWRC) of approximately 1% for sewer services (down from the 6% increase last year).

Approximately 4.4% of the 7% DWSD increase can be attributed to DWSD's system revenue requirement. The contract value modifications component, comprising the remaining 2.5% increase, is attributable to the assignment of a peak hour customer. The City has estimated the fixed component and consumption charges based upon the revenue requirement from DWSD for the City of Novi and have structured our water rates based upon this estimate. The proposed water rates include a minimum rate, or readiness to service charge, which incorporates 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 decreased from the prior year. The decrease in cost was incorporated in the overall change in the sewer rate for this system. The City's sewer rates also include a minimum rate to cover a portion of the City's fixed costs.

The rate for the Novi-Walled Lake Sewer System increased approximately 1% over the prior year (down from the 6% increase last year).

The combined water and sewer rate increase to the average customer for the 2014-15 fiscal year will be approximately 3% or \$20.48 annually for residential customers (down from the 9% increase last year) and range from 3-6% for commercial and industrial customers depending on size of meter, consumption, etc. The water equipment rates, inspection fees and miscellaneous charges are unchanged and consistent with the City's current vendor contract for water installation fees, the current cost of our equipment and a 15% administrative fee.

In late fiscal year 2013-14 the City started construction of a water storage facility, with an estimated completion date of February 2015. One of the goals of this facility is to better

manage our wholesale water rates and the peak day demand of the water system. By filling the storage tank during off peak times and distributing these reserves to our customers, the City will be more likely to adhere to the contractual limits with DWSD and avoiding potentially higher water rates.

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
- Additional Water & Sewer Rates Information Memo

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: Approve Proposed Water & Sewer Rate Resolutions for 2014 – 2015.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Casey				
Council Member Fischer				

	1	2	Y	N
Council Member Markham				
Council Member Mutch				
Council Member Wrobel				

**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 usage and consumption; and,

WHEREAS, certain rates must cover the costs related to administration, construction, maintenance and replacements to the system; 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, 2014.

WATER RATES		
<u>Minimum (Fixed) Rate Schedule:</u>		
<u>Meter Size</u>	<u>Minimum Rate per Quarter</u>	<u>Minimum Rate per Month</u>
5/8"	\$ 40.00	13.33
1"	57.00	19.00
1.5"	124.00	41.33
2"	166.00	55.33
3"	475.00	158.33
4"	607.00	202.33
6"	1,270.00	423.33
8"	1,510.00	503.33
10"	1,732.00	577.33

Consumption Rate: \$4.13 per Thousand Gallons

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

▪ **EQUIPMENT FEES**

<u>Service Size</u>	<u>Meter Size</u>	<u>Public Street Copper</u>	<u>Private Street Copper</u>
1"	5/8"	\$1,725	\$1,340
1"	1"	\$1,865	\$1,480
1.5"	1"	\$2,670	\$1,865
1.5"	1.5"	\$2,865	\$2,060
2"	1.5"	\$3,440	\$2,520
2"	2"	\$3,580	\$2,660

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

<u>SERVICE SIZE</u>	<u>FEE/PER RIGHT OF WAY FOOT COPPER</u>
1"	\$17.00
1.5"	\$18.00
2"	\$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>	<u>METER HORN</u>	<u>FLANGES</u>	<u>STRAINER</u>	<u>RADIO REMOTE</u>
5/8"	\$ 150	\$ 40	N/A	N/A	\$ 86
1"	260	70	N/A	N/A	86
1.5"	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	1,665	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 hours)	90
Turn-off or Turn-on Service (Saturdays or Evenings)	175
Turn-off or Turn-on Service (Sundays or Holidays)	250
Water Meter Test	85
Unmetered Water – Single Family Residential Construction	105
Unmetered Water – Non-Single Family Residential Construction	365
Permits to Use Fire Hydrant Fees:	
Backflow Preventer & Meter Deposit: 1" meter	500
Backflow Preventer & Meter Deposit: 2" meter	800
Backflow Preventer & Meter Deposit: 3" meter	1200
Hydrant Deposit	200
Permit Fee	60
Inspection Fee	60
Rental Fee	\$3.00/per day, \$20/per 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 16th day of June 2014.

By: Maryanne Cornelius
Its: City Clerk

RESOLUTION
Huron-Rouge Sewer Rates

WHEREAS, the City of Novi through the Code of Ordinance, Section 34-145 has established that the rates 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 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 remained steady for 2014-2015,

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, 2014.

<u>Base Sewer Rates</u>			
<u>Minimum (Fixed) Rate Schedule</u>			
<u>Meter Size</u>	<u>Minimum Rate Per Quarter</u>	<u>Minimum Rate Per Month</u>	
5/8"	\$ 6.00	2.00	
1"	10.00	3.33	
1.5"	17.00	5.67	
2"	21.00	7.00	
3"	64.00	21.33	
4"	82.00	27.33	
6"	170.00	56.67	
8" or larger	199.00	66.33	

\$4.30 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.

SEWER TAP FEES

For the privilege of tapping into the Sanitary Sewer System, there shall be a charge of Two Thousand Seven Hundred Twenty Dollars (\$2,720.00), multiplied by the unit factor set forth in the Unit Factor Chart as adopted by 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 16th day of June 2014.

By: Maryanne Cornelius
Its: City Clerk

**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 \$82.31 per unit per quarter for all bills rendered after August 1, 2014.

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 16th day of June 2014.

By: Maryanne Cornelius
Its: City Clerk

CITY OF NOVI

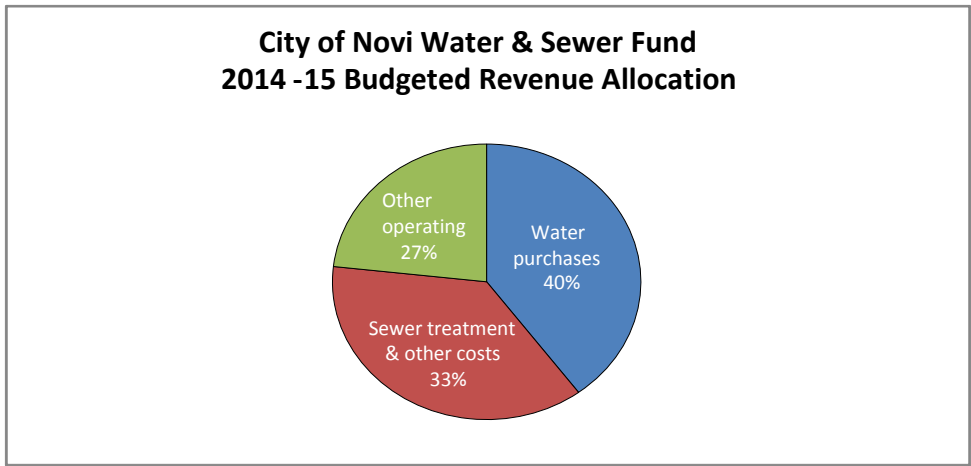
Example of Water & Sewer Charges using Huron Rouge Metered Rate

	<u>2013-2014</u>		<u>2014-2015</u>		<u>Increase</u>
Quarterly:					
<i>Water</i>					
Base rate	\$ 40.00		\$ 40.00		\$
16,000 gallons	61.76		66.08		4.32
<i>Sewer</i>					
Base rate	6.00		6.00		
16,000 gallons	68.00		68.80		0.80
	\$ 175.76		\$ 180.88		\$ 5.12
Annually:	\$ 703.04		\$ 723.52		\$ 20.48

Estimated increase 2.91%

NOTES:

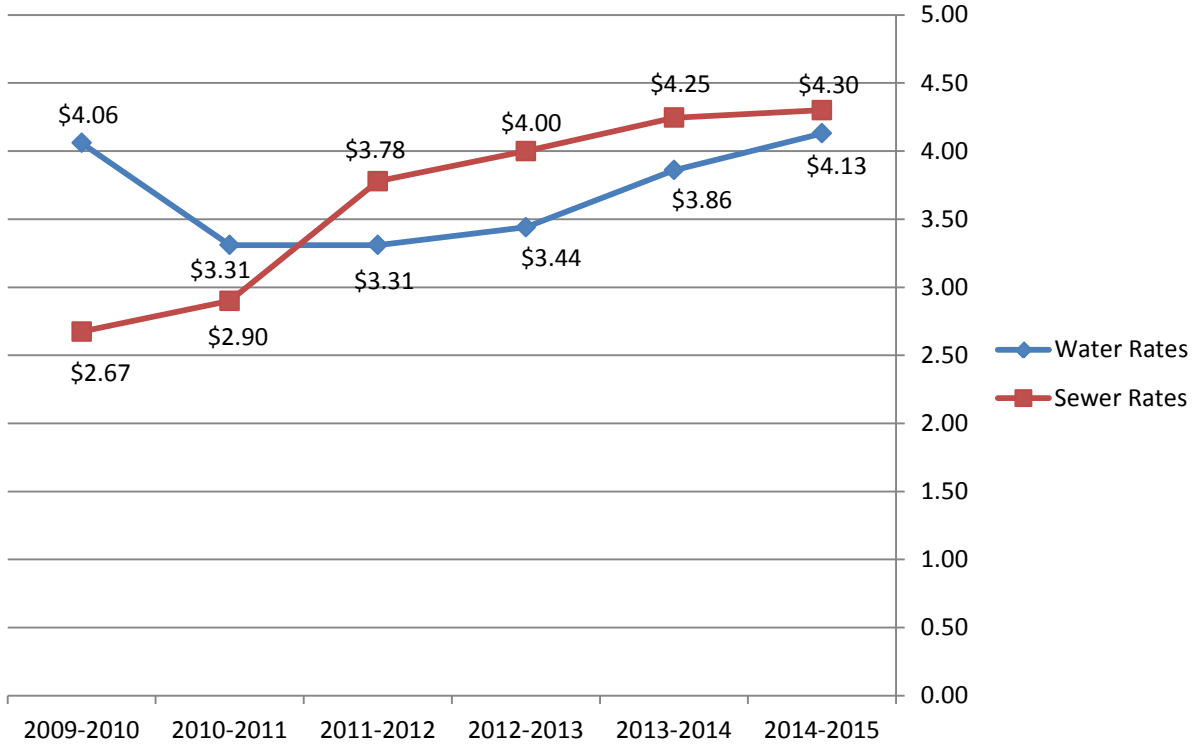
Example is based on annual water consumption of 64,000 gallons and a 5/8 meter. Rates include an increase from Detroit Water and Sewerage Department and Oakland County Water Resource Commission.



2014-15 Budgeted Operating Revenue

Water purchases	\$ 10,458,900
Sewer treatment & other costs	\$ 8,601,787
Other operating expenses	\$ 6,860,827
Total Operating Revenue Allocation	\$ 25,921,514

Novi's Consumption Rates through the Years





CITY OF DETROIT
WATER AND SEWERAGE DEPARTMENT
GENERAL ADMINISTRATION

735 RANDOLPH STREET
DETROIT, MICHIGAN 48226
DETROIT.MI.GOV

CITY OF NOVI
CITY CLERK'S OFFICE

April 8, 2014

2014 APR -8 A 11:18

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

RE: DWSD FY 2014/15 Water and Sewage Rates and Charges

On March 26, 2014, the Board of Water Commissioners approved water and sewage rates and charges for Fiscal Year 2014/15. These rate increases continue to incorporate our ongoing efforts to control expenses while providing quality water and sewage services.

These adopted rates, for Fiscal Year 2014/15, are the result of a 0.9% increase for water and a 2.2% decrease for sewage in our operating budgets. Capital related costs are anticipated to increase by 3.1% for water and 1.3% for sewage. The increases will fund infrastructure improvements and reduce future borrowing needs.

Similar to the current year, the Department is providing an average water rate increase to model contract customers where contract Exhibit B values have remained the same for FY 2013/14 and FY 2014/15. The same method is applied to customers under old contracts, where the demonstrated maximum day or peak hour demands have not increased in the summer of 2013. This subset of the wholesale customers has an increase of 5.3%. The increase for FY 2014/15 is being applied to both the volume rate and the monthly charge as compared to the existing rates and charges. The remainder of the wholesale water customers had individually determined rates reflective of Exhibit B changes. The Department would like to thank those customers that participated in the reopener process during the fall of 2013 and approved contracts prior to the determination of the FY 2014/15 rates.

The Department is pleased to announce the approval of rate simplification for sewage customers by the Board of Water Commissioners on November 27, 2013. This change is the culmination of a multi-year process working with our wholesale customers to resolve a number of issues. The new approach assigns a percentage share of the common-to-all cost categories for each customer, based on their historical average sewage flow. These percentage shares are applied to the total revenue requirements for a given cost category, to determine an individual customer share. In addition, beginning with FY 14/15, the total revenue requirements by customer will be recovered on a fixed monthly charge basis.

The share calculations will remain constant for fiscal years 2014/15, 2015/16 and 2016/17. After this initial period, the Rates Work Group (a cross-functional team of DWSD staff and customers) will review the shares to determine if the methodology for determining shares should be revised. The Rates Work Group will review any requests for interim share changes. For FY 2014/15, the wholesale sewage customer class



revenue requirements are increasing on average by 2.8%. Due to the setting of initial shares for FY 2014/15, there is variability around this average amongst the customers. This variability between customers should be minimized in the following two fiscal years since shares are not anticipated to materially change. More information on rate simplification is provided in the enclosed brochure "DWSD Rolls Out Simplified Rate System for Sewer Services" or in a video on the home page of www.dwsd.org.

The Industrial Waste Control and surcharge rates reflect an increase of approximately 2.2% over the existing rates.

The Detroit Water and Sewerage Department (DWSD) continues to extend its thanks to the efforts of both the Water Technical Advisory Committee and the Wastewater Steering Committee. The Board of Water Commissioners and the Department value their continuing recommendations and participation.

If you are a wholesale water customer under an old contract, the Department would like to offer you the opportunity to negotiate a new model contract. Currently, the majority of our wholesale water customers are under the water model contract. The model contracts offer customers many advantages compared to the old contracts. Please feel free to contact us to obtain more information.

The FY 2014/15 rates and charges applicable to you are indicated on the enclosed document. These rates and charges are effective on all bills rendered by the Detroit Water and Sewerage Department as of August 1, 2014. They will apply to flows and/or usage beginning July 1, 2014.

It continues to be our pleasure to provide you these services. If you have any questions regarding the upcoming changes in rates and charges, or other related matters in this letter, please contact Raphael Chirolla of the Financial Planning Division – Rates Section at (313) 964-9202.

Sincerely yours,

Sue F. McCormick
Director

Enclosures

APPROVED FISCAL YEAR 2014-2015
WATER RATES

Community: Novi

Recommended Fixed Monthly Charge (a) \$259,321

Recommended Consumption Rate (b) per Mcf \$23.70

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

**APPROVED FISCAL YEAR 2014 - 15
SUBURBAN SEWAGE RATES**

Community: Novi

Servicing Authority: Middle Rouge Valley District

	<u>User Charge</u> \$	<u>Capital Portion</u> \$	<u>Total Charge</u> \$
<u>Industrial Specific Charges</u>			
Industrial Surcharge Rates, Per Excess Pound			
1. Biochemical Oxygen Demand (BOD) in excess of 275 mg/l	0.309	0.193	0.502
2. Total Suspended Solids (TSS) in excess of 350 mg/l	0.301	0.208	0.509
3. Phosphorus (P) in excess of 12 mg/l	4.701	2.807	7.508
4. Fats, Oils, & Grease (FOG) in excess of 100 mg/l	0.221	0.262	0.483

Industrial Waste Control Charge, per month:

**Non-Residential
Meter Size**

5/8"	8.23	0.81	9.04
3/4"	12.35	1.21	13.56
1"	20.58	2.02	22.60
1-1/2"	45.27	4.45	49.72
2"	65.84	6.48	72.32
3"	119.34	11.74	131.08
4"	164.60	16.20	180.80
6"	246.90	24.30	271.20
8"	411.50	40.50	452.00
10"	576.10	56.70	632.80
12"	658.40	64.80	723.20
14"	823.00	81.00	904.00
16"	987.60	97.20	1,084.80
18"	1,152.20	113.40	1,265.60
20"	1,316.80	129.60	1,446.40
24"	1,481.40	145.80	1,627.20
30"	1,646.00	162.00	1,808.00
36"	1,810.60	178.20	1,988.80
48"	1,975.20	194.40	2,169.60

Huron Rouge Sewage Disposal System
Financial Summary

May 15, 2014

	2013 Actual	2014 Budget	2015 Forecast	Inc / (Dec)
REVENUE				
Total Revenue (includes interest income)	\$ 5,448,057	\$ 6,157,669	\$ 5,849,742	\$ (307,928)
Purchased Expenses	5,441,485	6,001,675	5,693,810	(307,865)
OPERATING EXPENSES				
Operating				
Labor	34,430	42,068	41,805	(262)
Utilities	-	-	-	-
Materials & Supplies	-	10,162	10,162	-
Engineering Services	-	-	-	-
Contracted Services	8,177	22,103	24,397	2,295
Miscellaneous Expense	11,154	-	11,154	11,154
Total Operating Expenses	53,762	74,332	87,519	13,187
Administration	42,043	53,376	42,043	(11,333)
Indirect Services	13,523	14,602	13,523	(1,079)
Professional Services	1,420	1,898	1,898	-
Drain Equipment Fund	4,971	10,359	9,809	(550)
Total G&A Expense	61,957	80,235	67,273	(12,962)
Total Operating Expense	5,557,203	6,156,243	5,848,603	(307,640)
Note: OCWRC Expense	\$ 115,719	\$ 154,568	\$ 154,792	225
NET OPERATING INCOME/(LOSS)	(109,146)	1,426	1,139	(287)
NON OPERATING				
Non Operating	-	-	-	-
Reserves - Major Maintenance Revenue	103,015	100,000	100,000	0
Reserves - Major Maintenance Expense	(118,636)	-	(0)	(0)
Total	(15,621)	100,000	100,000	0
Reserves - Emergency Maintenance Revenue	84,503	92,000	92,000	-
Reserves - Emergency Maintenance Expense	-	-	-	-
Total	84,503	92,000	92,000	-
Reserves - Capital Maintenance Revenue	174,846	203,000	203,000	-
Reserves - Capital Maintenance Expense	-	-	-	-
Total	174,846	203,000	203,000	-
Depreciation	(66,217)	(66,217)	(66,217)	0
Change in Net Assets	\$ 68,366	\$ 330,209	\$ 329,922	\$ (287)
RATE REQUIRED REVENUE				
Purchased Expense	\$ 5,441,485	\$ 6,001,675	\$ 5,693,810	\$ (307,865)
Operating Expense	115,719	154,568	154,792	225
Reserves	362,364	395,000	395,000	0
Total Expense	5,919,567	6,551,243	6,243,603	(307,640)
Less:				
Non-Rate Related Revenue				
Inspection	2,750	3,100	-2,750	(350)
Interest Income	51,237	72,300	51,237	(21,063)
Total Non Rate Revenue	53,987	75,400	53,987	(21,413)
Rate Required Revenue	\$ 5,865,581	\$ 6,475,843	\$ 6,189,616	\$ (286,227)

Huron Rouge Sewage Disposal System 2015
Rate Summary

May 15, 2014

FY	Detroit Rate	Wayne/DWSD Fixed	Wayne/ DWSD	Sewer Gain	Interest Income	Misc Revenue	CIP Reserve	ERM Reserve	Major Reserve	OCWRC O&M	Total OCWRC	Total Rate Per MCF	Wayne/DWSD % Change	OCWRC % Change	Total % Change
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	24.62	0.9%	-3.8%	0.4%
2014	11.56	10.58	22.14	0.68	(0.27)	(0.01)	0.77	0.35	0.38	0.59	2.38	24.62	-0.8%	7.7%	0.0%
2015	\$ -	\$ 21.55	\$ 21.55	\$ -	\$ (0.19)	\$ (0.01)	\$ 0.77	\$ 0.35	\$ 0.38	\$ 0.59	\$ 1.88	\$ 23.43	-2.6%	-21.0%	-4.4%

Huron Rouge Sewage Disposal System
Fixed Charge Summary

May 15, 2014

Annual Fixed Charge

	Annual FY 2014	Annual FY2015	Inc/(Dec)	% Variance
Wayne County	\$ 6,001,675.27	\$ 5,693,810.28	\$ (307,865)	-5.13%
OCWRC Fixed Charge ⁽¹⁾	154,567.65	154,792.25	225	0.15%
Major Maintenance Reserve	99,999.78	100,000.00	0	0.00%
Emergency Reserve	92,000.00	92,000.00	-	0.00%
Capital Improvement Reserve	203,000.00	203,000.00	-	0.00%
Misc Revenue Requirements	(75,400.00)	(53,986.92)	21,413	-28.40%
Total Annual Charge:	6,475,842.70	6,189,615.61	\$ (286,227)	-4.42%

Monthly Fixed Charge

	Annual FY 2014	Annual FY2015	Inc/(Dec)	% Variance
Wayne County	\$ 500,139.61	\$ 474,484.19	\$ (25,655)	-5.13%
OCWRC Fixed Charge	12,880.64	12,899.35	19	0.15%
Major Maintenance Reserve	8,333.32	8,333.33	0	0.00%
Emergency Reserve	7,666.67	7,666.67	-	0.00%
Capital Improvement Reserve	16,916.67	16,916.67	-	0.00%
Misc Revenue Requirements	(6,283.33)	(4,498.91)	1,784	-28.40%
Total Monthly Charge:	539,653.56	515,801.30	\$ (23,852)	-4.42%



Jim Nash

May 15, 2014

Mr. Victor Cardenas, Interim Manager
City of Novi
45175 West Ten Mile Road
Novi, Michigan 48375-3024

RE: Walled Lake-Novı Sewage Disposal System Rate Review


Dear Mr. Cardenas:

After reviewing the financial statements from the Walled Lake-Novı Sewage Disposal System at the close of fiscal year 2013, it has been determined the rate will increase \$0.84 per unit for the 2014/2015 rate year. Please be advised that the quarterly rate for the Walled Lake-Novı Sewage Disposal System will increase from \$70.73 per unit to \$71.57 per unit, beginning August 1, 2014.

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 me at 248-858-0937.

Sincerely,

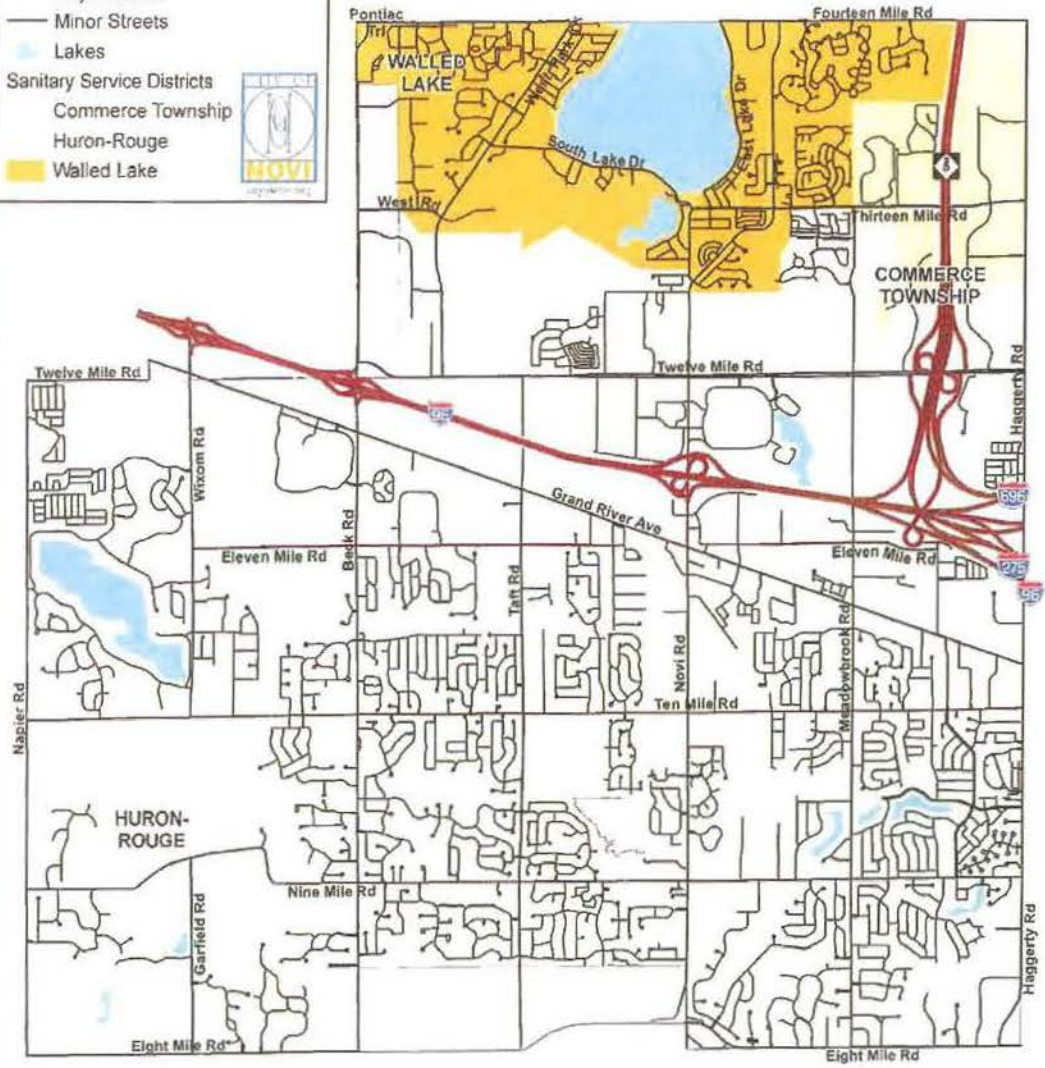

Suzanne Coffey, P.E.
Manager



City of Novi Sanitary System Service Districts

City of Novi, Michigan

- Legend**
- Major Roads
 - Minor Streets
 - Lakes
 - Sanitary Service Districts
 - Commerce Township
 - Huron-Rouge
 - Walled Lake



<p>CITY OF NOVI 14000 W. GRAND RIVER AVENUE NOVI, MI 48240 (313) 486-1000 www.cityofnovi.com</p>	 0 0.5 1 MILE	<p>Sanitary service districts are shown for informational purposes only. The City of Novi is not responsible for any errors or omissions on this map. The City of Novi is not responsible for any damages or liabilities arising from the use of this map. The City of Novi is not responsible for any changes to the sanitary service districts without notice.</p>
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MEMORANDUM



TO: VICTOR CARDENAS, INTERIM CITY MANAGER
FROM: MICHAEL ANDREWS, WATER & SEWER FINANCE SPECIALIST
CARL JOHNSON, FINANCE DIRECTOR / TREASURER
SUBJECT: WATER & SEWER RATES ADDITIONAL INFORMATION
DATE: 6/6/14

Summary of Benchmark Cities:

Summary of "Benchmark Cities" Water & Sewer Rates				
	Water Rates Consumption Per 1000 gal	Water Rates – Fixed (qtrly)	Sewer Rates Consumption Per 1000 gal	Sewer Rates – Flat (qtrly)
Farmington Hills	4.88	58.44	3.67	109.84
Auburn Hills	5.86	N/A	4.91	98.25
Northville Twp.	5.19	N/A	4.82	180.74
Plymouth Twp.	3.55	N/A	5.50	N/A
Canton Twp.	4.54	N/A	6.13	N/A
City of Northville	5.60	N/A	4.75	N/A
City of Plymouth	4.75	Based Upon Meter	6.14	Based Upon Meter
City of Troy	7.37	44.67	N/A	N/A
Novi	4.15	40.00	4.30	84.59

Physical Drivers:

The City has two drivers that dictate the minimum fees charged to its customers. These drivers include Administrative costs and Capital improvement costs. The costs incurred for the operation and maintenance of our water system will vary dependent upon the size of a water main, meter, etc.... One important aspect to our minimum rate setting is the fact that a larger meter/pipe will incur a greater cost to operate and maintain. In addition the stress on the infrastructure is greater with more water flowing through a larger pipe and meter, this is evident through the American Water Works Association flow rate meter equivalency tables. (See Exhibit A)

The aggregate amounts generated just by minimums based upon the new proposed rates are equivalent to \$3,718,892. \$3,312,988 produced from the proposed minimum water rates and \$405,904 created from the proposed minimum sewer rates. The consumption fee increase to offset this lost minimum fee revenue would have to be equal to:

- \$5.66 per 1000 gallons for water usage, a 46% increase over last year based upon a projected gallons sold of 2,202,992,000.

- \$5.42 per 1000 gallons for sewer usage, a 28% increase over last year based upon the projected usage in gallons of 1,976,146,000.

The Huron-Rouge and Walled Lake-Novi Flat Rate sewer charges are not included in the above calculation due to the fact that these rates are not applicable city wide, rather these rates are applied to residents within those above mentioned districts.

Fixed Cost Fairness:

Minimum fees proposed for the 2014-15 water rates are charged to cover the city's capital improvement cost and administrative personnel costs. In a case of a fire suppression set up with several meters, a minimum charge is incurred upon the customer to cover essential costs related to the structure of the water and sewer system for the City. These costs are outside the scope of consumption and implicit to all customers for the water and sewer system. Initial tap, connection or water main availability fees do not cover the costs related to ongoing billing, meter reading, repairs, replacements, etc., as per the ordinance connection fees are charged to "the property owner to otherwise contribute a fair share to the capital expense of construction of the particular water main with respect to the property served," Per ordinance sec. 34-21.1(b)

Fixed overhead costs for the 2014-15 budget are \$1.51 Million. Furthermore, the Detroit Water and Sewer Department will invoice the City of Novi \$3.1 million in fixed charges. The water & sewer department has established an allocation to cover the Detroit Water and Sewer charges along with a portion of the administrative and capital improvement costs to calculate a minimum rate fee for water and sewer customers. The total expected revenue from the minimum rate charges in the amount of \$3.7 million will cover the above mentioned items. The allocation figures are derived from the Michigan Rural Water Associations formula based rate study.

Exhibit A:

METER EQUIVALENCY TABLES	
	TABLE
	2
Meter Size	AWWA
5/8"	1
3/4"	1.1
1"	1.4
1.25"	1.6
1.5"	1.8
2"	2.9
3"	11
4"	14
6"	21
8"	29
10"	39