



CITY of NOVI CITY COUNCIL

Agenda Item 1
June 21, 2010

SUBJECT: Approval of Proposed Water & Sewer Rate Resolutions for 2010-2011

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 approximately 95% of the pass-through increase from Detroit Water & Sewerage Department (DWSD) of approximately 10.5% to 15% (depending on consumption) from the prior year. Effective July 2010 DWSD will change 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 replacement and a consumption charge. DWSD has indicated that the fixed component charge for this year is approximately 25% of the total value, and DWSD will increase the fixed component over the next two years to include approximately 100% of the capital replacement cost for plant and transmission pipes. With this in mind, we have 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 stability in our rates over the next few years. Another change in the City's rate structure is that in prior years, the minimum water rate included a minimum consumption, the number of gallons varied depending on meter size. The proposed water rates include a minimum rate but eliminate any minimum consumption to coincide with DWSD's rate structure. The minimum rates proposed include the fixed portion of DWSD's rate along with a portion of the City's fixed costs.

In preparing rates from one year to the next, DWSD does a "look-back" to determine if additional charges need to be allocated because certain minimums in revenue projections pursuant to the City's contract are not met (usually relating to significant decreases in consumption). DWSD is still evaluating the "look-back" adjustment, and we estimate this will be between \$25,000 and \$75,000. We are recommending any "look-back" adjustments received from DWSD be absorbed by the City's Water & Sewer Fund as has been done in prior years. The "look-back" (also referred to as "true-up") costs in the past have ranged from \$25,000 to \$114,750, and have occurred only twice that we recall (the last time was in 2005-6 for the 2003-4 year).

Pursuant to the contract with DWSD the City's water demand management program will not be reflected until the 2011-12 year. By March 2011, the City should receive some communication from DWSD as to the impact of the implementation of this program on the City's rates. Some savings are anticipated.

The Oakland County Water Resource Commission (OCWRC, formerly Oakland County Drain Commission) rate for the Huron Rouge Sewage Disposal System has increased approximately 19.7% over the prior year. The proposed sewer rates incorporate the pass-

through increase. Unlike prior years, 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.

The combined water and sewer rate increase to the average customer for the 2010-11 fiscal year will range from approximately 6-18% 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. Also a charge for sod restoration has been added, since the work has shifted from City staff to the City's contractor.

Attached for your information and consideration is the following:

- Water & Sewer Rate Resolutions
- Water & Sewer Rate Billing Example in Dollars (page 8)
- Water & Sewer Rate History
- 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: Approval of Proposed Water & Sewer Rate Resolutions for 2010-2011

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Gatt				
Council Member Crawford				
Council Member Fischer				

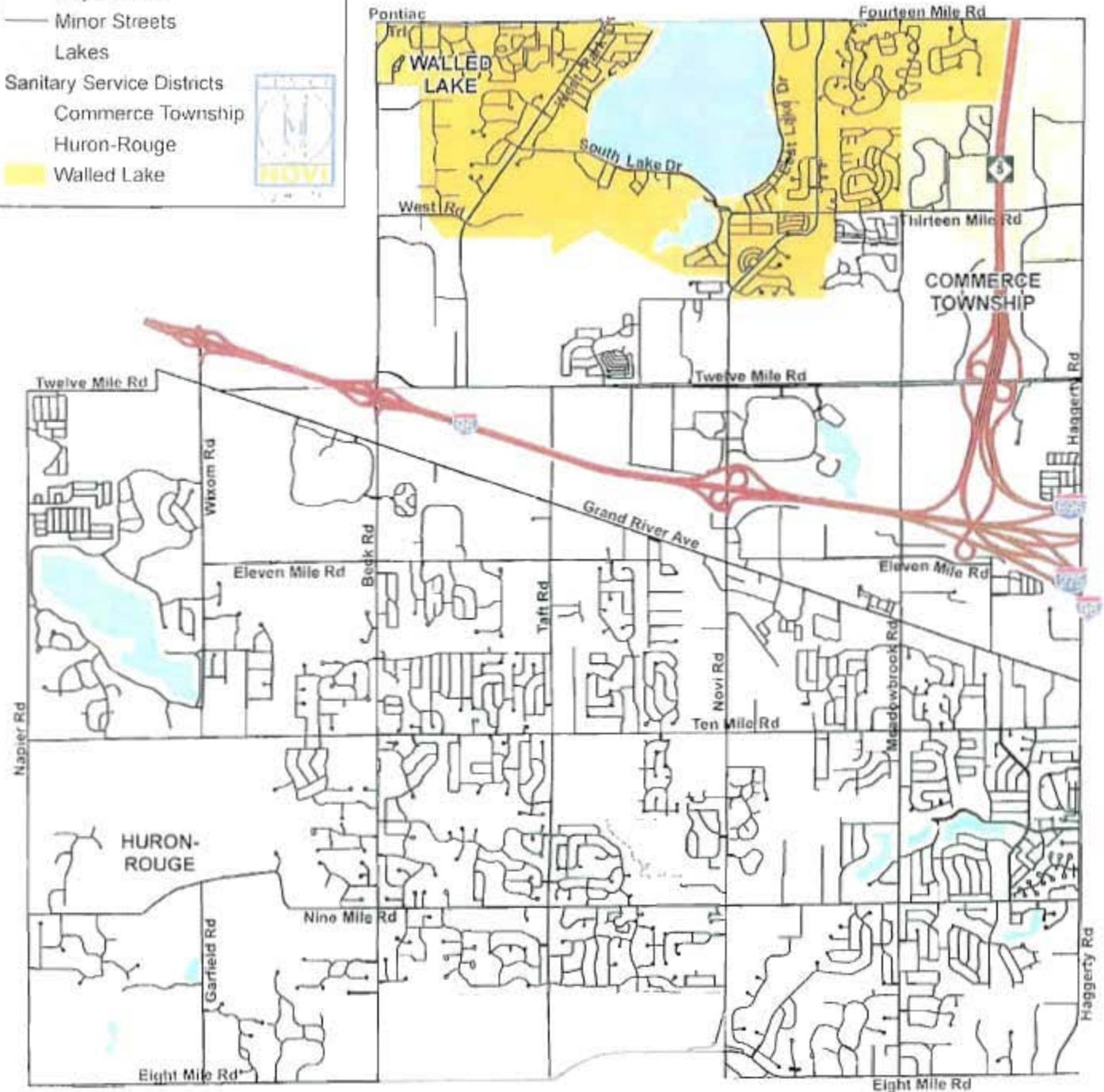
	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				

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



CITY OF NOVI

CITY ADMINISTRATOR
DEPARTMENT OF PUBLIC WORKS

3000 SIOUX
NOVI, MI 48240-3004
313.777.0000

MAP SHOWS DATA AS OF 01/28/2010



1" = 200 FEET

NOVI, MI, 48240-3004
 This map is a representation of the sanitary system service districts and is not intended to be used for any other purpose. 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 losses resulting from the use of this map. The City of Novi is not responsible for any claims or lawsuits filed against the City of Novi or its employees, agents, or representatives, in any capacity, arising out of or in connection with the use of this map. The City of Novi is not responsible for any claims or lawsuits filed against the City of Novi or its employees, agents, or representatives, in any capacity, arising out of or in connection with the use of this map.



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, 2010.

WATER RATES Minimum (Fixed) Rate Schedule

<u>Meter Size</u>	<u>Minimum Rate per Quarter</u>
5/8"	\$ 35.00
1"	50.00
1 1/2"	123.00
2"	164.00
3"	450.00
4"	572.00
6" or larger	1,186.00

Consumption Rate \$3.31 per Thousand Gallons

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

EQUIPMENT FEES

<u>Service Size</u>	<u>Meter Size</u>	<u>Public Street Plastic</u>	<u>Private Street Plastic</u>	<u>Public Street Copper</u>	<u>Private Street 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:

<u>SERVICE SIZE</u>	<u>FEE/PER RIGHT OF WAY FOOT</u>	
	<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>	<u>METER HORN</u>	<u>FLANGES</u>	<u>STRAINER</u>	<u>RADIO REMOTES</u>
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	620	86
4" (Compound)	2,980	N/A	130	700	86
6" (Compound)	3,790	N/A	210	1530	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	400
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 21st day of June 2010.

By: Maryanne Cornelius
Its: City Clerk



cityofnovi.org

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 2010-2011.

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, 2010.

<u>BASE SEWER RATES</u>	
<u>Minimum (Fixed) Rate Schedule</u>	
<u>Meter Size</u>	<u>Minimum Rate</u>
	<u>per Quarter</u>
5/8"	\$ 5.00
1"	10.00
1-1/2"	15.00
2"	20.00
3"	54.00
4"	70.00
6" or larger	143.00

\$2.90 per thousand gallons for metered consumption, and
\$105.00 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 as determined by the Detroit Water and Sewer 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 21st day of June 2010.

By: Maryanne Cornelius
Its: City Clerk



cityofnovi.org

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, 2010.

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 21st day of June 2010.

By: Maryanne Cornelius
Its: City Clerk

CITY OF NOVI

Example of Water & Sewer Charges using Huron Rouge Metered Rate

	<u>2009-2010</u>	<u>2010-2011</u>	<u>Increase</u>
Quarterly:			
<i>Water</i>			
First 7,000 gallons	\$ 42.00	n/a	\$ (42.00)
8,000 gallons	32.48	n/a	(32.48)
Base rate	n/a	\$ 35.00	35.00
15,000 gallons	n/a	49.65	49.65
<i>Sewer</i>			
Base rate	n/a	5.00	5.00
15,000 gallons	40.05	43.50	3.45
	\$ 114.53	\$ 133.15	\$ 18.62
Annually:	\$ 458.12	\$ 532.60	\$ 74.48
Estimated increase			16.26%

NOTES:

Example is based on annual water consumption of 15,000 gallons per quarter and a 5/8" meter.

Increase from Detroit Water and Sewerage Department is 10.5 - 15% depending on consumption and Increase from Oakland County Water Resource Commission is 19.7%.



CITY OF DETROIT
WATER AND SEWERAGE DEPARTMENT
GENERAL ADMINISTRATION

735 RANDOLPH STREET
DETROIT, MICHIGAN 48226
WWW.DETROITMI.GOV

CITY OF NOVI
CITY CLERK'S OFFICE

March 2, 2010

2010 MAR -3 P 1:20

TO: All Water and Sewerage Customers of the
Detroit Water and Sewerage Department

RE: FY 2010/11 Water and Sewage Rates and Charges

This letter is submitted to officially notify you of the new water and/or sewage rates and charges approved by the Board of Water Commissioners on February 24, 2010.

The rates and charges applicable to your community are indicated on the enclosed document(s). These rates and charges are anticipated to become effective on all bills rendered by the Detroit Water and Sewerage Department as of August 1, 2010. It is anticipated they will apply to flows/usage by your community beginning July 1, 2010.

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

Sincerely,

Pamela Turner
Director

PT/RC/rjc
Enclosures

**PROPOSED FISCAL YEAR 2010-2011
WATER RATES**

Community: **Novi**

Recommended Fixed Monthly Charge (a)	\$62,424.00
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Recommended Consumption Rate (b)	per Mcf	\$26.21
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(a) Applied every month, irrespective of amount of water purchased.

(b) Applied to metered water purchases.

**PROPOSED FISCAL YEAR 2010 - 11
SUBURBAN SEWAGE RATES**

Community: Novi

Servicing Authority: Middle Rouge Valley District

	User Charge \$	Capital Portion \$	Gross Rate \$	2007-08 Look-Back Adjustment \$	Net Rate \$
<u>Community Specific Charges</u>					
Commodity Charge (Per 1,000 Cubic Feet)	5.48	5.04	10.52		
Monthly Charge	191,232.58	342,686.42	533,919.00		
Annual Look-Back Adjustment (a)				Not Available	
<u>Industrial Specific Charges</u>					
Industrial Surcharge Rates, Per Excess Pound					
1. Biochemical Oxygen Demand (BOD)					
in excess of 275 mg/l	0.181	0.121	0.302	Not Available	Not Available
2. Total Suspended Solids (TSS)					
in excess of 350 mg/l	0.266	0.112	0.378	Not Available	Not Available
3. Phosphorus (P)					
in excess of 12 mg/l	3.199	0.941	4.140	Not Available	Not Available
4. Fats, Oils, & Grease (FOG)					
in excess of 100 mg/l	0.140	0.093	0.233	Not Available	Not Available
Industrial Waste Control Charge, per month:					
	Non-Residential Meter Size				
	5/8"	6.83	0.02	6.85	Not Available
	3/4"	10.25	0.03	10.28	Not Available
	1"	17.08	0.05	17.13	Not Available
	1-1/2"	37.57	0.11	37.68	Not Available
	2"	54.64	0.16	54.80	Not Available
	3"	99.04	0.29	99.33	Not Available
	4"	136.60	0.40	137.00	Not Available
	6"	204.90	0.60	205.50	Not Available
	8"	341.50	1.00	342.50	Not Available
	10"	478.10	1.40	479.50	Not Available
	12"	546.40	1.60	548.00	Not Available
	14"	683.00	2.00	685.00	Not Available
	16"	819.60	2.40	822.00	Not Available
	18"	956.20	2.80	959.00	Not Available
	20"	1,092.80	3.20	1,096.00	Not Available
	24"	1,229.40	3.60	1,233.00	Not Available
	30"	1,366.00	4.00	1,370.00	Not Available
	36"	1,502.60	4.40	1,507.00	Not Available
	48"	1,639.20	4.80	1,644.00	Not Available

(a) Adjustments to be prorated over a 12 month period on bills issued during FY 2010-11.



WATER RESOURCES COMMISSIONER

John P. McCulloch

*Rec'd 4/29/10
e-copy: Rob H
Tir S
KSL
Marian N
Mg mcl*

April 22, 2010

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

Reference: Huron-Rouge Sewage Disposal System 2010-2011 Rate Change

Dear Mr. Pearson:

The purpose of this letter is to communicate the sewage disposal rate for the rate year 2010-11 for the Huron-Rouge Sewage Disposal System (HRSDS). Inaction by the Detroit City Council in finalizing these rates has necessitated that we forward these proposed rates at this time for applicable local rate issues. This rate recommendation includes passing through the increase from Wayne County for the commodity and monthly charge and an increase in the operations and maintenance component.

Detroit and Wayne County Rates and Charges

We were notified by Wayne County of the proposed gross sewage rates and charges for the 2010-11 rate-year. These rates are anticipated to be effective on all bills for usage beginning July 1, 2010. These rates have not yet been approved by the Detroit City Council for Wayne County. The detailed rates are as follows:

Detroit Charge per 1,000 cubic feet (MCF):	\$10.52
Wayne County Monthly Charge per MCF:	\$ 5.75

Overall Rate

In addition to passing through the above detailed Detroit and Wayne County rates and charges, there will be an increase in the operations and maintenance charges. We have reviewed past revenues and expenses and developed a detailed forecast and rate summary on the attached sheet entitled Huron-Rouge Sewer Disposal System FY 2011 Rate Summary. Based on this review, the Huron-Rouge Sewage Disposal System 2010-11 rate will increase from \$15.25 per MCF to \$18.26 per MCF effective July 1, 2010. This is an overall increase of 19.8%. The unit charge per quarter will be \$91.30. Charges are reflected in the updated schedule of rates and charges (attached). As was stated above, these rates are all proposed. Further changes to this information will be communicated via separate letter when it is provided to us by Wayne County.

If you have any questions regarding this matter, please contact Douglas A. Buchholz, P.E. at 248-858-1119.

Sincerely,


John P. McCulloch

Attachments



Huron Rouge Sewer Disposal System FY 2011

Rate Summary

April 13, 2010

FY	Detroit Rate	Wayne Fixed	Total Wayne	Total OCWRC	Total Rate Per MCF	OCWRC % Change	Wayne/DWSD % Change	Total % Change
2000	\$ 7.70	\$ 1.38	\$ 9.08	\$ 0.23	\$ 9.31			
2001	7.88	0.76	8.64	0.27	8.91	17.4%	-4.8%	-4.3%
2002	7.66	1.28	8.94	0.21	9.15	-22.2%	3.5%	2.7%
2003	8.43	1.76	10.19	0.66	10.85	214.3%	14.0%	18.6%
2004	9.17	2.03	11.20	0.79	11.99	19.7%	9.9%	10.5%
2005	9.45	1.91	11.36	1.84	13.20	132.9%	1.4%	10.1%
2006	9.45	1.13	10.58	1.85	12.43	0.5%	-6.9%	-5.8%
2007	9.71	1.67	11.38	1.85	13.23	0.0%	7.6%	6.4%
2008	9.80	1.50	11.30	1.93	13.23	4.3%	-0.7%	0.0%
2009	10.38	2.00	12.38	1.93	14.31	0.0%	9.6%	8.2%
2010	10.52	2.75	13.27	1.98	15.25	2.6%	7.2%	6.6%
2011	\$10.52	\$ 5.75	\$ 16.27	\$ 1.99	\$ 18.26	0.5%	22.6%	19.8%

* Formerly Operations and Maintenance Reserve. Revised FY 2011

** Formerly Major Maintenance Reserve. Revised FY 2011

HURON-ROUGE SEWAGE DISPOSAL SYSTEM
SCHEDULE OF RATES AND CHARGES
EFFECTIVE JULY 1, 2010

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 metered water consumption in the district served by the system. Where the master metered water consumption is not available, individual metered water consumption time 1.110 shall be equivalent to master metered water consumption.

Based on the quarterly report, each community shall pay \$18.26 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 reach 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 unit charge per quarter will be \$91.30 per unit effective July 1, 2010.

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.



WATER RESOURCES COMMISSIONER

John P. McCulloch

May 18, 2010

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

RE: *Walled Lake-Novı Sewage Disposal System Rate Review*

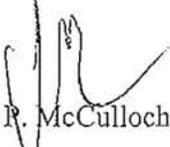
Dear Mr. Pearson:

After reviewing the financial statements from the Walled Lake-Novı Sewage Disposal System at the close of fiscal year 2009, it has been determined to keep the rate the same for the 2010/2011 rate year. Please be advised that the rates for the Walled Lake-Novı Sewage Disposal System will remain the same at \$66.62 per unit quarterly.

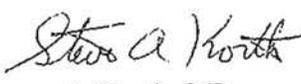
The current Industrial Pretreatment Program (IPP) rate of \$15.02 per unit quarterly will remain the same for non-domestic sewer customers.

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

Sincerely,


John R. McCulloch

Cc: Kathy Smith-Roy ✓


Steven A. Korth, P.E.

