



CITY of NOVI CITY COUNCIL

**Agenda Item 4
June 27, 2016**

SUBJECT: Approval of Proposed Water & Sewer Rate Resolutions for 2016 – 2017.

SUBMITTING DEPARTMENT: Finance/Water and 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 overall decrease from the Great Lakes Water Authority ("GLWA"), formerly Detroit Water & Sewerage Department (DWSD), for water services and the combined pass-through increase from the Oakland County Water Resource Commission (OCWRC) for sewer services.

GLWA charges both a fixed rate and a variable rate to its customers. In fiscal years prior to 2016, DWSD fees were 70% based on volume (or consumption) and 30% fixed costs. Beginning in fiscal year 2015-2016, GLWA altered their fee structure with fixed costs accounting for 60% of the City's overall costs and the remaining 40% of costs based on volume or consumption. During the past year, the City constructed a water storage facility to help alleviate peak hour usage charges from GLWA and ultimately decrease the City's overall water costs. The storage facility construction costs were approximately \$4.5 million. GLWA estimated the City's annual water costs from fiscal year 2016 to 2017 would be reduced by approximately \$3.1 million. The City's actual savings net with GLWA's fiscal year 2017 increase was \$2.6 million or a net decrease from the prior year of 23%.

Fiscal Year	Fixed Costs	Contract Volume Costs (Variable)	Total DWSD Costs (Revenue Requirement)	Percent Change from Previous yr.
2014-2015	\$3,111,852	\$23.70	\$10,458,852	
2015-2016	\$6,727,200	\$16.99	\$11,212,560	7%
2016-2017	\$5,122,800	\$12.98	\$8,536,540	-23%

The Oakland County Water Resource Commission (OCWRC) has also moved from a former variable rate charged to users to a fixed rate. The Huron Rouge Sewage Disposal System (the largest of three systems within the City) has an estimated overall rate increase from the prior year of 7%. The increase in cost was incorporated into 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 is estimated to increase 2.5% over the prior year. Sewer costs from OCWRC for all three City systems are expected to increase over the prior year by a total of approximately \$450,000.

Additional costs to be covered by the water and sewer user fees include salary and fringes, maintenance and cleaning costs, current equipment costs and vendor contracts for water installation fees.

The proposed combined water and sewer rate **decrease** to the average customer for the 2016-17 fiscal year will be approximately 8% or \$71 annually for residential customers but can range greatly for individual customers, especially commercial and industrial customers (depending on size of meter, consumption, etc.). The net decrease in the overall rate includes an increase in the sewer rate and a decrease in the water rate. The City expects a net cash inflow in fiscal year 2017 of approximately \$2.1 million which will be used to help offset a portion of fiscal year 2017 budgeted capital costs of \$2.7 million with the balance of \$600,000 coming from fund balance/cash reserves.

The City of Novi Water & Sewer Fund, the Oakland County Water Resource Commission (OCWRC) and the Great Lakes Water Authority (GLWA) are all not-for-profit entities and therefore rates are intended and required to cover operating, maintenance, capital replacement and debt service 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 2016 – 2017.

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

	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, 2016.

WATER RATES	
<u>Minimum (Fixed) Rate Schedule:</u>	
<u>Meter Size</u>	<u>Minimum Rate per Quarter</u>
5/8"	\$ 56.00
1"	80.00
1.5"	174.00
2"	232.00
3"	665.00
4"	850.00
6"	1,778.00
8"	2,114.00
10"	2,425.00
<u>Consumption Rate:</u> \$3.20 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 27th day of June 2016.

By: Cortney Hanson
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 increased by 7% for 2016-2017,

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, 2016.

<u>Base Sewer Rates</u>	
<u>Minimum (Fixed) Rate Schedule</u>	
<u>Meter Size</u>	<u>Minimum Rate Per Quarter</u>
5/8"	\$30.00
1"	50.00
1.5"	85.00
2"	105.00
3"	320.00
4"	410.00
6"	850.00
8" or larger	995.00

\$3.60 per thousand gallons for metered consumption, and
\$89.74 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 Great Lakes Water Authority 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 Great Lakes Water Authority.

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 27th day of June 2016.

By: Cortney Hanson
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 \$86.90 per unit per quarter for all bills rendered after August 1, 2016.

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 27th day of June 2016.

By: Courtney Hanson
Its: City Clerk



**GREAT LAKES
WATER AUTHORITY**

CITY OF NOVI
CITY CLERK'S OFFICE

2016 FEB -3 A 11:45

January 29, 2016

TO OUR CUSTOMERS:

On behalf of the Great Lakes Water Authority ("GLWA"), we invite you to the Board of Directors' Public Hearing on the proposed FY 2017 wholesale water and sewage service charges scheduled for **12:00 p.m. on Wednesday, March 2, 2016 at 735 Randolph, 5th Floor Board Room, Detroit, Michigan 48226.**

This hearing will provide GLWA an opportunity to present the Authority's budget, capital improvement program, estimated sales volume and other factors that serves as the basis for the proposed revenue requirements and schedule of charges. This hearing also provides an opportunity for our customers to comment or submit questions related to the proposed charges. All comments or questions raised during the hearing will receive a written response.

The Memorandum of Understanding ("MOU") signed in September 2014 which created the Great Lakes Regional Water Authority established a fundamental goal to limit annual budget increases (i.e. "revenue requirement") to no more than 4% for each of the first ten years of the Authority's operation. This commitment was carried forward into the subsequent 40 year lease agreement ("Lease") between the City of Detroit and the GLWA. **The FY 2017 Budget honors this 4% revenue requirement commitment.** This basis for this calculation is the approved FY 2016 Detroit Water & Sewerage Department ("DWSD") budget for this transitional year to GLWA. Also, as noted in the MOU and the Lease, the changes in service charges among customers may vary in order to meet their unique revenue requirements. Attached is your organization's proposed service charges worksheet for FY 2017. The GLWA staff is available to answer any questions by contacting the Financial Services Group at (313) 964-9159 or via email at Jacqueline.Land@glwater.org. Please note that the proposed charges are subject to change after the public hearing and subsequent deliberation by the GLWA Board.

Our primary objective continues to be one of providing customers with the best quality potable water and sewage treatment and disposal service with fair and equitable charges. We are committed to continuing to maintain, and where possible, exceed customer expectations!

We thank you for your participation in the wholesale customer engagement process and look forward to seeing you at the public hearing on March 2nd.

Sincerely yours,

A handwritten signature in blue ink that reads "Sue F. McCormick".

Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

FY 2017 Suburban Wholesale Water Service Charge Schedule Calculation *

Novi

	(1)	(2)	(3)	(4)
	Total Cost Pool \$	Novi SHARE		Charge Schedule
		% Share (a)	Allocation \$	
BUDGET Categories				
1 Commodity	11,883,200	1.463%	173,800	
2 Max Day Usage	136,827,200	2.238%	3,061,800	
3 Peak Hour Increment	9,604,000	0.000%	0	
4 Peak Hour Distance	41,558,600	2.261%	939,500	
5 Commodity Distance-Elevation	26,240,200	2.908%	763,000	
6 Max Day Distance-Elevation	8,511,000	4.111%	349,900	
7 Peak Hour Distance-Elevation	76,422,100	3.350%	2,560,300	
8 Peak Hour Increment Distance-Elevation	13,120,100	0.000%	0	
9 Subtotal Common-To-All	324,166,400	2.421%	7,848,300	
10 Suburban Only - Meter Related	3,832,700	2.695%	103,300	
11 Suburban Only - Customer Outreach	1,136,800	1.937%	22,000	
12 Subtotal FY 2017 BUDGET			7,973,600	
13 Detroit / Suburban Capital Adjustment	20,700,000	2.722%	563,400	
14 Total Amount for Net Charges	349,835,900		8,537,000	
FY 2017 Rate Schedule				
15 Fixed Monthly Charges @	60%		5,122,200	\$426,900 per month
16 Commodity Charges @	40%	263,000	3,414,800	\$12.98 per Mcf
(a) Units / SHARE Calculations				
	Basis	Units Mcf/day	Applied Units Mcf/day ~	
17 Annual Sales - Mcf	263,000	720.5		Avg annual for 24 mos. -> 9/2015
18 Allocated Non-Revenue Water		113.5		Allocated share @ 15.8% of sales
19 Commodity Units		834.0	834.0	Ln 17 + Ln 18
20 Max Day Units - mgd	19.00	2,539.9	2,653.4	Contract or proxy + Ln 18
21 Peak Hour Units - mgd	19.00	2,539.9	2,653.4	Contract or proxy + Ln 18
22 Distance - miles	31.5			
23 Elevation - feet	936.0			
24 Dist-Elev Factor - miles	62.4			[Ln 23-610]/10.56 + Ln 22
Cost Pool / Usage Category				
	Novi	System	SHARE	
25 Commodity Units - Mcf	834.0	57,008	1.463%	Ln 19
26 Max Day Units - Mcf/Day	2,653.4	118,579	2.238%	Ln 20
27 Peak Hour Increment - Mcf/Day	0.0	28,066	0.000%	Ln 21 - Ln 20
28 Peak Hour Distance - Mcf-miles/Day	83,583.1	3,697,273	2.261%	Ln 21 x Ln 22
29 Commodity Distance-Elevation - Mcf-miles/Day	52,041.6	1,789,866	2.908%	Ln 19 x Ln 24
30 Max Day Distance-Elevation - Mcf-miles/Day	165,574.1	4,027,272	4.111%	Ln 20 x Ln 24
31 Peak Hour Distance-Elevation - Mcf-miles/Day	165,574.1	4,942,262	3.350%	Ln 21 x Ln 24
32 Peak Hour Increment Dist-Elev - Mcf-miles/Day	0.0	914,991	0.000%	[Ln 21 - Ln 20] x Ln 24
33 Suburban Equivalent Meters	1,911	70,900	2.695%	Equivalent 5/8" meters
34 Suburban Outreach - Mcf/Day	834.0	43,047	1.937%	Ln 25
35 Suburban Wholesale BUDGET - \$	7,973,600	292,945,300	2.722%	Ln 12
CTA Summary by Major Category				
36 CTA Commodity		2.457%	936,800	
37 CTA Max Day		2.347%	3,411,700	
38 CTA Peak Hour		2.487%	3,499,800	
39 CTA Total Demand		2.416%	6,911,500	
40 TOTAL CTA SHARE		2.421%	7,848,300	

* The proposed charges in this document are preliminary in nature and are subject to change or modification by the Great Lakes Water Authority Board following a public hearing of the FY 2017 Financial Plan and service charge schedule for the System. The public hearing is scheduled for March 2, 2016. The Notice of this Public Hearing can be found in the customer portal.

**Impact of Wholesale Water Service Charge Proposals
"Unbundling" of Revenue and Unit Cost Adjustment
Novi**

	Allocated BUDGET \$	Sales Projection Mcf	Unit Cost \$/Mcf	Variance
1 Original Allocated FY 2016 BUDGET	11,212,600	264,000	42.47	
2 Revenue Under Adjusted Sales	11,195,600	263,000	42.57	0.2% 24 mo average thru 9/2015
Adjustments				
3 Address Specific Novi Sales Adj	17,000	263,000	0.06	0.2% Reallocation of fixed costs
4 FY 2017 BUDGET Adjustment	448,500	263,000	1.71	4.0% Ln (1) - Ln (2)
5 Impact of Cost of Service Allocations	(3,124,100)	263,000	(11.88)	-27.9% Relative contract demands
6 Total Adjustments	(2,658,600)		(10.11)	-23.7% Ln (6) / Ln (2)
7 Allocated FY 2017 BUDGET	8,537,000	263,000	32.46	-23.7%
8 Ratio of Revised Projected Sales to Original		99.6%		Ln (2) / Ln (1)
9 BUDGET to BUDGET Change (a)	(2,675,600)	263,000	(10.17)	-23.9%
10 Specific Revenue Shortfall	17,000	263,000	0.06	0.2%

Impact Illustration - \$ millions

