



Rochester Hills Minutes Financial Services Committee

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*Donald Atkinson, David Byrne, John Dalton, Kurt Dawson,
Melinda Hill, Barbara Holder, Julie Jenuwine, Jillian Rataj, Lee Zendel*

Thursday, April 14, 2005

5:00 PM

1000 Rochester Hills Drive

draft

CALL TO ORDER

Chairperson Dalton called the Financial Services Committee meeting to order at 5:05 p.m.

ROLL CALL

Present: Barbara Holder, John Dalton and Donald Atkinson

Absent: Melinda Hill and Lee Zendel

Non-Voting Members Present: Julie Jenuwine, David Byrne and Jillian Rataj

Non-Voting Members Absent: Kurt Dawson

*Others Present: Bud Leafdale
Mike Mckechnie*

Committee Member Melinda Hill provided previous notice she would be unable to attend and asked to be excused.

APPROVAL OF MINUTES

2005-0222 Financial Services Committee Meeting - December 9, 2004.

Attachments: 120904 Draft Minutes.pdf; Resolution.pdf

Postponed

2005-0275 Financial Services Committee Meeting - January 13, 2005

Attachments: 011305 Draft Minutes.pdf; Resolution.pdf

Postponed

COMMUNICATIONS

None Presented

UNFINISHED BUSINESS

2005-0185 Acceptance for First Reading - An Ordinance to Amend Sections 54-741 through 54-745 of Article XII, Utilities, of Chapter 54, Fees, of the Code of

Ordinances of the City of Rochester Hills, Oakland County, Michigan, to Modify Water and Sewer Rates and Fees, repeal conflicting ordinances, and prescribe a penalty for violations

Resolved that an Ordinance to Amend Sections 54-741 through 54-745 of Article XII, Utilities, of Chapter 54, Fees, of the Code of Ordinances of the City of Rochester Hills, Oakland County, Michigan, to Modify Water and Sewer Rates and Fees, repeal conflicting ordinances, and prescribe a penalty for violations, is hereby accepted for First Reading.

Attachments: Agenda Summary Second Reading.pdf; 060105 Agenda Summary First Reading.pdf; Ordinance Water & Sewer Rates.pdf; FINAL Water Rates.pdf; FINAL Sewer Rates.pdf; FINAL Sample Billing.pdf; FINAL Customer Charge.pdf; Proposed Sewer Rates.pdf; Proposed Water Rate

Committee discussed Water & Sewer Rates July 1, 2005, as follows:

Ms. Jenuwine presented to the committee explanation on the projected customer increases on Water and Sewer rates noting the following:

** City is now dividing the cost of the Customer Charge between both the Water and Sewer because they both benefit from this.*

** Customer Charge is the cost of producing a bill.*

** Water and Sewer have different Commodity Charges which are the actual units that are measured.*

** Received from DWSD notification of its increase to Rochester Hills residents.*

** Received from Oakland County notification of its increase to Rochester Hills residents.*

** DWSD meters our water and Oakland County Drain Commission calculates their increase off of DWSD's number.*

Committee member expressed concern with the substantial increase and would like the Committee to consider stretching the increase out for a longer time period.

Mr. Dalton would like to see City meet its goal of Operating Revenues meeting Operating Expenses further out into 2010 to reduce percentage increase.

** Substantial increase is necessary in order for the City to meet the goal of the Operating Revenues meeting the Operating Expenses in approximately 2007.*

** Commodity charge increased by 12.5% percent.*

** Capacity charge increased by 5% percent.*

** Customer charge increased by 1.23% percent.*

** Many variables, such as, Water Reservoirs and Radio Read System are factored into calculating rates and, as such, have an affect on how the rate is determined.*

** City has been subsidizing the rates with the excess "tap in" monies sitting in the Water and Sewer Fund.*

** City has been subsidizing drains with the City's cash reserves which should be held and used for any Capital Improvements.*

** Original customer "tap-in" fees amounted to \$48 million and have decreased to the current amount of \$13 million through subsidization.*

* *City's current focus is to take Capital and Lateral revenues and place them into a Capital Replacement Fund for future replacements.*

Mr. Dalton requested from Ms. Jenuwine different rate scenarios of "average customer increase" to discuss at the May Financial Services Committee meeting.

2005-0235

Discussion regarding Purchase of AMR Radio Read System

Attachments:

Agenda Summary.pdf; Meter Reading Costs.pdf; Radio Read Bid Tabs.pdf; Radio Read Return Investment.pdf; Selection of AMR Vendor.pdf; Meter Reading Options FSC Memo.pdf; Radio Communications re radio reads.pdf; Meter Reading Brief.pdf; 012605 CC Minutes.pdf

Mr. Rousse gave a brief introduction and Mr. Leafdale discussed the mechanics of Radio Read System with Mr. Mckechnie providing examples and follow-up with Financial information.

* *Radio Read System began in 2003 when City Council requested DPS to research methods to reduce future rate increases.*

* *In May 2003 a new rate structure was adopted to include Radio Read System. System was also budgeted for 2004 and 2005.*

* *Currently City uses hand held touch read device which downloads meter reads into the Billing Department.*

* *Billing Department has a set schedule which requires a certain number of meter reads downloaded per day for the billing system to run efficiently.*

* *Approximately 31,348 meters are read per billing cycle.*

* *Radio Read System allows the meter reader to read the whole City in one (1) day.*

* *The recommendation is to go with the MXU System; forty (40) other communities currently have this system so DPS has had a chance to watch the operation of the system.*

* *City's goal is to have the Radio Read System installation completed for the entire City in three (3) one-half (1/2) years.*

* *Radio Read System will reduce meter reader staff from three (3) to one (1).*

* *Negative impacts of other vendors:*

* *Required removal of touch pads for installation of their unit which eliminates back up plan.*

* *If homeowner has two (2) water meters, other vendors require installation of two (2) of their units mounted to the home which would result in additional holes drilled into the structure.*

* *Three (3) considerations given when the Committee reviewed the proposals:*

- * *Customer Service - how do we minimize impact on customers*
- * *Operations - how the department is organized and workload*
- * *Financial - perspective*

* *MXU System is being recommended for the following reasons:*

- * *Reduces staff and man hours.*
- * *System fits Rochester Hills needs.*
- * *System has longevity, its a proven system.*
- * *City of Rochester is a potential customer who currently does manual reads.*
- * *Radio Read can be converted to a fixed network system at a later date.*
- * *Rochester Hills would have to reimburse MXU installation monies to the new construction developers.*
- * *Manufacturer guarantees Radio Read System can be adapted to new technology.*
- * *Unit offers simplicity and is user friendly.*
- * *Eliminates liability from slip and falls and dog bites.*

Committee discussed the following cost savings pertaining to, reduction in staff, reduction in man hours, hidden costs, such as, Administration and Accounting costs, DPS planning organizing meter reading and complaints.

* *Calculation of installation expense.*

* *Uncertainty of battery life and initial cost vs. replacement cost of battery.*

* *How Radio Read System affects the customer charge increase.*

* *Suggested that Consumer's Power read the City's meters; however, this would result in the City losing the Stars Program which currently provides maintenance and software.*

Mr. Rousse concluded that over the 20 year life cycle, manual meter reading vs. automated meter reading, City would save approximately \$8.5 million.

Continued discussion regarding Radio Read impact on customer rates noting the following:

- * *Ten (10) year payback would cost \$1 per month.*
- * *Five (5) year payback would cost \$30 per year*
- * *Three (3) year payback would cost \$50 per year.*
- * *Radio Read completed installation at four (4) years creates immediate positive cash flow.*
- * *Cash flow reduces operating costs.*
- * *Customer charge increased an additional \$6.45 per month.*

* *Customer charge for sewer is currently \$1.27 increasing to \$3.23.*

* *Customer charge for water is currently \$1.58 increasing to \$3.23.*

* *One year purchase of AMR Radio Read System customer charge is \$2.65 of that \$6.45.*

* *Financing Radio Read System over ten (10) years would reduce the \$2.65 to \$1.00 per month.*

NEW BUSINESS

2005-0251 Discussion regarding Second Quarter 2005 Budget Amendments.

Attachments: Agenda Summary.pdf; 2nd Quarter BA Memo.pdf; 2nd Qtr Budget Amendments.pdf; Public Hearing Notice.pdf; 0251 Resolution.pdf

Ms. Jenuwine reviewed the Second Quarter 2005 Budget Amendments directing committee to the purchases in the Facilities Fund.

- * *Cemetery building roof replacement for \$5,500.*
- * *Borden Park maintenance roof replacement.*
- * *Borden Park building violation \$4,000.*
- * *Farmhouse furnace at 276 W Auburn \$8,500.*
- * *Bloomers Park stone building plumbing.*
- * *Carpet replacement for DPS.*
- * *City Hall air handler \$7,000.*

YOUTH COMMENTS

None Presented

ANY OTHER BUSINESS

None Presented

NEXT MEETING DATE

*Joint FS/CDV - April 28, 2005
Regular - May 12, 2005*

ADJOURNMENT

There being no further business to discuss, Chairperson Dalton adjourned the meeting at 7:20 p.m.

Minutes prepared by Sue Busam