



**City of Rochester Hills  
AGENDA SUMMARY  
FINANCIAL ITEMS**

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**Legislative File No: 2009-0243**

**TO: Mayor and City Council Members**

**FROM: Keith Sawdon, Director of Finance, Ext 2535**

**DATE: June 12, 2009**

**SUBJECT: Water & Sewer Rate Changes effective July 3, 2009 – First Reading to amend Ordinance Sections 54.741, 54.743, 54.744 and 54.745 of Article XII, Utilities, of Chapter 54, Fees of the Code of Ordinances of the City of Rochester Hills, to modify water and sewer rates and fees, repeal conflicting ordinances**

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**REQUEST:**

We are requesting that City Council accept, for first reading, an Ordinance to amendment to Sections 54.741, 54.743 and 54.744 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 the water and sewage rates and fees and repeal conflicting ordinances as recommended by the Water & Sewer Technical Review Committee.

**REASON FOR CHANGE:**

The Water & Sewage Technical Review Committee met and discussed several rate scenarios for water and sewage rates developed based on recent contract approvals and notices of rate changes. As required by Section 102-62 of the City of Rochester Hills Ordinance, the water and sewage charges have been evaluated to provide revenue for; the payment of the expenses of administration and operation, expenses for maintenance of the water and sewage disposal system as are necessary to preserve the system in good repair and working order, and to provide for such other expenses.

A “Breakeven” methodology was utilized to develop rate recommendations for the water and sewage *Commodity* and *Customer* charges as well as for the *Sewage Flat* rate to begin on July 3, 2009. This is the same rate methodology that has been utilized by the city in the past. The “Breakeven” methodology for setting the City’s water and sewage *Customer* and *Commodity* rates are based on the following strategies:

- Water & Sewer Operating Fund revenues meet operating expenses;
- Target the water & sewer cash balance to equal 90 days of operating expenses including depreciation;
- Capital & lateral revenue is *not* considered operating revenue and is *not* utilized to offset operating expenses and in fact those funds have been transferred into the W&S Capital Fund to fund capital projects; and
- Funds equivalent to the annual depreciation expense, of the water & sewer fund, are transferred into the Water & Sewer Capital Fund for the financing of future capital projects. The rates also assume that future capital improvement projects will be accomplished as reported in the FY2010 Capital Improvement Plan using the Water & Sewer Capital Fund and not from user rates.

The rates being proposed is based on meeting the above objectives including reaching the Water & Sewer target cash balance level in 2014.

Water and Sewage Disposal purchased by the City:

- The recently approved DWSD contract sets the *water Commodity* charge to the City at an approximate rate of \$2.354 per 100 cubic feet, a 4.04 percent increase and DWSD *sewage disposal Commodity* rate paid to the Oakland County Water Resource Commissioner will be \$1.257 per 100 cubic feet (a rate of \$1.157 per 100 cf., plus a fixed DWSD monthly charge of \$0.1 per 100 cf.), a 2.78% increase.
- Effective July 1, 2009 the Oakland County Water Resources Commissioner (WRC) operation and maintenance mark-up on the sewage rate will be \$0.211 per 100 cubic feet. In addition, WRC is continuing its charge of \$0.243 per 100 cubic feet for repairs to the Oakland-Macomb Interceptor. This results in a WRC *sewage Commodity* charge to the City of \$.454 per 100 cubic feet, a 4.128% increase. The combined sewage disposal rate from both DWSD and WRC is \$1.711, a 3.134% increase.

The following bullets identify the Committee's various rate recommendations:

- *Water Commodity rate* is \$3.68 per 100 cubic feet, a 7.0% increase.
- *Sewer Commodity* is proposed to increase to \$3.69 per 100 cubic feet, a 12.16 % increase.
- The City's *Capacity* charges is \$1.84 per month, for a 5/8 inch meter, other charges per meter size are listed on the ordinance, a 3% increase.
- The **Customer Charge** includes the cost of servicing customers, connections, bills, meter reading, postage, etc, as described in City Ordinance Article 1, Section 102-26. The water and sewer customer charge is recommended to reduce from \$13.16 per bill to \$9.68 per bill. A 26.44% reduction.
- *Sewage Non-metered Flat* rate is proposed at \$22.14 per month. A 36.9% reduction.
- The various *industrial surcharge rates* from the DWSD continue to be a 'pass through' to Rochester Hills' industrial customers were increased from between 3.57% to 15.38% as listed in the enclosed ordinance.
- The various *industrial waste control charges* from the DWSD continue to be a 'pass through' to Rochester Hills' industrial customers are decreasing 1.88% as listed in the enclosed ordinance.
- The DPS annually reviews the meter, taps, hydrant, flow test, and city engineering fees. There are no changes being proposed with this request.

**Overall, the average residential user (13 units) will see their water and sewer bill go from \$106.42 to \$111.09 an increase of 4.4%. If the customer charge had not decreased by 26.44% or \$3.48 per bill the average residential user (13 units) would have seen their bill increase to \$114.85 or by 7.9%.**

These proposed water and sewage rates along with other rate scenarios were discussed and reviewed with the Water & Sewers Technical Review Committee resulting in this recommendation from that committee.

#### **BUDGET:**

The approval of these water and sewage rates effective July 3, 2009 will assist with the objective of funding the operating and capital expenditures of the Water & Sewer Funds, as required by Section 102-62 of the City of Rochester Hills Ordinance,

**RECOMMENDATION:**

We recommend City Council accept, for first reading, amendments to Ordinance Sections 54.741, 54.743, 54.744 and 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 the water and sewage rates and fees and repeal conflicting ordinances (changes enclosed) as recommended by the Water & Sewer Technical Review Committee.

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<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Budget Content: Finance Director</b>		
<b>Purchasing Process: Supervisor of Procurement</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		