



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

**1000 Rochester Hills Dr.
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248.656.4630
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Legislative File No: 2007-0366

TO: Mayor and City Council Members

FROM: Julie Jenuwine, Finance Director, ext 2535

DATE: May 25, 2007

SUBJECT: Water & Sewer Rate Changes effective July 6, 2007 – First Reading to amend Ordinance Sections 54.741 and 54.743 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

REQUEST:

Request that City Council accept the first reading of an Ordinance to amend Sections 54.741 and 54.743 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 Rate Technical Review Committee.

REASON FOR THE CHANGE:

As required by Section 102-62 of the City of Rochester Hills Ordinance, the water and sewage charges have been evaluated by the Water & Sewer Rate Technical Review Committee 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 July 6, 2007 water and sewage *Commodity* and *Customer* charges as well as the *Sewage Flat* rate. This rate methodology has been phased in for the past few years. The “Breakeven” methodology for setting the City’s water and sewage *Customer* and *Commodity* rates are based on the following policies: (1) the Operating Fund revenue meet operating expenses, (2) target cash balance equal to 90 days of operating expenses plus annual depreciation (see graphs on Exhibit A and B), (3) capital & lateral revenue *not* utilized to offset operating expenses (rather its transferred into the W&S Capital Fund to help fund capital projects) and (4) funds equivalent to annual depreciation be transferred into the W&S Capital Fund for financing of future capital projects (see Exhibit D attached). The rates also assume that future capital improvement projects will be accomplished as reported in the FY2008 Capital Improvement Plan (see Exhibit C). These proposed rates beginning July 6, 2007, continue the implementation of the above objectives. It is very important to note that Operating Fund cash balance levels for both water and sewer are projected be meet target cash balance in 2014 (see Exhibits A and B) based on the rate recommendations from the Committee. The following bullets identify the specific rate recommendations:

- Beginning July 1, 2007 DWDS’s **water Commodity** charge to the City will be \$2.014 per 100 cf (17% increase) and the sewage disposal *Commodity* rate will be \$1.079 per 100 cf., plus a fixed DWSD monthly charge of \$0.082 per 100 cf. The Oakland County Drain Commission **sewage rate** will be

\$0.176 per 100 cf. Resulting in a total sewage *Commodity* charge to the City of \$1.337 per 100 cf (3% increase).

- The proposed Rochester Hills **water *Commodity* rate is \$3.07 per 100 cf**, a 17% increase (see Exhibit A). **Sewer *Commodity* is proposed to increase to \$2.75 per 100 cf**, a 13% increase for potentially the next three years due in part to the change in billing methodology by OCDC (see Exhibit B attached).
- The City's *Capacity* charges are proposed to increase **3%** (see enclosed proposed ordinance for the various charges).
- ***Sewage Non-metered Flat* rate is proposed to increase from \$25.92 to \$29.33 per month.** (Assumes the use of approximately 10 units per month)
- The *industrial surcharge rates* and the *industrial waste control charges* from the OCDC continue to be a pass through to our customers and are listed in the enclosed ordinance. The City has not been notified of any rate changes.
- 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 proposed to remain the same at **\$13.16 per bill.**
- The DPS annually reviews the meter, taps, hydrant, flow test, and city engineering fees. There are no changes to these fees at this time.

It is important to note that the past and proposed rate structures deliberately do not mirror the Black & Veatch Consultants report performed in 1999. Some of the differences are as follows: fire capacity is not charged to the Fire department; a special rate is not given for area maintenance meter consumption (surcharge); and the capacity charge has not been defined.

These proposed water and sewage rates along with six other rate scenarios have been discussed to various degrees over the last few months resulting in the above rates being endorsed by the Water & Sewage Rate Technical Review Committee.

Note: cf = cubic feet

PROCESS:

Vendor Name and Address:

N/A

Reason for Selection:

N/A

Method of Purchase:

N/A

BUDGET:

The approval of these water and sewage rates for July 6, 2007 will assist toward 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:

It is recommended that City Council accept the first reading of an Ordinance to amend Sections 54.741 and 54.743 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 & Sewage Rate Technical Review Committee.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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