



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

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Legislative File No: 2010-0253

TO: Mayor and City Council Members

FROM: Keith Sawdon, Director of Finance, Ext 2535

DATE: June 7, 2010

SUBJECT: Water & Sewer Rate Changes effective July 2, 2010 – 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

REQUEST:

We are requesting that City Council accept, for first reading, an Ordinance to amend 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 notices, received by DWSD, of rate changes. As required by Section 102-62 of the City of Rochester Hills Ordinance, the water and sewage rates 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 or about July 1, 2010 and end June 30, 2011. 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 operating cash balance to equal 90 days of operating expenses;
- Capital & lateral revenue is *not* considered operating revenue and is *not* utilized to offset operating expenses. Those funds have been set aside in the W&S Capital Fund to fund capital projects;
- Funds equivalent to the annual depreciation expense, of the water & sewer fund, are transferred into the Water & Sewer Capital Fund for the repair and maintenance of the City’s water and sewer infrastructure; and
- Recommended rates also assume that future capital improvement projects will be accomplished as reported in the Capital Improvement Plan using the Water & Sewer Capital Fund and not from user rates.

The rates being proposed are based on meeting the above objectives including reaching the Water & Sewer target cash balance level in 2015.

Water and Sewage Disposal purchased by the City:

- The recent rate notices from DWSD sets the *water Commodity* charge to the City at an approximate rate of \$2.70 per 100 cubic feet, a 14.41% increase and DWSD *sewage disposal Commodity* rate paid to the Oakland County Water Resource Commissioner is estimated at \$1.97 per 100 cubic feet, a 4.68% increase.

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

- *Water Commodity rate* is \$4.65 per 100 cubic feet, a 26.4% increase.
- *Sewer Commodity rate* is \$4.20 per 100 cubic feet, a 13.8 % increase.
- The City's *Capacity* charge has been rolled into the City's Commodity charge for both Water and Sewer rates. The Capacity Charge will go from \$6.00 to \$0.00, a 100% reduction.
- 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 \$9.40 per bill to \$6.98 per bill, a 25.74% reduction.
- *Sewage Non-metered Flat rate* is proposed at \$50.40 per bill a \$6.12 per bill increase or 13.82%.
- The various *industrial high surcharge rates* from the DWSD continue to be a 'pass through' to Rochester Hills' industrial customers. DWSD adjustments to these rates range from a reduction of 8.6% to an increase of 10.9% as listed in the enclosed ordinance.
- The various *nonresidential (industrial) surcharge (waste control) rates* from the DWSD continue to be a 'pass through' to Rochester Hills' industrial customers. DWSD adjustments to these rates are an increase of 9.6% 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 (12 units) will see their water and sewer bill go from \$103.84 to \$113.20 a \$9.36 per bill increase or 9.0%. If the customer charge had not decreased by 25.74% or \$2.42 per bill the average residential user (12 units) would have seen their bill increase to \$115.62 an increase of 11.3%.

Flat Rate Sewer customer's total bill (Customer Charge + Sewer Charge) will go from \$51.30 per bill to \$53.89, a \$2.59 per bill increase or 5.05%.

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 on or about July 1, 2010 will assist with the objective of funding the operating expenditures of the Water & Sewer Fund, 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.

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