



Rochester Hills Minutes Financial Services Committee

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Donald Atkinson, Bryan Barnett, John Dalton, Kurt Dawson, Rajeev Gudipati, Melinda Hill, Julie Jenuwine, Lang Liu, Lee Zendel

Thursday, March 18, 2004

5:00 PM

Joint meeting with CDV at 6:00 p.m.

CALL TO ORDER

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

ROLL CALL - Financial Services Committee

Present: Melinda Hill, John Dalton, Donald Atkinson and Lee Zendel

Absent: Bryan Barnett

*Non-Voting Members Present: Kurt Dawson, Julie Jenuwine, Rajeev Gudipati and Lang Lui
Non-Voting Members Absent: None*

Water and Sewer Board Members Present: Richard Rowe, George Karas, Gerard Verscheren.

Others: Dan Casey

COMMUNICATIONS

None were presented.

NEW BUSINESS

2004-0121 Discuss Water / Sewer Rates
This item was discussed in conjunction with the Water Reservoir Construction Project.
Discussed

2004-0122 Discuss Water Reservoir Construction Project - Update on Communication from DWSD re: City's plans to construct reservoirs
Attachments: CDV Draft Min Excerpts 012204.pdf; Water Distribution 012204.pdf; Water Distribution Outline & Presentation 042204.pdf
Committee members discussed the possibility of water reservoir facilities in Rochester Hills.

** Arcadis FPS, Inc., consulting firm, completed the original study in September of 2002 which indicated the demand, fire flows and the size of the water mains.*

** Goals were:*

- * Identify pressure in the existing water distribution system.*
- * Identify ways to lower peaks.*
- * Identify potential system improvements*

* *Initial preliminary indications showed a savings in water purchase rates using water storage.*

* *The water storage reservoirs provide storage of water purchased at low rate with distribution during high peak rate.*

* *Based on information compiled, water storage facilities are economically feasible.*

* *Detroit Water and Sewer Department (DWSD) approves of the concept of water storage facilities in Rochester Hills.*

* *Conclusions of study were recommendations to build two (2) two million gallon tanks.*

* *Total estimated construction costs \$7.3 million.*

* *Total estimated savings between five (5) and seven (7) years is \$7.3 million.*

Committee discussed current water distribution system

* *Rochester Hills has a very complex water distribution system with 265 miles of water main.*

* *There are nine (9) different pressure districts, two (2) pump stations and four (4) metering stations.*

* *Rochester Hills serves a population of 70,000 with 22,000+ accounts.*

Committee discussed billing and rates.

* *Currently there is a three-stage billing.*

**Average day rate*

**Maximum day rate*

**Peak hour rate*

* *Five factors are used for rate setting:*

**DWSD's base rate*

**Maximum day rate*

**Peak hour rate*

**Elevation*

**Distance from Detroit*

* *Base rate is the average daily usage of water.*

* *Communities have no control over base rate.*

* *Maximum day rate determined in summer when there is a great amount of water used.*

* *Communities have some control over maximum day rate through water conservation measures.*

* *Peak hour rate is determined in summer when there is a great amount of water used.*

* *Communities have considerable control of peak hour usage.*

Committee discussed the need to validate the economic value of first study.

- * *Identified flow patterns within the Rochester Hills water distribution system.*
- * *Rochester Hills System is fed from four (4) separate points from DWSD.*
- * *Most water flows from only two (2) points.*
- * *Confirm water storage facility size and location for maximum benefit.*
- * *Confirm with DWSD stability of their rates and rate structure (no guarantee).*
- * *DWSD Water Rate Division explained how rates are established and verbally concurred that Rochester Hill's water reservoirs would eliminate the peak hour demand factor, which would then reduce rates accordingly.*
- * *DWSD engineering group is comfortable with Rochester Hill's storage designs.*
- * *DWSD requires an assurance that there is no impact on DWSD facilities.*
- * *DWSD requires Rochester Hills re-evaluate using higher peaking factors or the factors used to get the maximum day and peak hour rates to account for any future impact.*
- * *Rochester Hills is in need of reallocating the feed points where water flows into the distribution system.*
 - * *Water flow is significantly utilized on west side feed point.*
 - * *Water flow is less utilized from east side feed point.*
- * *DWSD will not allow improvements to east side feed point because it would have a negative effect on other communities water flow.*
- * *DWSD data used was peak July - September of 2003 as follows:*
 - * *The distribution from the four (4) connections have evened out slightly.*
 - * *The distribution is slightly better during peak flow than in low flow or low demand.*
 - * *The supply pressure is often below pressure reducing valve settings.*
- * *Installing water reservoirs will resolve some of the pressure concerns.*
- * *Placing full control valves on each feed point gives Rochester Hills control over how much water they purchase from DWSD by not allowing the community to go above the maximum day rate.*
- * *Water would then be drawn out of the water storage facilities.*
- * *Arcadis FPS, Inc. system would monitor valves.*
- * *Over-ride ability in place on control valves in case of emergency.*
- * *Over-ride ability creates a risk of using peak hour rate.*
- * *DWSD determines our rate based on how Rochester Hills peak hour rate corresponds with Detroit's peak hour rate.*
- * *DWSD bases its rates on peak hour usage annually and the rates remain the same throughout the year.*

* DWSD takes into effect the cost of power, pumps, and horsepower into deriving costs.

Conclusion:

* Annual cost basis with the water reservoirs is \$650,000.

* Annual cost basis without the water reservoirs is \$2.1 million.

Committee members discussed costs for water storage facilities.

* Ground level water storage costs the least to install.

* Elevated water reservoirs are more than double in cost.

* Below ground water reservoirs involve added costs.

* Water reservoirs should be located close to major feed lines to avoid additional piping costs.

* Size determined at final design phase based on needs.

* Water storage variations in capacities do not substantially change the cost.

* Traditional security has been included in the estimated costs, such as, fencing, locks, and cameras.

* National Industrial Tank dimensions used:

* Concrete circular tank - 25 feet in height and 80 feet across holds two (2) million gallons.

* Life cycle of a tank is estimated at fifty (50) years.

* Other communities with water storage facilities:

* City of Toledo

* Lucas County

* South County Water (near Monroe County)

* Others in North Carolina

Committee members discussed security.

* Arcadis FPS, Inc. system based on three (3) factors:

* Deter by fence or camera

* Detect by using gate switches on access ports that alert Arcadis FPS, Inc. System

* Response of Arcadis FPS, Inc. system tied into dispatch.

Committee members discussed worst-case scenarios.

* Roughly 600,000 gallons for residents and 600,000 gallons for fire flow.

* Fire flow based on 3500 gallons per minute for three (3) hours.

* Fire Chief confirmed Rochester Hills fire flow has never been close to that.

* Larger tank provides:

- * total tank drainage would peak late in the day.
- * indefinite fire flow.

Current comparable water rates: Detroit Wholesale vs. City of Rochester Hills

Rankings from the lowest to the highest.

- * Rochester Hills ranked 109th out of 121 communities when comparing the cost of water purchase
- * Rochester Hills ranked 42nd out of 114 communities when comparing the cost of maintenance and operations
- * Rochester Hills ranked 75th out of 114 when comparing the total charge to customers
- * Rochester Hills ranked 22nd out of 114 communities when comparing the percentage added to the DWSD charge
- * Rochester Hills had the 22nd lowest mark up percentage on last year.
- * Average mark up of a water customer is 125%
- * Rochester Hills is at 57% for 2004 (53% in 2003)
- * City of Detroit survey illustrates where Rochester Hills stands compared to 85 other communities.
 - * In 2004, Rochester Hills is at 36th lowest (28th in 2003).
 - * Average mark up of a sewer customer is 155%.
- * DWSD will reduce rates after Rochester Hills goes through a peak summer season to demonstrate to DWSD that:
 - * The water reservoir is being managed correctly.
 - * Rochester Hills is not having peak time corresponding with Detroit peak time.

Discussed

2004-0283

Discussion regarding the need to create a Tax Abatement Policy for the City of Rochester Hills

Attachments: Memo Casey 20040617.pdf; Policy Tax Abatement.pdf; Exhibit C.pdf; Exhibit D.pdf; District 02 - Rehab.pdf; District 03 - Rehab.pdf; District 19.pdf; District 22.pdf; Districts 1-3-6-7-10-15-17-20.pdf; Districts 4-5-11-12-13-14-23.pdf; IDD Districts 8-16-1

Dan Casey, Economic Development Manager, reviewed the draft Tax Abatement Policy noting the following:

- * Tax Abatement Program is regulated by Public Act 198 as amended in 2000
- * Amendment now includes high technology and life science companies and removed the approval of the local community to approve a company's transfer to another community
- * Tax abatements are a tool that provide fifty-percent (50%) tax break on real and personal property for new investment in the community
- * Two factors are evaluated when looking at tax abatements: new investment and new

jobs that result from the project

** The globalization of the economy has resulted in competition of all levels of business as well as in government and Rochester Hills is competition with other cities, regions, states and countries for projects*

** The number of approval years legally allowed is different for real property and personal property*

** A substantial investment or a significant amount of new jobs in the community is required in order to qualify for the maximum of twelve (12) years.*

** Tax abatement programs assist in providing stability to a local economy for eligible companies who have applied and have been granted abatements by:*

- * Supporting retailers*
- * Providing additional workers*
- * Retaining workers in a community*
- * Increasing jobs within a community*
- * Increasing the tax base within a community*
- * Strengthening the company*

** Prior to the policy change on abatements, Rochester Hills approved forty-three (43) abatements from 1996-1997*

** Since policy change, Rochester Hills has approved two (2) abatements*

** Currently the policy is that Rochester Hills does not give abatements*

** In attempt to further diversity the State's economy and to continue to convert it to a technology base or technology led economy to help soften the blow when automotive industries are struggling, the Governor established the tri-corridor initiative which includes such things as the development of the Smart Zone Program, the Life Sciences Corridor, and energy initiatives*

** The State has provided some form of incentive to promote initiatives; however unlike other communities who established incentives using PA198, when Rochester Hills established its Smart Zone, it did not provide an incentive program to support it*

** Draft policy changes include:*

- * Attract companies and facilities engaging in advance manufacturing and computing*
- * Reduce property taxes as an obstacle for development of problem parcels*
- * Place greater emphasis on retention and expansion of existing companies*
- * Use it as a door to attract new companies*

** Problem with current policy is that while it does promote the use of this tool for companies who are transferring into Rochester Hills, it does not provide an incentive program to support it.*

** Several companies have chosen to locate in communities other than Rochester Hills because of tax abatements.*

** Changes to policy will allow Rochester Hills to compete on a level playing field with other Michigan communities.*

Chairperson Hill suggested that CDV and Financial Services continue to review this matter at future meetings prior to presenting it to City Council.

Discussed

ANY OTHER BUSINESS

AUDITORS

** Plante Moran will increase financial auditing cost for 2003 from \$5000 - \$7000 due to changes in required standards that include:*

- * Requirement to look more closely at city contracts exceeding \$400,000 for 2003*
- * Requirement to make inquiries of employees who may have knowledge of fraud.*

DRAIN REFUND

** Refunding that occurred this year saved the city \$153,000.*

NEXT MEETING DATE

April 15, 2004 at 5:00 PM

ADJOURNMENT

There being no further business to discuss, Chairperson Hill adjourned the Financial Services meeting at 6:55 pm and opened the Joint Financial Services and Community Development Committee Meeting.

JOINT MEETING BETWEEN FINANCIAL SERVICES COMMITTEE AND COMMUNITY DEVELOPMENT & VIABILITY COMMITTEE

CALL TO ORDER - Joint Meeting

Chairperson Hill called the Joint Financial Services Committee and Community Development Committee meeting to order at 6:55 pm

ROLL CALL - Community Development & Viability Committee

Present: Melinda Hill, Bryan Barnett, John Dalton, Donald Atkinson, Lee Zendel, Frank Cosenza, Jim Duistermars and Michael Kaszubski

Absent: Barbara Holder

Non-Voting Members Present: Ed Anzek, Scott Cope, Roger Rousse, Sahar Emambakhsh, and Kathryn Tignanelli

Non-Voting Members Absent: Ann Ruggiero

COMMUNICATIONS

None presented

UNFINISHED BUSINESS

2004-0117

Funding Strategy for Local Road Reconstruction

Attachments: Funding Strategies 012204.pdf; PQI Ride Qual.pdf; PQI Road SAI.pdf; Presentation Rehmann Robson 022604.pdf; Funding Study Tasks 042204.pdf

Roger Rousse, Director of Public Services, reported that City Staff discussed local Road Reconstruction with 120 representatives from the community to obtain input.

- * *Community representatives had no objections to a millage.*
- * *Everyone in agreement that more money is needed.*

Roger Rousse, Director of Public Services, reviewed the City's history with millage questions noting the following:

- * *There have been nine (9) millages for roads since 1980*

- * *The following two (2) passed:*
 - *1980 - for five (5) years for \$500,000
 - *1986 - for ten (10) years for \$1,000,000

- * *The other seven (7) millage proposals failed.*

He further noted:

- * *Three (3) mills over five (5) years would generate \$45 million.*
- * *A five (5) year millage would prevent a change of projections on pavement management system.*
- * *Past millage was for ten (10) years.*
- * *A five (5) year millage at \$52 million would eliminate the need for three (3) millages after that.*
- * *A five (5) year millage renews with less millages on it to maintain*
- * *Committee member suggested calling it "residential street funding" instead of "road funding".*
- * *Committee members questioned feasibility for possible placement of millage on November ballot.*

Committee members discussed promoting community awareness of road fund shortage including the following:

- * *Committee is in agreement with getting the information out to the residents*
- * *Staff will submit ten (10) articles to be published in the Hills Herald*
- * *Committee members have volunteered to speak at subdivision association meetings.*
- * *Create a council of homeowner association presidents or representatives who can then share the information at local gatherings.*

Committee members discussed effects of budget shortage including the following points:

- * Possible General Fund transfer to offset the \$2 million shortage.
- * Affects operations and employees funded through local fund resulting in possible layoffs
- * Current Local Roads Fund balance is \$800,000.
- * Three projects total cost of \$700,000 are already committed by the City.
 - * Chloride/grading project - \$250,000
 - * New Love Lane project - \$100,000
 - * Hillview SAD project - \$350,000

Committee discussed the plan for road project and proposed millage questions.

- * Currently costs are at \$52 million for replacing concrete with concrete
- * Costs \$1.2 million to replace one (1) mile of concrete
- * There are forty-four (44) miles of concrete road.
- * Costs \$900,000 to replace one (1) mile with asphalt.
- * Committee in agreement to "firm up" the plan, numbers, marketing, presentation, time frame.
- * November ballot is feasible if an inside group or outside group marketed the program
- * Prior road millage took over one (1) year to plan
- * Committee concerned with school issues being put on the ballot at the same time
- * Committee suggested presenting plan to the Mayor and City Council
- * Committee concurred that the City needs to approach millage from perspective of homeowners and how it will benefit them.

Discussed

ANY OTHER BUSINESS

None presented.

NEXT MEETING DATE

Consensus of Community Development and Viability Committee was to cancel March 25, 2004 regular CDV meeting.

ADJOURNMENT

There being no further business to discuss, Chairperson Hill adjourned the Joint meeting at 7:50 pm.

Minutes prepared by Sue Busam

Note:

Financial Services Minutes were approved as presented at the August 19, 2004 Financial Services Committee Meeting.

CDV Minutes were approved as presented at the [September] CDV Committee Meeting.

