



Rochester Hills

Minutes - Draft

City Council Special Meeting

1000 Rochester Hills Dr.
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Home Page:
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*J. Martin Brennan, Greg Hooper, Nathan Klomp, Vern Pixley, James Rosen,
Michael Webber and Ravi Yalamanchi*

Vision Statement: The Community of Choice for Families and Business

Mission Statement: "Our mission is to sustain the City of Rochester Hills as the premier community of choice to live, work and raise a family by enhancing our vibrant residential character complemented by an attractive business community."

Monday, January 31, 2011

7:00 PM

1000 Rochester Hills Drive

In accordance with the provisions of Act 267 of the Public Acts of 1976, as amended, the Open Meetings Act, notice was given that a Special Rochester Hills City Council Meeting would commence at 7:00 p.m. on Monday, January 31, 2011, for the purpose of discussing water reservoir feasibility including potential site selection, area maintenance meters, odd/even day watering and to consider a resolution lending support to a regional water/sewer board.

CALL TO ORDER

President Hooper called the Special Rochester Hills City Council Meeting to order at 7:01 p.m. Michigan Time.

ROLL CALL

Present 6 - J. Martin Brennan, Greg Hooper, Nathan Klomp, Vern Pixley, James Rosen and Michael Webber

Absent 1 - Ravi Yalamanchi

Others Present:

*Tracey Balint, Project Engineer
Bryan Barnett, Mayor
Tara Beatty, Chief Assistant
Ron Crowell, Fire Chief/Emergency Management Director
Paul Davis, Acting Director of DPS/Engineering
Kurt Dawson, Director of Assessing/Treasury
Jane Leslie, City Clerk
Keith Sawdon, Director of Finance
Leanne Scott, City Council Coordinator
John Staran, City Attorney*

Mr. Yalamanchi provided prior notice that he would be unable to attend.

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

A motion was made by Pixley, seconded by Webber, that the Agenda be Approved as Presented. The motion carried by the following vote.

Aye 6 - Brennan, Hooper, Klomp, Pixley, Rosen and Webber

Absent 1 - Yalamanchi

PUBLIC COMMENT

Thomas Ryan, 3626 Hollenshade Drive, requested that Council's Rules of Procedure be suspended to allow for more true discourse and open dialogue during tonight's meeting.

Lorraine McGoldrick, 709 Essex, stated that there should be more transparency and accountability for the City, noting that an award won recently by the City was from an organization it paid to be a member of. She questioned differences in staff count to residents, noting that one City document reports 69,000 residents and another cites 65,000 residents; and inquired when the City would add a public cable channel to meet Public Education Government (PEG) standards. She suggested that an "on-deck" method be used to call Public Commenters, requesting that two names be announced at a time.

President Hooper thanked Ms. McGoldrick for her suggestion and stated that he would use an "on-deck" method for calling public commenters.

Alice Benbow, 1582 Northumberland, displayed copies of nominating petitions submitted for Vern Pixley and pointed out several names on the petitions.

LEGISLATIVE & ADMINISTRATIVE COMMENTS

In response to Public Comment, **Mayor Barnett** mentioned that the City received an award for a new document that Keith Sawdon, Finance Director, and his staff developed which simplified an explanation of the difficult governmental accounting and budget processes. He noted that the document has received overwhelming community support, especially from senior citizens. He made the following announcements:

- Rochester Hills Television is now available as Channel 10 on WideOpenWest, Channel 20 on Comcast, and Channel 99 on AT&T U-Verse.
- Rochester Hills resident Lily Arbor, a seventh-grader at Reuther Middle School, has been successful in her quest to meet almost all of her elected officials. Thus far, she has met 113 of 115 elected officials; and while she has not met President Obama and Vice President Biden, Congressional Representative Gary Peters arranged for her to attend the President's State of the Union Address.
- Rochester Hills business owners Robert and Gary Allen were mentioned in the President's State of the Union Address and attended the Address as guests of Michelle Obama. Their roofing company, Allen Brothers, has adapted its business to produce solar materials through the assistance of Federal Funds. The company received an Inventor of the Year award last year.

- By Executive Order, a Snow Emergency has been declared beginning at 5:00 p.m. tomorrow. The storm is projected to drop 12 to 14 inches of snow on Rochester Hills. Residents are reminded that during a Snow Emergency, no parking will be allowed in the streets and cars will be ticketed and towed.

Mr. Klomp thanked everyone for their attendance, and stated that residents' comments are appreciated and are taken into consideration.

ATTORNEY MATTERS

City Attorney John Staran had nothing to report.

PRESENTATIONS

2009-0419 Water Reservoir Feasibility and Potential Site Selection

Attachments: [Agenda Summary.pdf](#)
[Hooper Memo 012610.pdf](#)
[Water Storage Presentation - Fiscal.pdf](#)
[Suppl Water Storage Pres - Fiscal \(Revised\).pdf](#)
[Water Storage Presentation - DPS.pdf](#)
[Suppl Water Storage Pres - DPS \(Revised\).pdf](#)
[Suppl Contour Map.pdf](#)
[Frequently Asked Questions.pdf](#)
[Staran Opinion Letter 012511.pdf](#)
[Resol Dist During Pub Comments 121310.pdf](#)
[060710 Agenda Summary.pdf](#)
[Alternate Site Costs.pdf](#)
[TetraTech Proposal.pdf](#)
[020810 Agenda Summary.pdf](#)
[Proposals Tabulation.pdf](#)
[OverallWest.pdf](#)
[OverallEast.pdf](#)
[Sawdon Memo 052810.pdf](#)
[Estimated Water Storage Rate Impacts.pdf](#)
[Fund Balance Loan Availability.pdf](#)
[Proposed Loan Schedule.pdf](#)
[Sample Borrowing Agreement Resolution.pdf](#)
[Water Rate Comparison.pdf](#)
[Email from DWSD 042910.pdf](#)
[050310 Agenda Summary.pdf](#)
[Suppl Presentation \(Revised\).pdf](#)
[Presentation.pdf](#)
[Alternate Site Comparison.pdf](#)
[Adams Reservoir.pdf](#)
[Adams Reservoir North.pdf](#)
[Tienken Reservoir.pdf](#)
[John R Reservoir.pdf](#)
[Bloomer Reservoir.pdf](#)
[Shelton Dealership Reservoir.pdf](#)
[Goddard Reservoir.pdf](#)
[Meadowfield Reservoir.pdf](#)
[Dicks Parking Lot Reservoir.pdf](#)

[Overall Wm Map.pdf](#)
[101909 Agenda Summary.pdf](#)
[101909 Resolution.pdf](#)
[020810 Resolution.pdf](#)
[Suppl Staran Letter 040810.pdf](#)
[Suppl 2011-2030 City Water Cost Impacts - Zellers.pdf](#)
[060710 Resolution.pdf](#)

President Hooper noted that the purpose of tonight's presentation is to review the updated Administration's Water Feasibility Study and Financial Model Analysis and take action to either terminate the project or to move forward with site selection.

Mayor Barnett stated that the Administration was asked to do a deep-dive research into the proposed project, utilizing comments that residents and Council have made over the past few months. He noted that many individuals were involved in preparing the analysis, including staff members, representatives from the Oakland County Water Resources Commission (OCWRC) and many others. He mentioned that the role of the Administration is to present Council with unbiased facts to the best of its ability and knowledge, incorporating guidance and recommendations from the public. He stated that the Administration has no vested interest or vote, and if directed by Council to terminate the project, it would do so. He commented that a document highlighting 23 Frequently Asked Questions was prepared that would hopefully answer many of the residents' questions and address their concerns.

Paul Davis, Acting Director of DPS/Engineering, introduced Tracey Balint, Project Engineer, Keith Sawdon, Director of Finance, and Kurt Dawson, Director of Assessing/Treasury, noting that they were instrumental in preparing the analysis. He mentioned that Jody Caldwell, OCWRC representative, and Gary Makstrom, TetraTech representative, were also in attendance to provide input if needed. He provided background information on his role in the project, as City Engineer for the past ten years and recently as Acting Director of DPS/Engineering. He mentioned his technical background, noting his degree in Civil Engineering from Michigan State University in 1987 and stating that he has been a Licensed Professional Engineer in the State of Michigan for the past 19 years. He commented that he treats his obligation to the health, safety and welfare of the public very seriously, and stated that his duty to Council is to present accurate and unbiased information. He pointed out that he has no conflict of interest in the project, is not a resident of Rochester Hills, and would not celebrate either way if the project should proceed or be terminated.

He began the presentation with a quote by Giuseppe Tomasi di Lampedusa, 11th Prince of Lampedusa, which he explained was contradictory, yet appropriate: "If we want things to stay as they are, things will have to change". He commented that many factors influence rates, including system usage on a regional level, weather conditions, the economy, and maintenance costs. He mentioned that factors within the City's control include irrigation restrictions, public education and water loss studies to locate sources of leaks. He noted that if the Administration desires that rates should remain the same, a number of things could be done, one of which could include the construction of water reservoirs. He reviewed the project's background:

Background

- A Public Protection Classification Study was completed for Rochester Hills in 1991. The results identified five areas deficient in fire hydrant flow volumes. A booster station was constructed at Tienken and Adams.
- The City experienced drought conditions in 2000. Low pressure was experienced in the northwest part of the City.
- The 2002 BIOTERRORISM ACT mandated a review of utility operations and the establishment of emergency procedures for public water systems.
- Finkbeiner, Pettis & Strout (FPS) completed a water system analysis in 2002 including a skeletonized model that mimicked the City's water system. The computer model looked into what the City could do to become a Max-Day customer of the DWSD and identified pressure problems. (FPS was later acquired by Arcadis.)
- A multiple-day power failure occurred in August of 2003. The City's system lost pressure very quickly. It was noted that the South Oakland County Water Authority (SOCWA) was able to go for 24-hours during this period without taking a drop of water from the DWSD, as it had storage.
- The Detroit Water and Sewerage Department (DWSD) established a Technical Advisory Committee (TAC) for the development of a Model Contract governing the water purchase rate methodology for customers. The TAC has been useful in vetting out many of the issues the communities have and making the water rate structure as equitable and fair as possible.
- FPS completed a second water system analysis in 2005. The 2002 Study recommended the construction of two reservoirs; the 2005 Study revisited the model and recommended the construction of a two-million gallon reservoir for the northwest portion of the City and a three-million gallon reservoir in the central area of the City. This study was utilized as the basis for the project today.
- In 2008, the DWSD recommended that municipalities consider water storage as an option for reducing water purchase rates.
- In August 2008, the City of Rochester Hills established watering restrictions for outdoor watering, enacting an Ordinance to limit outdoor watering from midnight to 5:00 a.m.
- In May of 2009, The City of Rochester Hills adopted a 30-year contract with DWSD. The first amendment to the contract was adopted recently.
- TetraTech completed a water storage feasibility study in December of 2009. TetraTech was asked to review and determine what would be necessary for the City to become a Maximum-Day customer of the DWSD. The report indicated that the City had the potential to reduce water purchase costs by 38 percent if the two reservoirs were conducted as proposed in the FPS report.
- In January 2010, City Council heard a presentation on the feasibility of constructing water storage facilities.
- In January 2010, the Water and Sewer Technical Review Committee (WSTRC) recommended that City Council move forward with the design of water storage facilities.
- Over the past 20 years a need for an improvement to our water system has been identified that will have a positive impact on cost, public safety, improved pressures and customer service.

Mr. Davis displayed a chart which detailed the total volume of water purchased from the DWSD from 1998 to 2010. He noted that the highest use occurred in 1999, with just over 20,000 customer accounts. In 2010, 22,500 water customers were using approximately 10 percent less water. He explained the water

measures used, noting that one cubic foot of water is equal to 7.5 gallons; and one unit is 100 cubic feet. He mentioned that the Fiscal Department deals in terms of units, Engineering considers gallons, and the DWSD uses cubic feet. He pointed out that in 2010, the City used between eight and nine million gallons of water on an average day. Based on last year's annual usage, that figure equates to approximately three billion gallons of water each year. He explained the DWSD's customer base:

DWSD Customers

- The DWSD has 85 first tier wholesale customers connected to its water system. These first tier customers have a direct contract with the DWSD and include authorities which include multiple communities.
- Of the 85 customers, 20 customers have some form of water storage.
- Two of the 20 customers with storage are water authorities.
- Of the 85 customers, seven are Max-Day customers, including two of the water authorities. Five of the seven have some sort of water storage.

Mr. Davis displayed a map which highlighted the DWSD customer areas. On that map, dots represented 26 reservoirs. He noted that the map did not include the DWSD's own 17 ground storage tanks located throughout southeast Michigan. He displayed a graph noting water rate increases over time, pointing out that the rate for water was \$10.90 per thousand cubic feet (MCF) in 2000 and \$26.30 per MCF in 2010, and stating that this represents a 140 percent increase in water rates over the decade. He highlighted the DWSD's rate structure:

The DWSD Current Rate Structure

The following information is used to develop the City's water rate:

- *Base*: The amount of water used by a customer on an average day. The Model Contract treats Maximum-Day use by a community as a not-to-exceed figure. The actual use measured in a year is compared to a rolling five-year average.
- *Maximum-Day*: The largest amount of water used by a customer during one day throughout the year.
- *Peak Hour*: The largest amount of water used by a customer during a one-hour period on the Maximum-Day.
- Distance and elevation factors compared to the five treatment facilities are also used.

Mr. Davis displayed an example of a rate calculation sheet. He pointed out that if the City is able to make a difference in the peak, it can make a difference in the rate structure. He displayed a graph which showed annual estimated savings with storage and how that savings would be affected if ten additional communities also constructed storage. A table highlighted what the savings would have been if storage was implemented for the 2010/2011 year, noting that the City would have saved just under \$2.5 million with storage. If ten other communities also implemented storage, it is estimated that the City would have saved \$2.1 million. A chart was displayed showing the Community Max-Day/Peak Hour increment for

Rochester Hills and 15 surrounding communities. He mentioned that communities that have little difference between the Max-Day rate and Peak Hour rate would not benefit from storage. He pointed out that Rochester Hills has a large difference and would benefit from storage. He listed what the City has done so far to reduce Peak Hour usage:

What Have We Done?

- The City's Peak Hour was reduced from 51.91 to 37.40 due to efforts to shift the time Peak Hour occurs. Years 2006-2008 peaked at 7:00 a.m. Years 2009-2010 peaked at 4:00 a.m., thus shifting the City's peak into DWSD non-peak hours.
- Rochester Hills passed the Outdoor Watering Ordinance in August 2008 requiring irrigation during the hours of midnight to 5:00 a.m.
- In May 2010, the City launched a water conservation program to inform customers of ways to conserve water.

What Else Has Been Looked Into to Reduce Water Demands?

- Odd/even watering. City Council determined that it would not proceed with mandatory odd/evening watering.
- Area Maintenance Meters. It was determined that nothing would be done to remove them from consideration, stop future sales or put a surcharge onto the meters.
- Increase water conservation efforts in the community.

Mr. Davis stated that the DWSD's most recent brochure explaining its rates noted that because of a fixed cost structure, a five percent reduction in water use due to conservation results in a four percent rate increase. He displayed a chart that highlighted the DWSD's estimated water rate to the City noting that the City previously committed to 445,000 MCF with a Max-Day of 25.81 and Peak Hour of 51.91, resulting in a charge of \$24.34 per MCF. He pointed out that the new rate which would have been effective for 2010/2011 would have been \$20.08 with a commitment for 410,000 MCF without storage and \$14.10 with storage.

Keith Sawdon, Director of Finance, reviewed the Fiscal portion of the presentation:

Water Storage: Estimating its Effects on the Cost of Buying Water from DWSD and Water Rates

Cautionary Note

- The further you go into the future, the greater the probability that the assumptions can and will change which will impact the estimated water bills presented here.
- The recent issues raised about the DWSD's contract practices imply that there could potentially be a change made at the DWSD which could impact rates and rate structures into the future.
- It is possible that the rate structure, during any of the DWSD contract reopen points with the City could eliminate or reduce the Max-Day customer advantage, which is the basis of this presentation. The contract will reopen next in 2014.

Mr. Sawdon displayed a chart that highlighted how the City's water rate to its customers is determined, noting that Water Acquisition encompasses 61.47 percent, and Depreciation and Amortization represents 13.91 percent of the rate. A second chart detailed how costs will be affected with water storage, noting that Water Acquisition would decrease, and Repairs and Maintenance, Depreciation and Amortization, and Interest and Fiscal Charges would increase.

How is Our Rate Determined by DWSD

Our Current 2010-2011 Contract with DWSD (July 1, 2010 to June 30, 2011)

- Peak Hour Customer:
 - * Annual Volume: 445,000 MCF
 - * Max-Day: 25.81 Million Gallons per Day (MGD)
 - * Peak Hour: 51.91 MGD
 - * Fixed Monthly Costs: \$83,118
 - * Variable Rate/MCF: \$24.06
 - * Total Fixed plus Variable Costs: \$11,705,142
 - * Billing Rate to the City: \$26.30 per MCF

- Max-Day Customer:
 - * Annual Volume: 445,000 MCF
 - * Max-Day and Peak Hour: 25.81 MGD
 - * Fixed Monthly Costs: \$67,562
 - * Variable Rate/MCF: \$13.96
 - * Total Fixed plus Variable Costs: \$7,022,944
 - * Billing Rate to the City: \$15.78 per MCF

Mr. Sawdon noted that the difference between Max-Day and Peak Hour for the 2010/2011 billing year would have been \$4.6 million.

The 2010 DWSD Contract Reopener

Mr. Sawdon displayed a chart which highlighted the current volume commitment of 445,000 MCF and rate of \$24.06 and noted that the City is committing to 410,000 MCF for the coming contract years. The new rate based on the lower total volume would be \$20.08 per MCF. If storage was implemented, that rate would drop to \$14.10 per MCF. He cautioned, however, that this rate does not include the DWSD's overall rate adjustments to be announced tomorrow. He reviewed what this new rate would reflect for years 2011, 2012 and 2013:

- Peak Hour Customer:
 - * Annual Volume: 410,000 MCF
 - * Max-Day: 23.80 MGD
 - * Peak Hour: 37.40 MGD
 - * Fixed Monthly Costs: \$71,310
 - * Variable Rate/MCF: \$20.08
 - * Total Fixed plus Variable Costs: \$9,088,520
 - * Billing Rate to the City: \$22.17

- Max-Day Customer:
 - * Annual Volume: 410,000 MCF
 - * Max-Day and Peak Hour: 23.80
 - * Fixed Monthly Costs: \$63,024
 - * Variable Rate/MCF: \$14.10
 - * Total Fixed plus Variable Costs: \$6,537,288
 - * Billing Rate to the City: \$15.94

Mr. Sawdon noted that a difference of \$2.6 million would be realized as a Max-Day customer.

Estimate of Future Cost of Water from DWSD

- A nine percent increase adjustment was used, based on an average increase of 8.5 percent over the past 11 years.

Mr. Sawdon displayed a graph which estimated the DWSD's rates to the City through 2030/2031 with and without water storage facilities. He noted that if water storage facilities were constructed, it would take two years for them to come online.

Water Storage and the Effect on the Average Residential Customer's Water Bill

- Current Water Bills for an Average Water Customer:
 - * 2010-2011 Commodity Charge: \$4.65 per unit; \$55.80 per bill; \$334.80 per year (based on 12 units usage per bill).
 - * 2010-2011 Customer Charge: \$3.50 per bill; \$21.00 per year (six bills).
 - * Total Average Annual Residential Water Bill: \$355.80 or \$29.65 per month.

Estimates of Future Water Bills With or Without Water Storage

- Assumptions used:
 - * Annual average interest rates: 2012 - 1.5 percent; 2013-2017 - 3 percent; 2018-2030 - 5 percent
 - * Reservoir Engineering Cost: \$508,990
 - * Reservoir Construction Cost: \$14,000,000
 - * Grand Total Reservoir Cost: \$14,508,990
 - * DWSD increases: 9 percent annually
 - * Annual Reservoir Depreciation (\$14 million over 30 years): \$466,667
 - * Annual Reservoir Utility: \$50,000
 - * Annual Reservoir Maintenance: \$20,000
 - * Grand Total Operating Impact: \$536,667
- Current Rate Model Protocols Remain Unchanged:
 - * System must Break Even. Any deficit or surplus from the prior year will be recaptured and used in the next rate year.
 - * System needs to have 90 days of operating cash on hand. Reach that goal by five rate years. We are currently in Year Two of that goal. Projected to reach goal by rate year 2014.
 - * Annual Depreciation of the system is deposited into the Water Sewer Capital Fund.

Mr. Sawdon displayed a chart which estimated 2010-2031 Forecasted Water Billing for the Median Customer (12 units per bill). The chart highlighted rate estimations

for No Reservoir, Reservoir (paying back \$14 million over ten years); and Reservoir with Status Quo Rates until the Break-Even date (approximately 6.5 billing seasons). He ended his portion of the presentation by again displaying the Cautionary Note.

Mr. Davis continued his portion of the presentation, and displayed a chart which noted the DWSD's Max-Days and Peak Hour times for 2002 through 2010; along side the City's Peak Hours and Peak Hour MGD for those days. He noted that the City's Peak Hour for years 2002 through 2008 occurred at 6:00 a.m. or 7:00 a.m. In 2009 and 2010, the City's Peak Hour occurred at 4:00 a.m. He displayed a graph which represents the City's system demand for a day, noting that in order for Rochester Hills to become a Max-Day Customer, it must demonstrate that it will be able to fill a reservoir and remain below a flow rate of 15,000 gallons per minute. He explained that the City must negotiate with the DWSD for the six-hour time period in which it will be permitted to fill the water storage reservoirs.

He displayed a map of Pressure Districts in the City with elevations noted, and explained that acceptable pressure during Max-Day would not go below 35 pounds per square inch (PSI). For fire flow, it should not go below 20 PSI. He stated that 65 PSI is optimum. The upper limit cannot go above 90 to 100 PSI. He stated that elevations come into consideration, noting that every 2.31 feet of elevation will make a difference of 1 PSI. A zoning map was superimposed onto the Pressure District Map, showing Commercial/Office/Planned Unit Development and Industrial locations throughout the City. He noted that TetraTech was asked to run the water model in the industrial area of Crooks and M-59. He pointed out that the City does not own property in this location and vacant parcels are limited. The model found that Max-Day requirements can be met at the lower Crooks and M-59 industrial location; however, the cost associated with constructing a reservoir in this area would be approximately \$4 million more than the Tienken and Adams locations, not including property purchase, engineering or the increase in operating costs associated with the alternate locations.

He displayed an aerial photo of the proposed Tienken/Adams site which showed the reservoir configuration for the property, including elevations and trees. He explained that construction activities would excavate the site to partially bury the reservoir, and the excavated material would create a berm to buffer the south and west sides. Renderings of the reservoir looking east from the homes on Royal Doulton Boulevard and overhead were displayed. A video representing a three-dimensional view was played that included a conceptual placement of an unburied structure at a height of thirty feet with flat terrain. Profile plans were also displayed showing the elevation of nearby homes, tree lines and the reservoir and pump station elevations. He also displayed a site plan for the proposed Rochester/Avon reservoir location. He noted the following concerns that have been raised, and addressed them with the following:

Concerns

- *Lighting.* He noted that the only lighting utilized would be over doorways. He displayed photographs of lighting examples.
- *Noise from booster station.* City staff measured noise levels at several existing reservoirs. Within 50 feet of the outside of these pump stations, no noise was detected.

* *Reservoir will be filled by system pressure; booster stations will run during the day.*

- * *Booster station blocks are insulated.*
- * *Roof is insulated.*
- * *Generator is inside the structure with damping mufflers. He noted that the City of Rochester's wells, located north of Tienken off of Livernois Road, have outside generators which resulted in complaints by nearby residents. Once mufflers were installed on these generators, the complaints were resolved.*
- *Tank Failure. He reported that the type of tank which failed in Westminster, California is no longer used. The prestressed concrete water tanks now constructed incorporate 3,000 miles of prestressing wire and 11,300 square feet of steel diaphragm.*
- *Need for Flood Insurance. He stated that this was not true. This question was discussed with a number of agencies, including the Michigan Department of Natural Resources and Environment (MDNRE), and owners of other reservoirs such as SOCWA.*
- *Decrease in Property Values. He requested Kurt Dawson, Director of Assessing/Treasury, address this question.*
- *Homeland Security/US Army Corps of Engineers Requirements. He stated that the MDNRE is the permitting agent and neither Homeland Security or the US Army Corps of Engineers would be involved.*
- *Close proximity to schools and neighborhoods. He commented that the tank manufacturers consulted report that 70 percent of their reservoirs are built near residential neighborhoods.*

Kurt Dawson, Director of Assessing/Treasury, reported that he contacted the Oakland County Equalization Department and a number of assessing offices in southern Michigan and found that there are no studies available and no evidence of external obsolescence due to reservoirs. He stated that external influences that do impact values include heavy traffic, residential properties that front major roads or subdivision entrances and proximity to commercial and industrial activity. Circumstances which mitigate these impacts are the proximity to negative influence; the farther away from these external influences, the less impact they have on values. He pointed out that when there are influences of external negative market that are measurable, the Assessing Department does make adjustments to those values. He said while he cannot say that there would be no impact, he has not seen impact in other communities.

Mr. Davis closed with a quote by Henry Ford II: "Nobody can really guarantee the future. The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them and make our plans with confidence." He expressed his thanks to residents Tom Ryan, Chuck Slattery and Gary Uhl for meeting with him, and Mike Powers for inviting him to the meeting held at Adams High School on November 30, 2010, commenting that it opened a dialogue. He mentioned that he was happy to meet on any occasion with residents to review the City's perspective. He thanked individuals from the DWSD and Michigan Department of Environmental Quality for providing additional information.

Mayor Barnett mentioned that it took quite some time to research residents' questions. He stated that this is a project with a 20-year history and commented that water and sewer is the biggest single-ticket item the City purchases. He noted that the City is beholden to the City of Detroit, and stated that just over \$100,000 of the \$540,000 TetraTech contract has been spent to date. He credited Mr. Davis and his team, noting that this project is high-risk with a potential high reward.

Mr. Pixley thanked President Hooper for his leadership, Mr. Davis, Ms. Balint, Mr. Sawdon and Mr. Dawson for their efforts, and commented that with the current talk about corruption in the DWSD, a delay might be warranted. He stated that while the business case still supports the project, it appears that the argument can be made that the economy does not support the investment at this time. He noted that while Mr. Staran's opinion is that use of the park property is legal, he is not sure that it is the right thing to do. He commented that resident opinion favoring an industrial location is not supported by the business case. He mentioned that the investment made to date has been warranted; and stated that the City has been proactive in ways to reduce consumption. He concluded that he believes it is prudent to delay this decision. He proposed a resolution to discontinue the project and direct the Administration to terminate the contract with TetraTech.

Mr. Brennan acknowledged the work of the Administration and the residents and stated that Council promised everyone that they would be listened to attentively. He concurred with Mr. Pixley, commenting that his own due diligence revealed that residents do not see the project as a priority.

Mr. Webber stated that it has become apparent to him that the project should not move forward. He commented that while he appreciated tonight's presentation, nothing he has heard this evening has made him alter his thought process. He stated that there is an increased focus on the DWSD and the need for a regional authority to govern it and pointed out that along with Mr. Brennan, he has authorized a resolution to be presented later this evening on the topic. He commented that Council cannot make a decision in a vacuum, and from a global perspective with the DWSD in a state of flux, the whole rate structure could change.

Public Comment:

The following individuals spoke in opposition to the water reservoir project:

- **Mark Bookspan**, 1273 Chaffer Drive, stated that he is opposed to the construction of a water reservoir in any residential, school or green space area, expressing safety concerns and noting that it is in violation of the City's Master Land Use Plan. He stated that residents should be given the opportunity to vote, and results should be achieved through conservation and negotiation.
- **Thomas Ryan**, 3626 Hollenshade, commented that based on the newfound enlightenment of Mr. Pixley's motion, he would request his time be given to someone else.
- **Chuck Slattery**, 3130 Palm Aire, stated that no one likes a high water bill; however, of all the bills he receives this is one he can control with personal conservation. He commented that there is not a sufficient savings for him to personally support a reservoir. He mentioned that while it appears there is a good value in doing something, Council should consider spending the extra \$4 million to locate a reservoir in an industrial location.
- **Gary Uhl**, 3508 Wedgewood Drive, stated that he was speaking for Claus Bruestle a resident who is a member of the Mayor's Business Council and President of Emitec, Inc., who could not attend. He read a letter from Mr. Bruestle which questioned whether a sensitivity analysis for governing parameters was performed. He noted that the presentation included erroneous assumptions and ignored population and behavior.
- **Nancy Farnam**, 3435 Wedgewood Drive, commented that \$4 million would be a small price to pay to place a reservoir in an industrial area. She referenced a

conversation with her State Farm Insurance Agent which emphasized that it would be in her best interest to purchase flood insurance as her homeowners' insurance would not cover any damage.

- **Erik Ambrozaitis**, 590 Thornridge, stated that he was shocked that Council has come to its senses to stop the project. He commented that \$100,000 has been wasted thus far.

- **Boyd Farnam**, 3435 Wedgewood Drive, thanked Mr. Pixley for taking time to address this issue. He mentioned the City Attorney's opinion, noting that although the letter does not cite contrary authority, there is plenty of it out there. He mentioned several court rulings from the State Appellate Court, the Michigan Supreme Court and the Attorney General.

- **Bill O'Connell**, 1158 Cobridge Drive, commented that the City's Radio Read System should be explored to allow the City to bill off of both volume and peak usage and hold residents accountable for their actions.

- **Cheryl O'Connell**, 1158 Cobridge Drive, listed her "Top Ten Water Conservation Facts", which included various water conservation and water saving measures.

- **Lorraine McGoldrick**, 709 Essex, expressed appreciation for Mr. Pixley's motion, and commented that by moving the Peak Hour, the City has done something to change social engineering.

- **Jim Tokarski**, 2560 Eastern, mentioned that he heard Frank Beckmann of WJR-Radio's interview with Gary Brown of the Detroit City Council and stated that his comments in opposition to a Regional Board speak of the attitude of those who vote to pass these rates on to the suburbs.

- **Laurie Puscas**, 1806 West Ridge, stated that it is obviously an election year and commented that it is wrong that it took this long for Council to pay attention to the residents. She mentioned that due to a push for a regional water authority, any model presented tonight is most likely to be irrelevant.

- **John Ponitz**, 1386 Burhaven, stated that his subdivision was willing to fund litigation to stop this proposal. He stated that the video showed that the reservoir would not be well-hidden on the property and mentioned that the City has pledged to preserve its parklands. He noted that the DWSD's contract reopener in 2014 could negate all savings.

Richard Kowalski, 296 Pepper Tree Lane, spoke in favor of the reservoir project, noting that he served on a Fire Department for 30 years and commented that pressure must be maintained in the water lines. He mentioned that with no water pressure, a house or business would be lost.

(Mr. Rosen exited at 10:24 p.m. and re-entered at 10:25 p.m.)
(Mr. Brennan exited at 11:04 p.m. and re-entered at 11:08 p.m.)

Other individuals who spoke against the reservoir project include:

- **Jerome Kondalski**, 2107 Reagan, stated that if the City moved forward to use park property purchased with specific bonds for a non-park issue, any future bonds or tax requests would fail. He commented that the savings to residents would only be \$9 per month on average and this was not enough to warrant reservoir construction.

- **Tommaso Anselmino**, 3553 Shellbourne, thanked Mr. Pixley, Mr. Brennan and Mr. Webber for their support of a motion to terminate the project. He stated that the City should become a leading community in supporting a regional authority.

- **Tim Brooks**, 1115 Chaffer Drive, stated that considering the unknown, moving forward with the project does not live up to the City's mission and the project does not serve the community.
- **Avi Sisso**, 1282 Cobridge Drive, thanked Mr. Rosen and Mr. Yalamanchi for their opposition to the project from the beginning. He commented that he is confident now that Council will make the right decision.
- **Marvie Neubauer**, 855 Stanford Circle, stated that she thanks Council for not passing something based on assumptions and cautionary notes. She commented that it would be irresponsible for rate increases to be considered in isolation, pointing out that the cost of everything has increased since 1999. She stated that as a citizen of Rochester Hills, Michigan, the United States and Egypt, Democracy means that the people are represented.
- **Phil McClurg**, 3520 Wedgewood Drive, commented that he passed up homes located near power lines in favor of his home. He noted that any reduction in rates would not come for a very long time; and Detroit would have the opportunity to increase the fixed costs.
- **Terry Lanker**, 583 Snowmass Drive, commented that the locational analysis is weak and no computer model was shown with the tanks elsewhere.
- **Tracy Fraccarolli**, 1263 Cobridge Drive, questioned why it took Council so long to listen to residents and questioned how park property could ever have been considered for the project.
- **Steve McGarry**, 2164 Clinton View Circle, commented that opposition to the project is based on two factors: the business case and the use of park property purchased with a bond for something other than a park. He stated that his subdivision is near Riverbend Park and mentioned a past proposal to locate Lifetime Fitness there.
- **Steve Wolken**, 887 Snowmass Drive, stated that while he would compliment Council on their attempt to save residents money, of all his utility bills, the water and sewer bill is a drop in the bucket.
- **Dee Hilbert**, 3234 Quail Ridge Circle, commented that she looked forward to seeing the project terminated; and stated that if the City ever considered a project like this again, residents should be included in the process.
- **Conan Duda**, 3335 Palm Aire Court, stated that while he would not be required to purchase flood insurance, should anything happen, he would not be covered without it.
- **Gordon Duda**, 340 Silvervale, commented that reservoirs belong in non-residential areas and any future plan should be placed on the ballot.
- **Charles McGlothlin**, 3583 Charlwood, expressed appreciation to Mr. Pixley for his resolution, noting that the business case presented was disappointing.
- **Jennifer Klaus**, 3601 Aynsley, commented that Mr. Sawdon did a great job in developing the business case. She mentioned that much complexity goes into rate methodology and the cautionary notes presented were her concerns as well. She noted that corruption can happen anywhere and stated that additional savings could be realized without incurring capital costs.
- **Peggy Fisher**, 3508 Wedgewood Drive, expressed support for the resolution and stated that a growing coalition of neighborhood associations have pledged to fight the proposed project.
- **Elizabeth Ingermann**, Shellbourne Drive, stated that Adams students hold classes on the property and questioned what would happen to the animals that live on the site. She read a statement from Jessica Herron, an Adams student who was also in opposition.

- **Carly Young**, 3585 Aynsley, stated safety is a concern. She commented that student's opinions should not be overlooked as many new voters will be entering the system soon.
- **Stephanie Young**, 3585 Aynsley, pointed out that the site provides students a change from the classroom and a way to get hands-on learning experience.
- **Dairdre McGlothlin**, 3585 Charlwood Drive, stated that Rochester Hills is the perfect mix of beautiful residential areas, retail shopping and recreational space; and Council should be cognizant of the community's natural beauty. Any reservoir should be located in an industrial park.
- **Jeannie Morris**, 1398 Burhaven, commented Council should support the motion and not place a reservoir in a park. She mentioned that her research yields that it would become a problem for everyone, affecting property values.
- **Pablo Fraccarolli**, 1263 Cobridge Drive, commented that there are not enough savings or guarantees from the DWSD to warrant a reservoir project. He mentioned that he purchased water-conserving plumbing adapters for his toilets at little investment. He stated that park property should not be repurposed for other uses.
- **Melinda Hill**, 1481 Mill Race, pointed out that it took nearly three years to stop the Washington Road Paving Project to protect the Historic District. She noted that other measures should be investigated, such as odd/even watering, enforcement of timing, and usage of the Radio Read System.
- **Carly Fraccarolli**, 1263 Cobridge, stated that as a Freshman at Adams High, she is very opposed to locating a reservoir near the school and their homes.
- **Sophia Fraccarolli**, 1263 Cobridge, stated that even though she is only ten years old, her speech should make a difference. She commented that her family uses the park land for recreation.

Council Discussion:

Mr. Rosen stated that the political and criminal scandal surrounding the DWSD begins to confirm what people in southeast Michigan have suspected for decades: that a pattern of corruption taints everything surrounding the DWSD. If convictions are handed down, the relationship between the DWSD and the suburbs should be re-examined. It should be recognized that the DWSD will not cede any real authority to suburbs. He stated that while he is not in favor of the project, he can understand how some consider it a great idea. He commented that it pits the City against its residents. Instead, the City should maintain flexibility in response to changes in the rate structure. He mentioned that the City has shifted its peak through the Automatic Watering Ordinance with minimal enforcement and he would be interested in learning whether meters could be used to provide time-of-day data gathering. He commented that many more things should be tried before spending \$14 million and stated that these industrial structures represent a use that would be objectionable in any residential area. He pointed out that there is most likely a good reason for the lack of law on land use, noting that cities do not do this type of thing.

Mr. Klomp stated that with the success of conservation efforts, the weakened business case and questions surrounding the DWSD, his support for the project has wavered. He stated that the investigation had to proceed to this point in order to make an informed decision.

President Hooper responded to resident concerns, noting that utility bills, not property taxes, would be affected. He noted that while it is difficult to reach all of the City's 68,000 residents, discussions on reservoirs have been on Council's agenda ten times in the past eighteen months. He commented that the business case has proven itself, noting that water rates have risen 144 percent over the last ten years. He pointed out that while the Outdoor Watering Ordinance adopted in 2008 has been successful, what remains is the residential component, which will not change. He stated that he remains convinced that the ultimate solution is the construction of reservoirs. He mentioned that he is not committed to support any site and would welcome a better location. He noted that the City's Radio Read System would require a significant investment to change out metering to be used in the ways suggested; and commented that this option could be explored. He stated that the billing cycle could also be changed for Area Maintenance Meters. He noted that the WSTRC could explore different options.

A motion was made by Pixley, seconded by Webber, that this matter be Adopted by. The motion carried by the following vote.

Aye 5 - Brennan, Klomp, Pixley, Rosen and Webber

Nay 1 - Hooper

Absent 1 - Yalamanchi

Enactment No: RES0019-2011

Whereas, the City Council has carefully considered the feasibility and advisability of constructing and operating water storage reservoirs intended to improve water service and to hold down the cost of water for City residents and businesses by reducing the City's peak hour consumption; and

Whereas, the City has considered, and will continue to consider and implement, other regulatory and educational measures to promote water conservation and reduce water consumption particularly during peak hours. The effect of these measures cannot yet be fully determined or known, but are expected to result in some reduction of the City's peak hour water consumption; and

Whereas, the Detroit Water and Sewerage Department and the City of Detroit are under scrutiny with allegations and reports of mismanagement and lack of transparency, and recent criminal indictments for corrupt practices; and

Whereas, these circumstances and developments have spawned litigation by the Oakland County Water Resources Commissioner and proposed legislation to establish and place governance of DWSD in the hands of a regional authority; and

Whereas, it is unknown what effect or result these legal and legislative initiatives will have on the future water system management or water rates; and

Whereas, for these and other reasons, the City is unable to secure any guarantee as to future water rates; and

Whereas, after thorough study, consideration and public discourse, many questions and uncertainties remain, and, consequently, it is the collective sense of City Council that the current water storage project should not proceed at this time.

Therefore, the Rochester Hills City Council resolves that the City shall:

1. Discontinue the current water storage project in the City;
2. Not engage in any further design, study, engineering or other efforts relating to the current water reservoir project, and
3. Direct the Administration to terminate the contract with TetraTech.

(Recess 11:10 p.m. to 11:21 p.m.)

(Mr. Pixley re-entered at 11:23 p.m.)

ORDINANCE FOR INTRODUCTION

2011-0041 Acceptance for First Reading - An Ordinance to amend Section 102-326 of Chapter 102, Utilities, and to repeal subsection (8) of Section 54-776 of Chapter 54, Fees, of the Code of Ordinances of the City of Rochester Hills, Oakland County, Michigan, in order to discontinue the sale and authorization of area maintenance water meters, repeal conflicting Ordinances, and prescribe a penalty for violations

Attachments: [Agenda Summary.pdf](#)
[Ordinance.pdf](#)
[Resolution.pdf](#)

President Hooper stated that discussion regarding the elimination of additional Area Maintenance Meters began in 2007, and noted that existing Area Maintenance Meters would not be affected under this proposed Ordinance.

Public Comment:

Tom Ryan, 3626 Hollenshade, questioned whether two-thirds of the city currently have Area Maintenance (AM) meters and commented that utilizing measurements from these meters could be a way to control and even-out water usage. He mentioned that the City could use meter control measures as a way to negotiate further with the Detroit Water and Sewerage Department (DWSD).

Melinda Hill, 1481 Mill Race, stated that the City should stop the sale of AM meters, commenting that their use has been a way to encourage people to dump water on their lawns. She noted that the DWSD penalizes the City for allowing their use.

Council Discussion:

Mr. Rosen suggested that the Radio Read System could be configured to allow hourly readings on AM meters to determine who was watering during the day versus at night when there are no restrictions. He commented that it could be an incentive for residents to conserve if pricing could be configured to charge different rates for watering at different times.

Upon hearing no further comments or discussion, **President Hooper** called for a motion. No motion was made. He declared then that the decision is to remain status quo.

President Hooper noted that the Water and Sewer Technical Review Committee could be tasked to investigate alternate methods for billing utilizing AM meters and the Radio Read System.

Discussed.

- 2011-0043** Acceptance for First Reading - An Ordinance to amend Section 102-394 of Chapter 102, Outdoor Watering, of the Code of Ordinances of the City of Rochester Hills, Oakland County, Michigan, to regulate outdoor watering days, repeal inconsistent or conflicting Ordinances, and prescribe a penalty for violations

Attachments: [Agenda Summary.pdf](#)
[Ordinance.pdf](#)
[Resolution.pdf](#)

Mr. Rosen stated that if there is currently no way to determine when water is being used, an Odd/Even Watering Ordinance would be ineffective and meaningless. He commented that this proposed Ordinance should be shelved until it is determined that the City's Radio Read System could be used to determine watering times.

Upon hearing no further comments or discussion, **President Hooper** called for a motion. No motion was made. He declared then that the decision is to remain status quo.

Discussed.

NEW BUSINESS

- 2011-0047** Consideration of a Resolution of Support for a Regional Authority for the Detroit Water and Sewerage Department (DWSD)

Attachments: [Agenda Summary.pdf](#)
[Resolution.pdf](#)

Mr. Webber introduced the proposed resolution that he and Mr. Brennan had drafted to support a Regional Water Authority, commenting that a number of bills are before the State House and Senate including those which would allow the Michigan Public Service Commission to regulate the Detroit Water and Sewerage Department (DWSD). He noted that his proposed resolution supports the concept of a regional authority, encourages a financial audit for a full transparent view of the DWSD and states that the DWSD should forego future rate increases until these items have been accomplished.

Mr. Rosen questioned whether the State has the authority to take control away from the DWSD.

John Staran, City Attorney, responded that he did not have an answer as to whether the State can effectively take governance away from the DWSD, noting that it would most likely precipitate court action. He stated that efforts toward this goal are in recognition of the difficulties and recent scrutiny of the DWSD, as well as the recognition that while the DWSD is technically owned by Detroit, it is a regional asset.

Mr. Webber pointed out that the proposed resolution references the precedent set by the control of Cobo Hall and the Detroit Zoo.

Mr. Rosen stated that while has no objection to the proposed motion, he would wonder whether it would be better to let the DWSD declare bankruptcy and go through a fast sweep of its control.

Mr. Klomp expressed support, noting that the proposed resolution is well-put and justified considering recent events.

A motion was made by Webber, seconded by Brennan, that this matter be Adopted by Resolution. The motion carried by the following vote.

Aye 6 - Brennan, Hooper, Klomp, Pixley, Rosen and Webber

Absent 1 - Yalamanchi

Enactment No: RES0020-2011

Whereas, the City of Rochester Hills depends on the Detroit Water and Sewerage Department (DWSD) to provide water and sewage service to the citizens of our community; and

Whereas, the City of Rochester Hills has been subjected to significant annual rate increases for these services over the last ten years, with rates rising from \$10.90 per MCF in 2000 to \$26.60 per MCF in 2010 which is an increase of 144%; and

Whereas, the DWSD is currently governed by a seven-member board that is appointed by the Mayor of the City of Detroit and that governing board is charged with setting rates for Detroit and the 125 other communities in the surrounding Metro Detroit area who are customers of the DWSD; and

Whereas, recently the DWSD and the City of Detroit have come under criticism with the recent indictment charges of former Mayor Kilpatrick and officials within his administration, including the former DWSD director, for directing governmental contracts towards friends of Mayor Kilpatrick; and

Whereas, these indictments have called into question the workings of the DWSD and have caused suburban communities, including the City of Rochester Hills, to question the annual rate increases by the DWSD over the years; and

Whereas, it has been proposed for several years that the DWSD should be governed by a Regional Authority, similar to the boards that operate Cobo Hall and the Detroit Zoo, so that all communities who are served by and contribute financially to the system shall have a say in how the system operates; and

Whereas, this idea has recently been advocated by Oakland County Executive L. Brooks Patterson and Oakland County Water Resources Commissioner John McCulloch; and

Whereas, State Representative Kurt Heise of Plymouth has recently introduced House Bill 4112 in the State Legislature to create a nine member governing board for the DWSD that would include one seat for Detroit, one seat apiece for Oakland, Wayne and Macomb counties and five seats elected from the 125 communities who use the system.

Therefore, Be It Resolved, that the City of Rochester Hills formally endorses the concept of a Regional Authority to govern the DWSD and is supportive of Representative Heise's HB 4112 and other similar bills that may arise that will create such an authority that will provide all communities participation in the operation of the DWSD; and

Be It Further Resolved, that the City of Rochester Hills also requests a financial audit of the DWSD and a full, transparent review of their financial books so that communities can see whether and why the annual rate increases have been justified; and

Be It Further Resolved, that the City of Rochester Hills requests the DWSD to forego any further rate increases until a Regional Authority is created and a financial audit has been accomplished. After the financial audit has been completed, the DWSD should rebate those communities, if any, that have been overcharged; and

Be It Further Resolved, that copies of this resolution be forwarded to the Governor, the Senate Majority Leader, the Speaker of the State House, Senator Marleau, Representative McMillin, Mayor Bing, the Detroit City Council, the DWSD, Oakland County Executive Patterson, the Oakland County Commission and Oakland County Water Resources Commissioner McCulloch; and

Be It Further Resolved, that a copy of this resolution be sent to the clerks of all municipalities in Oakland County, encouraging their communities to likewise support a Regional Authority to govern water and sewer rates in our communities.

ANY OTHER BUSINESS

None.

NEXT MEETING DATE

Regular Meeting - Monday, February 7, 2011 - 7:00 p.m.

ADJOURNMENT

There being no further business before Council, President Hooper adjourned the meeting at 11:36 p.m.

*GREG HOOPER, President
Rochester Hills City Council*

*JANE LESLIE, Clerk
City of Rochester Hills*

*MARY JO WHITBEY
Administrative Secretary
City Clerk's Office*

Approved as presented at the (insert date, or dates) Regular City Council Meeting.