



CITY of NOVI CITY COUNCIL

Agenda Item D
June 17, 2013

SUBJECT: Approval of Proposed Water & Sewer Rate Resolutions for 2013 - 2014

SUBMITTING DEPARTMENT: Finance/Water & Sewer

CITY MANAGER APPROVAL:

BACKGROUND INFORMATION:

The Finance Department and Department of Public Services annually reviews and proposes water and sewer rates for city council consideration. The City of Novi purchases treated water and sewer services from other governmental entities. The attached rate schedules incorporate the pass-through increase from the Oakland County Water Resource Commission (OCWRC) of approximately 6% for sewer services, with an increase from Detroit Water & Sewerage Department (DWSD) of approximately 11% (depending on consumption) for water services. Approximately 7.0% of the 11% increase can be attributed to the contract re-opener with DWSD in December 2012. The revised contract, approved by City Council on January 7, 2013, was necessary after it was discovered that our peak hour usage for 2012 had been out of compliance on several occasions last summer when the upper limit set in the contract was exceeded. Furthermore, the City has estimated what the fixed component and consumption charges would be based upon the new contract and have structured our water rates based on this estimate. The proposed water rates include a minimum rate, or readiness to service charge, which incorporates the fixed portion of DWSD's rate along with a portion of the City's fixed costs.

The Oakland County Water Resource Commission (OCWRC, formerly Oakland County Drain Commission) metered rate for the Huron Rouge Sewage Disposal System has remained the same as last year. The City's sewer rates also include a minimum rate to cover a portion of the City's fixed costs.

The rate for the Novi-Walled Lake Sewer System has increased approximately 6% over the prior year. This represents the first rate increase for this system in five years.

The combined water and sewer rate increase to the average customer for the 2013-14 fiscal year will range from approximately 6-9% depending on size of meter, consumption, etc. The water equipment rates, inspection fees and miscellaneous charges have been adjusted to the City's current vendor contract for water installation fees and the current cost of our equipment and include the usual 15% administrative fee.

New internal procedures have been implemented which will impact our management of water usage and billing. Through the coordinated efforts of DPS, IT and Finance, the City is proposing a monthly billing structure, for our 100 highest usage customers only, to begin on August 1, 2013. This new procedure is expected to help these large water customers to better track and plan their water usage and help the City better match the monthly billing

from DWSD with our collections. City Administration will engage the affected water customers and educate them of this change.

Recently, the City began utilizing new technology for reading meters which allows for a larger amount of data to be captured in a shorter time. The reduction in staff time for reading all City meters has been lowered from 3 weeks to 3 days. This initiative is providing information to identify any unusual fluctuations in usage and/or potential water losses on a timelier basis. Furthermore, the City has researched and budgeted for the building of a water storage facility. One of the goals of this facility would be to better manage our wholesale water rates and the peak day demand of the water system. By filling the storage tank during off peak times and distributing these reserves to our customers, the City will be more likely to adhere to the contractual limits with DWSD and avoiding potentially higher water rates.

Attached for your information and consideration are the following:

- Water & Sewer Rate Resolutions
- Water & Sewer Revenue Allocation and Rate Billing Example in Dollars
- Rate information from DWSD, OCDC for Huron Rouge and Novi-Walled Lake Sewer System
- Map – Novi Sanitary Sewer Districts
- Additional Water & Sewer Rates Information Memo

The City of Novi Water & Sewer Fund, the Oakland County Water Resource Commission (OCWRC) and the Detroit Water & Sewerage Department (DWSD) are all not-for-profit entities and therefore rates are intended and required to cover costs. The American Water Works Association (AWWA) recommends government agencies be prudent in the computations of reserves, either through depreciation or through a future debt service reserve to cover current and future replacement infrastructure costs.

RECOMMENDED ACTION: Approve Proposed Water & Sewer Rate Resolutions for 2013 - 2014

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Casey				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Wrobel				

**RESOLUTION
WATER RATES**

WHEREAS, the City of Novi through the Code of Ordinance, Section 34 has empowered itself to acquire, Construct, and operate a water supply system; and,

WHEREAS, by Section 34-19 the City of Novi may establish rates to operate said system; and,

WHEREAS, certain rates must reflect actual costs of usage and consumption; and,

WHEREAS, certain rates must cover the costs related to administration, construction, maintenance and replacements to the system; and,

WHEREAS, the cost to finance said system demonstrates a need to increase the water rates.

NOW, THEREFORE BE IT RESOLVED that the following rates shall be implemented as the rates of the Water Supply System pursuant to Section 34-19 for all bills rendered after August 1, 2013.

WATER RATES		
<u>Minimum (Fixed) Rate Schedule:</u>		
<u>Meter Size</u>	<u>Minimum Rate per Quarter</u>	<u>Minimum Rate per Month</u>
5/8"	\$ 40.00	13.33
1"	57.00	19.00
1.5"	124.00	41.33
2"	166.00	55.33
3"	475.00	158.33
4"	607.00	202.33
6"	1,270.00	423.33
8"	1,510.00	503.33
10"	1,732.00	577.33
<u>Consumption Rate:</u> \$3.86 per Thousand Gallons		

NOW, THEREFORE BE IT RESOLVED that the new rates related to water fees will be established as follows:

▪ **EQUIPMENT FEES**

<u>Service Size</u>	<u>Meter Size</u>	<u>Public Street Copper</u>	<u>Private Street Copper</u>
1"	5/8"	\$1,725	\$1,340
1"	1"	\$1,865	\$1,480
1.5"	1"	\$2,670	\$1,865
1.5"	1.5"	\$2,865	\$2,060
2"	1.5"	\$3,440	\$2,520
2"	2"	\$3,580	\$2,660

- Service on Public Roads over 60 feet, there will be an additional fee per Right of Way foot of:

<u>SERVICE SIZE</u>	<u>FEE/PER RIGHT OF WAY FOOT COPPER</u>
1"	\$17.00
1.5"	\$18.00
2"	\$21.00

An additional \$ 1,500 fee will be assessed for taps into a concrete water main. A separate additional fee will be assessed if a directional bore is needed (please contact the Water & Sewer Department).

▪ **METERING EQUIPMENT FEES**

<u>SIZE</u>	<u>METER</u>	<u>METER HORN</u>	<u>FLANGES</u>	<u>STRAINER</u>	<u>RADIO REMOTE</u>
5/8"	\$ 150	\$ 40	N/A	N/A	\$ 86
1"	260	70	N/A	N/A	86
1.5"	450	N/A	70	N/A	86
2"	575	N/A	90	N/A	86
3" (Compound)	2,085	N/A	90	735	86
4" (Compound)	2,980	N/A	130	890	86
6" (Compound)	3,790	N/A	210	1,665	86

8" and larger Compound and Turbine meters and equipment will be actual costs plus 15% City of Novi Administrative Fee

MISCELLANEOUS CHARGES

Miscellaneous Inspection Fee	\$ 90
Turn-off or Turn-on Service (regular hours)	90
Turn-off or Turn-on Service (Saturdays or Evenings)	175
Turn-off or Turn-on Service (Sundays or Holidays)	250
Water Meter Test	85
Unmetered Water – Single Family Residential Construction	105
Unmetered Water – Non-Single Family Residential Construction	365
Permits to Use Fire Hydrant Fees:	
Backflow Preventer & Meter Deposit: 1" meter	500
Backflow Preventer & Meter Deposit: 2" meter	800
Backflow Preventer & Meter Deposit: 3" meter	1200
Hydrant Deposit	200
Permit Fee	60
Inspection Fee	60
Rental Fee	\$3.00/per day, \$20/per month

WATER TAP FEES

For the privilege of tapping into the Water Supply System, there shall be a charge of One Thousand Eight Hundred Fifty Dollars (\$1,850.00), multiplied by the unit factor set forth in the Unit Factor Chart as adopted by the City Council. With the exception of those users served directly by the water main constructed and financed by Special Assessment District Number 126 who will be charged Five Hundred Dollars (\$ 500.00) multiplied by the factor set forth in the Unit Factor Chart.

SPECIAL RATES

For miscellaneous services for which, in the judgment of the City Council a special rate should be established, such rates shall be established and charged in accordance with the schedule of rates adopted by resolution of the City Council.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held the 17th day of June 2013.

By: Maryanne Cornelius
Its: City Clerk

RESOLUTION
Huron-Rouge Sewer Rates

WHEREAS, the City of Novi through the Code of Ordinance, Section 34-145 has established that the rates established are to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for the maintenance of the system as are necessary to preserve the same in good repair and working order, to provide for the payment of the sewage disposal charge required to be paid to the county, to provide for the payment of the annual payments required to be made to the county in connection with the Huron-Rouge System, to provide for the payment and interest as required by the contract with the county, and to provide for the payment of such other expenditures and funds for the system as this division may require. Such rates shall be fixed and revised from time to time as may be necessary to produce these amounts.

WHEREAS, Oakland County has notified the City of Novi that their charge to us for sewage disposal has remained steady for 2013-2014,

WHEREAS, the cost to finance said system demonstrates that the sewer rates will be increasing,

NOW, THEREFORE BE IT RESOLVED, that the following rates shall be implemented as the rates of the sewer system pursuant to Section 34-145 for all bills rendered after August 1, 2013.

<u>Base Sewer Rates</u>		
<u>Minimum (Fixed) Rate Schedule</u>		
<u>Meter Size</u>	<u>Minimum Rate Per Quarter</u>	<u>Minimum Rate Per Month</u>
5/8"	\$ 6.00	2.00
1"	10.00	3.33
1.5"	17.00	5.67
2"	21.00	7.00
3"	64.00	21.33
4"	82.00	27.33
6"	170.00	56.67
8" or larger	199.00	66.33

\$4.25 per thousand gallons for metered consumption, and
\$84.59 per quarter/per tap unit for un-metered consumption

INSPECTION FEE

Sewer Inspection Fee.....\$90.00

High Strength Pollutants (HSP) and for Industrial Waste Control (IWC)

WHEREAS, the pass-through surcharges from the Detroit Water and Sewer Department for High Strength Pollutants (HSP) and for Industrial Waste Control (IWC) which are regulated by the Clean Water Act and may change every year.

NOW, THEREFORE BE IT RESOLVED, the City of Novi will collect the HSP and IWC surcharges as determined by the Detroit Water and Sewerage Department.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held the 17th day of June 2013.

By: Maryanne Cornelius
Its: City Clerk

RESOLUTION
Novi-Walled Lake Sewer System

WHEREAS, the Oakland County Drain Commission (OCDC) operates the Novi-Walled Lake Treatment Plant for the Cities of Novi and Walled Lake; and

WHEREAS, certain rates must reflect actual costs of providing services;

USAGE FEE

NOW, THEREFORE BE IT RESOLVED that the new rate to the user of this system is established at \$81.34 per unit per quarter for all bills rendered after August 1, 2013.

SEWER INSPECTION FEE

WHEREAS, OCDC operates and maintains the Novi-Walled Lake Treatment Plant, and all sewer infrastructures for effluent to the plant;

NOW, THEREFORE BE IT RESOLVED, the City of Novi will collect the pass-through OCDC sewer inspection fee as determined by the OCDC.

INDUSTRIAL PRETREATMENT PROGRAM (IPP)

WHEREAS, the pass-through IPP surcharges from OCDC are regulated by the Clean Water Act and change every year;

NOW, THEREFORE BE IT RESOLVED, the City of Novi will collect the IPP surcharge as determined by the OCDC.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held the 17th day of June 2013.

By: Maryanne Cornelius
Its: City Clerk

CITY OF NOVI

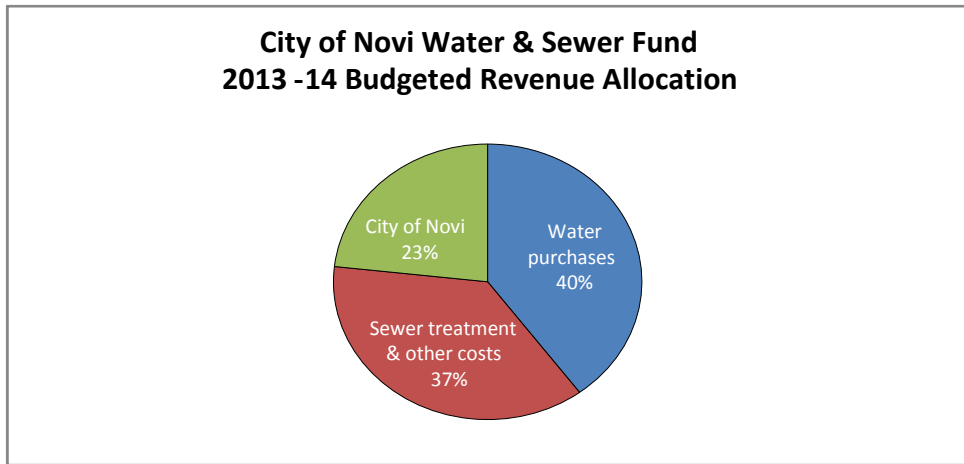
Example of Water & Sewer Charges using Huron Rouge Metered Rate

	<u>2012-2013</u>	<u>2013-2014</u>	<u>Increase</u>
Quarterly:			
<i>Water</i>			
Base rate	\$ 37.00	\$ 40.00	\$ 3.00
4,000 gallons	13.76	15.44	1.68
<i>Sewer</i>			
Base rate	5.00	6.00	1.00
4,000 gallons	16.00	17.00	1.00
	\$ 71.76	\$ 78.44	\$ 6.68
Annually:	\$ 287.04	\$ 313.76	\$ 26.72

Estimated increase 9.31%

NOTES:

Example is based on annual water consumption of 16,000 gallons and a 5/8 meter. Rates include an increase from Detroit Water and Sewerage Department and Oakland County Water Resource Commission.



2013-14 Budgeted Operating Revenue

Water purchases	\$ 10,339,000
Sewer treatment & other costs	\$ 9,586,300
City of Novi	\$ 6,027,542
Total Operating Revenue	\$ 25,952,842



CITY OF DETROIT
WATER AND SEWERAGE DEPARTMENT
GENERAL ADMINISTRATION

735 RANDOLPH STREET
DETROIT, MICHIGAN 48226
313.224.7000

CITY OF NOVI
CITY CLERK'S OFFICE
2013 MAY -1 A 11: 24

April 30, 2013

Novi
City Clerk
45175 West Ten Mile Road
Novi, MI 48375

RE: DWSD FY 2013/14 Water and Sewage Rates and Charges

On March 27, 2013, the Board of Water Commissioners approved water and sewage rates and charges for Fiscal Year 2013/14. While an increase is required, these are among the lowest rate increases since the turn of the century and reflect our ongoing efforts to control expenditures and our commitment to providing reliable quality water services to you.

These rates are the result of reducing our operating budgets by 8.3% for water and 5.6% for sewage while adjusting for lower overall sales, higher debt service from last year's bond issuance to fund infrastructure improvements and the need to reduce future borrowing for capital improvements. Today, approximately half of our rates are due to debt, and we cannot continue to borrow at this pace to replace aging infrastructure.

These more modest increases also reflect our intent to be a leaner organization in the year ahead, and our plan for additional attrition. While the benefit of attrition is significant, we do not know specifically where it will occur, so this year, consistent with our collective effort towards rate simplification, the Department is providing an average water rate increase to model contract customers, where exhibit B values for FY 2012/13 are the same as FY 2013/14, or customers on old contracts, where the demonstrated maximum day or peak hour demands did not increase in the summer of 2012, this subset of the wholesale customers had an increase of 4.4%. The 4.4% increase is being applied to both the volume rate and the monthly charge as compared to the existing FY 2012/13 rates and charges for each customer. The remainder of the wholesale water customers had individually determined rates similar to prior years. The Department would like to thank those customers which went through the reopener process during the fall of 2012 and approved contracts prior to the determination of the FY 2013/14 rates.

Additionally, the Department provided an average rate increase to sewage wholesale customers, based on the overall increase for the customer class of approximately 3.7%. The approximate 3.7% increase is being applied to both the volume charge and the monthly charge from the existing FY 2012/13 rates and charges.

The Industrial Waste Control charges reflect an increase of 4.6% and the surcharge rates an increase of 12% over existing rates.



CITY OF DETROIT
WATER AND SEWERAGE DEPARTMENT
GENERAL ADMINISTRATION

735 RANDOLPH STREET
DETROIT, MICHIGAN 48226
WWW.DETROITMI.GOV

The Department extends our thanks to the efforts of both the Technical Advisory Committee and the Steering Committee, valuing their continuing recommendations and thanking you for supporting the participation of your representative(s). This outreach effort provides an opportunity to the customers of this regional system to participate in the discussions, recommendations and decisions ultimately taken to the Board of Commissioners for consideration. This opportunity is unique in the State and likely a well kept secret.

If you are a wholesale water and/or sewage customer under an old contract, the Department would like to offer you the opportunity to negotiate a new model contract. Currently, the majority of our wholesale water customers are under the water model contract. The model contracts offer customers many advantages compared to the old contracts. Please feel free to contact us about entering into negotiations.

The FY 2013/14 rates and charges applicable to you are indicated on the enclosed document. These rates and charges are effective on all bills rendered by the Detroit Water and Sewerage Department as of August 1, 2013. They will apply to flows and/or usage beginning July 1, 2013.

If you have any questions regarding this matter please contact Raphael Chirolla of the Financial Planning Division – Rates Section at (313) 964-9202.

Sincerely yours,

Sue F. McCormick
Director

Enclosures

**APPROVED FISCAL YEAR 2013-2014
WATER RATES**

Community: **Novi**

Recommended Fixed Monthly Charge (a) **\$242,670**

Recommended Consumption Rate (b) per Mcf **\$22.18**

(a) Applied every month, irrespective of amount of water purchased.

(b) Applied to metered water purchases.

**APPROVED FISCAL YEAR 2013 - 2014
SEWAGE RATES**

Community: Novi

Servicing Authority: Middle Rouge Valley District

Industrial Specific Charges

Industrial Surcharge Rates, Per Excess Pound

1. Biochemical Oxygen Demand (BOD) in excess of 275 mg/l	0.251	0.240	0.491
2. Total Suspended Solids (TSS) in excess of 350 mg/l	0.305	0.193	0.498
3. Phosphorus (P) in excess of 12 mg/l	4.905	2.446	7.351
4. Fats, Oils, & Grease (FOG) in excess of 100 mg/l	0.191	0.282	0.473

Industrial Waste Control Charge, per month:

Non-Residential
Meter Size

5/8"	8.30	0.55	8.85
3/4"	12.45	0.83	13.28
1"	20.75	1.38	22.13
1-1/2"	45.65	3.03	48.68
2"	66.40	4.40	70.80
3"	120.35	7.98	128.33
4"	166.00	11.00	177.00
6"	249.00	16.50	265.50
8"	415.00	27.50	442.50
10"	581.00	38.50	619.50
12"	664.00	44.00	708.00
14"	830.00	55.00	885.00
16"	996.00	66.00	1,062.00
18"	1,162.00	77.00	1,239.00
20"	1,328.00	88.00	1,416.00
24"	1,494.00	99.00	1,593.00
30"	1,660.00	110.00	1,770.00
36"	1,826.00	121.00	1,947.00
48"	1,992.00	132.00	2,124.00

 **WRC**
WATER RESOURCES COMMISSIONER

Jim Nash

June 5, 2013

Mr. Clay Pearson, Manager
City of Novi
45175 W. Ten Mile Road
Novi, Michigan 48375-3024

RE: Huron-Rouge Sewage Disposal System 2013-14 Rate Change

Dear Mr. Pearson:

This letter is intended to provide you with information about the sewage disposal rate for the 2013-14 rate year for the Huron-Rouge Sewage Disposal System. The rate recommendation includes the increase from Detroit Water and Sewerage Department and decrease from Wayne County for the commodity and monthly charge as well as an increase in the operations and maintenance component from my office.

We were notified by Wayne County of the preliminary sewage rates and charges for the 2013-14 rate year. These rates are anticipated to be effective on all bills for usage beginning July 1, 2013. We will notify you of any changes from Wayne County as we receive them. The detailed rates are as follows:

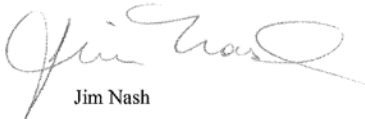
Detroit Charge per 1,000 cubic feet (MCF):	\$11.56
Wayne County Monthly Charge per MCF:	\$10.58

My staff and I have carefully reviewed past revenues and expenses and developed a detailed forecast and rate summary on the attached sheet entitled Huron-Rouge Sewage Disposal System FY 2013 Rate Summary. Based on our review, the Huron-Rouge Sewage Disposal System 2013-14 rate will remain the same at \$24.52 per MCF effective July 1, 2013.

The assigned consumption value, or flat rate charge, for those customers who do not have water meters will remain at three MCF per unit, per quarter. It is our intent to review this number annually at the time of rate setting and make recommendations based on trends. The unit charge per quarter will remain \$73.56. Charges are reflected in the attached updated schedule of rates and charges.

If you have any questions, please contact Sue Coffey at 248-858-0937.

Sincerely,



Jim Nash

Attachments

6/6/13
cc: Nums N
Tim K
Deb P
Michael A.
Margaret C.
TKS
FMA



Huron Rouge Sewage Disposal System 2014
Rate Summary

March 19, 2013

<u>FY</u>	<u>Detroit Rate</u>	<u>Wayne/DWSD Fixed</u>	<u>Wayne/DWSD</u>	<u>Sewer Gain</u>	<u>Interest Income</u>	<u>Misc Revenue</u>	<u>CIP Reserve</u>	<u>ERM Reserve</u>	<u>Major Reserve</u>	<u>OCWRC O&M</u>	<u>Total OCWRC</u>	<u>Total Rate Per MCF</u>	<u>Wayne/DWSD % Change</u>	<u>OCWRC % Change</u>	<u>Total % Change</u>
2012	10.79	11.33	22.12	0.25	(0.31)	(0.01)	1.14	0.39	0.16	0.68	2.30	24.42	36.0%	15.4%	33.7%
2013	11.12	11.19	22.31	0.24	(0.30)	-	0.76	0.38	0.49	0.63	2.21	24.52	0.9%	-3.8%	0.4%
2014	\$11.56	\$ 10.58	\$ 22.14	\$ 0.58	\$ (0.27)	\$ (0.01)	\$ 0.77	\$ 0.35	\$ 0.38	\$ 0.59	\$ 2.38	\$ 24.52	-0.8%	7.7%	0.0%

HURON-ROUGE SEWAGE DISPOSAL SYSTEM
SCHEDULE OF RATES AND CHARGES
EFFECTIVE JULY 1, 2013

1. Wastewater Disposal Charge

Metered Water Consumption

Each community shall report within ten days following the end of each calendar quarter the total equivalent master metered water consumption in the district served by the system. Where the master metered water consumption is not available, individual metered water consumption times 1.110 shall be equivalent to master metered water consumption.

Based on the quarterly report, each community shall pay \$24.52 per one thousand cubic feet (MCF) of equivalent master metered water consumption, as established by the County Agency.

Unmetered Water Consumption

Where metered water consumption is not available, then a consumption assigned by the County Agency shall be the equivalent master metered water consumption of each unit assigned to the user in accordance with the current Oakland county Water Resources Commissioner (WRC) Schedule of Unit Assignment Factors, with a minimum assignment of one unit for each connection.

The assigned consumption value for the flat rate charge remains at three MCF per unit, per quarter. It is our intent to review this number annually at the time of rate setting and make recommendations based on trends.

The unit charge per quarter will be \$73.56 per unit effective July 1, 2013.

2. Penalty

The said sewage disposal service charge shall be payable quarterly. If any municipality does not pay its' service charge on the date when the same becomes due, then there shall be added to such a penalty of one percent for each month or fraction thereof for which the same remains unpaid.

 **WRC**
WATER RESOURCES COMMISSIONER
Jim Nash

June 5, 2013

Mr. Clay Pearson, Manager
City of Novi
45175 West Ten Mile Road
Novi, Michigan 48375-3024

RE: Walled Lake-Novı Sewage Disposal System Rate Review

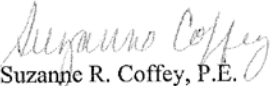
Dear Mr. Pearson:

After reviewing the financial statements from the Walled Lake-Novı Sewage Disposal System at the close of fiscal year 2012, it has been determined the rate will increase \$4.11 per unit for the 2013/2014 rate year. Please be advised that the quarterly rate for the Walled Lake-Novı Sewage Disposal System will increase from \$66.62 per unit to \$70.73 per unit, beginning August 1, 2013. The last rate increase in this system occurred five years ago, in 2008. *

The Industrial Pretreatment Program (IPP) charge for sewer customers in the City of Novi will remain at \$15.02 per unit quarterly for non-domestic sewer customers.

If you have any questions regarding this matter, please contact me at 248-858-0937.

Sincerely,


Suzanne R. Coffey, P.E.
Manager

6/6/13
Newman
Bob D
Michael A
Masonel
TRS
FM

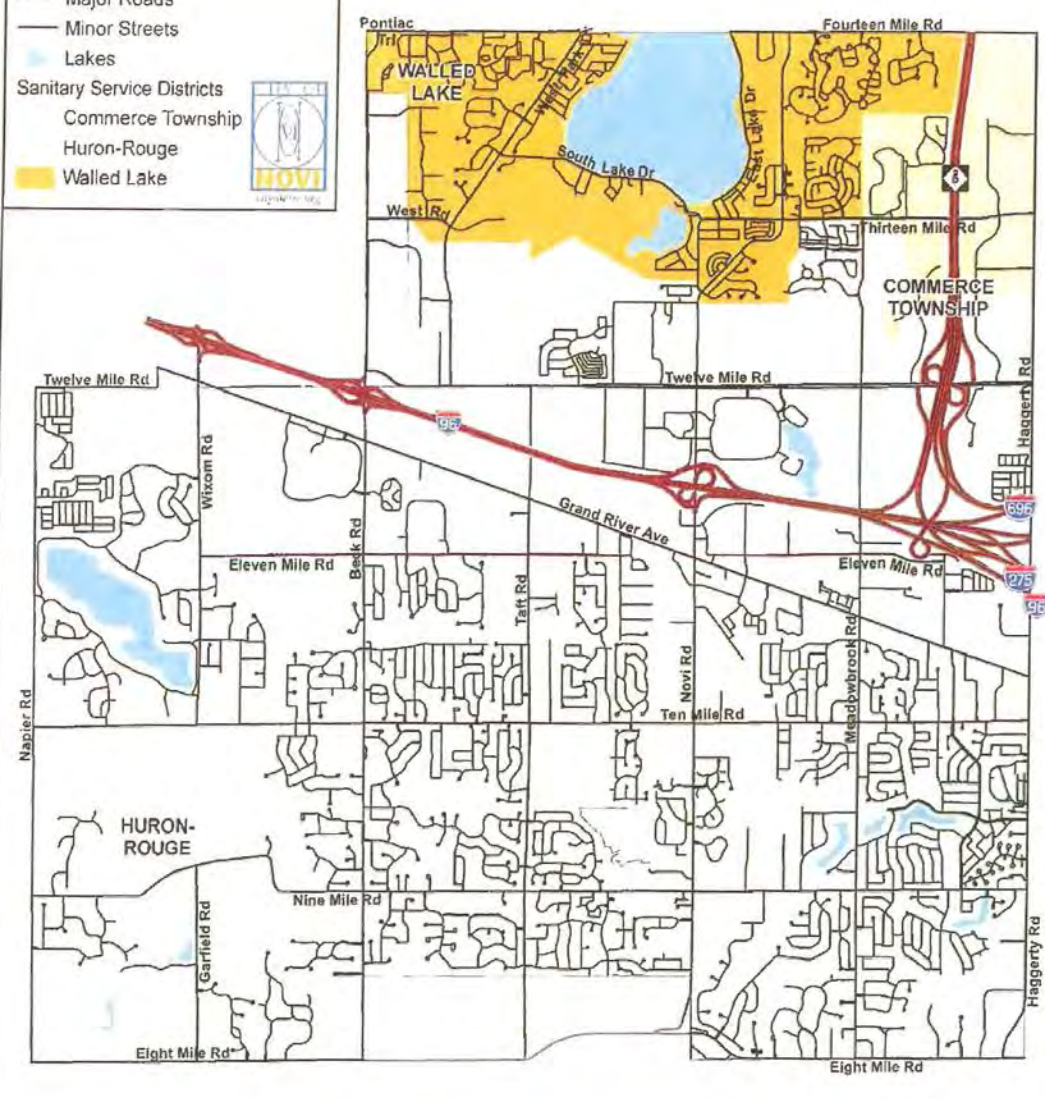


City of Novi Sanitary System Service Districts

City of Novi, Michigan

Legend

- Major Roads
- Minor Streets
- Lakes
- Sanitary Service Districts
 - Commerce Township
 - Huron-Rouge
 - Walled Lake

CITY OF NOVI
 10000 W. GRAND RIVER AVE
 NOVI, MI 48240
 313.486.2000
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NOVI
 CITY OF NOVI
 10000 W. GRAND RIVER AVE
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MEMORANDUM



TO: CLAY PEARSON, CITY MANAGER
FROM: MICHAEL ANDREWS, WATER & SEWER FINANCE SPECIALIST
NEVRUS NAZARKO, FINANCE DIRECTOR / TREASURER
SUBJECT: WATER & SEWER RATES ADDITIONAL INFORMATION
DATE: 6/13/13

Summary of Benchmark Cities:

Summary of "Benchmark Cities" Water & Sewer Rates				
	Water Rates Consumption Per 1000 gal	Water Rates – Fixed (qtrly)	Sewer Rates Consumption Per 1000 gal	Sewer Rates – Flat (qtrly)
Farmington Hills	4.74	56.70	3.50	104.64
Auburn Hills	5.58	N/A	4.68	93.57
Northville Twp.	5.19	N/A	4.82	180.74
Plymouth Twp.	3.35	N/A	5.25	N/A
Canton Twp.	3.90	N/A	6.23	N/A
City of Northville	5.23	N/A	4.48	N/A
City of Plymouth	4.67	N/A	6.04	N/A
City of Troy	6.818	44.67	N/A	N/A
Novi	3.86	40.00	4.25	84.59

Physical Drivers:

The City has two drivers that dictate the minimum fees charged to its customers. These drivers include Administrative costs and Capital improvement costs. The costs incurred for the operation and maintenance of our water system will vary dependent upon the size of a water main, meter, etc.... One important aspect to our minimum rate setting is the fact that a larger meter/pipe will incur a greater cost to operate and maintain. In addition the stress on the infrastructure is greater with more water flowing through a larger pipe and meter, this is evident through the American Water Works Association flow rate meter equivalency tables. (See Exhibit A)

The aggregate amounts generated just by minimums based upon the new proposed rates are equivalent to \$3,838,072. \$3,418,632 produced from the proposed minimum water rates and \$419,440 created from the proposed minimum sewer rates. The consumption fee increase to offset this lost minimum fee revenue would have to be equal to:

- \$5.40 per 1000 gallons for water usage, a 57% increase over last year based upon a projected gallons sold of 2,232,821,000.

- \$4.67 per 1000 gallons for sewer usage, a 17% increase over last year based upon the projected usage in gallons of 2,112,000,000.

The Huron-Rouge and Walled Lake-Novi Flat Rate sewer charges are not included in the above calculation due to the fact that these rates are not applicable city wide, rather these rates are applied to residents within those above mentioned districts. The projected Flat Rate sewer revenue from the previously mentioned districts amount to approximately \$500,000.

Fixed Cost Fairness:

Minimum fees proposed for the 2013-14 water rates are charged to cover the city's capital improvement cost and administrative personnel costs. In a case of a fire suppression set up with several meters, a minimum charge is incurred upon the customer to cover essential costs related to the structure of the water and sewer system for the City. These costs are outside the scope of consumption and implicit to all customers for the water and sewer system. Initial tap, connection or water main availability fees do not cover the costs related to ongoing billing, meter reading, repairs, replacements, etc., as per the ordinance connection fees are charged to "the property owner to otherwise contribute a fair share to the capital expense of construction of the particular water main with respect to the property served," Per ordinance sec. 34-21.1(b)

Fixed overhead costs for the 2013-14 budget are \$1.12 Million. Furthermore, the Detroit Water and Sewer Department will invoice the City of Novi \$2.9 million in fixed charges. The water & sewer department has established an allocation to cover the Detroit Water and Sewer charges along with a portion of the administrative and capital improvement costs to calculate a minimum rate fee for water and sewer customers. The total expected revenue from the minimum rate charges in the amount of \$3.8 million will cover the above mentioned items. The allocation figures are derived from the Michigan Rural Water Associations formula based rate study.

Exhibit A:

METER EQUIVALENCY TABLES	
	TABLE
	2
Meter Size	AWWA
5/8"	1
3/4"	1.1
1"	1.4
1.25"	1.6
1.5"	1.8
2"	2.9
3"	11
4"	14
6"	21
8"	29
10"	39