



**CITY OF NOVI CITY COUNCIL
JULY 31, 2023**

SUBJECT: Approval of Proposed Water & Sewer Rate Resolutions for 2023-2024

SUBMITTING DEPARTMENT: Finance/Water and Sewer

BACKGROUND INFORMATION:

The Finance Department and Department of Public Services annually review and propose 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 charges from the Great Lakes Water Authority ("GLWA") for water services and the combined pass-through partial increase from the Oakland County Water Resource Commission (OCWRC) for sewer services.

GLWA charges both a fixed rate (60% of cost) and a variable rate (40% of cost) to its customers. The fixed fee increased 5.9.% from the prior year, while the variable fee increased 2.0%. GLWA estimates a combined fixed and variable fee increase of 5.9%, or \$580,230. As the table shows below, this is the largest increase from GLWA in the past five years.

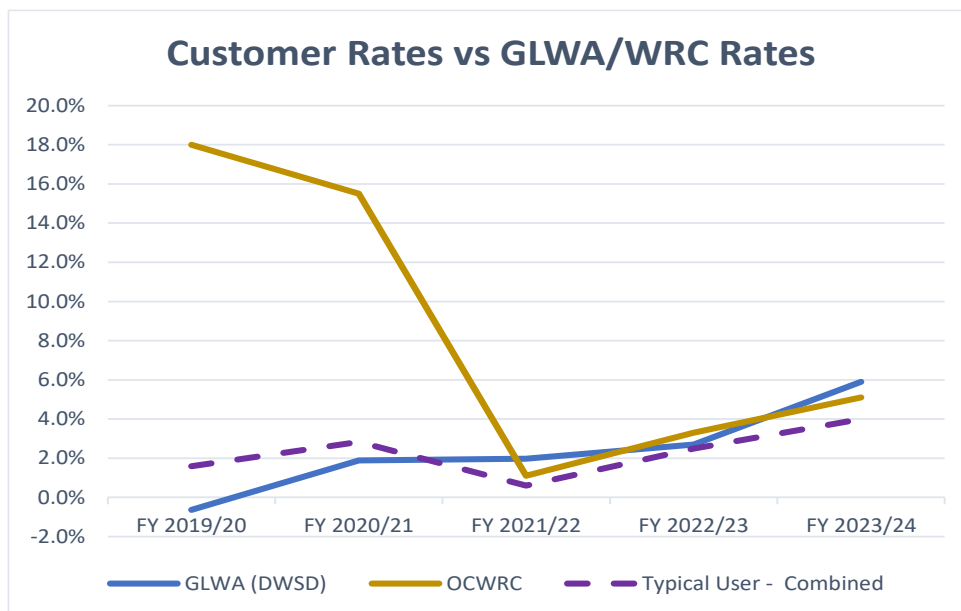
Fiscal Year	Fixed Costs	Contract Volume Costs (Variable)	Total GLWA Costs (Revenue Requirement)	Percent Change from Previous yr.
2019-2020	\$5,521,200	\$12.12	\$9,201,000	-.6%
2020-2021	\$5,625,600	\$12.69	\$9,375,495	1.9%
2021-2022	\$5,736,000	\$13.08	\$9,560,592	2.0%
2022-2023	\$5,890,800	\$13.42	\$9,817,492	2.7%
2023-2024	\$6,238,700	\$13.69	\$10,397,722	5.9%

The Oakland County Water Resource Commission (OCWRC) has also moved from a former variable rate charged to users to a fixed rate. The Huron Rouge Sewage Disposal System ("HRSDS") (the largest of two systems within the City) has a 5.2% rate increase from the prior year. The rate for the second system, the Novi-Walled Lake Sewer System and Commerce arm, is estimated to increase 4.8% from the prior year. The total increase of the City's sewer systems is a combined 5.1% or \$626,360.

Additional costs to be covered by the water and sewer user fees include annual operating costs such as salary and fringes, maintenance and cleaning costs, current equipment costs, and vendor contracts for water installation fees which are expected to increase by the rate of inflation.

The City sets water and sewer rates using a multi-year budget and capital plan, which allows the current year cost increase of 5.9% for water, 5.1% for sewer and numerous capital needs to be spread out over several years. In the current year, the City's increase in rates is primarily just passing along the rate increases from GLWA and OCWRC with only a small amount for capital needs for the existing system. Prior years' efficiencies in operations have also allowed the City to have minimal increases in rates over the past several fiscal years. The proposed combined water and sewer rate increase to the average customer for the 2023-24 fiscal year will be approximately 4.0%, or \$39 annually for residential 5/8" meter size and approximately 4.3% or \$73 for a large user with a 1" meter. The net increase in the overall rate includes no change to the water fixed fee, a 6.0% increase in the water variable rate, no change to the fixed sewer rate, and a 6.25% increase in the variable sewer rate.

The chart below details the rate increases from GLWA and OCWRC compared to the rate increases to the variable water and sewer rates passed onto the City's users. As the graph shows, the City's typical user's combined water and sewer bill for the past five years has been below the increases from the City's third-party water and sewer providers. This is especially true in fiscal years 2020 and 2021 when WRC's increases were 18% and 15%, respectively, yet the typical user only saw a 1.5% and 2.8% increase in fiscal years 2020 and 2021.



In the current year, the city's typical user will still see an increase to their water and sewer bill of 4% compared to the system's vendor increases of 5.9% (water) and 5.1% (sewer), as stated previously.

To put it in perspective, the variable rate in 2013 for water was \$3.86 per 1,000 gallons. Due to various rate reductions since 2013, the \$3.73 per 1,000 gallons proposed water rates are still below the rate from 2013. In addition, the \$4.72 per 1,000 gallons proposed sewer rate is just 47 cents higher than the City's \$4.25 per 1,000 gallons rate back in 2013.

The proposed rates are expected to generate a \$1.475 million net operating cash inflow (gain) in fiscal year 2024 which will be used to offset a small amount of the budgeted \$24 million in capital costs. The City's current capital reserves (fund balance) will be used to help offset the balance of the 2024 budgeted capital costs of \$24 million (\$22.525 million from fund balance). In addition, the City anticipates approximately \$14 million in capital improvements previously authorized and appropriated in fiscal year 2022/2023 to be completed during fiscal 2024. Overall, the cash reserve balance will be significantly reduced in fiscal year 2023/2024 primarily due to an \$18 million County mandated sewer interceptor project that had been in the works for many years and is finally moving forward. The City does not expect large increases from OCWRC or GLWA in the short-term, but if that happens, the City will continue to work to minimize future rate increases to City customers.

The City of Novi Water & Sewer Fund, the Oakland County Water Resource Commission (OCWRC), and the Great Lakes Water Authority (GLWA) are all not-for-profit entities and therefore rates are intended and required to cover operating, maintenance, capital replacement and rehabilitation, and debt service costs.

RECOMMENDED ACTION: Approval of Proposed Water & Sewer Rate Resolutions for 2023-2024

CITY OF NOVI
COUNTY OF OAKLAND, MICHIGAN

WATER RATES RESOLUTION

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on July 31, 2023, at 7 o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

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 the 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, IT IS THEREFORE 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, 2023.

WATER RATES	
Minimum (Fixed) Rate Schedule:	
<u>Meter Size</u>	<u>Minimum Rate per Quarter</u>
5/8"	\$ 56.00
1"	80.00
1.5"	174.00
2"	232.00
3"	665.00
4"	850.00
6"	1,778.00
8"	2,114.00
10"	2,425.00
Consumption Rate: \$3.73 per Thousand Gallons	

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

EQUIPMENT FEES

<u>Service Size</u>	<u>Meter Size</u>	<u>Public Street</u>	<u>Private Street</u>
		<u>Copper</u>	<u>Copper</u>
1"	5/8"	\$2,883	\$2,043
1"	1"	\$3,041	\$2,198
1.5"	1"	\$3,601	\$2,596
1.5"	1.5"	\$3,871	\$2,864
2"	1.5"	\$4,807	\$3,103
2"	2"	\$4,997	\$3,293

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</u>
	<u>COPPER</u>
1"	\$25.27
1.5"	\$29.26
2"	\$31.92

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"	\$ 117	\$ 67	N/A	N/A	\$ 104
1"	\$ 220	\$ 121	N/A	N/A	\$ 104
1.5"	\$ 449	N/A	\$ 157	N/A	\$ 104
2"	\$ 597	N/A	\$ 205	N/A	\$ 104
3" (Compound)	\$ 2,524	N/A	\$ 587	\$ 815	\$ 104
4" (Compound)	\$ 3,436	N/A	\$ 814	\$ 1,084	\$ 104
6" (Compound)	\$ 5,191	N/A	\$ 1,307	\$ 2,112	\$ 104

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	\$ 1900
Backflow Preventer & Meter Deposit: 3" meter	\$ 1900
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.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

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, County of Oakland, and State of Michigan, at a regular meeting held this 31st day of July, 2023, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Cortney Hanson, City Clerk
City of Novi

CITY OF NOVI

COUNTY OF OAKLAND, MICHIGAN

HURON-ROUGE SEWER RATES RESOLUTION

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on July 31, 2023, at 7 o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

WHEREAS; the City of Novi through the Code of Ordinance, Section 34-145 has established that the rates 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 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 constant for 2023-2024,

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

NOW THEREFORE, IT IS THEREFORE 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, 2023.

Base Sewer Rates		
Minimum (Fixed) Rate Schedule		
<u>Meter Size</u>		<u>Minimum Rate Per Quarter</u>
5/8"		\$30.00
1"		50.00
1.5"		85.00
2"		105.00
3"		320.00
4"		410.00
6"		850.00
8" or larger		995.00

\$4.72 per thousand gallons for metered consumption, and
\$120.36 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 Great Lakes Water Authority 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, IT IS THEREFORE RESOLVED that the City of Novi will collect the HSP and IWC surcharges as determined by the Great Lakes Water Authority.

SEWER TAP FEES

For the privilege of tapping into the Sanitary Sewer System, there shall be a charge of Two Thousand Seven Hundred Twenty Dollars (\$2,720.00), multiplied by the unit factor set forth in the Unit Factor Chart as adopted by the City Council.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

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, County of Oakland, and State of Michigan, at a regular meeting held this 31st day of July, 2023, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Cortney Hanson, City Clerk
City of Novi

CITY OF NOVI
COUNTY OF OAKLAND, MICHIGAN

NOVI-WALLED LAKE SEWER SYSTEM RESOLUTION

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on July 31, 2023, at 7 o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

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 the costs of providing services;

USAGE FEE

NOW THEREFORE, IT IS THEREFORE RESOLVED that the new rate to the user of this system is established at \$109.69 per unit per quarter for all bills rendered after August 1, 2023.

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, IT IS THEREFORE RESOLVED That 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, IT IS THEREFORE RESOLVED that the City of Novi will collect the IPP surcharge as determined by the OCDC.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

CERTIFICATION

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Cortney Hanson, City Clerk
City of Novi

Example of Water and Sewer charges using Huron Rouge Metered Rate

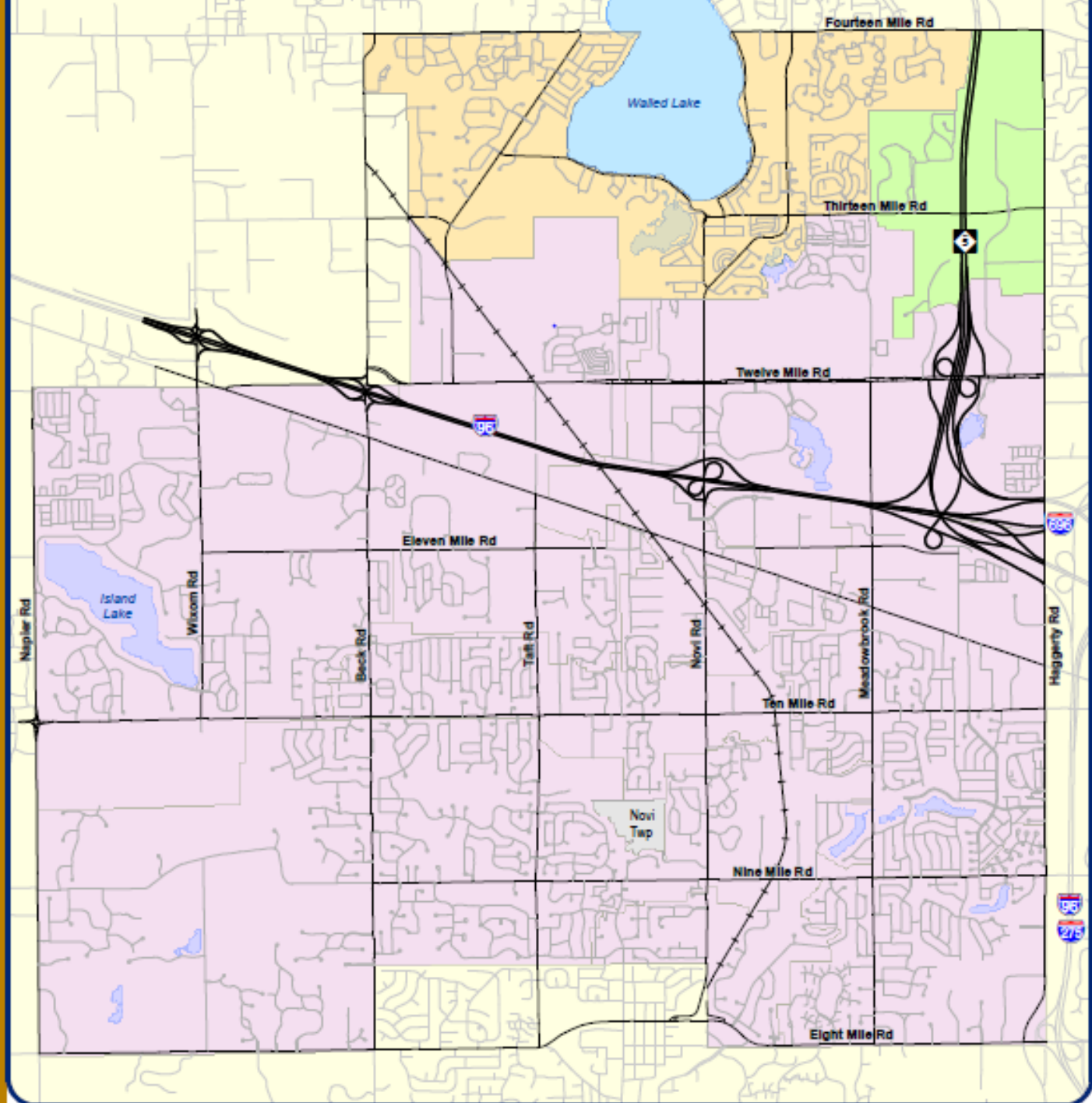
	<u>2022-2023</u>	<u>2023-2024</u>	<u>Increase</u>
Quarterly:			
Water			
Fixed rate	\$ 56.00	\$ 56.00	
20,000 gallons	\$ 70.40	\$ 74.62	
Sewer			
Fixed rate	\$ 30.00	\$ 30.00	
20,000 gallons	\$ 88.80	\$ 94.35	
Quarterly	<u>\$ 245.20</u>	<u>\$ 254.97</u>	\$ 9.77
Annually	\$ 980.80	\$ 1,019.90	\$ 39.10
		Estimated increase	4.0%

Note:

Example of Water and Sewer Charges using Huron Rouge Metered Rate
Department and Oakland County Water Resource Commission.

Sanitary Service Districts

City of Novi, Michigan



Map Author: Karl Blough
 Date: July 18, 2019
 Project: Sanitary Service Districts
 Version #: 1.0

MAP INTERPRETATION NOTICE

Map information depicted is not intended to replace or substitute for any official or primary source. This map was intended to meet National Map Accuracy Standards and use the most recent, accurate source available to the people of the City of Novi. Please contact the City GIS Manager to confirm source and accuracy information related to this map.

Sanitary Service District

- Commerce Township
- Huron-Rouge
- Walled Lake



City of Novi

Engineering Division
 Department of Public Works
 26300 Lee DeGale Drive
 Novi, MI 48375
 cityofnovi.org

