

**CAPITAL IMPROVEMENT RATE ADVISORY BOARD (CIRAB)**

**MEETING AGENDA**

07/5/2017

5 PM

City Hall, 611 E. Grand River, Howell, MI

3<sup>rd</sup> floor conference Room

1. Introductions
2. Call to the Public
3. Approve minutes from August 8, 2016 meeting
4. Recommended rate increase, study provided
  - a. Study from UFS and Council Resolution
5. Update on potential projects and cost sharing for phase 1a
6. Next meeting
7. Adjourn

City of Howell  
CIRAB Meeting  
August 8, 2016  
611 E. Grand River Avenue  
3<sup>rd</sup> Floor Conference Room  
Howell, MI 48843

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The regular meeting of the Capital Improvement Rate Advisory Board (CIRAB) was called to order at 3:00 p.m. by City Manager Charles.

MEMBERS PRESENT: Jeff Hansen (City of Howell) arrived at 3:48 p.m., Mike Arens (Marion Twp.), Scott Lloyd (Marion Twp.).

MEMBERS ABSENT: Debbie Drick (City of Howell) and Don Parker (Livingston County).

ALSO PRESENT: Shea Charles (Howell City Manager), Erv Suida (Howell DPS Director), Bob Hanvey (Marion Twp. Supervisor), Mike Spitler (WWTP Operations Manager), Phil Westmoreland (Spicer Group), Deanna Robson (Howell Deputy City Clerk).

Discussion began regarding Waste Water Treatment Plant (WWTP) expansion plan phases and allocations. The Board confirmed that the first plant expansion allocation was promised to the City of Howell, but was later removed from the contract and moved to Phase 2; and that there is no documentation correlating future expansions with monetary allocations. Phil Westmoreland, Spicer Group, stated that they had set up hydrogen sulfide (H<sub>2</sub>S) monitoring at the plant and were comparing it with the H<sub>2</sub>S report received from HRC. His research showed higher H<sub>2</sub>S peaks after rain or storms, and around midnight but averaged around 40-50 ppm at the WWTP. It was determined that because of the high turnover of flow at the Peavy Road pump station, the H<sub>2</sub>S was not being generated there, but from other stations. Therefore, additional monitoring is needed at some of the outlying stations. Discussion followed regarding time delays and how long water is standing in the forced main; and the impact of ditches and manhole covers on the system. Mr. Westmoreland stated he believed that the H<sub>2</sub>S in Marion Township could be reduced to 15 ppm with the addition of chemicals after, determining at which stations this is needed. Further discussion continued regarding funding; Mr. Westmoreland confirmed that Marion Township has applied for a SAW grant, but they are not optimistic about receiving the requested funding. Board members confirmed that Marion Township will need a sewer/sanitary asset management plan in the future for the funding and the Department of Environmental Quality.

Mike Arens updated the Board regarding the County Septage Receiving Station alternatives feasibility study, stating that Fowlerville, the City of Howell, and Howell Township had been identified as possible options for receiving stations. It is expected that the County will need more septage receiving capability; and the study may be timely due to the projected Pepsi project upgrades and anticipated Marion Township funded plant upgrades. Preliminary concerns are hydraulic capacity, treatment capacity/upgrades, and if those improvements would be scalable. Discussion followed regarding modifications to existing aeration basins and sludge handling; flow consistency from Pepsi; scalability and state standards; the need to support future Pepsi

growth plans and the corresponding operational costs to Pepsi and the City; Pepsi sludge, backwash and refined product processes; the increase of funding opportunities to the City via Act 185 due to County involvement; and Pepsi sludge press study updates.

## **INTRODUCTIONS**

### **CALL TO THE PUBLIC**

None.

### **APPROVAL OF MINUTES**

MOTION by Arens, SUPPORT by Hansen, “To approve the April 28, 2016 minutes as presented.” MOTION CARRIED.

Mr. Arens thanked DPS Director Suida for conducting the recent Waste Water Treatment Plant tour and noted his appreciation for the participation of local elected officials.

### **RECOMMENDED RATE INCREASE, STUDY PROVIDED**

Howell City Manager Shea Charles introduced the agenda item and stated that Utility Financial Solutions (UFS) performed a rate analysis of the City’s water and waste water systems and recommended a 5.5% rate increase in both systems; Howell City Council passed the resolution and the new rates took effect August 1, 2016. He added that the City completed a significant analysis in 2006 and adjusted rates; the City has invested \$300,000-\$400,000 per year in the system; major updates have been implemented every three to four years; and approximately \$600,000 in plant investments are planned for this year. City Manager Charles noted that the City pays a premium for smaller projects. Marion Township Supervisor Bob Hanvey confirmed that water and sewer rates have not yet been raised for Marion Township residents. Phil Westmoreland noted some of the changes and updated documentation requirements within the Department of Environmental Quality, and the impact on plant improvements and rate increases.

MOTION by Hansen, SUPPORT by Arens, “That the CIRAB recommend approval to the Marion Township Board to adjust the 5.5% rate increase in sewer rates pursuant to the updated rate study and contract between Marion Township and the City of Howell.” Mr. Arens noted that the contract requires that Marion Township charge at least the rate increase amount approved by the City of Howell, however, the Township is not limited to the City’s rate increase and can charge a higher rate. MOTION CARRIED.

### **UPDATE ON POTENTIAL PROJECTS, FEASIBILITY STUDY IN PROCESS**

Mike Arens opened the topic by stating that the next County Board of Public Works meeting is scheduled for Thursday, September 1, 2016, noting that it would be helpful if DPS Director Suida and WWTP Operations Manager Spitler were in attendance. Mr. Arens added that the Board will be reviewing all options; the County has a healthy fund balance from its system; there are currently no issues with odors on the remote site; and it has been a successful government run operation to date.

### **DISCUSSION ON COAST SHARING ALLOCATIONS FOR WWTP PROJECTS AND NEEDED CAPITAL EXPENSES**

City Manager Charles began the discussion by stating that the Waste Water Treatment Plant walk through went well, and now the Board needs to determine how to move forward. Mr. Arens asserted that ultimately the elected officials need to reach an agreement on cost sharing, stated that he would like the CIRAB to resolve that the improvements are necessary, and reviewed the draft CIRAB Resolution Affirming Project Need. The Board concurred to remove the line referring to the insufficient funds for the project and recommend that elected officials determine cost sharing.

MOTION by Arens, SUPPORT by Hansen, "To adopt the proposed resolution as amended." The Board unanimously supported the resolution affirming the WWTP project need and concurred that the elected officials from the City of Howell and Marion Township will need to determine how to split the costs for the WWTP improvements. MOTION CARRIED.

The Board discussed the Remaining Improvements Identified in 2013 Project Plan, City of Howell, Waste Water Treatment Plant document. Marion Township Supervisor Bob Hanvey questioned line item 12, new telemetry at remote pump station sites. Conversation followed noting that the equipment would increase communication by providing quicker notifications, facilitate determination of line breaks, and assist with the Spicer Group study (usually information is transmitted via licensed radio). Further discussion followed regarding the mission system, corresponding dedicated communication line, elimination of dedicated land lines, coordination with SCADA, and additional capability of the system.

**NEXT MEETING**

The next CIRAB meeting will be scheduled in October 2016. City Manager Charles stated that the Pepsi study will be done within the next 30 days.

**ADJOURN**

MOTION by Hansen, SUPPORT by Arens, "To adjourn at 4:30 p.m." MOTION CARRIED.

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Deanna Robson, Deputy City Clerk

CITY OF HOWELL  
MEMORANDUM

**TO:** CAPITAL IMPROVEMENT RATE ADVISORY BOARD (CIRAB)  
**FROM:** ERV SUIDA , DPS DIRECTOR  
**DATE:** JUNE 26, 2017  
**RE:** APPROVED RATE INCREASE

Attached is the rate increase information that was provided and approved by Howell City Council. The City approved a 4.9% increase in utility rates based on the recommendation of our rate advisors, Utility Financial Solutions (UFS). The rate increase is less than we had projected last year, 5.5%, due to stronger cash reserves.

At this time the City of Howell is recommending an adjustment of the current rate charged to Marion Township from \$3.35 to the new rate of \$3.51 per unit. This increase represents the 4.9% increase recommended to the board and approved by Howell City Council. The new rate is in compliance with the Wastewater Treatment Contract and reflects “the same wastewater treatment facilities usage charge as is levied on City residents”.

**City of Howell  
Proposed Wastewater Rate 2018**

	<b>Current Rates</b>	<b>Proposed 2018</b>
Commodity	\$ 4.25	\$ 4.41

**Breakdown of Commodity Charge**

Treatment Charge	\$ 2.28
Collection Charge	\$ 2.13

**Bi-Monthly Customer Charge**

5/8	\$ 19.00	\$ 20.50
3/4	27.00	29.00
1	45.50	49.00
1 1/2	89.00	96.00
2	160.00	175.00
3	265.00	275.00
4	425.00	440.00
6	800.00	825.00

<b>Overall Increase</b>	<b>4.9%</b>
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**City of Howell**  
**Wastewater Department**  
**Customer Impacts - 2018**

**5/8**

	<b>Current Rates</b>	<b>Proposed Rates</b>
Bi-Monthly Customer Service Charge	\$ 19.00	\$ 20.50
Commodity Charge	4.25	4.41

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
8	\$ 53.00	\$ 55.78	\$ 2.78	5.25%
12	70.00	73.42	3.42	4.89%
24	121.00	126.34	5.34	4.41%
40	189.00	196.90	7.90	4.18%
50	231.50	241.00	9.50	4.10%

**3/4**

	<b>Current Rates</b>	<b>Proposed Rates</b>
Bi-Monthly Customer Service Charge	\$ 27.00	\$ 29.00
Commodity Charge	4.25	4.41

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
8	\$ 61.00	\$ 64.28	\$ 3.28	5.38%
12	78.00	81.92	3.92	5.03%
24	129.00	134.84	5.84	4.53%
40	197.00	205.40	8.40	4.26%
50	239.50	249.50	10.00	4.18%

**1**

	<b>Current Rates</b>	<b>Proposed Rates</b>
Bi-Monthly Customer Service Charge	\$ 45.50	\$ 49.00
Commodity Charge	4.25	4.41

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
8	\$ 79.50	\$ 84.28	\$ 4.78	6.01%
12	96.50	101.92	5.42	5.62%
24	147.50	154.84	7.34	4.98%
40	215.50	225.40	9.90	4.59%
50	258.00	269.50	11.50	4.46%

**1 1/2**

	<b>Current Rates</b>	<b>Proposed Rates</b>
Bi-Monthly Customer Service Charge	\$ 89.00	\$ 96.00
Commodity Charge	4.25	4.41

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
18	\$ 165.50	\$ 175.38	\$ 9.88	5.97%
22	182.50	193.02	10.52	5.76%
34	233.50	245.94	12.44	5.33%
50	301.50	316.50	15.00	4.98%
60	344.00	360.60	16.60	4.83%

**2**

Bi-Monthly Customer Service Charge  
Commodity Charge

	Current Rates	Proposed Rates
	\$ 160.00	\$ 175.00
	4.25	4.41

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
85	\$ 521.25	\$ 549.85	\$ 28.60	5.49%
95	563.75	593.95	30.20	5.36%
105	606.25	638.05	31.80	5.25%
110	627.50	660.10	32.60	5.20%
120	670.00	704.20	34.20	5.10%

**3**

Bi-Monthly Customer Service Charge  
Commodity Charge

	Current Rates	Proposed Rates
	\$ 265.00	\$ 275.00
	4.25	4.41

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
100	\$ 690.00	\$ 716.00	\$ 26.00	3.77%
200	1,115.00	1,157.00	42.00	3.77%
300	1,540.00	1,598.00	58.00	3.77%
400	1,965.00	2,039.00	74.00	3.77%
500	2,390.00	2,480.00	90.00	3.77%

**4**

Bi-Monthly Customer Service Charge  
Commodity Charge

	Current Rates	Proposed Rates
	\$ 425.00	\$ 440.00
	4.25	4.41

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
200	\$ 1,275.00	\$ 1,322.00	\$ 47.00	3.69%
300	1,700.00	1,763.00	63.00	3.71%
400	2,125.00	2,204.00	79.00	3.72%
500	2,550.00	2,645.00	95.00	3.73%
600	2,975.00	3,086.00	111.00	3.73%

**6**

Bi-Monthly Customer Service Charge  
Commodity Charge

	Current Rates	Proposed Rates
	\$ 800.00	\$ 825.00
	4.25	4.41

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
300	\$ 2,075.00	\$ 2,148.00	\$ 73.00	3.52%
400	2,500.00	2,589.00	89.00	3.56%
500	2,925.00	3,030.00	105.00	3.59%
600	3,350.00	3,471.00	121.00	3.61%
700	3,775.00	3,912.00	137.00	3.63%



**City of Howell**  
**Water Department**  
**Proposed Rate 2018**

Current Rates	Proposed 2018
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Commodity	\$4.60	\$4.77
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***Bi-Monthly Customer Charge:***

5/8	\$ 15.25	\$ 16.75
3/4	18.75	20.50
1	28.00	30.50
1 1/2	60.00	66.00
2	94.00	103.00
3	162.00	174.00
4	255.00	270.00
6	462.00	479.00

<b>Overall Increase</b>	<b>4.9%</b>
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**City of Howell**  
**Water Department**  
**Customer Impacts - Year One**

	<b>Current Rates</b>	<b>Proposed Rates</b>
<b>5/8</b>		
Bi-Monthly Customer Service Charge	\$ 15.25	\$ 16.75
Commodity Charge	4.60	4.77

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
10	\$ 61.25	\$ 64.45	\$ 3.20	5.22%
16	88.85	93.07	4.22	4.75%
24	125.65	131.23	5.58	4.44%
40	199.25	207.55	8.30	4.17%
50	245.25	255.25	10.00	4.08%

	<b>Current Rates</b>	<b>Proposed Rates</b>
<b>3/4</b>		
Bi-Monthly Customer Service Charge	\$ 18.75	\$ 20.50
Commodity Charge	4.60	4.77

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
8	\$ 55.55	\$ 58.66	\$ 3.11	5.60%
12	73.95	77.74	3.79	5.13%
24	129.15	134.98	5.83	4.51%
40	202.75	211.30	8.55	4.22%
50	248.75	259.00	10.25	4.12%

	<b>Current Rates</b>	<b>Proposed Rates</b>
<b>1</b>		
Bi-Monthly Customer Service Charge	\$ 28.00	\$ 30.50
Commodity Charge	4.60	4.77

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
10	\$ 74.00	\$ 78.20	\$ 4.20	5.68%
25	143.00	149.75	6.75	4.72%
35	189.00	197.45	8.45	4.47%
45	235.00	245.15	10.15	4.32%
55	281.00	292.85	11.85	4.22%

	<b>Current Rates</b>	<b>Proposed Rates</b>
<b>1 1/2</b>		
Bi-Monthly Customer Service Charge	\$ 60.00	\$ 66.00
Commodity Charge	4.60	4.77

<b>Usage Level in 1000 Gal</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Dollar Impact</b>	<b>Percent Change</b>
20	\$ 152.00	\$ 161.40	\$ 9.40	6.18%
35	221.00	232.95	11.95	5.41%
45	267.00	280.65	13.65	5.11%
55	313.00	328.35	15.35	4.90%
65	359.00	376.05	17.05	4.75%

**2**

	Current Rates	Proposed Rates
Bi-Monthly Customer Service Charge	\$ 94.00	\$ 103.00
Commodity Charge	4.60	4.77

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
80	\$ 462.00	\$ 484.60	\$ 22.60	4.89%
95	531.00	556.15	25.15	4.74%
105	577.00	603.85	26.85	4.65%
115	623.00	651.55	28.55	4.58%
125	669.00	699.25	30.25	4.52%

**3**

	Current Rates	Proposed Rates
Bi-Monthly Customer Service Charge	\$ 162.00	\$ 174.00
Commodity Charge	4.60	4.77

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
100	\$ 622.00	\$ 651.00	\$ 29.00	4.66%
200	1,082.00	1,128.00	46.00	4.25%
300	1,542.00	1,605.00	63.00	4.09%
400	2,002.00	2,082.00	80.00	4.00%
500	2,462.00	2,559.00	97.00	3.94%

**4**

	Current Rates	Proposed Rates
Bi-Monthly Customer Service Charge	\$ 255.00	\$ 270.00
Commodity Charge	4.60	4.77

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
200	\$ 1,175.00	\$ 1,224.00	\$ 49.00	4.17%
300	1,635.00	1,701.00	66.00	4.04%
400	2,095.00	2,178.00	83.00	3.96%
500	2,555.00	2,655.00	100.00	3.91%
600	3,015.00	3,132.00	117.00	3.88%

**6**

	Current Rates	Proposed Rates
Bi-Monthly Customer Service Charge	\$ 462.00	\$ 479.00
Commodity Charge	4.60	4.77

Usage Level in 1000 Gal	Current Rates	Proposed Rates	Dollar Impact	Percent Change
300	\$ 1,842.00	\$ 1,910.00	\$ 68.00	3.69%
400	2,302.00	2,387.00	85.00	3.69%
500	2,762.00	2,864.00	102.00	3.69%
600	3,222.00	3,341.00	119.00	3.69%
700	3,682.00	3,818.00	136.00	3.69%

**RESOLUTION NO. 17-14**

**WHEREAS**, the Howell City Council passed Ordinance No. 703 which sets forth a method for adjusting the usage charges for water rates under Section 1044.07(g)(2) and for sanitary sewer rates under Section 1044.08(b)(1)(B) of the Howell City Code; and,

**WHEREAS**, said adjustment is to be done annually by the Howell City Council by means of the Consumer Price Index for the previous calendar year and applied to the City fiscal year; and,

**WHEREAS**, City Council may set such rates over and above the Consumer Price Index or Five Percent (5%) where, in the opinion of the City Council, such an increase is necessary for the optimum operation of the City’s water system and sanitary sewer system; and,

**WHEREAS**, said usage charge for both water and sanitary sewer are to be adjusted after July 1st of the upcoming fiscal year of the City; and,

**WHEREAS**, City Council conducted a rate study in 2017 for water and sanitary sewer rates which include usage rates and readiness to serve rates and charges recommended for fiscal years 2017-2018; and,

**WHEREAS**, City Council has determined that an increase in the readiness to serve charge for both the water and sanitary sewer is necessary for the optimum operation of the City’s water system and sanitary sewer system; and,

**WHEREAS**, as a result of increases in both the usage charges and the readiness to serve charge for both water and sanitary sewer, the Consumer Price Index shall not be used.

**NOW THEREFORE BE IT RESOLVED** that the usage charge for treated water rates as set forth in Section 1044.07(g)(2) shall be in the sum of ~~\$4.60~~ **\$4.77** per 1,000 gallons.

**BE IT FURTHER RESOLVED** that the readiness to serve charge for water rates as set forth in Section 1044.07(g)(1) shall be in the following sums:

<u>Meter Size (in.)</u>	<u>Bi-Monthly Charge</u>	
5/8	<del>\$15.25</del>	<b>16.75</b>
3/4	<del>18.75</del>	<b>20.50</b>
1	<del>28.00</del>	<b>30.50</b>
1 1/2	<del>60.00</del>	<b>66.00</b>
2	<del>94.00</del>	<b>103.00</b>
3	<del>162.00</del>	<b>174.00</b>
4	<del>255.00</del>	<b>270.00</b>
6	<del>462.00</del>	<b>479.00</b>

**BE IT FURTHER RESOLVED** that the usage charge for sanitary sewer as set forth in Section 1044.08(b)(1)(B) shall be the sum of ~~\$4.25~~ **\$4.41 (Collection System \$1.19 + Treatment Plant \$3.22)** per 1,000 gallons of water consumed.

**BE IT FURTHER RESOLVED that the readiness to serve charge for sanitary sewer rates as set forth in Section 1044.08(b)(1)(A) shall be in the following sums:**

<u>Meter Size (in.)</u>	<u>Bi-Monthly Charge</u>	
5/8	<del>\$19.00</del>	<b>20.50</b>
3/4	<del>27.00</del>	<b>29.00</b>
1	<del>45.50</del>	<b>49.00</b>
1 1/2	<del>89.00</del>	<b>96.00</b>
2	<del>160.00</del>	<b>175.00</b>
3	<del>265.00</del>	<b>275.00</b>
4	<del>425.00</del>	<b>440.00</b>
6	<del>800.00</del>	<b>825.00</b>

**BE IT FURTHER RESOLVED** that all charges as set forth in this Resolution shall take effect in the same manner as the effective date for ordinances as set out in the City Charter.

ADOPTED this 12<sup>th</sup> day of June 2017.

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NICK PROCTOR, MAYOR

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JANE CARTWRIGHT, CLERK

#### CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of Resolution No. 17-14, adopted by the City Council of the City of Howell, Livingston County, Michigan, at a regular meeting held on the 12<sup>th</sup> day of June, 2017 and that the meeting was held and the minutes therefore were filed in compliance with Act No. 267 of the Public Acts of 1976.

IN WITNESS WHEREOF, I have hereto affixed my official signature this 12<sup>th</sup> day of June, 2017.

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By: Howell City Clerk

CITY OF HOWELL  
MEMORANDUM

**TO:** MAYOR & CITY COUNCIL  
**FROM:** CATHERINE STANISLAWSKI, CITY FINANCE DIRECTOR  
**DATE:** JUNE 7, 2017  
**RE:** WATER/SEWER RATE ADJUSTMENTS

As introduced at the May 22nd meeting, we are proposing a 4.9% increase in utility rates based on the recommendation of our rate advisors, Utility Financial Solutions (UFS). The rate increase is less than we had projected last year, 5.5%, due to stronger cash reserves.

The rates specifically address the three targets the City needs to concentrate on when designing a viable and sustainable system. The three targets are:

- **A debt coverage ratio of 1.4** - Maintaining a ratio of 1.4 will ensure that adequate funds are available to meet bond obligations of 1.2. In addition this target will help stabilize cash flows in years when sales are low or if we were to lose a major customer. The debt coverage ratio computation evaluates if there are sufficient monies to pay both principal and interest on the debt.
- **Minimum cash reserve levels** - A determination of a minimum cash balance will help cover any timing differences between when expenses are incurred and revenues are received. A cash reserve will also help in the case of an emergency. A blown generator, transmission line collapse or any increased unfunded mandates from the State could require a large cash outflow. There is no working capital reserve that is right for every system
- **Operating income targets** - The target is intended to help fund annual depreciation expense and provide an adequate return on investment. By calculating an adequate rate of return, the system will ensure that current customers are paying their fair share for the use of the infrastructure and not deferring the charge to future users.

By meeting these targets, the systems will be able to generate sufficient revenues to fund current operations and have reserves to replace the value the utility loses over time (depreciation) in addition to recovering the interest cost of debt. As with any long-range planning, the rate determination attempts to address the unpredictability of the future.

Also attached are the pages detailing the proposed future capital improvement plans for both systems. Sewer is projecting to incur approximately \$2.5M in improvements and water \$3.5M over the next 4 years. Additional projected asset requirements of \$10M are expected over the subsequent 10 years. The rate analysis takes

into consideration the need to ensure adequate cash reserves are established to replace assets in a timely fashion.

### **WATER SYSTEM ANALYSIS**

For the water system, the cost of service rates for bi-monthly service and commodity purchase compare with our current rates as follows:

	<b>Current Bi-Monthly Rate</b>	<b>Proposed 2017</b>
Usage Charge	4.60	4.77
Meter size: 5/8	15.25	16.75
3/4	18.75	20.50
1	28.00	30.50
1.5	60.00	66.00
2	94.00	103.00
3	162.00	174.00
4	255.00	270.00
6	462.00	479.00

The recommended rates provide for a 4.9% overall annual increase. The increase for the majority of customers, our residents using 5/8 inch meters, ranges from \$3.20 per bimonthly bill for 10 thousand gallons to \$10.00 for 50 thousand gallons. The next largest group of users, with 1 inch meters, will see an increase of \$4.20 in their bi-monthly billing up to \$11.00. These increases range from 4.08% to 5.68 of the current bill.

### **WASTE WATER ANALYSIS**

On the Waste Water side, the cost of service rates for bi-monthly service compared with our current rates is detailed in the following table. The current commodity charge of \$4.25 compares to \$4.41 as the true cost of service charge. The recommended rates provide for a 4.9% overall annual increase.

	<b>Current Bi-Monthly Rate</b>	<b>Proposed 2017</b>
Usage Charge	4.25	4.41
Meter size: 5/8	19.00	20.50
3/4	27.00	29.00
1	45.50	49.00
1.5	89.00	96.00
2	160.00	175.00
3	265.00	275.00
4	425.00	440.00
6	800.00	825.00


The impact on the majority of customers, our residents using 5/8 inch meters ranges from \$3.10 per bimonthly bill for 10 thousand gallons to \$9.50 for 50 thousand gallons. The next largest group of users, with 1 inch meters, will see an increase of \$5.10 in their bi-monthly billing up to \$11.50. These increases range from 4.10 % to 5.80% of the current bill.

The current practice limiting the variability in rate increases while still addressing the current and future costs of the system is an equitable program. While it is almost impossible to make everyone happy, most customers can understand the need for steady increases in rates as opposed to a dramatic spike in rates after multiple years of little or no increases.

**ACTION REQUESTED:**

A motion to adopt Resolution No. 17-14 Utility Rate Increase.

**REVIEWED & APPROVED FOR SUBMISSION:**

A handwritten signature in black ink, appearing to read 'Shea Charles', written in a cursive style.

Shea Charles, City Manager



City of Howell, Michigan  
*Capital Improvement Plan*  
 2017 thru 2021

**PROJECTS BY DEPARTMENT**

Department	Project #	2017	2018	2019	2020	2021	Total
<b>Sewer Dept</b>							
Upgrade lift station communication	<i>WWTP-14-1</i>		45,000				45,000
Influent bypass channel	<i>WWTP-15-1</i>		68,500				68,500
Final clarifier mechanisms replacement	<i>WWTP-15-3</i>		300,000				300,000
Replace switch gear and transformer	<i>WWTP-15-5</i>		300,000				300,000
UV building cover	<i>WWTP-16-1</i>		90,000				90,000
Ferric feed system improvements	<i>WWTP-16-2</i>		56,000				56,000
Screw pump rebuilds	<i>wwtp-17-2</i>		50,000	50,000	50,000		150,000
Replace primary mechanism	<i>wwtp-19-1</i>				490,000		490,000
Future project cost per work plan	<i>WWTP-MP-2</i>				500,000	500,000	1,000,000
<b>Sewer Dept Total</b>			<b>909,500</b>	<b>50,000</b>	<b>1,040,000</b>	<b>500,000</b>	<b>2,499,500</b>
<b>Water Dept</b>							
Hydraulic recommendations	<i>14-DIST-01</i>			225,000	1,237,000	1,875,000	3,337,000
North tower vault repairs	<i>1-DPW-15</i>				7,500	100,000	107,500
Water storage evaluations	<i>1-GSR-15</i>					30,000	30,000
<b>Water Dept Total</b>				<b>225,000</b>	<b>1,244,500</b>	<b>2,005,000</b>	<b>3,474,500</b>
<b>GRAND TOTAL</b>			<b>909,500</b>	<b>275,000</b>	<b>2,284,500</b>	<b>2,505,000</b>	<b>5,974,000</b>

CITY OF HOWELL  
MEMORANDUM

**TO:** CAPITAL IMPROVEMENT RATE ADVISORY BOARD (CIRAB)  
**FROM:** ERV SUIDA , DPS DIRECTOR  
**DATE:** JUNE 26, 2017  
**RE:** PROJECTS AND COST SHARING

As the Board may recall Howell has been in discussion with both PEPSI and the Livingston County Drain Office to accept both untreated PEPSI flows and Flows from a Septage Receiving Station (SRS). It appears through these discussions that the potential may in fact become a reality. Because of the magnitude of improvements necessary to accept these flows, it has become a perfect opportunity to combine these projects with the Phase 1a projects. This should result in an overall savings due to an economy of scale.

While it was agreed that the Board would defer discussions related to cost sharing to the governing bodies, we are prepared to provide an update on this project. Additional information may be provided at the meeting.