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MEMORANDUM

DATE: For June 15, 2015 City Council Meeting

TO: Owosso City Council

FROM: Gary Burk, Utilities Director

RE: Water & Sewer Rate Schedule for FY 2015-2016

Separately enclosed is the proposed water and sewer rate schedule for the fiscal year beginning July 1, 2015. The proposed rate changes are in line with the projections previously approved by Council and included in the preparation of the water and sewer fund budgets for FY 2015-16.

There is just one difference from the projections previously approved by Council. The Water Main Capital (i.e. Replacement) Charge would remain the same (\$12 per quarter for residential customers - larger in proportion to metered service size) rather than increase as previously projected (to \$16 per quarter for a residential customer). Due to staffing changes and uncertainty of the street program we have yet to ramp up our water main replacements and the \$12.00 rate is in line with the current water capital outlay budget.

These changes will result in an overall 3.6% increase in a typical residential water bill beginning with the quarterly billing ending September 30, 2015. This increase is less than previously projected due to not increasing the Water Capital Charge. The increase is less than the CPI (consumer price index) for utilities, which averages on the order of 5% per year.

The changes to the Water & Sewer Rate Schedule are briefly described below. The changes would not apply to the June 30, 2015 billing but would be in effect for the September 30, 2015 quarterly billing. **Staff recommends Council adoption of the proposed Water & Sewer Rate Schedule for the fiscal year beginning July 1, 2015.**

The in-town **Water Demand Charge** would increase from **\$31.00 to \$32.00** per quarter for a typical residential users, and a proportionate increase for larger metered services. The out-of-town rate would increase from \$62.00 to \$64.00 per quarter (with 25% of the revenue

going to the Township for water main replacement in the Township). The increase is necessary to cover increasing costs for items such as debt service, water main and storage tank repairs, and typical water meter replacement. This increase does not affect the wholesale rate to Corunna.

The in-town **Water Usage Charge** would increase **from \$1.70 to \$1.80** per meter unit (100 cubic feet or about 750 gallons). The out-of-town rate would increase from **\$3.40 to \$3.60** per unit (again with 25% of the revenue going to the Township). The wholesale rate to the City of Corunna would increase by the same percentage. This increase is necessary to cover increasing rates and costs for power and chemicals and lime residual management and is needed to offset declining metered water sales.

The **Sewer Usage Charge** would increase from **\$2.10 to \$2.20** per unit of metered water. This applies only to City customers as the Townships and Corunna separately bill their own retail customers. Costs for the Mid-County Wastewater Treatment Plant are shared on a wholesale basis between the 4 mid-County local units of government. The increase in the Sewer Usage Charge is necessary to cover the City share (about 70%) of the cost of the plant operation and in part is needed to offset declining usage revenues due to reduction in metered water use.

RESOLUTION NO.

**WATER AND SEWER RATE SCHEDULE
FOR THE CITY FISCAL YEAR BEGINNING JULY 1, 2015**

"Pursuant to Sections 34-248. Water Rates, and 34-249. Sewer Rates, of Article V, of Chapter 34, of the Owosso City Code, the City Council does hereby resolve that the following rate schedule for water and sewer service shall be in effect for the City fiscal year beginning July 1, 2015 and continuing thereafter until modified or replaced by further Council action. Bills issued with a nominal bill date of June 30, 2015 covering the quarter from April to June 2014 shall be billed under the previous rate schedule. All previous resolutions or parts thereof, insofar as the same may be in conflict herewith, are hereby repealed following the effective date of this schedule."

**CITY OF OWOSSO
WATER AND SEWER RATE SCHEDULE
FOR THE CITY FISCAL YEAR BEGINNING JULY 1, 2015**

I. QUARTERLY WATER AND SEWER RATES

In-town quarterly water service charges consist of: a demand charge based on water meter size (see table below), a capital charge dedicated for water main replacement, and a metered usage charge. One meter unit is equal to 100 cubic feet of water or about 750 gallons. Rates for retail out-of-town water service are double the in-town rate, except that the capital charge does not apply to out-of-town customers where the respective Township separately finances water main replacement. Twenty five percent of the out-of-town revenue is collected for and transferred to the respective Township for use in replacing and improving their water distribution system.

Quarterly sewer charges consist of a demand charge based on the water meter size (see table below) and a sewer usage charge based on metered water consumption. The City has no retail out-of-town sewer service.

Bills are issued on a quarterly basis and, if not paid by the due date as shown on the billing, a late payment charge of ten percent (10%) of the current amount due may be added for failure to make prompt payment.

QUARTERLY WATER SERVICE CHARGE:

- In-town: In-town Water Usage Charge of **\$1.80** per meter unit plus In-town Water Demand Charge plus Capital Charge from Table below.
- Out-of-town: Out-of-town Water Usage Charge of **\$3.60** per meter unit plus Out-of-town Water Demand Charge from Table below.

QUARTERLY SEWER SERVICE CHARGE:

Sewer Usage Charge of **\$2.20** per unit plus Sewer Demand Charge from Table below.

For residential customers without metered water service, the quarterly sewer charge shall be **\$78.80** per residential unit.

**WATER AND SEWER RATE SCHEDULE
FOR THE CITY FISCAL YEAR BEGINNING JULY 1, 2015
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QUARTERLY DEMAND CHARGE TABLES

A. Potable Water & Sewer Service

Water Meter Size	Water Demand	Water Capital	Sewer Demand	Combined In-town	Water Only (Out-of-town)
5/8"	\$ 32.00	\$ 12.00	\$ 26.00	\$ 70.00	\$ 64.00
3/4"	\$ 48.00	\$ 18.00	\$ 39.00	\$ 105.00	\$ 96.00
1"	\$ 80.00	\$ 30.00	\$ 65.00	\$ 175.00	\$ 160.00
1.5"	\$ 160.00	\$ 60.00	\$ 130.00	\$ 350.00	\$ 320.00
2"	\$ 256.00	\$ 96.00	\$ 208.00	\$ 560.00	\$ 512.00
3"	\$ 480.00	\$ 180.00	\$ 390.00	\$ 1,050.00	\$ 960.00
4"	\$ 800.00	\$ 300.00	\$ 650.00	\$ 1,750.00	\$ 1,600.00
6"	\$ 1,600.00	\$ 600.00	\$ 1,300.00	\$ 3,500.00	\$ 3,200.00

For a residential user with a second 5/8" meter on a single service line for water only irrigation service, the user shall be charged a single water demand and capital charge equivalent to a 3/4" metered service on a year round basis.

The demand charge for multiple residential units served by a single water meter shall be based on actual meter size provided the meter meets the minimum size requirement per the following table:

<u>Number of Apartments</u>	<u>Minimum Meter Size</u>
1 - 3	5/8"
4 - 7	3/4"
8 - 11	1"
12 - 15	1&1/2"
16 - 24	2"
24 - 48	3"
Over 48	4"

B. Fire Protection Service

<u>Sprinkler Service</u>	<u>Quarterly Water Charge</u>		
	<u>In-Town</u>	<u>Out-of-Town</u>	
<u>Riser Size</u>	<u>DEMAND</u>	<u>CAPITAL</u>	<u>DEMAND</u>
4 inch	\$ 48.00	\$ 18.00	\$ 96.00
6 inch	\$ 80.00	\$ 30.00	\$ 160.00
8 inch	\$ 160.00	\$ 60.00	\$ 320.00
10 inch	\$ 256.00	\$ 96.00	\$ 512.00

II. HYDRANT RENTAL CHARGES

Hydrants located outside the City of Owosso and private hydrants maintained by the City of Owosso shall be subject to an annual hydrant rental charge of \$155.

**WATER AND SEWER RATE SCHEDULE
FOR THE CITY FISCAL YEAR BEGINNING JULY 1, 2015
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III. BULK WATER CHARGES

For users with an active city water service connection, bulk water delivered by the city from hydrants or other approved outlets for such purposes as pool filling, shall be charged at the standard metered usage rate given in Section I. above along with actual labor and equipment costs with a minimum charge of **\$50.00**.

Other bulk water sales, such as filling tank trucks, shall be charged at the rate of **\$10.00** per thousand gallons with a \$50.00 minimum charge, which includes up to 5,000 gallons, if during the normal workday at an established city delivery point. After hours bulk water sales and/or sales at other than established city delivery points, shall be charged at the rate of **\$10.00** per thousand gallons plus actual labor and equipment costs.

For customers who do not prepay a \$10 service charge shall apply for invoicing.

(Note: These charges do not apply to water supplied for fire fighting).

IV. INCREMENTAL WATER AND SEWER USAGE CHARGES FOR BILLING ADJUSTMENTS RELATED TO PLUMBING LEAKS

The incremental water and sewer usage charges shall be 50% of the normal usage charge. These incremental usage rates are for the purpose of making adjustments to significantly high bills attributable to plumbing leaks and may be applied in accordance with Guidelines separately approved by the Owosso City Council.

V. EXTRA STRENGTH WASTEWATER SURCHARGES

Extra strength wastewater surcharges shall apply to those users of the City wastewater treatment system approved for the discharge of extra strength wastewater in accordance with Section 34-170. of the Owosso City Code. The surcharge rate shall be applied to loadings in excess of the base or normal strength loading.

EXTRA STRENGTH WASTEWATER SURCHARGE SCHEDULE

<u>PARAMETER</u>	<u>BASE</u>	<u>SURCHARGE</u>
BOD-5	220 MG/L	\$0.11/pound in excess of base
TSS	300 MG/L	\$0.17/pound in excess of base
TP	10 MG/L	\$1.50/pound in excess of base
NH3-N	20 MG/L	\$0.80/pound in excess of base

(Note: BOD-5 = Biochemical Oxygen Demand; TSS = Total Suspended Solids; TP = Total Phosphorous; NH3-N = Ammonia Nitrogen; MG/L = Milligrams per Liter)."

Owosso Water & Sewer
Rate History & Projections
"Typical" 4 person Residential Customer
FY 2015-16

(Changing rates are in bold)

	Actual Sept 2005 to Mar 2010	Actual Apr 2010 to Jun 2011	Actual FY2010-11	Actual FY2011-12	Actual FY2012-13	Actual FY2013-14	Actual FY2014-15	Proposed FY2015-16
"Typical" family of four City Residential Customer								
Water Demand Charge per quarter	\$ 22.50	\$ 25.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 31.00	\$ 32.00
Water Main Replacement Charge (applied in City only)	\$ -	\$ -	\$ -	\$ -	\$ 10.00	\$ 12.00	\$ 12.00	\$ 12.00
Water Usage Rate per 100cf	\$ 1.20	\$ 1.30	\$ 1.40	\$ 1.40	\$ 1.50	\$ 1.60	\$ 1.70	\$ 1.80
Water Usage Charge for 24 units per quarter	\$ 28.80	\$ 31.20	\$ 33.60	\$ 33.60	\$ 36.00	\$ 38.40	\$ 40.80	\$ 43.20
Quarterly Water Charge	\$ 51.30	\$ 56.20	\$ 63.60	\$ 63.60	\$ 76.00	\$ 80.40	\$ 83.80	\$ 87.20
% increase	0.0%	9.6%	13.2%	0.0%	19.5%	5.8%	4.2%	4.1%
Sewer								
Sewer Demand Charge per quarter	\$ 22.50	\$ 22.50	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 26.00	\$ 26.00
Sewer Usage Rate per 100cf	\$ 1.70	\$ 1.70	\$ 1.80	\$ 1.80	\$ 1.90	\$ 2.00	\$ 2.10	\$ 2.20
Sewer Usage Charge for 24 units per quarter	\$ 40.80	\$ 40.80	\$ 43.20	\$ 43.20	\$ 45.60	\$ 48.00	\$ 50.40	\$ 52.80
Quarterly Sewer Charge	\$ 63.30	\$ 63.30	\$ 68.20	\$ 68.20	\$ 70.60	\$ 73.00	\$ 76.40	\$ 78.80
% increase	0.0%	0.0%	7.7%	0.0%	3.5%	3.4%	4.7%	3.1%
Total In City Quarterly Water & Sewer	\$ 114.60	\$ 119.50	\$ 131.80	\$ 131.80	\$ 146.60	\$ 153.40	\$ 160.20	\$ 166.00
% increase	0.0%	4.3%	10.3%	0.0%	11.2%	4.6%	4.4%	3.6%
Out-of-Town Residential Customer (Water only)								
Water Demand Charge per quarter	\$ 45.00	\$ 50.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 62.00	\$ 64.00
Proposed Water Main Replacement Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Usage Rate per 100cf	\$ 2.40	\$ 2.60	\$ 2.80	\$ 2.80	\$ 3.00	\$ 3.20	\$ 3.40	\$ 3.60
Water Usage Charge for 24 units per quarter	\$ 57.60	\$ 62.40	\$ 67.20	\$ 67.20	\$ 72.00	\$ 76.80	\$ 81.60	\$ 86.40
Quarterly Water Charge	\$ 102.60	\$ 112.40	\$ 127.20	\$ 127.20	\$ 132.00	\$ 136.80	\$ 143.60	\$ 150.40
% increase	0.0%	9.6%	13.2%	0.0%	3.8%	3.6%	5.0%	4.7%