

Village of Almont

WATER, SEWER, AND SSO RATES

2013 – 2014 FISCAL YEAR



WATER & SEWER RATES

- *There are six basic goals used when setting utility rates:*
 - *Collect the money necessary to maintain the water and sewer systems.*
 - *Collect these funds as fairly as possible.*
 - *Ensure each system is self-sufficient.*
 - *Prevent a situation in which the Village incurs debt.*
 - *Prepare for vital infrastructure needs that extend the service life of the water and sewer systems.*
 - *Ensure the protection of public health, safety, and welfare and compliance with environmental regulations.*

What happens when rates are not sufficient to cover expenses?

- Proper maintenance will not be performed, reducing the lifespan of system infrastructure and increasing long-term operating costs.
- Financial risk to the Village and taxpayer is increased, since general fund revenues, which fund police protection services and other administrative functions, must be used to compensate for any shortfall in the water and sewer systems.
- Service quality can be disrupted and the health, safety and, welfare of Village residents may be threatened if infrastructure needs are ignored.

RECOMMENDED FUND LEVELS

CASH ON HAND

1-2 BILLING CYCLES

RESERVE FUNDING

1 YEARS BUDGET

VILLAGE OF ALMONT WATER SYSTEM

	CURRENT PROJECTION	RECOMMENDED
CASH ON HAND	\$80,000	\$200,000.00
RESERVE FUNDING	\$40,000	\$440,000.00

VILLAGE OF ALMONT SEWER SYSTEM

	CURRENT	RECOMMENDED
CASH ON HAND	\$134,000.00	\$200,000.00
RESERVE FUNDING	\$0.00	\$500,000.00

VILLAGE OF ALMONT WATER SYSTEM



History of DWSD Increases

- The Detroit Water and Sewerage District has applied several recent increases to the cost of water purchased by the Greater Lapeer County Utilities Authority. These increases include the following:
 - 2013 – 2014 Fiscal Year - 4.4% Increase
 - 2012 – 2013 Fiscal Year - Roughly 10% Increase
 - 2011 – 2012 Fiscal Year - Roughly 10% Increase
 - 2010 – 2011 Fiscal Year - Roughly 15% with new fixed charge
 - 2009 – 2010 Fiscal Year - Roughly 20% Increase

DWSD instituted a fixed charge during the 2010 – 2011 fiscal year and has increased it by over 375% since that time. DWSD's continued practice of increasing the fixed charge means that even if the Village sells less water it is obligated to pay more to DWSD.

Impact of 2013-2014 DWSD Rate Increase

- DWSD levied an annual fixed charge against the Greater Lapeer County Utilities Authority, of which the Village is a member. During the 2012-2013 fiscal year the Village utilized 10.1% of the water purchased by GLCUA and paid 10.3% of the fixed charge levied against GLCUA. During the 2013-2014 fiscal year it is estimated that the Village will consume only 9.28% of the water purchased by GLCUA. This means the Village's share of the fixed charge levied against GLCUA will decrease overall. Therefore, even though the entire fixed charge levied on GLCUA increased by 4.4%, the amount paid by the Village monthly will decrease from \$6,721.14 to \$6,425.26.
- In regards to water consumption charges, it is anticipated that the Village would spend an additional, estimated \$6,600 in purchase costs [as the rate increased from \$14.10 per MCF to \$14.72 per MCF]. As a result, the Village would pay an extra \$3,055.85 for total water costs during the 2013-2014 if it purchased the same amount of water previously purchased.
- It is estimated that the Village will pay \$77,103.12 in annual fixed charges and \$156,763.44 in water consumption costs during the 2013 – 2014 fiscal year for a total of \$233,866 in costs.

GALLONS PURCHASED BY THE VILLAGE FROM DWSD AND GALLONS SOLD TO RESIDENTS FROM THE VILLAGE

- The main water meter used by the Detroit Water and Sewer District had previously miscalculated the amount of water the Village was purchasing. When the main water meter was recalibrated in early 2011, this increased the volume of water the Village must purchase, and pay for, on an annual basis [this explains the significant increase in gallons purchased between 09-10 and 10-11].
- Table below based on 950 system users. A 2.55% decrease is planned for gallons sold between 7/13 and 6/14.
- The water loss during the 2012-2013 fiscal year was estimated to be 19.3%. This is a decrease from the previous amount of 27.1% during the 2010-2011 fiscal year.

Year	GALLONS PURCHASED		GALLONS SOLD	
2013 - 2014	Est.	79,950,000	Est.	61,100,000
2012 - 2013	Est.	77,700,000		62,696,000
2011 - 2012		78,000,000	Est.	60,000,000
2010 - 2011		86,541,000		63,110,615
2009 - 2010		58,364,250		62,688,335

PROFIT AND LOSS CASH HISTORY

Year	REVENUE		EXPENSES		PROFIT / LOSS
2013 – 2014	\$	Est. 463,250	\$	Est. 460,800	\$ + 2,450
2012 – 2013	\$	Est. 504,335	\$	Est. 500,225	\$ +45,000
2011 – 2012	\$	394,000	\$	374,000	\$ +20,000
2010 – 2011	\$	291,000	\$	370,000	\$ (79,000)
2009 – 2010	\$	290,885	\$	349,884	\$ (58,998)
2008 – 2009	\$	304,464	\$	347,794	\$ (43,331)

The 2012-2013 revenues are higher than previous years due to a major liability reimbursement received by the water fund; the 2012 expenses are higher than previous years due to significant infrastructure projects that were required for the system to function properly.

ALMONT SEWAGE SYSTEM



Sewer History

The following table details the gallons charged for sewer use within recent fiscal years and estimates the gallons that will be charged for the upcoming fiscal year. It is based upon 946 system users and plans for a roughly 2.0% decrease in the upcoming fiscal year.

Year	GALLONS CHARGED
2013 – 2014	Est. 53,640,000
2012 – 2013	54,734,000
2011 – 2012	54,570,000
2010 – 2011	56,914,000
2009 – 2010	57,508,000
2008 – 2009	57,750,000

PROFIT AND LOSS CASH HISTORY

Year	REVENUE	EXPENSES	PROFIT / LOSS
2013 – 2014	Est. \$537,050	Est. \$557,300	Est. -\$20,250
2012 – 2013	Est. \$536,000	Est. \$515,660	Est. + \$15,340
2011 – 2012	\$478,829	\$450,301	\$28,528
2010 – 2011	\$445,938	\$394,700	\$51,238
2009 – 2010	\$437,171	\$404,000	\$33,171

Note: The 2013-2014 fiscal year budget plans for a major infrastructure project to be drawn from the sewer fund balance.

SSO Charge

- In late 2011 the Village refunded the bonds it issued for the completion of the equalization tanks at the treatment facility in 2002. This allowed the Village to decrease the SSO rate from \$2.52 per 1,000 gallons to \$1.75 per 1,000 gallons for the 2012 – 2013 fiscal year and will continue to allow the Village to charge this rate for the 2013-2014 fiscal year.
- The refunding of these bonds by the Village Council and staff prevented all of the utility rates for the 2012 – 2013 fiscal year for the average system user from being raised by an additional 4.4% and saved the average system user \$53.90 a year in additional costs.
- Over the course of the 2014-2015; 2015-2016; and 2016-2017 fiscal years, however, the Village will need to increase the SSO rate steadily so that it will be able to meet its required bond payments.
- Additional information about these gradual increases has been included on the next slide.

SSO Rate – 3 Year Scale-Up

- In order to ensure the Village can make its required bond payments, the SSO rate will need to be increased over the course of the 2014-2015; 2015-2016; and 2016-2017 fiscal years. This is due to the fact that the current rate (\$1.75) depends upon funds being drawn off of the existing residual fund balance for the SSO fund.
- Assuming the gallons charged for SSO remain constant, the following rates would need to be established over the following fiscal years [with percentages included as to the affect on the current utility rates]:
 - **2014-2015 Fiscal Year:** \$1.75 to \$2.30 per 1,000 gallons (3.02% Increase)
 - **2015-2016 Fiscal Year:** \$2.30 to \$2.50 per 1,000 gallons (1.07% Increase)
 - **2016-2017 Fiscal Year:** \$2.50 to \$2.70 per 1,000 gallons (1.06% Increase)
- Other gradual increases could be analyzed, at the direction of the Village Council.

Additional Considerations

- The following major infrastructures projects and purchases may affect utility rates within the upcoming fiscal years [these projects are outlined in the 5 year plan]:
 - The purchase of the Vactor truck, which will be a long-term structural expense for several years for both the water and sewer funds.
 - Proposed enhanced leak detection activities [\$8,000] during the 2014-2015 fiscal year.
 - The rehabilitation of the UV light disinfecter [\$26,000 estimated] at the waste water treatment plant during the 2014-2015 fiscal year.

Community Collaboration

- The Village wants to hear ideas as to how rates can be decreased or how bills could be lowered in a fair manner.
 - At any time feel free to contact Village Manager Oliver Turner at (810) 798-8528 and he will investigate each idea and follow-up with the individual who suggested it.