

# Pontiac Water Affordability Coalition

*May 18, 2021*



# Water & Sewer Rates Overview

Today's discussion will answer the following:

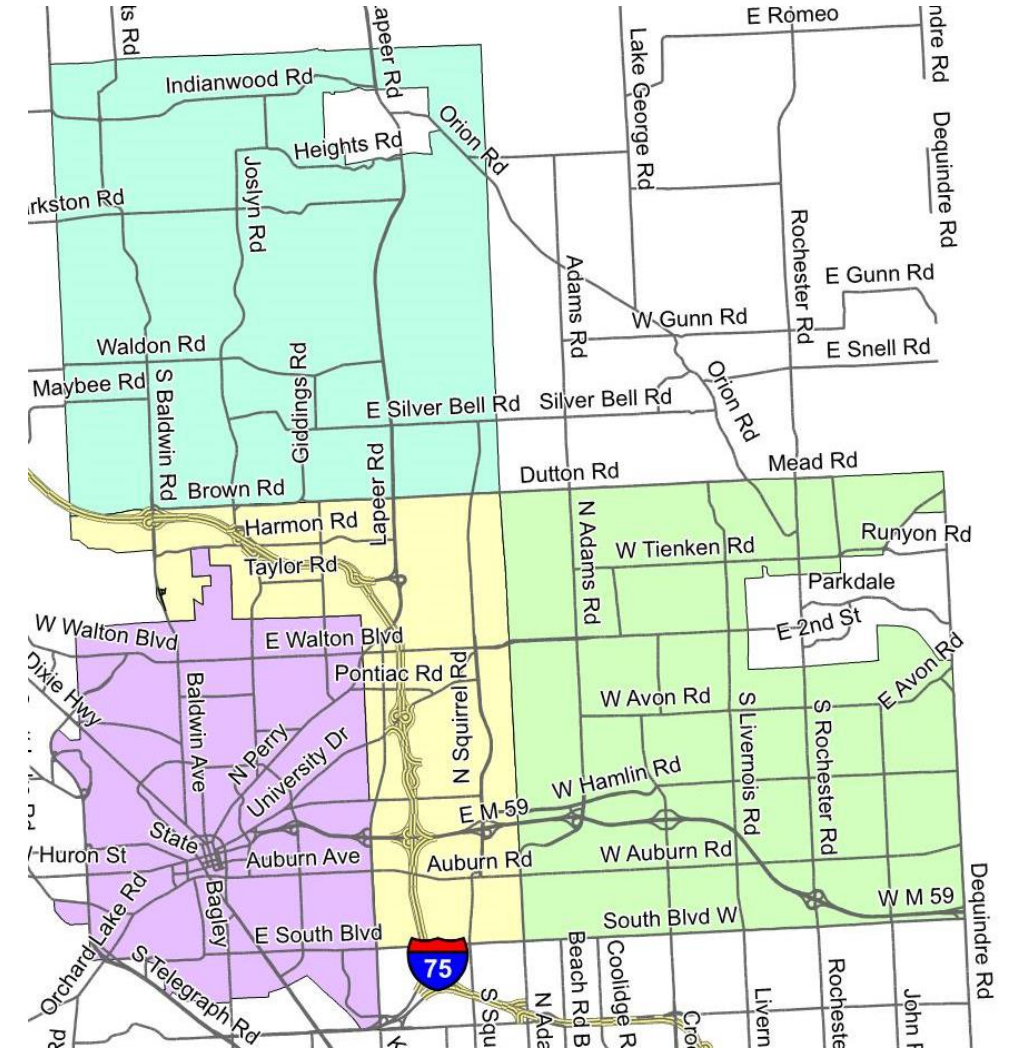
- What makes up my rates?
- How do you calculate the water rates?
- Current Pontiac Water Rates
- Addressing an Aging Water System

To get us started, will be going to discuss:

- North Oakland County Water Authority (NOCWA)
- Clinton River Water Resources Recovery Facility Drainage District
- *City of Lansing v. Bolt*

# How We Buy Our Water

- Summer 2014 North Oakland County Water Authority (NOCWA) officially formed
- Services 250,000 people
- 7 billion gallons annually
- Comprised of the following cities:
  - Pontiac
  - Auburn Hills
  - Rochester Hills
  - Orion Township



# NOCWA's Purpose

- Reduce the cost of purchasing water from Great Lakes Water Authority by strategically reducing peak hour water demand in collaboration with neighboring communities
- Increase the level of service in terms of pressure and system reliability
- Maximize use of existing infrastructure
- Coordinate system operations among members to achieve goals



# Value to Pontiac

- Average Pontiac Revenue Requirement (alone) = \$5M per year
- Average Pontiac Revenue Requirement (as a NOCWA member) = \$3M per year
- Annual Average Savings = \$2M
- Savings reinvested in infrastructure to improve level of service and to mitigate rate increases from GLWA



# How We Treat Our Sanitary Sewer Flow

- Pontiac Wastewater Treatment Plant
- Conversion into a Drainage District in 2011 to purchase the facility and its debt
- Conversion into the Clinton River Water Resource Recovery Facility Drainage District
  - Serves 12 communities plus the City of Pontiac = ability to pay for critical improvements
    - COSDS pays approx. 45% of the cost
  - Recently completed construction of a new Thermal Hydrolysis Pretreatment (THP) system which is a new and innovative process that involves conditioning of the sludge under high heat prior to anaerobic digestion which results in a more easily digested sludge and Class A Exceptional Biosolids
    - Significantly reduces need to dispose of sludge waste at landfills = sustainability and cost savings



# Legal Limitation on Tiered Assistance

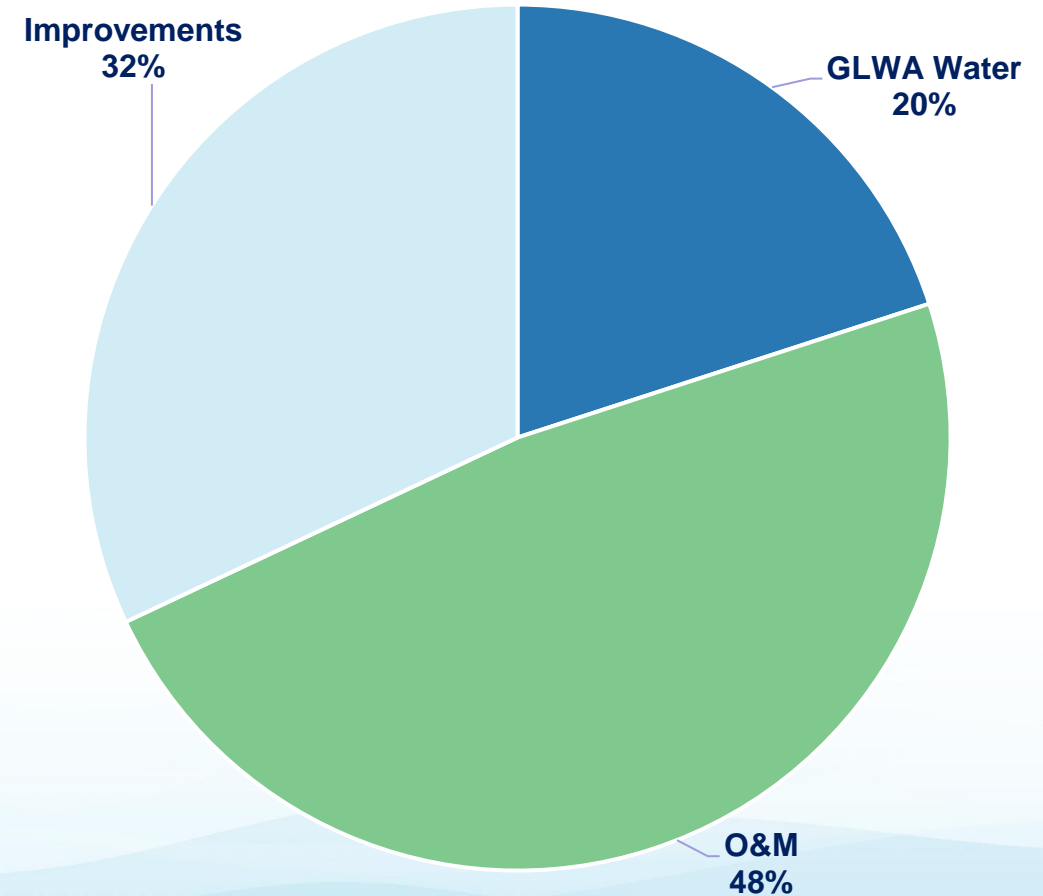
*City of Lansing v. Bolt*, Michigan Supreme Court (1998)

- Court defined the difference between a tax and a fee
- Tax requires a vote of the people
- Fee must meet three criteria's (otherwise it's considered a tax):
  - Serve a regulatory purpose (rather than revenue-raising)
  - Be proportional to the service provided
  - Have a voluntary nature

# What makes up my water rate?

1. Purchased water from Great Lakes Water Authority
  - a. Approximately \$3M per year
  - b. 20% of total water rate
2. Water System Operation and Maintenance Cost
  - a. Fixing water main breaks, reading meters, regular inspections, etc.
  - b. Approximately \$7.2M per year
  - c. 48% of total water rate
3. System Improvement Cost
  - a. Replacing water line, lead service line replacement, hydrants, etc.
  - b. Approximately \$4.8M per year
  - c. 32% of total water rate

**Water Rate**

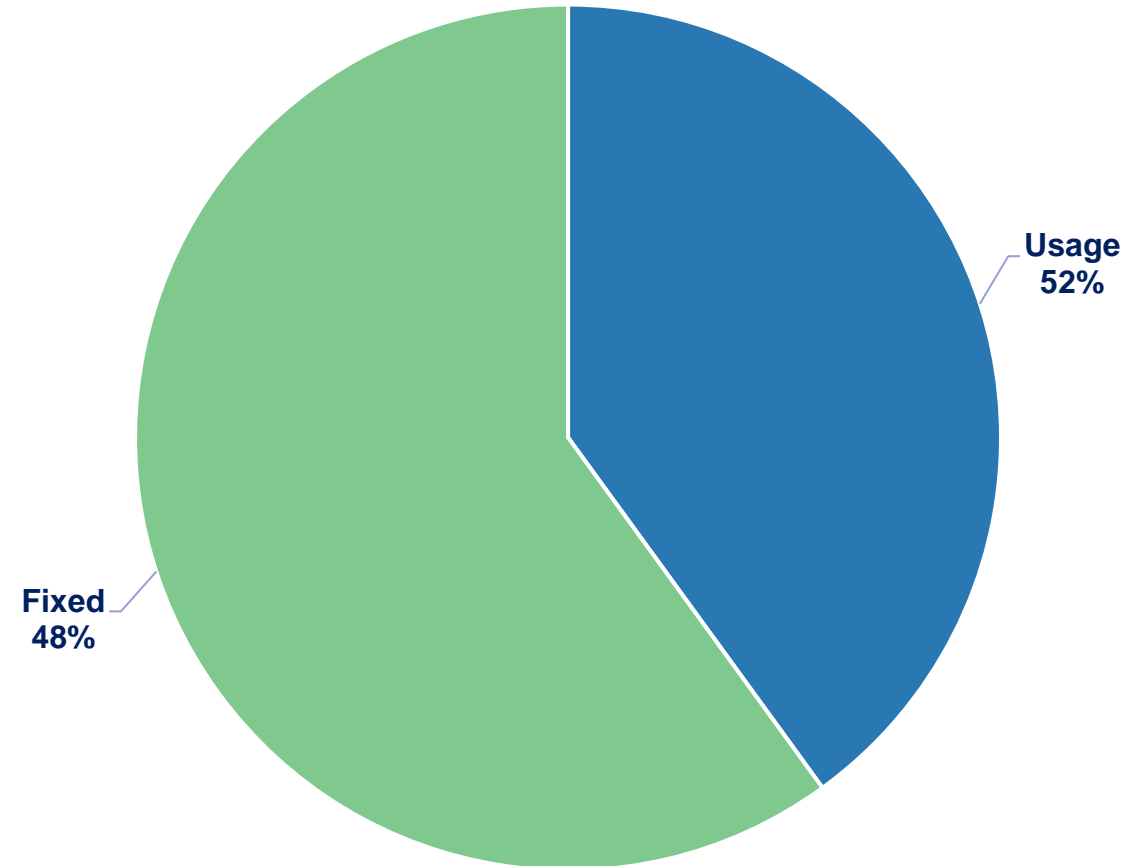




# How do you calculate my water rate?

1. Usage Charge = Total Usage Expenses / Total Sales
  - a. Usage expenses include:
    - i. 40% water purchases
      - 1) This is consistent with GLWA who charges 40% volume-based and 60% fixed
    - ii. Operations and maintenance
    - iii. Major maintenance
  - b. Total sales are based on historical trends
2. Fixed Charge = Fixed Fee based on Meter Size
  - a. Fixed expenses include:
    - i. 60% water purchases
    - ii. Debt service
    - iii. Revenue financed capital

## Water Charges

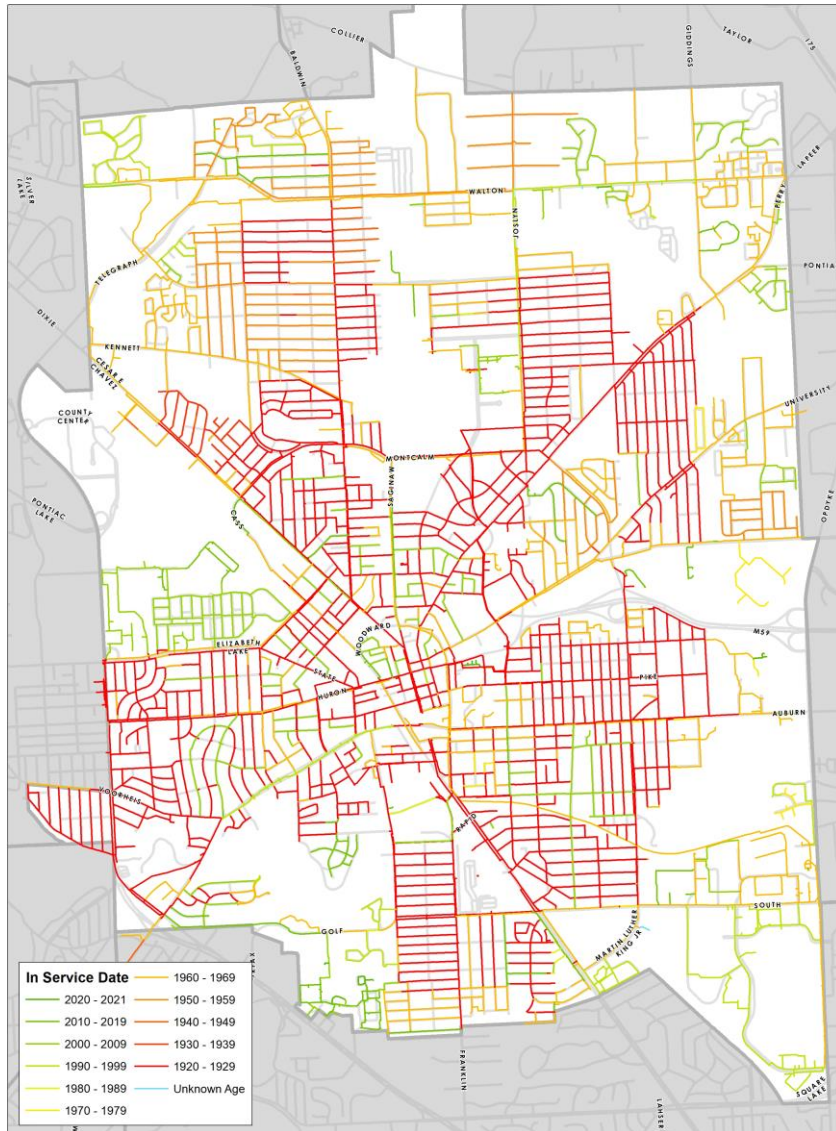


# Current Pontiac Water Rate

- Usage Charge = \$32.15/MCF (comprised of usage expenses/total sales based on historical trends)
  - 1 MCF = 7,480 gallons of water
- Fixed Charge = \$19.80 per month for a 5/8" to 3/4" meters
- Approximately 93% of the city is in the first row of the meter chart; most homes pay the smallest meter fee and large users pay a much larger fee

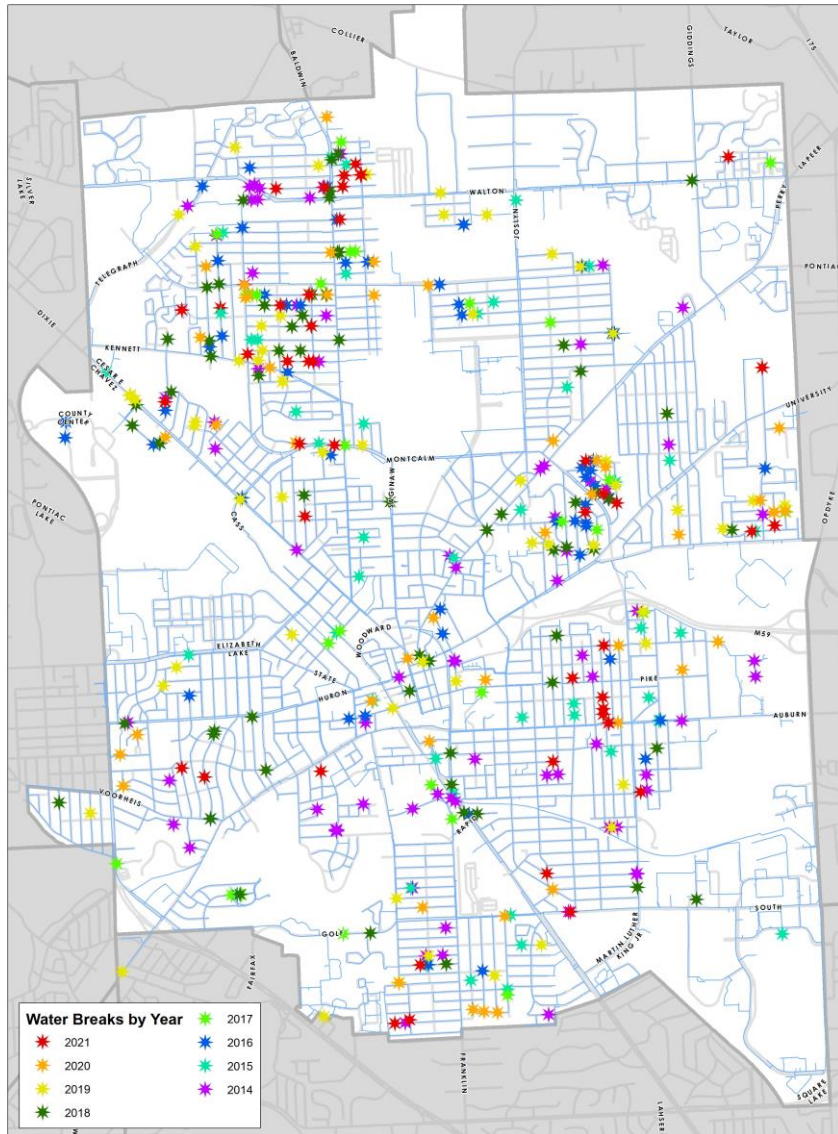
Meter Size	Monthly Meter Charge	Count	%
5/8", 3/4" Residential	\$19.80	17,632	92.9%
1"	\$49.50	341	1.8%
1 1/2"	\$99.00	425	2.2%
2"	\$158.40	458	2.4%
3"	\$316.80	52	0.3%
4"	\$495.00	41	0.2%
6"	\$990.00	18	0.1%
8"	\$1,584.00	5	0.0%
10"	\$2,277.00	1	0.0%
12"	\$3,366.00	1	0.0%
Total	-	18,974	100.0%

# Addressing an Aging Water System



- Approximately 40% of the water system has reached its useful life
- More than 50% of the system is more than 80 years old
- Over the next 20 years, \$110M will be needed for waterline replacement
  - Does not include service lines
  - Does not include pump stations, regulating valves or tanks
- The older the system, the more emergency repairs and maintenance required
- System improvements are needed to provide quality water and to maintain an adequate level of service

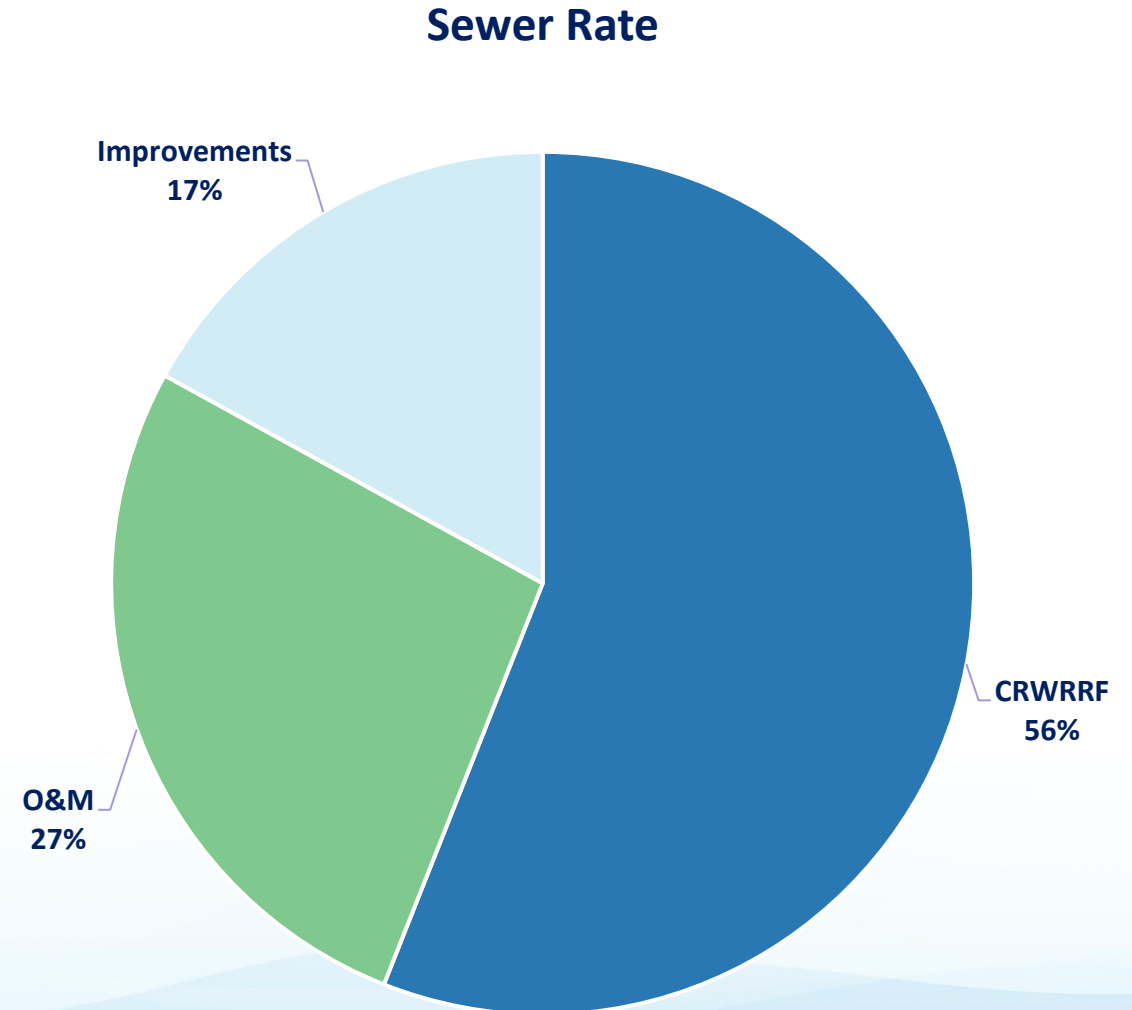
# Addressing an Aging Water System



- The water system is very old and historically little money has gone toward system improvements.
  - Due to limited past maintenance, repairs are plentiful and can grow quickly.
- Much of the watermain is under a road (many major roads) so it's costly to repair (more difficult and more time consuming)

# The Sewer Rate – Similar Yet Different

1. Treatment of Sewage by Clinton River Water Resource Recovery Facility
  - a. Approximately \$9.5M per year
  - b. 56% of total sewer rate
2. Sewer System Operation and Maintenance Cost
  - a. Fixing sewers, pump station operations, regular inspections, etc.
  - b. Approximately \$4.6M per year
  - c. 27% of total sewer rate
3. System Improvement Cost
  - a. Replacing pipes, pumps, emergency repairs, revenue financed capital, debt, etc.
  - b. Approximately \$3M per year
  - c. 17% of total sewer rate

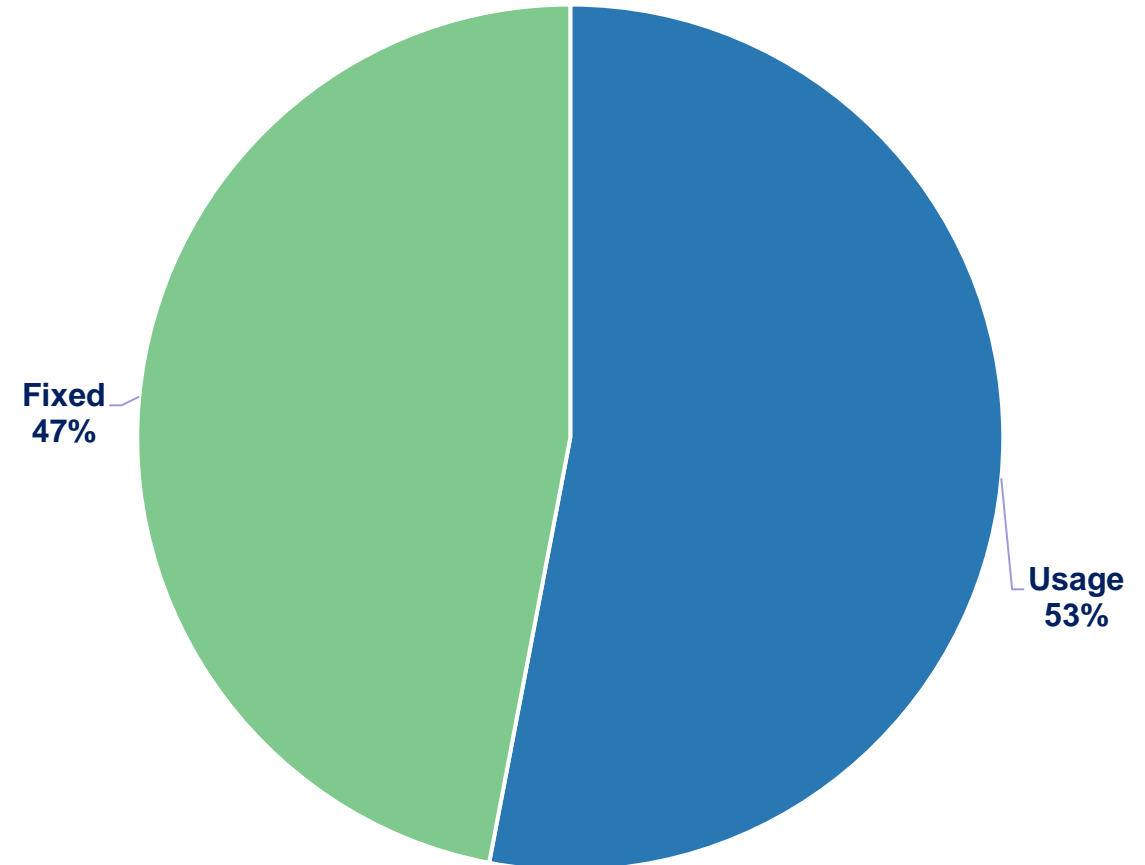




# How do you calculate my sewer rate?

1. Usage Charge = Total Usage Expenses / Total Sales
  - a. Usage expenses include:
    - i. 53% sewage treatment is non-debt related
    - ii. Operations and maintenance
    - iii. Major maintenance
  - b. Total usage is based on historical trends
2. Fixed Charge = Fixed Fee based on Meter Size
  - a. Fixed expenses include:
    - i. 47% of sewage treatment is debt service
    - ii. System debt service
    - iii. Emergency repair
    - iv. Revenue financed capital

## Sewer Charges





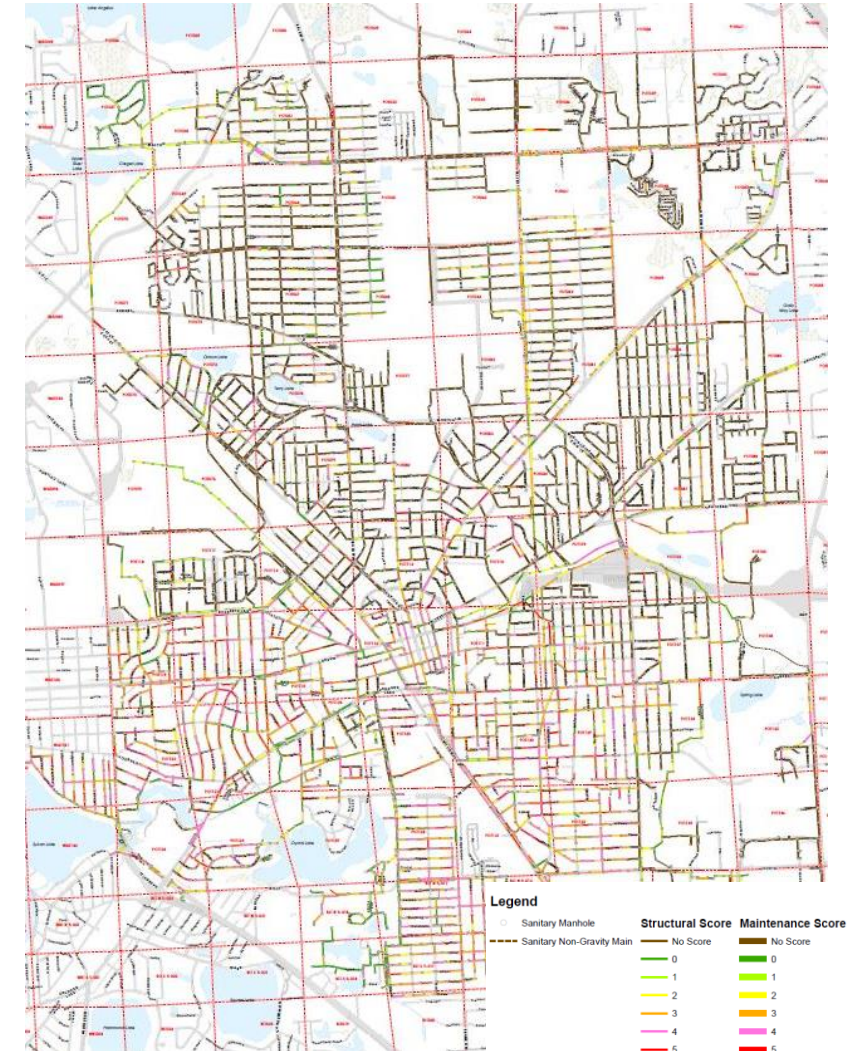
# Current Pontiac Sewer Rate

- Usage Charge = \$38.40/MCF  
(comprised of usage expenses/total sales based on historical trends)
- Fixed Charge = \$22.84 per month for a 5/8" meter

	Monthly Fixed
<u>Meter Size</u>	<u>Charge (In City)</u>
5/8"-3/4", 1" Residential	\$22.84
1"	\$57.10
1 1/2"	\$114.20
2"	\$182.72
3"	\$365.44
4"	\$571.00
6"	\$1,142.00
8"	\$1,827.20
10"	\$2,626.60
12"	\$3,882.80

# Addressing an Aging Sewer System

- The sewer system is very old and historically little money has gone toward system improvements.
  - Due to limited past maintenance, repairs are plentiful and can grow quickly.
- Much of the sewer pipe is under a road (many major roads) so it's costly to repair (more difficult and more time consuming)
- Over 40% of the system is more than 80 years old
- Over the next 20 years, 75% of the system will have reached its useful life
- Approximately \$220M will be needed over the next 20 years for sewer line replacement
- The older the system, the more emergency repairs and maintenance required
- System improvements are needed to provide transportation and treatment at adequate levels of service




# 2021 Pontiac Water & Sewer Billing News

- No rate increase this year!
  - We are hopeful to use federal and state funding sources to offset the need for increased water rates
- EGLE Affordability and Planning Grant Award

# 2021 Pontiac Water & Sewer Billing News

## [New PayNearMe Program: Billing Services | Resources \(oakgov.com\)](#)



**WRC**  
WATER RESOURCES COMMISSIONER  
*Jim Nash*




### Pay Your Water Bill With Cash!

Making a cash payment just got easier and more convenient! Take your bill to a PayNearMe participating retail location in your neighborhood.

Or, scan the QR code to get a mobile barcode on your smartphone and leave the paper at home!


There are **no service fees** to use this convenient option. To find a location, visit [paynearme.com/cashmap](https://paynearme.com/cashmap)

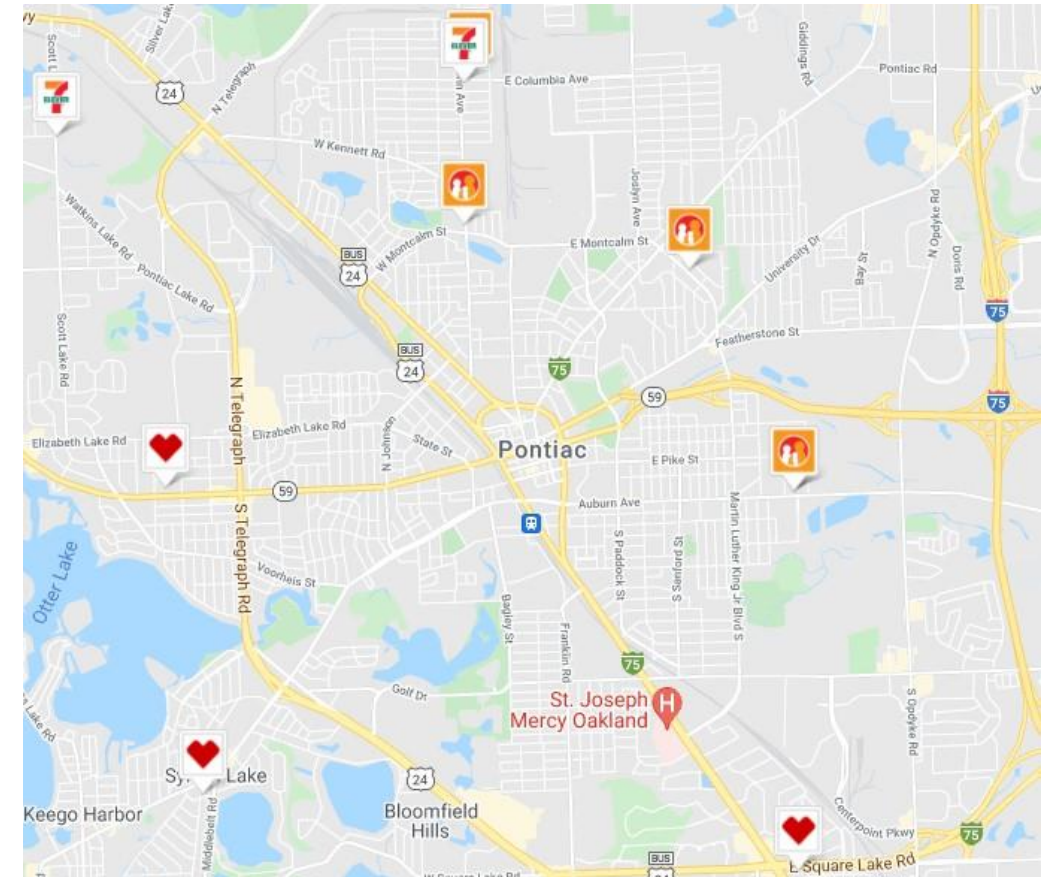

### Cash payments are as easy as Scan, Pay, Go!

- Locate the payment barcode on your statement
- Take the barcode to a participating retail location
- Pay with cash, and take your receipt

Oakland County Water Resources Commissioner **no longer** accepts cash payments at the office.  
Checks and money orders can be deposited in the drop box. To make a payment online, visit [oakgov.com/water](https://oakgov.com/water)  
For more information, please call (248) 858-1110

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## Questions / Open Discussion



# Thank you!

*Next meeting is Wednesday, June 15 at 10 a.m.*

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