CITY OF BURTON
FINANCE SUB-COMMITTEE MEETING MINUTES
MAY 13, 2009, 5:30 P.M., COUNCIL CHAMBERS
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The Meeting is called to order by Finance Chairman Steve Heffner at 5:30 p.m.

MEMBERS PRESENT: Heffner, Tinnin and Zelenko.
MEMBERS ABSENT: None.
OTHERS PRESENT: G. Kray, DPW Director, Jeff Wright, Genesee County Drain Commissioner and David Jansen, Water & Waste Services Division Asst. Director, and J. Adams, Deputy City Clerk.

PURPOSE OF THE MEETING: DISCUSSION AND POSSIBLE RECOMMENDATIONS CONCERNING THE FOLLOWING:

1. Sewer Rates

PRESENTATION:

Mr. Kray said the Committee was given the sewer portion of the rate study prepared by Bendzinski. About a year and ½ ago, the County went through a restructuring of their rate system. They did an analysis of how much well users were using and paying versus how much water metered customers were using and paying. They found that well users were not paying their fair share. They restructured their rates which was revenue neutral County-wide, and it increased the rates coming in from the well users and decreased the monthly service charge to metered water users.

Mr. Kray said as of January 2, 2009, the County had a rate increase which put the City of Burton behind. For the average well customer we are still charging $53.79 a quarter, and the County is charging us $75.42 a quarter. For each well customer, we are losing money and for most of our water metered customers we are losing money as well. He asked our County Drain Commissioner Jeff Wright and Mr. Jansen to be here to answer any questions you might have regarding their new rate structure.

Mr. Wright said their office sent a letter to residents in 2007 because of the confusion on the rate restructuring. In 2007, Jones & Henry did an extensive rate study. They found the metered customers throughout Genesee County were paying $27.00 per month for their sewer. The flat rate customers across the County were paying $12.00 a month for 11 years. The rate restructuring actually lowered the average metered customer to $20.00 a month, and raised the non-metered customer to $19.05 a month. The letter was to explain how it was reducing about 60% of the customer bills across the County, and increasing 40%, i.e., revenue neutral.

Mr. Wright explained that the letter was confusing because the County has the same rate it charges to every community. Each community has its own needs and they put their rate on top of it. So every bill is not the same. Grand Blanc is a little higher, Richfield is a little lower and Burton is in the middle People were confused because they saw only the County's portion in that letter of what the rate structure was and not their own municipality.

Mr. Wright told the Committee, they are looking at 2 issues. The rate restructuring almost 2 years ago, and the County's first actual rate increase that took place January of this year. We haven't had a rate increase since 2002. The rate increase on the sewer system is mainly to cover electrical cost increases. Under the State's new energy policy, we got hit pretty hard for almost a million dollars.

In January, the Water & Waste Advisory Board voted on the rate increase. Vienna Township was the only community out of 33 that voted against it. The increase was $4.50 a month, per customer with 75% of it going to Consumers Power, a large portion of the remainder go to the chemical companies, debt service, materials and labor costs.

You can't run a utility without raising rates at some time. There are too many issues outside of our control with electricity, chemical costs, etc. This also works for the city. They have increased costs all the time as well.

If is frustrating because during the same period of time our electrical costs were going up so greatly, we actually reduced our electrical consumption by 20%, but because of how the new energy policies work, the bill went up considerably. Mr. Wright stated further that in 2001 when he took office, their electrical bill was 3.2 million dollars for the whole operation. It was over 7 million dollars in 2008, and they didn't have a rate increase during that period of time. We did a lot of things to cut our costs. Our union and hourly employees took a pay freeze and we reduced our staff by 20% over the last 18 months from its peak. We reduced retirement and health care benefits. Whatever the unions agrees to, management gets also.

The last increase in 2002 was designed to last 5 years and it actually lasted 7 years. This $4.50 is designed to last 5 years and should keep the County and its facilities up and running properly for the next 5 years.

Mr. Kray said in 2005-2006, of the $17.93 coming in monthly from each customer, we were sending the County $12.00 and keeping $5.93. When we get into the new rate structure that is proposed, we are passing penny for penny, and we are tacking on 5.93 for the City.

Mr. Wright said it is important to keep in mind the difference between meter and non-metered. A lot of the wells customers thought they were paying the same prices of homes that had water and sewer.

The flat rate charged County-wide is $23.55 per month. The average homeowners sends us 7,000 gallons of waste a month, metered or non-metered. If you look at that even with the increases, we are still in the bottom half of what all government units across the State charge for the same type of service.

Mr. Kray addressed Mr. Bendzinski's rate structure. There are some communities that have marked up the commodity charge. The County charges 1.658 per hundred cubit feet. We don't treat the sewer and we try to stay out of the commodity charge. Since we are in maintenance of the actual infrastructure, we put the money in the flat rate as Grand Blanc did. He thinks Swartz Creek did it the same way. That is what Bendzinski modeled ours after. Bendzinski is proposing through us, $5.93 per month, per unit, tacked onto the County's bill.

Mr. Kray reviewed Table 10. The City charge for monthly metered customers that have water and sewer would be $5.93 monthly and zero for the monthly usage, a $3.414 per month to the County for the ready to serve charge, $1.658 for every 100 cubic feet you use, and no free usage in this rate structure. The total would be 9.344 every month plus the 1.658 times the usage.

Mr. Kray said for the monthly unmetered, the City per RU (residential equivalent unit) would be $5.93 per month and the County per RU would be $24.14. For a normal residence it would be $30.07 a month or $90.21 a quarter.

Mr. Wright said the fixed costs of Burton's system, the Townships and the County's systems are fixed costs. If people decided to cut their water consumption by 50%, and everyone did that, the fixed costs do not go down 50%.

Discussion ensued concerning the Western Trunk Sewer, sewer relief stations, pumping stations, debt service, operations and maintenance of system

Mr. Kray referenced Table 10 and 11 and stated it shows the new rate structures and how it will impact our revenue. He said the new rates would generate $44,000 a year.

Mr. Wright said normally we would make a goodly amount of money to help offset these increased costs on interest, but it is not happening. Detroit is looking at putting another 10% on us this year, minimally. That is on top of the 15% last July. It is included in the rate structure you are paying right now. I have always recommended you past on the Detroit increases.

Mr. Wright stated we are going to be coming to this community and to the Water & Waste Advisory Board within the next few weeks to talk about a solution to the Detroit rate increases to build our own system. We are finalizing a report that will show we can save money and controlling it ourselves as a group of communities than just purchasing it from Detroit. Flint and Genesee County spend 20 million dollars a year just to purchase water from Detroit. Our total water at Genesee County is 16 million a year, and over 12 million of that goes to Detroit and Consumers Power. We operate on what is left. Mr. Wright stated further, he feels we can turn it around as a group of communities, controlling our own system.

Mrs. Tinnin asked if it could be done without a millage.

Mr. Wright said he believes the way we are going to propose it, that it is done through the existing rate structure with no additional tax or millage. He has always said he wants the people to vote on this water line. He has been informed by the Clerks of Flint and Genesee County, Legal Counsel and Bond Counsel, that unless I am asking for additional tax revenues or millage revenues, I can't put it on the ballot. Mr. Wright said it would have to be voted on by the Water & Waste Advisory Board, County Board Commissioners, City of Flint Council, etc. If we want to put it up to the people, we will need a nominal fee to them to put it on the ballot.

Brief discussion was held regarding metering the non-metered customers.

AUDIENCE PARTICIPATION:

Rick Fuhst, 1208 S. Genesee Rd., Burton, MI, commented regarding a home watering system to collect and utilize rainwater.

Mr. Wright said the system is very expensive
Mr. Jansen stated that open water troughs may cause health issues.

COMMITTEE DISCUSSION:

Mrs. Tinnin said if Bendzinski's rate structure is adopted, it needs to be explained to the public so they are well aware of how they may benefit versus how it would be cost ineffective.

Mrs. Zelenko said Swartz Creek put out an informational letter on their rates going up and it is on their website. They explained it pretty well.

The Committee thanked Mr. Wright and Mr. Jansen for coming to the meeting.

COMMITTEE RECOMMENDATIONS:

Tinnin moved and Zelenko seconded the following motion:

1. The Finance Committee recommends to send the information presented to Council as a whole.
Motion carried 3-0.

The Meeting adjourned at 6:32 p.m.

jra