



March 11, 2015

The Honorable
Board of Water Commissioners
City of Detroit, Michigan

Dear Chairman Fausone and Commissioners:

We are pleased to submit for your consideration today the proposed Capital Improvement Plans (“CIP”) for both the Water Supply and Sewage Disposal Systems, the proposed comprehensive BUDGET for FY 2015-16, which includes the operating budget, a plan to finance the CIP, contractual and regulatory non-operating expenses and the proposed schedule of water and sewer rates and charges for FY 2015-16.

The process this year has aligned consideration of the BUDGET (including the CIP) and the charges to our customer communities necessary to fund the BUDGET concurrently, and today’s continued public hearing is the third opportunity intended by the Board of Commissioners to seek and receive commentary on all aspects of the overall financial plan for FY 2015-16, including the proposed charges.

Early in the process, our first communication to our customer communities indicated that there were two (2) potential budget and associated monthly and unit charge scenarios that the Board could consider, both of which would honor the commitment of this Administration as well as the language of the Great Lakes Water Authority Memorandum of Understanding. Consistent with my communications with customer communities, we are recommending the least impactful scenario.

The proposed FY 2015-16 BUDGET reflects a slight decrease compared to the FY 2014-15 budget for the current year. The proposed charges are not recovering additional costs of providing water and sewer service, but rather address a fundamental revenue shortfall in the DWSD system due to lower sales, and reflect specific cost allocations in the proposed FY 2015-16 BUDGET.

As this has become our normal practice in the development of charges, there has been significant collaboration with our customer communities. Not unexpectedly, adjustments occur in that process. Prior adjustments have resulted in a minor positive revenue variance. There is one final adjustment that has been considered in the proposed schedule of charges before the Board today. That adjustment reflects a review of the charges for the newly formed North Oakland County Water Authority (NOCWA). When that final adjustment is taken into consideration, the net impact of all adjustments made within the wholesale class of customers, results in a negative variance of approximately \$318,000. This represents less than a 0.1 % reduction in projected revenue.

MIKE DUGGAN, MAYOR

We are not proposing any modifications to the originally proposed charges for any other customer communities, nor are we proposing any changes to the overall budget.

I note that we are not proposing charges for Genesee County Drain Commission (GCDC) or the City of Highland Park at this time. The basis for charges to those communities remains under review. We have estimated the relative BUDGET SHARE allocations to these customers in order to determine charge schedules for all other customers. We will propose charges for GCDC and Highland Park prior to June 1, 2015. Any changes will not result in recalculation of charges for any other customers.

Please note, the modifications I have introduced apply only to the charges for the Water System. The proposed charges for the Sewer System remain unchanged from the originally proposed calculations.

Lastly I point out one final change on the Schedule of Charges to which aligns the schedule as it relates to the Revenue Requirement for the City of Detroit with the information presented to the Finance Committee of the Board in their February 17, 2015 packet. This change does not impact proposed charges for other customers.

We sincerely appreciate your careful consideration of our proposed FY 2015-16 BUDGET, CIP, overall financial plan, and the proposed schedule of charges. The DWSD staff stands prepared to provide you with any additional information you may need.

Respectfully submitted,



Sue F. McCormick
Director

Proposed FY 2015-16 Wholesale Water Schedule of Charges *
and Total Revenue Requirement for the Detroit Retail Class

<u>Community</u>	<u>Proposed Rates</u>		<u>Community</u>	<u>Proposed Rates</u>	
	<u>Fixed Mo</u> \$/mo	<u>Commodity</u> \$/Mcf		<u>Fixed Mo</u> \$/mo	<u>Commodity</u> \$/Mcf
Allen Park	106,500	6.22	New Haven	16,000	9.16
Almont	10,600	7.75	NOCWA	1,129,400	9.58
Ash Township	34,000	6.98	Northville	34,400	8.60
Belleville	14,700	6.94	Northville Township	297,500	17.90
Berlin Township	33,000	9.11	Novi	560,600	16.99
Brownstown Township	153,100	8.75	Oak Park	62,500	4.59
Bruce Township	2,200	20.82	Oakland Co. Drain Comm	3,200	2.52
Canton Township	594,300	14.90	Plymouth	47,100	8.77
Center Line	22,000	5.03	Plymouth Township	194,300	9.42
Chesterfield Township	180,800	8.76	Redford Township	156,600	7.08
Clinton Township	356,100	7.12	River Rouge	32,600	4.42
Commerce Township	227,800	19.60	Riverview	50,100	8.52
Dearborn	451,200	5.55	Rockwood	13,700	9.95
Dearborn Heights	174,400	6.52	Romeo	12,100	13.87
Eastpointe	73,800	5.37	Romulus	169,500	6.85
Ecorse	66,000	3.52	Roseville	123,200	4.65
Farmington	45,200	7.38	Royal Oak Township	10,300	6.85
Farmington Hills	409,600	8.76	S O C W A	1,139,500	6.97
Ferndale	44,400	5.47	Shelby Township	621,800	12.56
Flat Rock	54,200	7.35	South Rockwood	4,700	7.56
Fraser	59,800	7.14	Southgate	99,300	6.46
Garden City	76,000	6.61	St. Clair County-Burtchvil	13,400	13.43
Genesee County DC	TBD	TBD	St. Clair County-Greenwo	<i>varies</i>	5.58
Gibraltar	21,400	10.09	St. Clair Shores	142,100	5.24
Greater Lapeer C.U.A.	131,500	10.11	Sterling Heights	725,000	9.45
Grosse Ile Township	58,400	10.87	Sumpter Township	29,800	7.94
Grosse Pt. Park	64,700	8.49	Sylvan Lake	10,900	12.47
Grosse Pt. Shores	27,800	13.10	Taylor	222,200	6.17
Grosse Pt. Woods	66,500	6.65	Trenton	97,600	8.30
Hamtramck	32,500	4.27	Troy	602,700	10.76
Harper Woods	40,000	5.42	Utica	27,000	9.39
Harrison Township	65,800	5.42	Van Buren Township	133,300	8.02
Hazel Park	32,100	5.13	Walled Lake	42,500	10.63
Huron Township	64,600	8.61	Warren	517,600	5.71
Inkster	84,100	6.73	Washington Township	139,700	17.46
Keego Harbor	14,300	10.38	Wayne	126,000	9.79
Lenox Township	13,800	5.82	West Bloomfield Townshi	465,400	13.69
Lincoln Park	107,500	5.97	Westland	277,000	7.01
Livonia	620,800	10.35	Wixom	110,200	13.16
Macomb Township	484,000	12.78	Woodhaven	93,300	12.03
Madison Heights	94,400	5.10	Ypsilanti Comm Util Auth	499,400	7.93
Melvindale	30,600	5.33			

* Wholesale charges will be effective July 9, 2015

Annual Detroit Revenue Requirement \$ 94,641,200 - Effective July 1, 2015

Proposed FY 2015-16 Sewage Disposal System
 Schedule of Wholesale Monthly Charges *
 and Total Revenue Requirement for the Detroit Retail Class

Fixed Monthly Charge				
FY 2015-16				
	<u>BUDGET</u>	<u>5-Year LBA</u>	<u>Total</u>	
	\$	\$	\$	
<u>Billing Meter Customers</u>				
1	OMID	5,501,800	255,100	5,756,900
2	Rouge Valley	4,408,500	(91,600)	4,316,900
3	Oakland GWK	3,627,600	(59,200)	3,568,400
4	Evergreen Farmington	2,556,900	(41,200)	2,515,700
5	NE Wayne Co	1,915,000	1,900	1,916,900
6	Allen Park	53,300	1,500	54,800
7	Center Line	73,700	200	73,900
8	Dearborn East & West	1,363,600	(22,100)	1,341,500
9	Farmington	88,200	(500)	87,700
10	Grosse Pointe Park	129,300	(4,900)	124,400
11	Melvindale	109,800	(200)	109,600
12	<i>Grosse Pointe Farms</i>	211,800	(4,500)	207,300
<u>System Metered Customers</u>				
13	Dearborn E. (Storm Only)	81,000	(8,100)	72,900
14	Dearborn N.E.	112,100	4,800	116,900
15	Grosse Pointe	74,700	(4,000)	70,700
16	Hamtramck	323,800	4,000	327,800
17	Harper Woods	19,200	1,900	21,100
18	Highland Park	462,400	5,700	468,100
19	Redford Township	9,900	(200)	9,700
20	Wayne County #3	3,700	1,100	4,800
21	Wayne County #6	11,000	0	11,000

** Wholesale charges will be effective July 9, 2015*

Total Annual Requirement effective 7/1/2015				
FY 2015-16				
	<u>BUDGET</u>	<u>5-Year LBA</u>	<u>Total</u>	
	\$	\$	\$	
22	Allocated Detroit Revenue Req't	234,643,600	20,000,000	254,643,600

Proposed FY 2015-16 Sewage Disposal System Rate Schedule
Industrial Specific Retail Sewer Charges

Industrial Waste Control Charges		Pollutant Surcharges	
<u>Meter Size - inches</u>	<u>Charge</u> \$/mo	<u>Pollutant</u>	<u>Charge</u> \$/lb
5/8	5.50	BIOCHEMICAL OXYGEN DEMAND (BOD)	
3/4	8.25	for concentrations > 275 mg/l	0.477
1	13.75		
1-1/2	30.25		
2	44.00	TOTAL SUSPENDED SOLIDS (TSS)	
3	79.75	for concentrations > 350 mg/l	0.483
4	110.00		
6	165.00		
8	275.00	PHOSPHORUS (P)	
10	385.00	for concentrations > 12 mg/l	7.129
12	440.00		
14	550.00		
16	660.00	FATS, OIL AND GREASE (FOG)	
18	770.00	for concentrations > 100 mg/l	0.459
20	880.00		
24	990.00		
30	1,100.00	SEPTAGE DISPOSAL FEE	
36	1,210.00	Per 500 gallons of disposal	45.00
48	1,320.00		

FY 2015-16 Comprehensive BUDGET Summary

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operation & Maintenance Expense</u>			
1 Salaries/Wages	26,314,000	37,596,500	63,910,500
2 Overtime	5,332,200	8,023,100	13,355,300
3 Pension & Fringes	11,010,000	15,884,900	26,894,900
4 Subtotal Personnel	42,656,200	61,504,500	104,160,700
5 Contractual/Purchased Services	52,049,300	66,629,400	118,678,700
Utilities			
6 Electric	33,418,400	18,316,400	51,734,800
7 Gas	1,457,200	9,897,600	11,354,800
8 Other	763,500	3,806,500	4,570,000
9 Subtotal	35,639,100	32,020,500	67,659,600
10 Chemicals	8,174,500	22,284,300	30,458,800
11 Supplies & Other	13,946,300	20,555,100	34,501,400
12 Subtotal Non-Personnel	109,809,200	141,489,300	251,298,500
13 Subtotal O&M	152,465,400	202,993,800	355,459,200
14 Pension Reimbursement - Operating	10,300,000	13,700,000	24,000,000
15 Total O&M	162,765,400	216,693,800	379,459,200
<u>Debt Service</u>			
16 Senior Lien - Existing	134,908,700	144,633,400	279,542,100
17 Senior Lien - Projected	4,193,800	0	4,193,800
18 Second Lien	42,185,200	54,206,900	96,392,100
19 SRF Junior Lien - Existing	1,777,900	37,877,100	39,655,000
20 SRF Junior Lien - New	0	2,725,000	2,725,000
21 Total Debt Service	183,065,600	239,442,400	422,508,000
<u>Fixed Non-Operating Expense</u>			
22 Non-Op Pension Reimburse	9,200,000	12,200,000	21,400,000
23 B Note Payments	1,097,200	1,826,000	2,923,200
24 Total Fixed Non-Op Exp	10,297,200	14,026,000	24,323,200
25 "Net Resources"	47,671,200	59,273,500	106,944,700
26 TOTAL BUDGET	403,799,400	529,435,700	933,235,100
<u>Application of "Net Resources"</u>			
27 <i>Operating Reserves</i>	2,623,900	3,204,400	5,828,300
28 <i>Water Retail Assistance Program</i>	1,981,200	2,610,800	4,592,000
29 <i>Detroit Specific Rev. Fin. Capital</i>	22,500,000	27,500,000	50,000,000
30 <i>System Rev. Fin. Capital</i>	20,566,100	25,958,300	46,524,400

Proposed Capital Improvement Program Summary

	BUDGET					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>5-Year Total</u>
Water Supply System	132,718,000	174,967,000	153,312,000	117,606,000	57,600,000	636,203,000
Sewage Disposal System	129,581,000	104,957,000	95,275,000	65,550,000	45,000,000	440,363,000
Total DWSD	<u>262,299,000</u>	<u>279,924,000</u>	<u>248,587,000</u>	<u>183,156,000</u>	<u>102,600,000</u>	<u>1,076,566,000</u>