

**Approved
July 21, 2008**

**REGULAR MEETING
(CONDUCTED AS A COMMITTEE-OF-THE-WHOLE)
OF THE COUNCIL
CITY OF SOUTHFIELD**

June 16, 2008

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MINUTES

June 16, 2008

The meeting of the Council convened at 7:30 p.m. in the Council Conference Room of the Municipal Building, 26000 Evergreen Road, Southfield, Michigan, with Council President Joan Seymour in the Chair. PRESENT: Council Members: Donald Fracassi, Myron Frasier, Sidney Lantz, Bill Lattimore, Joan Seymour and Kenson Siver. EXCUSED: Sylvia Jordan. ALSO PRESENT: City Clerk Nancy Banks, City Administrator James Scharret and City Attorney Jack Beras. There being a quorum, Council was in session.

The first item on the agenda was the Southfield Police Department United States Department of Justice 2008 Edward Byrne Memorial Justice Assistance Grant.

Sergeant Michelle Kuzila stated that the City is working with Oakland County and the City of Pontiac on submitting a joint application for a combined direct award of \$98,869, of which Southfield would receive \$36,988. No matching funds are required. The funds would be used for two initiatives this year, upgrading the Employee ID System and purchasing a mechanical records filing system for the Records Bureau.

Councilman Frasier asked if it is a cardex file. Sergeant Kuzila replied that it is a vertical filing system that can be rolled and locked. It will provide 33% more space than is currently available.

Councilman Frasier replied that it seems as if this is a step backwards if the goal is a paperless system. Sergeant Kuzila responded that fingerprint cards and detention records are still needed.

C-41-2008 Motion by Fracassi; seconded by Frasier.

BE IT RESOLVED: that City Council does hereby determine that there is an immediate need to act pursuant to Rule 10 of the Council Rules of Procedure; and

BE IT FURTHER RESOLVED: that City Council does hereby authorize the completion of an application for a 2008 Edward Byrne Justice Assistance Grant; and

BE IT FINALLY RESOLVED: that City Council does hereby authorize the Mayor and City Clerk to sign the “Intergovernmental Agreement Between and Among the County of Oakland, The City of Pontiac and The City of Southfield,” upon review and approval by the City Attorney’s Office.

Motion passed unanimously.

Next on the agenda was a Water & Sewer Overview.

Mr. Scharret stated that at the Committee-of-the-Whole Meeting on November 8, 2007 there was considerable discussion regarding water and sewer rates and the Water & Sewer Department’s operating policies and procedures. At the conclusion of the discussion a commitment was made by Administration and staff to do the following:

1. Develop a plan to help with sewer charges to volunteers maintaining subdivision entranceways.
2. Provide for more up front involvement of Council in rate making.
3. Provide a comprehensive overview of Water and Sewer issues.

The Subdivision Entranceway Appearance Program was given consensus support at the June 2, 2008 Committee-of-the-Whole Meeting. The water and sewer rate process was moved up in the budget calendar.

Mr. Scharret thanked the Council Finance Committee for working with staff to improve/clarify exhibits and streamline the presentation. He also commended the Public Works staff for their hard work.

Mr. Scharret stated that the presentation will be two-pronged. He will provide a financial overview and Gary Mekjian, Director of Public Works, Michael Habowski, Deputy Director of Public Works and Kathy Lewis, Public Works Analyst; will give an overview of the Water & Sewer Department’s operations.

Mr. Scharret stated that he will be seeking a consensus from Council on two recommendations.

There are approximately forty septic systems on the west side that need immediate attention. One of the recommendations will be to address a public health issue, the expedited remediation of failing septic systems, through the establishment of a \$1 million LIRF Fund transfer to address the problem. The costs are significant to an individual, in some cases, \$20,000 or more, and in this economy help would be needed to address the

issue. Only 29% of the property owners have hooked into the new sewer system. The second recommendation addresses a \$2 million LIRF Fund transfer for a loan program to encourage sewer hookups. The LIRF Fund has a balance of approximately \$8 million and annual revenues of \$900,000. The loans would be set up through the Treasurer's Department. The administration of this should be a Treasurer's function.

The City has a Combined Water and Sewer Rate of \$61.25 per Mcf in the current budget which is a 4.5% increase over last year. It provides for \$3.9 million in capital projects. The west side \$58 million sanitary sewer project was initiated in 1998-99. Four bonds, totaling \$37.9 million were issued to complete the project. Approximately \$20.1 million of the project cost was absorbed by the Water & Sewer Department, which helps explain the steady decline in cash in the Water & Sewer Fund. The debt for the west side sewer project will not be paid off until 2019. The debt structure is a very significant part of the budget.

The Water & Sewer Budget is nearly \$37 million. Water & Sewer bill revenues account for 97% of total revenue for water and sewer. Water & Sewer charges from outside authorities account for 17% of water & sewer expenses. Bond principal and interest payments and capital projects each account for 10% of the expenses.

Conclusions on the financial side of the issue are as follows:

1. Beware of cheap money and debt obligation.
2. Interest rate was 2.25% to 2.5% on money borrowed. Revenues have not been realized as were expected.
3. In the past money was borrowed from Water & Sewer on regular basis. The City has gotten away from that practice.
4. Pursue grants relentlessly for water and sewer capital improvements.

Councilman Lantz stated that in 1999 the City asked to install sewers on the west side and Council was told everyone would tap in. He asked what the figure was on those who did not tap in. Mr. Scharret replied that if a property owner has a functioning septic system it is not costing his neighbors more. The City is trying to encourage everyone to tap in there could be some failures that affect the rest of the system. With the current economy people will not tap in without financial help. He asked for consensus to move forward with establishing a program on how to handle failing septic systems.

Councilman Lantz stated that he has received complaints about estimated water bills. The homeowner's average bill is \$35.00 but estimated bills are \$149.00. It eventually is balanced out but he questioned why residents are being overcharged. If a resident calls the Water Department they don't get an answer. Mr. Scharret replied that part of the problem is a lack of history on water bills. The City is looking to improve the way estimates are done.

Councilman Lantz asked why the sewer rate is higher than the water rate. Mr. Mekjian replied that it costs more to handle sanitary sewage than it does to deliver water. The Clean Water Act mandates and sewage capacity at the waste treatment plants contribute to the rate.

Councilman Lantz noted that during heavy rains there is sewer back up in certain areas of the City. People are eating the cost. When they do complain only a small portion of the cost is repaid. Mr. Scharret replied that the City is among the best in terms of service in these situations.

Mr. Habowski explained that many times the backup happens on a weekend. The Orthodox community does not use phones on the weekend. They wait until Monday to call. Pictures are taken of every basement when a back up occurs if the City is called. Councilman Lantz replied that residents are not aware they should call. He suggested sending out a mailing with the information. Mr. Scharret responded that he would look into it.

Councilman Lantz stated that his daughter was treated poorly by the insurance company. She was only reimbursed \$13,000 of the \$50,000 in costs. Mr. Scharret replied that the City paid for the block that was installed.

Councilman Lantz questioned why the system continues to back up. Mr. Habowski replied that that area of the City has a combined storm and sanitary sewer. Every precaution has been taken to prevent backups however the entire system would have to be rebuilt in order to completely solve the problem. The City cannot afford to rebuild the system.

Mr. Scharret replied that the City will get a figure on the cost of replacing the system. Residents need a more dependable situation than what currently exists.

Councilman Siver asked who makes the determination a septic system is failing. Mr. Mekjian replied that the City contracts with the Oakland County Health Department. A County sanitarian inspects the system and the County makes the decision on whether its failing.

Councilman Siver stated that he has not received any complaints about sewer backups in some time. Does the City know how widespread the problem is? Mr. Scharret responded that significant improvements have been made but the area mentioned by Councilman Lantz is the worst area.

Councilman Siver asked what the boundaries are of the problem area.

Stuart Lebenbom, 17185 Sherfield, replied that six to eight neighbors have experienced problems in the past few years. There have been problems on Jeanette, Hilton, and Sherfield. There are many custom homes in that area and people have put a lot of money

into them. He was asked to get the City to take action. He knows the City is responsive and agrees with Mr. Scharret that the cost needs to be explored.

Council President Seymour asked if it goes west of Southwood. Mr. Lebenbom replied that the area is north of Ten Mile, west of Pierce, east of Southfield and south of Lincoln.

Mr. Mekjian gave a presentation on the Water & Sewer Department.

Mr. Mekjian stated that the City is a member of and purchases its drinking water from the Southeastern Oakland County Water Authority (SOCWA). SOCWA is comprised of eleven communities. SOCWA purchases water directly from the Detroit Water & Sewer Department (DWSD) and negotiates a wholesale water rate with DWSD. SOCWA eliminates peak usage charges. The City is divided into three sanitary sewage districts. The City pays Oakland County for wastewater disposal based on the amount of water consumption recorded by the SOCWA master meters during that billing cycle. The County's rate is based on the DWSD rate.

The Department of Public Works estimates the system cost for the upcoming year based on many items including:

1. An estimate of the amount of water to be purchased and sewage to be treated.
2. The costs to operate and maintain the water and wastewater system.
3. Capital Improvement Program projects.

All of these items are critical to efficient and dependable system performance.

A good water and sewer rate should cover all costs presented earlier and also provide enough revenue to fund capital projects necessary for the safe and efficient operation of the system. The water and sewer infrastructure in Southfield is aging, requiring continuous capital funding in order to repair, refurbish and replace it. Many municipal owned systems have avoided rate increases for years. The GAO estimates that 29% of water systems and 41% of sewer systems charge customers less than the cost of service. Money losing systems have no way to finance the expensive repairs without delivering a rate shock to customers.

The Department of Public Works will present a water and sewer rate that is based on need and is reasonable. The Department has worked with the City's professional engineering providers to create the Southfield Infrastructure Asset Management (SIAM) Report. The SIAM will assist the City with making important decisions related to infrastructures, asset management, budgeting and minimizing deferred maintenance. Due to the minimal fund balance, the Water & Sewer budget can no longer absorb annual increases in operational and capital costs. Administration will recommend rates that reflect these constraints and needs.

The Pollution Control Facilities Project and Sewer Connection Program was a \$58 million effort to provide public sanitary sewer to reduce and/or eliminate water pollution caused by failing septic systems while providing water and sewer services to the west side of the City. There are 37 properties with seriously compromised septic systems which are not connected to the sewer system. Owners of approximately 737 non-vacant properties were notified by the Health Department and have not responded. Properties that have never been inspected must connect to the sewer once their septic system fails.

A sewer connection program is recommended for the following reasons:

1. Avoiding water pollution from failing septic systems.
2. Continued compliance with MDEQ requirements for the City of Southfield's storm water permit.
3. Reducing the impact of debt retirement payments on the improvements.
4. Improving the cash flow for the City, enabling better management of assets and capital projects.

The loan program would be available to residents to help reduce the cost of tap fees and constructing the sewer lead from the house to the sanitary sewer (\$2 million from LIRF) and for the remediation of failing septic systems (\$1 million from LIRF). The average connection cost is approximately \$20,000. A revolving fund of \$2 million would provide assistance from about 100 properties.

The City does not currently allow a second water meter for dedicated outdoor or irrigation uses. Adding equipment (second meter) will increase cost of labor and materials for meter replacement, inspections, maintenance and reading and billing operations. The increases would directly affect the City's overhead costs. It would also discourage water conservation which may affect our maximum daily demand for water and thus higher water rates. Sewer charges would not be assessed. However, the un-assessed charges would still be billed to the City and be unfairly passed on to all other customers in the system.

Approximately 33% of water used in Southfield is used for outdoor or irrigation purposes. If this usage was not charged for sewage disposal, Southfield's sewer rate to its customers would increase 50% to cover the cost of the discounted second meters. He recommended consideration of researching the installation of separate meters for irrigation and outdoor water use for residential accounts only.

There has been a recent upward trend in delinquent water bills which is a reflection of the weak economy. Administration and staff have reviewed foreclosures and has determined that the risk exposure is minimal. If a lending institution forecloses on a property the City will typically receive payment. If an individual declares bankruptcy, the City must "get in line" with other creditors to recuperate the money. Final settlement of delinquent water bills may be greatly reduced from what is actually owed the City. If delinquencies continue to increase, cash flow for the division could be adversely affected, requiring

monies to be transferred in to the division for operations and payments on capital improvements. The City is closely monitoring the situation.

The Cross-Connection Elimination Program is an MDEQ mandated program for prevention of backflow of contaminants into the public potable water supply. In order to prevent backflow at the point where cross connection is possible a backflow prevention assembly must be installed. The purpose of the program is to ensure that all backflow prevention assemblies are inspected and operating correctly. Currently, the MDEQ requires only commercial and industrial customers be inspected for potential cross connections. However, the MDEQ intends to require inspections of all customers, including residential customers. Many communities and governmental agencies, including the OCDC, currently require cross connection inspections of residential customers.

The Cross-Connection Elimination Program will include scheduling, performing and tracking all inspections and re-inspections; coordinate with appropriate city departments if non-compliance and /or code violations persist; maintain an up-to-date database of all inspected properties. The recommended funding of \$85,000 annually is included in the budget for 2008-09. In order to protect public health, discontinuance of service will occur if the customer does not comply with the ordinance.

The Automated Meter Reading and Meter Replacement Program is a comprehensive City-wide effort to replace all residential water meters, upgrade and expand our automatic meter reading system (AMR) and improve our meter reading data collection process to a mobile collection and/or fixed network system. The program will improve customer service by providing detailed profiling of customer consumption, reads are taken on a daily basis, virtually eliminates estimated water bills and provides real-time capacity to notify customers of abnormally high water usage, possibly indicating a leak.

Actual meter readings will mean that manual bill adjustments are eliminated. Existing staff can be reprogrammed to other operational needs. "Water loss" from the system will be reduced allowing the City to better understand its true consumption requirements and improve the City's overall ability to monitor the water distribution system.

The new system will allow the City to monitor potential backflows into the potable water system, notify the City if the meter has been tampered with and reduces or eliminates the risk of injury to employees from dog bite, slip and fall on ice, etc. Because the meter reading occurs automatically on a daily basis, the real time data will allow the City to monitor and better address discontinuance of water service to vacant properties.

Councilman Lantz asked if the City can force property owners with failing septic systems to connect to the sewer system. Mr. Beras replied that the City can take them to court to force them to hook up to the sewer system.

Mr. Mekjian stated that the current loan program is for the tap in fee. The new loan program would be for installing the connection from the house to the street.

Councilman Frasier asked if the City was loaning the money or guaranteeing the money the residents borrow from the bank. Mr. Scharret replied that the City is planning on lending the money. Some cases may be referred to SHIP if serious financial issues exist.

Kathy Lewis, Public Works Analyst, stated that she spoke to the City of Farmington Hills and Bloomfield Township and in both cases they advised against allowing second water meters.

Councilman Frasier questioned who Ms. Lewis spoke to because he had spoken to the Farmington Hills City Manager, Steve Brock, and Mr. Brock indicated he thought it was a good idea.

Council President Seymour stated that the City needs to know why Mr. Brock thinks it's a good idea. Mr. Scharret replied that dual meters is not a good idea for commercial property.

Councilman Lantz asked how the City can stop trucks from filling their trucks with water from a fire hydrant. Mr. Mekjian explained that some companies obtained permits and a meter from the City to enable them to do so.

Mr. Habowski added that Code Enforcement is always on the lookout for these companies. He suggested that Councilman Lantz call Code Enforcement or the Police if he sees someone doing it. Dispatch is aware of the problem and a few have been caught.

Roy Bell stated that not every house in his neighborhood experienced a back-up. The ground needs to be tapered away from the house to make sure water from downspout drains into the yard or into the street. Mr. Habowski stated that downspouts should have 4 to 6 foot extensions in order to avoid water in the basement.

Mr. Habowski stated that it is better to let the streets flood because if the streets flood than the basements won't flood. Mr. Lebenbom stated that steps need to be taken to stop up some drains and let the streets flood. Mr. Habowski replied that some water needs to go into the system but he will take a look at it.

Nancy Banks, City Clerk, stated that she received a letter from the taxicab owners requesting a rate increase. The last increase was in 2000. She asked that the matter be referred to a committee. The ordinance needs to be revisited. There are several issues that need to be addressed. A copy of the letter was included in Council's packet.

There being no further business, the Regular Meeting (conducted as a Committee-of-the-Whole) adjourned at 9:40 p.m., June 16, 2008, until the next Regular Meeting (conducted as a Committee-of-the-Whole) on July 7, 2008, in the Council Conference Room of the Municipal Building, 26000 Evergreen Road, Southfield, Michigan.

Joan Seymour, Council President

Nancy L. M. Banks, City Clerk