



# *Oak Pointe Sewer and Water Systems*

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## *Explanation of Fiscal Year 2020 Rate Changes*

The Oak Pointe Sewer and Water Systems, which serve 419 Flat Rate Sewer Customers and 920 Metered Water and Sewer Customers, is continuing to go through substantial changes to meet the customer demands and make the system more modern, reliable, safe. With the original system constructed in 1988, the rapid growth in Oak Pointe during the 1990s and early 2000s stressed the sewer and water systems capabilities. Since 2005, with your cooperation, we have met these challenges and our proud to report that the Oak Pointe Sewer and Water Systems are in the best operating condition since their original construction. Following is a brief summary of the major capital improvement projects conducted:

- 2005 - Ground Storage Tank and Booster Station Construction to meet morning peak hour demands during irrigation season
- 2006 – New Generator at Water Treatment Plant
- 2007 – Replacement of Iron Removal Media, Painting of Water Treatment Plant
- 2007 – Plant Chemical Room Bulk Chlorine Storage Addition
- 2011 – Radio Telemetry System Control Installation for Monitoring and Control of Towers, Booster Stations and Plant
- 2013- Placement of 10 Sanitary Pump Stations on Cellular Based Monitoring and Control System to be notified of alarms and station interruptions
- 2014 – Painting of Elevated Storage Tank
- 2015 – Connection of Oak Pointe to Genoa-Oceola Wastewater Plant and Conversion of Plant to Equalization Station
- 2016 – As a result of reduced demand on existing waste water generator at old Waste Water Plant, connected Booster Station to Automatic Transfer Switch for emergency power for water Booster Station
- 2017- Installation and Integration of a Corrosion Control Chemical at Water Treatment Plant to Reduce Corrosion in Distribution System
- 2017- Rebuilding of Wells at Water Treatment Plant and Well Screen and Casing Rehabilitation
- 2018- Installation of New Programmable Logic Controller and Computer Control System for Water Treatment Plant
- 2019- Rebuilding of Operations Control Valve at Water Booster Station and installation of manual bypass in station
- 2020 – Painting of Water Treatment Plant Tanks and Piping

In addition to the significant capital improvements listed above, we have replaced 318 obsolete 200 Series Grinder Pumps in the collection system, rebuilt and replaced numerous submersible pumps in the sanitary system, painted all the fire hydrants, located and exercised all water valves, painted the buildings, and performed paving projects for the water and sewer sites.

These improvements were all necessary to assure that your sewer and/or water system are safe and operable for your daily needs. In addition, we are hopeful you have noticed improvements in reliability and quality over the past several years. Our goal is that this system, which is critical to maintaining the quality of life in the Oak Pointe, North Shore, and Tri-Lake Communities, continues to serve you long into the future. In addition, to the best of our ability, we have tried to maintain reasonable rates and to pay back the debt from conducting necessary improvements.

The remainder of this memo is dedicated to explaining some recently adopted rate changes that you will notice.

### ***Water System Rates***

For FY 2020, a 5% rate adjustment to metered water customers was approved by the Genoa Township Board. The reason for this increase in the metered rate is to cover expenses related to improved lead and copper corrosion control measures in the Oak Pointe Water System. Producing water that does not have the potential to leach lead and copper from household plumbing fixtures is extremely important to us as we want to distribute water that is safe for your daily consumption. As a result, this past fiscal year was the first full year we operated a corrosion control system for Oak Pointe Water. As part of that, our chemical treatment costs nearly doubled and we were required to perform point of entry water quality parameter sampling bi-weekly by the MDEQ. This increased our operational costs by \$20,000. We are pleased to report that by providing this treatment improvement, Oak Pointe Water not only passed, but exceeded all copper and lead sampling requirements in the past year. It is anticipated that this increase will cover these increased expenses, and it is projected that Oak Pointe will finish with a small budget surplus of \$3,250 and a fund balance of \$56,000 as part of a \$500,000 budget.

### ***Sanitary Sewer O&M Rates***

The Oak Pointe Metered Sewer Rate has remained unchanged at \$5.98 per 1,000 gallons since 2012. Unfortunately, costs for sanitary sewer operation have steadily climbed since that time, and recently the Genoa-Oceola Sewer and Water Authority increased their metered rates for treatment by \$0.25 per 1,000 gallons. Due to this increase, it was necessary for Genoa Township to increase the Oak Pointe metered sewer rate from \$5.98 to \$6.22 per 1,000 gallons to absorb this increase that the Oak Pointe system is being charged for treatment.

In addition to the metered charge, we also evaluated the flat rate charge. In Oak Pointe, the average metered customer uses approximately 15,000 gallons of sewer water per quarter, or 90 days. Therefore, if we wanted to have flat rate customers, equitably billed with metered customers, the rate should be  $15 \times 6.22 = \$93.30$  per quarter. As a result, Genoa Township lowered the flat rate from \$125.76 per quarter to \$95 per quarter. With many flat rate customers,

they also have a grinder pump, concurrent with the O&M rate, it was decided to also carefully look at the cost to simply maintain grinder pumps for the 434 homes in Oak Pointe that have them. The addition of this charge to the bill is summarized below.

***Grinder Pump Maintenance Charge***

As stated above, we looked at our annual cost to maintain the 610 total grinder pumps in the Utility Systems. The total cost to repair pumps, perform service, rebuild pumps, have a 24 hour emergency number, and replace 5% of the pumps per year is \$137,542. Oak Pointe has 434 grinder pumps in their system. Therefore, Genoa Township wanted to make steps toward fully covering the cost of the grinder pump service we provide. Therefore, this year, the Township Board decided to place a \$40 per quarter grinder pump charge on the utility bill of each customer with a grinder pump to begin covering the costs of maintaining these specific components of the system. Presented below is a detailed budget summary of the cost to maintain grinder pumps and the supporting documentation of these costs.

<b>Annual Grinder Pump Costs</b>	
Repair Parts	\$37,224
Employee Service Costs	\$21,741
Service Grinder Van Costs	\$8,240
Rebuild Labor	\$9,200
24 Hour Emergency Line Cost	\$4,500
New Replacement Pumps (5%/Yr)	\$56,637
<b>Total</b>	<b>\$137,542</b>
<b>Oak Pointe (71.26% of Costs)</b>	<b>\$98,012.57</b>
<b>OP Grinder Revenue(\$40/Qtr)</b>	<b>\$69,440</b>
<b>Actual Qtrly Rate Required (Need To Get Too)</b>	<b>\$56.46</b>

<b>Supporting Documentation</b>	
<b>Grinder Service Van</b>	
Gas	\$439.83
Repairs	\$2,200.00
Depreciation	\$5,600.00
<b>Annual Total</b>	<b>\$8,239.83</b>
<b>Employee Labor Service</b>	
Employee Hours Per Failure	4
Avg Employee Hourly Rate	\$35
No. Call Outs Per Year	157
<b>Total Labor For Service Calls</b>	<b>\$21,741</b>
<b>Rebuild Labor</b>	
Per Grinder Labor	\$200
No. of Rebuilds per Year (2018)	46
<b>Rebuild Costs</b>	<b>\$9,200</b>
<b>Replacement Pumps (Not 200 Series CO)</b>	
Cost Per Pump	\$1,860
Replacement Per Year (20 Yr. Useful Life)	30.45
<b>Cost Per Year</b>	<b>\$56,637</b>

For a flat rate customer, who formerly paid \$125.76 per quarter, the new O&M Rate will be \$95 per quarter for O&M, and \$40 per quarter for grinder pump maintenance/replacement, for a total new quarterly fee of \$135 per quarter.

***Debt Service Charge***

There are no changes to any of the debt service charges for the Oak Pointe System.