

**OFFICIAL PROCEEDINGS
CITY COUNCIL
CITY OF ESCANABA, MICHIGAN
Town Hall Meeting
Thursday, May 2, 2019**

Pursuit to a special meeting notice posted April 26, 2019, the meeting was called to order by the Honorable Mayor Marc D. Tall at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Discussion – Informative Meeting On The Proposed Utility Rate Increases

Administration led a discussion concerning the proposed utility rate increases.

Water/Wastewater Superintendent Jeff Lampi presented an informative slideshow on the proposed utility rate increases. City Manager Patrick Jordan, Superintendent Jeff Lampi, and City Council members fielded questions and concerns from public members in attendance. (See attachment – A)

Mayor Marc Tall suggested putting the utility rate increase on the next regular City Council Meeting for Council to discuss.

Hearing no further public comment, the Council adjourned at 6:49 p.m.

Respectfully submitted,

Phil DeMay
City Clerk

Approved: _____

Marc D. Tall, Mayor

Creating the Annual Budget's for Water & Wastewater

Jeff Lampi
W-WW Supt

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W-WW Departments Oversight

- EPA
 - Clean Water Act 399
- Michigan DEQ
- Public Health Department
- City of Escanaba Council
- City Manager
- W-WW Superintendent

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Key components used to produce Wastewater Department Budget

- Primary Settling Evaluation: 2014 to 2015
- SAW Grant 2015 – 2018
 - Created WW AMP
- Experience and advice of current and retired staff
- Engineering plans to mitigate future by-passes and abide to NPDES Permit

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Snap Shot of WW Budget

CITY OF ESCANABA
 2019-2020 Wastewater Fund Budget Request Workpaper
 Fund Number 555
 WASTEWATER FUND-INCOME STATEMENT

	Actual 2018-17	Actual 2017-16	Estimate 2018-19	Budget 2018-19	Budget 2019-20	\$ Change Col. 5-Col. 4	% Change Col. 5-Col. 4
Operating Revenues	1,421,732	1,449,110	1,702,000	1,691,500	2,022,300	330,800	19.56%
Less: Operating Expenditures							
Administrative Expenses	516,189	567,099	672,873	624,743	555,892	40,828	7.74%
Production Expenses	326,714	369,587	349,300	459,045	484,692	19,849	4.22%
Station Expenses	18,178	19,179	27,700	30,233	32,692	3,429	12.96%
Transmission/Distribution Expenses	100,874	108,328	167,784	183,169	169,232	(3,537)	-2.88%
Customer Service Expenses	28,236	36,669	23,200	28,668	28,340	(326)	-1.14%
Other Expenses	441,637	483,345	639,122	498,787	584,659	76,072	18.66%
Net Operating Income	(19,249)	(4,829)	(272,753)	(15,163)	179,822	195,065	-1269.99%
Plus: Interest Earnings	68,857	34,097	35,000	46,000	40,000	(5,000)	-11.11%
Less: Gain/(Loss) on Investments	(79,364)	(28,014)	0	0	0	0	0.00%
Loss: Bond Interest Expense	2,199	1,682	358	675	0	(675)	-100.00%
NET INCOME	(49,761)	4,492	(238,057)	29,162	219,922	190,760	654.14%

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Wastewater Cash Flow

Projected Cashflow Results - Wastewater Fund

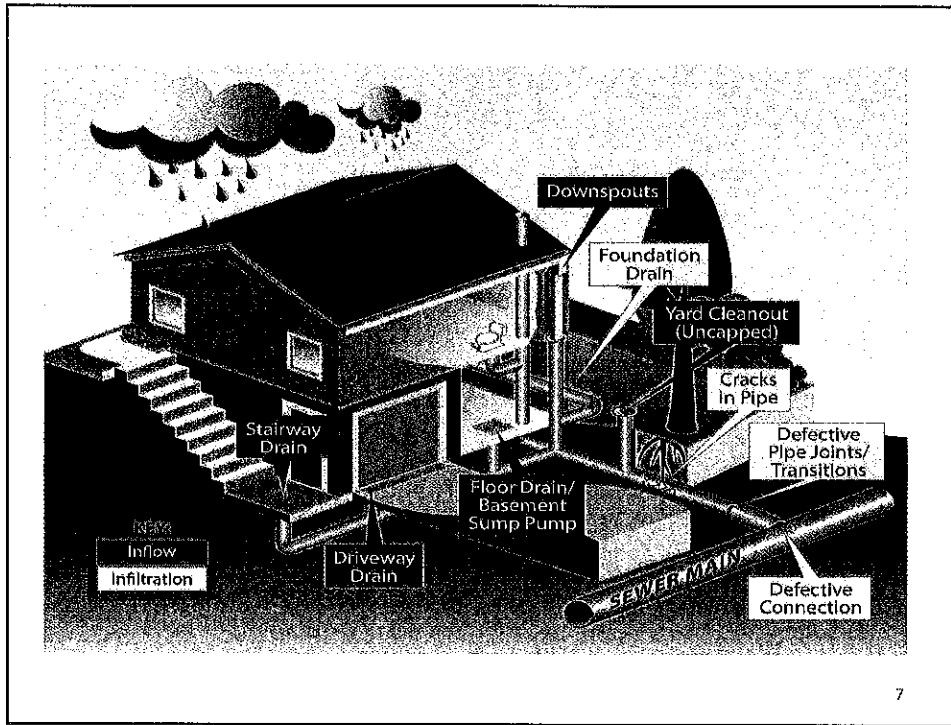
	18/19 Approved <u>Budget</u>	18/19 Estimate <u>Budget</u>	19/20 Proposed <u>Budget</u>
Profit & Loss	-\$15,163	-\$272,759	\$179,922
Add-Back Depreciation	295,000	290,000	358,000
Deduct Capital Expenditures	-1,188,250	-381,800	-1,497,050
Move Cash to Reserves	-	-	-
Deduct Debt Service (Principal Only)	<u>-60,000</u>	<u>-60,000</u>	<u>0</u>
Projected Cashflow	<u>-\$968,413</u>	<u>-\$424,559</u>	<u>-\$959,128</u>

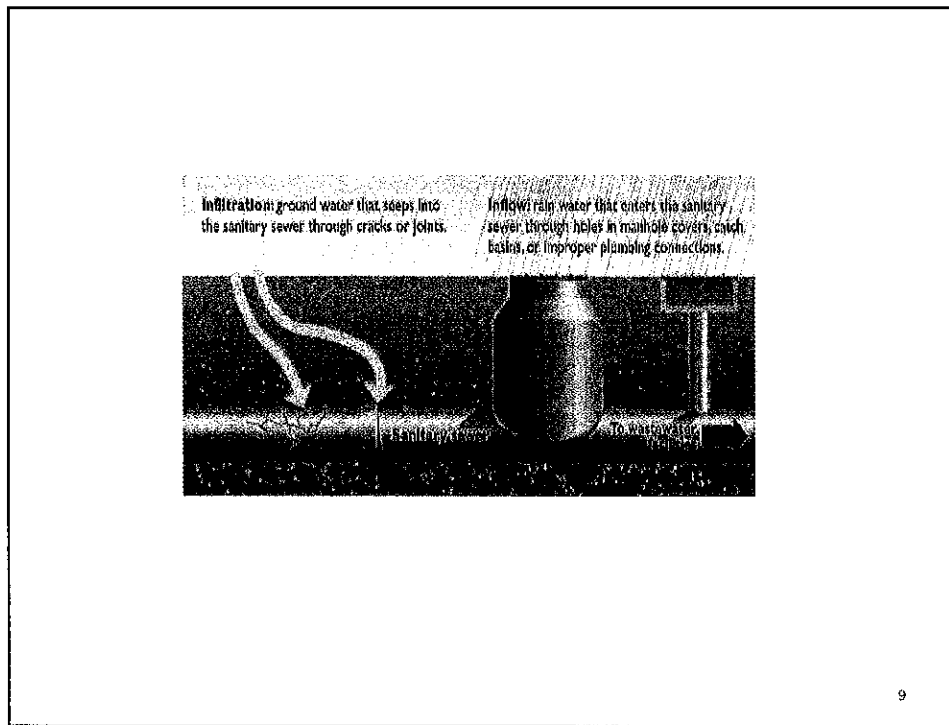
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Wastewater Plant By-Passing Events

- 2014, 2017, & 2019 By-pass events
- Contributing Factors for these events
 - High ground water
 - Large Rain Events
 - Old pipe
 - Inflow (manhole covers)and intrusion (leaking pipes) problems
 - Sump pumps plumbed to the Collection System
 - Foundation & Roof Drains plumbed to the Collection System

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Collection System Improvements to reduce incoming flows

- CIPP lining
- Sewer Main Replacement
- Manhole Replacement or Rehabilitation
- Replacing Manhole covers
- Eliminating Roof Drains, Foundation Drains, Sump Pumps and other contributing factors to large Flows of Storm water to Wastewater Plant

Wastewater Plant & High Flows

- We must pump all incoming flow, regardless of plants ability to treat effectively.
- Plants Hydraulic Capabilities
 - Design Flow: 2.2 MGD
 - Peak Flow: 5.0 MGD
 - Project is planned to increase Peak Flows to 7.25 MGD

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Wastewater Plant Improvement Plans

- State Revolving Loan Funds (SRF) are being sought
- \$12- 13 Million for Upgrades
 - New Bar Screen
 - New Grit Machine
 - New Primary Treatment Tanks (DEMO of old ones)
 - Addition of a 4th Raw Sewage Pump
 - Addition of 3rd Aeration Basin and Final Setting Tank (Providing the Plant the ability to treat additional incoming flow without by-passing)
 - Replacing brick on building, adding administration space, adding a garage for equipment storage
 - Addition of Effluent Pump Station for high flows

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Key components used to produce Water Department Budget

- General Plan
- Capital Improvement Plan
- Reliability Study
- Asset Management Plan (0-20 year plan)
- Experience and advice of current and retired staff

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Snap Shot of Water Budget

CITY OF ESCANABA
2019-2020 Water Fund Budget Request Workpaper
Fund Number 333
WATER FUND-INCOME STATEMENT

	Actual 2016-17	Actual 2017-18	Estimate 2018-19	Budget 2018-19	Budget 2019-20	\$ Change Col. 6-Col. 4	% Change Col. 6-Col. 4
Operating Revenues	2,176,841	2,432,298	2,618,600	2,414,600	3,478,300	1,061,700	43.97%
Less: Operating Expenditures							
Administrative Expenses	631,067	577,299	597,000	743,358	811,066	67,728	9.11%
Production Expenses	395,692	360,958	436,000	516,212	632,244	17,132	3.29%
Transmission/Distribution Expenses	218,648	174,628	206,800	286,616	698,489	300,673	106.34%
Customer Service Expenses	47,779	60,391	86,700	83,982	89,682	6,620	6.69%
Other Expenses	692,669	532,442	671,160	659,984	685,645	14,336	-0.86%
Net Operating Income	402,605	846,690	349,040	126,471	301,164	674,693	533.47%
Plus: Interest Earnings	18,519	30,444	12,000	22,000	10,000	(2,000)	-46.67%
Cap Improv Bond Fed Subsidy	80,889	88,793	56,270	56,150	63,600	(2,660)	-4.72%
Investments	(21,642)	(6,803)	0	0	0	0	0.00%
Less: Bond Interest Expense/Discount	213,248	188,841	202,300	202,330	199,120	(13,180)	-6.82%
NET INCOME	267,219	520,035	216,010	(7,679)	675,624	683,213	8997.16%

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Work Sheet

Projected Cashflow Results - Water Fund

	18/19 Approved Budget	18/19 Estimate Budget	19/20 Final Budget
Profit & Loss	\$126,471	\$349,040	\$801,154
Add-Back Depreciation	456,500	410,000	437,000
Deduct Capital Expenditures	-988,500	-300,500	-581,500
Move Cash to Reserves	-	-	-
Deduct Debt Service (Principal Only)	<u>-445,000</u>	<u>-445,000</u>	<u>-455,000</u>
Projected Cashflow	<u>-\$850,529</u>	<u>\$13,540</u>	<u>\$201,654</u>

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Current Debt – Cash Assets

- Wastewater Department
 - Zero Debt
 - \$2,736,609 Cash Balance

- Water Department
 - \$5.4 M Debt
 - \$1,002,390 Cash Balance

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Water Department Debt

CITY OF ESCANABA (MICHIGAN) WATER UTILITY FUND

SCHEDULE OF COMBINED DEBT SERVICE

Fiscal Year	2002 Rev Bonds	2007 Rev Bonds	2010 LTGO Bonds	Total
2018/19	172,375.00	183,150.03	193,131.32	548,656.35
2019/20	173,562.50	179,962.53	195,056.06	548,575.09
2020/21	174,625.00	181,721.90	196,862.56	553,209.46*
2021/22	175,562.50	183,375.02	193,568.80	552,506.32
2022/23	176,375.00	179,975.02	195,275.04	551,625.06
2023/24	172,125.00	181,521.89	196,875.04	550,521.93
2024/25		182,862.51	198,368.78	381,231.29
2025/26		179,350.01	204,756.28	384,106.29
2026/27		180,684.38	205,931.28	386,615.66
2027/28		181,912.50	207,000.02	388,912.52
2028/29			207,962.52	207,962.52
2029/30			213,818.76	213,818.76
2030/31			214,462.50	214,462.50
Totals	\$1,044,625.00	\$1,814,615.79	\$2,623,062.96	\$5,482,303.75

* Maximum annual combined debt service.

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Asset Management Plan Needs

Did not factor in new Lead Service Line Replacement (LSL) Rules

- Savings required for future expenditures
 - Annually: \$284,550
 - Years 0-10: \$5,245,100
 - Years 11-20: \$5,592,200
 - Years 20-40: \$7,585,100

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Lead & Copper Rule changes

- Effective July 2019
- Requires LSL replacement
- Reduction of lead from 15 ppb to 12 ppb in year 2025
- Stricter rules for L&C sampling
- Distribution System Materials Inventory
 - Preliminary report due January 2020
 - Final report due January 2025
 - Customers will be notified of LSL servicing their home

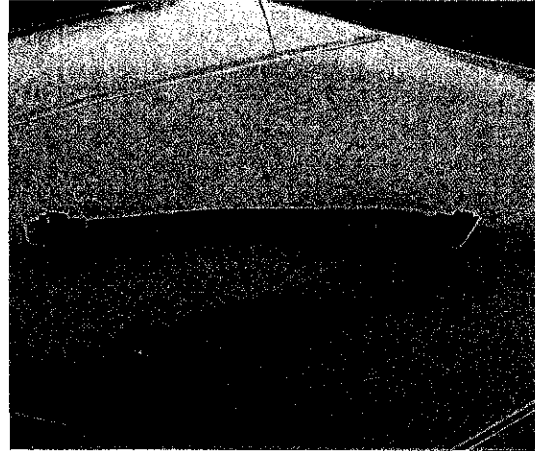
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LSL Replacement Rules

- Partial lead service line replacement is no longer allowed, except in the case of EMERGENCY REPAIR.
- LSL must be replaced @ 5% / year over 20 years, beginning in the year 2021
- The full LSL must be replaced at water supply expense, regardless of ownership
- A new service line definition was added, and LSL definition was updated

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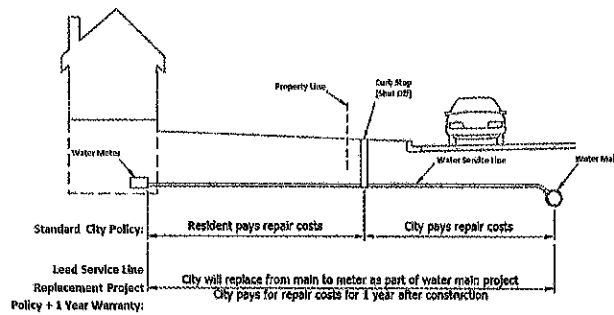
Photo of Lead Gooseneck



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L&C rule changes to requirements of replacement responsibly and ownership

City of Escanaba Water System Water Service Line Responsibility



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Costs for Water Main & Service Line Replacement

- ~\$50,000 per block for 8" water main
 - Plans to be able to do around 10 blocks each year in conjunction of paving projects
- ~\$5,000 per house for each water service, when not done in conjunction with main replacement

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Frequently Asked Questions

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I pay taxes, why do I have to have a rate increase?

- Taxes are applied to the General Fund
- All utilities are “Enterprise” funds and are self-funded in accordance with Operating and Maintaining the utilities in question.
- Enterprise funds do not draw revenue from the taxes collected.

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What have the past rate increases done in the past?

- Increases of health care and pension plans
- Increased efforts of O&M to provide longevity or replacement of Assets:
 - Pumps, surface corrosion control on plant plumbing and fire hydrates, reduction in unaccounted for water, maintenance of roof tops, sewer main lining, coating of tanks, replacement water meters, State mandated Cross Connection efforts, engineering support.

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Why is there such a large difference in the estimated costs for each water service replacements?

- What side of the street is the water main on
- Presence of sidewalk, curb, driveway approaches, and amount of asphalt restoration
- Depth of water main
- Presence of other underground utilities
- Presence of ground water
- Issues inside home: "Finished or Unfinished"

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I had to pay for my replacement, why do I have to pay for everyone else's line?

- State of Michigan has now mandated that this cost is the responsibility of the municipality
 - We are awaiting the outcome of a lawsuit challenging this new law
- Costs for O&M of the system are shared evenly among all users
- Possibilities of assessing costs or placing a lien on private property are being investigated

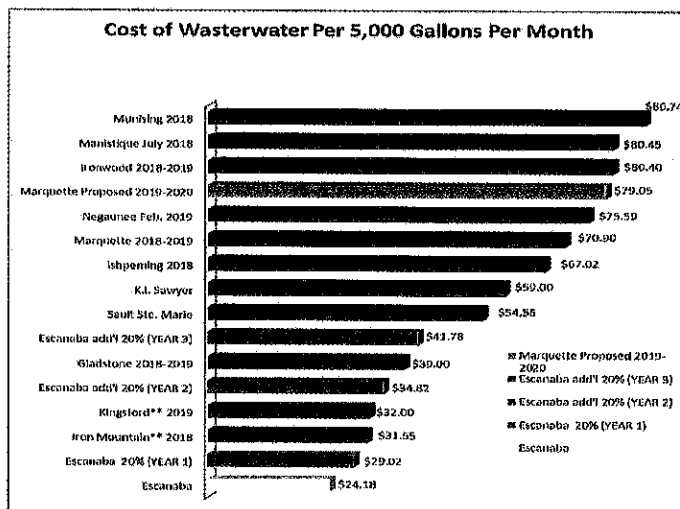
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How does Escanaba's rates compare to other cities?

- According the 2017 DEQ rate survey
 - Escanaba is ranked the 7th lowest combined Water and Wastewater providers in the Upper Peninsula
- 2017 DEQ Rate Survey Link:
- [http://www.escanaba.org/images/files/menfiles/Rate%20Survey%202017%20Mailed%20Spreadsheets%20\(002\).pdf](http://www.escanaba.org/images/files/menfiles/Rate%20Survey%202017%20Mailed%20Spreadsheets%20(002).pdf)
- Go to City of Escanaba's Web Page, use Tabs: Departments → Wastewater → 2017 DEQ Rate

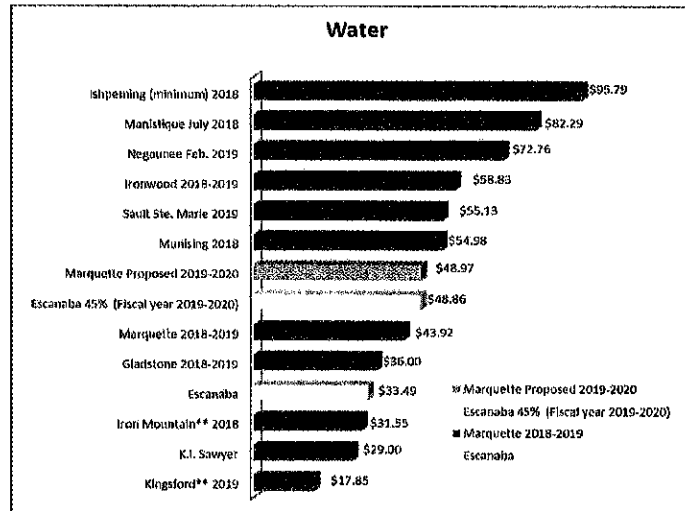
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Wastewater Rate Chart



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Water Rate Chart



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Wastewater Department Budget

Where will this money be used? How and when?

- A loan is being sought to fund the Wastewater Plant Improvement Project
- Planning to do this project has been ongoing for over the last 5 years
- Design is scheduled for 2019
- Construction is scheduled for 2020 – 2021
- Three years of planned rate increases will be required to fund this project

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Water Department Budget

Where will this money be used? How and when?

- All work needs available cash to cover costs
- Water Mains and Water Services shall be replaced in conjunction with paving projects
- The most cost effect option shall be given the highest priority; “private contractors or use of city staff”
- Long-term planning will take place in order to provide home owners with ample notice

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Could this increase be conducted over two or three years?

- Several attempts over the past several years have been made to increase the water fund roughly a quarter million (\$250K) dollars per year
- Currently, there is not enough cash on hand to fund all of the Capital Improvement Projects required, as mandated or per the department’s AMP

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When the work is completed, will the rates remain?

- There is no reason why future rates can't be reduced; provided State/Local Mandates, and CIP needs also decrease.
- In fact, we hope this to be the case

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Why are you not getting a Grant or taking out a loan to spread this cost out over many years?

- The City was selected by the DEQ, and also provided a LSL Removal Grant in the sum of \$389,000.00 (only 12 communities in the State were selected to participate based off "need and ability" to execute this work)
 - \$126,000 remains and will be used this coming construction season
- Currently, no other grants are available for the City, due to its population
 - We are too big for all of the Rural Development Grants
- Loans require money to obtain due to engineering requirements, and also carry the additional cost of interest incurred
- There may be possibilities of "Loan Forgiveness" within future Drinking Water Loans
 - Currently, this is our only hope for any "free money"
 - We will submit an application for the next round of DWRF loans, in the most cost-effect manner possible

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Why does my water cost so much?

- Water is basically free in the Upper Peninsula
- The cost of treatment, storage, and distribution is what we are paying for

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I've seen sewage discharged into the lake near municipal dock! Why is this allowed?

- What was seen was a Storm Sewer Outlet.
 - The City has many such storm sewer outfalls, and after a large fall they are often dirty, carrying the debris collected from the streets
- The Wastewater discharge point is in forty (40') feet of water close to one mile off shore and about one mile south of the beach

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Why does the DEQ allow by-passing events?

- The DEQ doesn't allow by-passing.
 - But they understand that under certain conditions it is unavoidable.

- The City does not want to by-pass, but in times of hydraulic overload, it's a necessity to avoid collection system back-up and private property damage.

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Why does the City allow the by-passing when it's forcing the local beaches to close?

- A by-pass event has not occurred every time a beach has been closed
 - It is normal practice at every wastewater plant in Michigan to dose all of their wastewater discharges, (24/7), with enough chlorine to kill the pathogens present, making it safe for human contact.

- Here are several likely contributing factors:
 - Birds poop!
 - There are lots of birds on the beach
 - Rivers greatly effect our local beaches
 - Rivers carry everything that may find its way into the water shed
 - River water is not treated
 - Beavers and muskrats live in our rivers, and they poop too!

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Why do we put our wastewater back into the same source we use for our drinking water?

- Experts have scrutinized practices of all nearby water and wastewater facilities, and still allow the activities as being safe for human consumption and contact
- In many ways, the water discharged from the Wastewater Plant is better than what goes into the Water Plant for treatment

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Call Lansing to remove the Mandates of LSL Replacement

Call your Governor
Call your State Representative
Call your Congressman

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Jeff Lampi

W-WW Supt

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