



Friends,

A brief update:

1. Dispatch/911 – At the end of April Council approved to consolidate city's dispatch/911 service with Oakland County. I have been advocating for this since 2005. The city will save approx. \$700,000 annually and over \$3.5 million in five years helping the fire fund. If the city has taken this step 5 years ago an additional \$3.5 million would have been saved. All these years, while paying the Oakland County Sheriff annually over \$300,000 for dispatch/911 service the city was incurring duplicate costs of \$950,000 with productive efficiencies at less than 50% .

2. Roads:

- In the 2010 budget approximately \$2.9 million was planned for reconstruction of local asphalt and concrete roads. In May 2010 under the budget amendment this line item has been zeroed out due to revenue shortfalls. There will be no reconstruction of local asphalt and concrete roads in 2010. Repairs and maintenance will take place. So, if you see potholes or cracks in your sub please call DPS and report for immediate repairs.
- The resurfacing of Walton Blvd. (East of Adams Road to East of Livernois) has been approved and is planned for 2011. This project was planned for 2010 but got delayed due to funding issues.
- Crooks Road/M-59 – This project is further delayed to 2011.
- Avon/Livernois Bridge: Road Commission continues to monitor the bridge. No funding has been identified for this project.

3. Water Reservoirs:

At the June 07th Council meeting...Council voted to move forward with construction of two water reservoirs and awarded a contract for \$508,000 to an engineering firm for design. This is in addition to \$50,000 paid to the consultant for preparation of initial assessment. The locations for the reservoirs are at North of Tienken Road and West of Adams, and South of Avon Road and West of Rochester Road (behind K Mart).

I voted NO on the resolution. My action was to explore other options in a methodical way before we considered building reservoirs.

Building reservoirs would cost the city approx. \$16 - \$17 million. I wanted to explore the opportunity of negotiating a low peak rate Vs building reservoirs. Our contract with



Detroit Water calls for high peak rate based on 1998 consumption. Since then based on new data (provided by the consultant) our consumption has dropped by 40%. Although the peak and consumption has dropped we have been paying Detroit Water a high rate because of a contract signed by the city. With most of the city being built out the growth is expected to be less than 5%. So the possibility of selling more water is pretty much limited.

In 2008 Council adopted a resolution to limit lawn sprinkling between the hours of Midnight and 5:00AM to reduce the peak hour. Although this ordinance was adopted city has not done an extensive education campaign nor enforced it. So we continue to see sprinklers on during the day (mostly at commercial locations).

In Feb 2010 I made a motion to:

- Implement current ordinance
- Amend the ordinance for watering of lawns on alternative days
- Institute outreach programs with industrial and commercial users on changing their watering patterns
- Controlling irrigation in public areas
- To complete negotiations in Sept/Oct with Detroit Water (due to a contract opening opportunity). (My belief is we can negotiate new peak rate and lesser volume based on data, which shows a decline in consumption)

The above motion passed. The idea was if the city took the above steps it would immediately provide the opportunity for reduced costs to residents. After taking the above steps if there was still an opportunity for savings from building the reservoirs I am open to exploring it. However, ignoring the above resolution council adopted a new resolution in June to move forward with the construction of reservoirs.

Additional Concerns:

Due to drop in consumption city experienced a deficit of \$900,000 in 2009 and due to shortage in Water and Sewer Capital Fund balance city increased water rates to recoup the shortages beginning July 2010.

City is contemplating to finance the project with internal funds to build the reservoirs. For example the Water and Sewer Capital Fund has approx. \$9 million and of which \$6 million will be used to finance the project. The idea is the fund(s) will be paid back with savings from the reservoirs over a period of time.

To help me with the decision process I have recently asked city to put together a proforma (revenue and expense) on three different financial scenarios. The following was my request:



1. Taking our current peak factor and rates,
2. Applying a 35.00 peak hour factor and applying rates for that factor, (current peak factor is 51.91)
3. Applying a Max day factor (I am not sure what that may be) and the applicable rate as provided by DWSD (as was shared at the council meeting).

In scenario 1 and 2 there are no reservoirs hence no debt service. In scenario 3 there will be reservoirs hence there is debt service. Using \$14 million as costs (presuming location and engineering costs to be higher, and just to project on the higher side) with internal financing calculate the debt and term at 2% and 10 or 15 years. In all the scenarios we should take into consideration our current policy of meeting the 90 day cash requirement and setting aside the depreciation equivalent amount.

Other assumptions that need to be taken into consideration, such as, what would happen if consumption dropped (as in 2009) and the shortfall in fund balance (which we are experiencing currently and trying to recoup it over a period of five years). Since our consumption has dropped over the years and growth is limited to <5% I am presuming that we will be negotiating a lesser volume with DWSD.

Please note that I review all the material that is given to me and work hard to arrive at a decision that is best for the community. There are lots of variables in consideration to build the reservoirs. I want to make sure due diligence is done and to approach it with more patience.

As always thank you for the emails with your input. Your kind words and disappointments are welcome.

Regards and best wishes

Ravi