

**CHARTER TOWNSHIP OF SHELBY
MACOMB COUNTY, MICHIGAN**

ORDINANCE NO. 256

DIVISION 3. RATES AND CHARGES

Sec. 58-15. Short Title.

This division shall be known and cited as the "Municipal Water Rates Ordinance." The water rates to be determined and approved as described herein are to be proportional and sufficient to meet prudent and necessary operational costs and ensure the integrity of the municipal water system.

Sec. 58-151. Water service rates and charges.

The rates to be charged for water services furnished by the municipal system shall be as follows:

- (a) *Commodity charge.* A retail commodity charge, in an amount approved by the Township Board of Trustees, shall be charged per 100 cubic feet of water consumption.
- (b) *Derivation and approval of retail commodity charge.* After the approval of the Department of Public Works' annual budget for the next fiscal year, the Director of Public Works will compute, in the manner prescribed in paragraphs (c) through (g) below, and submit to the Board of Trustees for approval the retail commodity charge to be effective January 1 of the next fiscal year.
- (c) *Computation of retail commodity charge.* A retail commodity charge will be computed on a cost of service basis utilizing the revenues and expenditures allocated to water operations that comprise and are part of the approved budget for the next fiscal year.
- (d) *Cost of service.* Cost of service shall be the total cost of water operations reduced by revenues from sources other than retail water commodity charges. The cost of service can be summarized by the following formula:

Detroit Water and Sewage Department (DWSD) water costs, plus,

Township Department of Public Works expenses, less,

Township Department of Public Works other revenues.

Where:

DWSD water costs shall be the anticipated charges for water to be delivered to the Township in the next fiscal year and supported by amounts in the approved budget and related budget work papers.

Township Department of Public Works expenses shall be all costs, other than DWSD costs, allocated to water operations currently included in departments 591, 596, 597, and 661 supported by amounts in the approved budget and related work papers. Such costs include but are not limited to labor; benefits; professional charges for engineering, legal, auditing, and information technology services; contract services for installation and repair of water lines; operating supplies, depreciation, debt service, utilities, and office supplies.

Township Department of Public Works other revenues shall be all revenues and income, other than retail water commodity charges, allocated to water operations supported by amounts in the approved budget and related work papers. Such other income and revenue includes but is not limited to interest; front footage assessments; capital charges; administrative fees; quarterly ready-to-serve charges; penalties; whole sale water charges; and miscellaneous service and repair charges.

- (e) *Retail commodity charge per 100 cubic feet.* The retail commodity charge per 100 cubic feet will be the unit rate derived by dividing the cost of service as defined and determined in paragraph (d) above, by the anticipated total retail unit sales utilized in the preparation of the of the approved budget.
- (f) *Look-back adjustment.* After the completion of the annual audit of the Township's financial statements, the Director of Public Works will compute the actual cost of service for the year just audited. The actual cost of service will be computed as described in paragraph (d) above with the exception that the actual amounts of expense and other revenue will be utilized in lieu of budgeted amounts. The difference between the actual cost of service and the actual revenues derived from retail water commodity charges will constitute a potential look-back adjustment that may be added to (i.e. a look-back charge) or subtracted from (i.e. a look-back credit) the cost of service computation used in the determination of the retail commodity charge for subsequent fiscal year(s).
- (g) *Rate stabilization and normalization.* The Director of Public Works will perform, at least once annually, an analysis to determine if the balances of cash, cash equivalents and investments being held are sufficient to satisfy and meet prudent or mandatory reserves for bond covenants, general operations, equipment repair and replacement, emergency recovery from disaster and catastrophic events, pending or probable litigation, and other

contingencies, claims or settlements that can have a significant financial impact on the operations of the water system. Any balance in excess of prudent or mandatory reserves will constitute funds available for rate stabilization and normalization. Upon the recommendation of the Director of Public Works, a portion or all of the rate stabilization funds will be used to offset potential look back charges and/or part or all of a non-reoccurring and unique expense item(s) included in the cost of water service for subsequent fiscal year(s).

- (h) *Ready-to-serve charge per quarter.* A ready-to-serve charge, at a rate adopted by the Board of Trustees, shall be charged for each three month period.

TERRI KOWAL, CMC,
Township Clerk

CERTIFICATION

I hereby certify the foregoing is a true and complete copy of Ordinance No. 256 duly adopted by the Board of Trustees of the Charter Township of Shelby at a Regular Meeting held on July 21, 2009, pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, as amended, and that the minutes of said meeting were kept and will be made available as required by said Act.

TERRI KOWAL, CMC
Township Clerk

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