

**MINUTES
ST. CLAIR SHORES CITY COUNCIL STUDY SESSION
DECEMBER 12, 2011**

City Council Study Session, held in the Council Chambers, located at 27600 Jefferson Circle Dr., St. Clair Shores, Michigan.

Present: Mayor Walby, Council Members Frederick, Rubino, Rusie, Tiseo, Vitale

Also Present: City Manager Hughes, Assistant City Manager Smith, City Clerk Kotowski, Directors Babcock, D'Herde, Haney, Rayes, Water Supervisor Schwanger and City Attorney Ihrie

1. CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

Mayor Walby called the meeting to order at 7:00 p.m. Ms. Kotowski called the roll with a quorum present and the pledge of allegiance was said by all.

2. AUDIENCE PARTICIPATION ON AGENDA ITEMS (2 MINUTE LIMIT)

Joe Backus, St. Clair Shores resident, Agenda item #4. Mr. Backus stated that the three year cycle is too long. Ideally once per year would be sufficient. There are times when major repairs need to be done such as replacing concrete, and a property owner might ask for an extension of time. When this occurs, it is possible there will be no follow up. He asked that the City follow up to make sure repairs are completed.

3. WATER METER PROGRAM

Mayor Walby explained that the point of this study session is to provide direction to administration going forward. He stated that although there are other topics that will be discussed in 2012, tonight's two topics are the best to start off with. Mayor Walby asked that current policies and procedures that are in place with regard to issues such as low count outside reading devices (ORD), payment arrangements, etc. be discussed in addition to tonight's overview.

Mr. Babcock announced that he will prove that our water meters' useful life has ended and it is time for a replacement program. . Currently we have over 25,000 water meters of various sizes with the majority for residential homes being 5/8". The sizes increase for multi-family units and commercial business. The last time they were changed out in mass was during the late 80's and early 90's; making them 20+ years old. Recently, 80 meters were selected for testing at our certified testing station in the Water Department. We follow the guidelines of the American Water Works Association (AWWA). Mr. Babcock brought in actual meters to demonstrate and discussed the various testing flows. High flow would be for sprinklers, an example of medium flow is brushing teeth, and low flow would be a slow toilet leak or faucet leak, etc. The low flow is typically what the older meters do not pick up. For the testing, a water meter is hooked up to a tank, the initial reading is taken, it is then filled up and measured again, knowing how much water was put in. The overall weighted average of the accuracies is 93%. This means there is 7% unaccounted for in the meters, which is water loss. We buy 200,000 million cubic feet from Detroit annually. If that is multiplied by the 7% water loss and then multiplied by our water rate, the result is a loss of \$1,079,540. Mr. Babcock explained that "unaccounted for water" is paid for by everyone using the water system, and it is not equitable; as the person who is using the water should pay.

Mr. Babcock stated that discussions took place in 2006-2007 regarding replacing meters. Commercial water meters were tested and replaced first as that is where the most savings were. Since that time, we have replaced about 25% of the City's residential meters as a result of faded ORDs, stopped meters etc. Currently, the inside water meter is connected by wire through the wall to the ORD that our meter readers read house-to house. The readings are downloaded to the office computer, sent to water billing, reviewed and then billed quarterly. We read the first four numbers of the outside number. We also have stopped meters and stopped ORDs. This can be caused by insects getting into the small holes.

Mr. Walby asked if most of the homes have ORDs. Mr. Babcock replied that yes, the majority have ORDs and some have touch pads. Other reasons we replace meters is that when we read for a final water bill when a house is sold we go into the house for a true accurate reading. We also switch out the meter if we have to go inside a house for a service call.

Mr. Walby asked how many replacements occurred with just these issues. Mr. Smith replied that we switch out about 25-30 per week on average. Mr. Babcock reported that we have 1,500 commercial accounts that were changed out

WATER METER PROGRAM (continued)

and about 4,500 residential meters replaced. Approximately 19,000 meters (74% of the city) still need to be replaced. We have been meeting for several months about the best way to go about switching. We try to have one service person per day replacing meters which is not always feasible. One person per day can replace about 8 meters per day. We started looking at quicker ways to change out meters.

We came up with two options. Option one is to bring in a contractor to take over the complete program. This would entail the time consuming tasks of sending out letters, making appointments and getting permission to enter houses. The next step is to go in and replace the meter. The approximate cost is \$3.5 Million. The advantage is that we could do this as quickly as we want. City staff would take phone calls, so we might not want to be as aggressive as doing this in one year with a small staff to handle call and suggested 18 month replacement period would be better. There are at least three companies in this area that do this type of work. The cities of Roseville, Eastpointe and Warren have used contractors for the change out.

Option 2 is for the City to do these using hourly employees to help supplement the work. The advantage to this option is the lower cost. It would mean more work for us, but would save over \$200,000.

Mr. Babcock said that Option One, contractor installation, is considered a "turn key" operation, which is a fixed cost for each meter change. Doing this in-house with hourly employees, we would propose a crew leader/supervisor that would also be an installer. There would be four employees to do only installing and one office person to handle all scheduling for a total of six employees. This option would allow for approximately 38 meter changes per day. This would be a two year project.

Mr. Haney gave an overview of the utility fund at year end and explained the "rule of thumb" which is based on an estimate from Plante & Moran. At June 30, 2011, we have \$1.8 Million more working capital than we need under this rule of thumb. This working capital insulates us against unplanned emergencies like water loss. We can dedicate the excess amount of \$1,831,009 to the full replacement program. Mr. Haney explained that if we charge a fixed quarterly charge to all customers for two years the charge would be \$8.51. Using in house labor, the fixed charge on quarterly bills for two years would be \$7.27.

Mr. Haney stated that we looked at financing the meters by issuing bonds. The batteries on the meters must be replaced after ten years. We would have to back go back into the houses which is a big component of the project, thus the bonds should not go past ten years. The average cost to our customers is \$2.44 per quarter over ten years.

Mr. Smith stated that it would cost the average homeowner more over ten years versus two years. He added that we have looked at the in house proposal and have met with the AFSCME union. Even though there won't be union employees doing the work, AFSCME is cooperating. One of the advantages of using in house is the direct interaction with our residents.

Mr. Smith said that the reason we passed around the ORD is so that Council could see the problems with it. Mr. Schwanger added that we very rarely have meters that stop. Mr. Smith explained that it is difficult to get into homes because of homeowners' work schedules. The number of meters that are slowing and creating large bills is going to grow. There is an issue with stopped meters, and if for one quarter the reading is three units or less, we are sending letters instead of estimating for two quarters as we have in the past. For very small usage, we still send a large estimate as a means to get the resident to call us so we can schedule a meter switch if theirs is broke. He reported that he sees about three residents per day that received letters. Mr. Walby asked how many letters are sent for stopped meters. Mr. Smith replied that we send about 35 letters per quarter for meters that are slow. The meters that cannot be read create about 70 letters per quarter.

Mr. Walby asked why we chose this meter technology in 2007. Mr. Babcock responded that this style has always been in our homes because it is good for the cost. When we switched to a radio device, the plastic that spins sends a pulse which, at that time, was the best technology. The touch pads were the next technology which we tested next. The new technology is the radio read which has a better accuracy as long as the battery stays at high levels. The battery has a ten year guarantee but we think they will last up to 15 years. Other advantages are that once daily a signal is sent to city hall and if someone goes on a high consumption list, we get a high alarm which we can investigate and then stop an ongoing problem quickly. Residents can check on their consumption when they are out of town. Mr. Smith stated that the biggest advantage is a decrease in labor costs. We have the ability if we choose, to change our cycle. If we didn't have to go out and read meters, we would save about \$3,500 per month in labor costs.

WATER METER PROGRAM (continued)

Mr. Rubino indicated he wants to know what the labor savings would be with all of the costs factored in. He requested a specific breakdown of the true savings including meters, labor costs, etc. Mr. Babcock will provide Council with the 2007 notes to see if there is anything pertinent that explained the decision reached in 2007. He did not provide Council with copies of the 2007 meetings as the decision on the meter style was approved at that time.

Mr. Tiseo asked if we will get the same life expectancy out of these meters. Mr. Babcock replied that industry standard is 15-25 years. Mr. Tiseo asked how we know if those are slowing down. Mr. Babcock replied that every year we will check the accuracies, and if they drop below 98.5% accuracy in about 18 years we should consider replacing. Mr. Smith added that we would prepare ahead of time and plan on a meter replacement project in about 20 years.

Ms. Rusie asked if there is a possibility that a meter that works perfectly would be replaced. Mr. Babcock responded that yes, we would replace all meters. Ms. Rusie stated that 80 meters tested seems like a small number and wondered if that is an accurate sampling. Mr. Babcock, said the last time this came up in 2007, the accuracy of the testing was about the same. He said we are actually up to about 120 meters tested today. If we test 1,000 ten year old meters, we would still have to go out and read those by keeping a labor-intensive meter route. We are currently reading meters on overtime. If we had one route versus three, it would still need to be done on overtime.

Ms. Rusie stated, regarding sampling, that we should have a sample size of 380 for our customer base. Mr. Smith responded that there are very few meters that are not running slow. Mr. Babcock added that the meters tested are the ones that were replaced. Ms. Rusie asked if the lost revenue for the 7% water loss includes the 25% that were replaced for commercial buildings. Mr. Smith stated that the 7% lost revenue is only for the meters – not total water loss. Mr. Babcock stated that our budgeted water loss is at approximately 16%.

Ms. Rusie asked how much the average water bill will go up with the lost revenue of \$1,070,540. Mr. Walby responded that some will go up and some will go down – depending on how much water is used. Regarding slide 9, Ms. Rusie stated that numbers are slightly higher than the numbers on page 7. Mr. Babcock stated that commercial accounts are added to that number even if they have not been replaced. Ms. Rusie asked if residents can opt out because of privacy and/or health concerns. Mr. Smith replied that if we take selected homes for manual reads, labor costs would be higher, and we are not proposing this.

Mr. Vitale stated that he has concerns about the radio wave radiation and privacy issue. He asked if the unit with the transmitter goes on the outside of the house. Mr. Babcock answered that it could be mounted next to the wall or zip tied to a water pipe but it doesn't go outside. The device sends one signal per day for one to two seconds at random times. It is battery powered so there is no way for city hall to note what hours of the day the signal isn't sent.

Mr. Vitale said the concern is that with fees for watering on the wrong days, residents could be worried that this could generate a ticket. Mr. Babcock responded that the frequency is about one tenth of that of a cell phone signal. Mr. Vitale stated that 100% is not realistically obtainable. Mr. Babcock said the industry standard set by the American Waterworks Association is 95 to 101% accurate.

Mr. Vitale asked why the drive to do this in two years?. Mr. Babcock replied that he supports getting this done because of the need. Mr. Vitale stated that we have a handful of residents on the Facebook page that have been vocal about getting high water bills. He doesn't want to see a potential bond secured for a small percentage of residents.

Mayor Walby responded that we don't have to do this in two years; that is only a suggestion. Mr. Vitale stated that the City of Roseville is not moving to the RFDI unless they get a grant. Mr. Babcock has not heard of a grant program for this, but he will look into it. Mr. Vitale asked if there was less water loss because of the meters that were changed out. Mr. Smith stated that we can't determine where the lost water is coming from. Mr. Babcock said that with the age of our water mains, water loss is going to happen. We have replaced less than 5% of our water mains.

Mr. Vitale said that money might be better spent on replacing the water mains. Mr. Babcock indicated that the current problem is that all resident's pay for the loss. Mr. Smith added that even the meters that continue to advance the ORD slow down. He said that we get a lot of mis-matches that create very large bill, which means that we have to set up long term payment plans. Mr. Vitale stated that at his old house the meter would tick if he left water running. Mr. Babcock stated that the new meters do not click.

Mr. Rubino asked if new meters have been tested. Mr. Babcock said they are certified as tested but we still test and most are 100% accurate with about 1% running slow. Mr. Rubino asked how lost revenue was calculated on slide 5.

WATER METER PROGRAM (continued)

Mr. Smith stated that indicates what we billed for versus what we purchased. Mr. Babcock stated that the chart shows all water loss. Mayor Walby said that this graph should be 16%. Mr. Smith said it is 7% of water sold. The spikes on the graph are due to the leak detection project.

Mr. Rubino stated that this chart makes the problem look worse than it is. He said the lost revenue is the amount of all water lost spread amongst all purchasers. He asked why this slide is called "lost revenue" because it implies money that the city is losing. Mr. Babcock answered that it would best be called "unaccounted for revenue". Mr. Rubino asked if there are any electronic readers that are interchangeable with our system at city hall. Mr. Babcock stated that our computer software would only be compatible with this style.

Mr. Rubino asked if they are still made in the Middle East. Mr. Babcock replied yes. Mr. Rubino asked what was wrong with the meters in the wells. Mr. Smith said the problem was with the connectors.

Mr. Rubino asked if there is documentation stating that these are safe and will not interfere with anyone's medical devices. Mr. Babcock replied that there is documentation from the FCC that these are safe. Mr. Smith will provide a detailed description of why these are safer. Mr. Rubino commented that if someone wants to opt out and have a special service we should consider adding a fee. He asked for various options if the working capital amount changes. Mr. Babcock responded that the prices have essentially stayed fixed. The price of the RFI has been the same.

Mr. Rubino asked what the rates were when we first looked into bonding out. Mr. Haney answered that they were about 6%. Mr. Rubino said that if we go longer than two years, inflation could impact the cost. Mr. Smith added that if we bonded we would buy the meters all at once. Mr. Rubino asked if the high water alarm catches a broken pipe. Mr. Smith replied that we currently don't have the personnel to check this on a daily basis. However, within about 30 days we will have a Tax & Water employee available to check this daily. Mr. Rubino stated that it is not a good idea to send out the 100 unit bills in order to get attention. He cited an instance of someone who is being charged late fees on something they didn't use.

Mr. Smith explained that once we can get in to see the actual meter, that charge is adjusted. He stated that we don't know if the ORD is working or not. Mr. Rubino said that in this instance the ORD was advancing. Mr. Smith said that in this instance we are working with a faded ORD. Mr. Rubino asked why we send an alarming bill with late fees and shutoff notices when they are paying what they are using. Mr. Smith said the reason is that we need to see inside the ORD. The majority of the issues are stopped meters and the only time we send a letter is if the read is less than 3 units. If they got a shut off notice, it is because they are not paying the bill we sent them. We try to work with everyone that calls in. We even allow them one time to send a picture. We know that the ORDs are not functioning properly, and this has to be an equitable system.

Mr. Frederick would like to see a replacement plan such as that with the golf carts. He asked if we can use sanitation funds for this. Mr. Haney will look into this. Mr. Frederick asked how long it would be until we could go to a monthly billing system. Mr. Smith said within 60 – 90 days. He added that postage costs would be higher. Mr. Frederick suggested a pilot program be tested before we do this city wide. He asked how many companies make the hardware that the water passes through and if the pricing from a single vendor. Mr. Smith replied that based on a survey Mr. Babcock did, SLC was the lowest priced vendor. Mr. Babcock stated that this was bid out in 2007. Mr. Frederick asked how the scheduling could be done more inexpensively. He suggested a plan that would encourage someone to volunteer to let us do the switch. Mr. Smith said that we have to be careful about incentives.

Mr. Vitale asked if we could tag onto another city's order to get a volume discount. Mr. Babcock said he hasn't seen a bid consortium for this product, but he will continue to look.

Mr. Walby summarized that the open items to be followed up on are grants, consortiums, different products, health and safety concerns and to make sure we are as resident-friendly as possible. We can still go forward if we get these answers.

4. RENTAL INSPECTION PROGRAM

Mr. Rayes provided an overview of the City's residential rental home locations. The two largest complexes are Shore Club, North Shore and Chapaton. From 2000 to 2011 the single family rental units has jumped from 490 to 1,234. The rental properties in the city are fairly distributed with the south end of the city having a slightly higher number of rentals. He reviewed the cycles and fees of neighboring cities' inspection programs. In order to maintain our current program, which sometimes means two to three visits, we can do 12.8 inspections per day. We are currently between 7 and 10 per day. He reviewed the fee structure for the rental inspection program.

RENTAL INSPECTION PROGRAM

Mr. Walby asked if there is a fee for someone who did not register. Mr. Rayes replied that it is not like the fee for doing work without a permit. Our current inspection fee is \$32.50 per inspection. The cost impact to the property owner varies between rental complexes, condos/duplexes and single family homes. The total base fee generated for a three year cycle is \$335,100.

Mr. Rayes said that prior to Roseville coming in we had two employees doing the inspections. When Roseville came in, we enhanced the checklist for items such as screens and made it parallel to what we look for in our anti-blight program.

Mr. Vitale stated that the issue should not be the two or three year cycle, but the issue should be about catching homes that are not in compliance at all. He searched for Section 8 in St. Clair Shores on Craigslist and took the results to CDI. Five out of five were registered with CDI. When he searched rentals in St Clair Shores, he got a list of ten of which three were not registered. He discovered that if the landlord reports that the home is rent-to-own, there is no inspection. He prefers to put our efforts into finding properties that are not in compliance instead of punishing property owners that are registering with the City through the inspections.

Mr. Rayes explained that we coordinate with Assessing, newspapers and published books. He stated that we can put a staff person online to review listings on Craigslist if that is a priority of Council.

Mr. Rubino said he would like to see a fine for those who don't register their homes. An amnesty program could be considered. He is for making the inspections tougher, not to penalize a good landlord but to identify bad landlords. Good landlords could be rewarded. Mr. Rubino asked the policy on businesses being run out of a home. Mr. Rayes said we investigate those as our ordinance prohibits it.

Ms. Rusie asked for clarification of what we inspect. Mr. Rayes replied life safety and general maintenance. Tenant issues would be debris. Landlord issues would be leaky roofs, smoke alarms, etc. Ms. Rusie said that blight can be identified from the outside too. Mr. Rayes stated that life safety is always first even though blight is part of the mix. Ms. Rusie thinks this is not the only way to identify blight. We are talking about disturbing tenants to do the inspections, and we would be impacting their home that has their belongings. We need to take that into consideration when talking about changing duration of inspections. This is not the only solution to addressing blight.

Mr. Rayes will send information from a local community that waives the fee if a property is maintained. Ms. Rusie suggested that Mr. Ihrie check out the legal implications before we move ahead.

Mr. Tiseo asked if most rentals are found by neighbors calling. Mr. Rayes answered that yes, it is neighbor near the house, not always next door that calls.

Mr. Rubino said that blight is the easy one to identify, but life safety is important. If a house is a dump on the inside, the rent is lower. By making the landlord maintain certain standards, it benefits everyone. The demographics of our city are changing. Mr. Hughes said we are being told that 5,000 to 6,000 homes will still becoming on the market. Mr. Rubino stated that the rentals could be a major threat, although a high rental city such as Ferndale is doing well.

Mr. Vitale demonstrated the inspection checklist. He feels that "amateur landlords" do not care about the values of the homes which would change if we identified non registered houses. Mr. Hughes feels that the most important thing is the preservation of our neighborhoods. This discussion is not a way to make it more difficult for rentals, but we want the message to be that if you come to St. Clair Shores, we want you to take pride in your property. We don't live in a vacuum, if you let your property go down hill you are forcing city hall to use resources to ask you to take corrective action so the other neighbors are not dragged down. We have a lot of homework, but we would like to come back with some options for Council. Mr. Rayes stated that some other concerns are bank foreclosed properties. As a part of SEMCOG task force, he reported that they are looking at legal recourse for bank properties. Bank owned homes are the biggest problem for us.

Mr. Walby said we need more effort at finding the un-registered rentals. He likes Mr. Rubino's suggestions of rewarding good tenants and he would like to look into the loophole Mr. Vitale found about rent-to-own homes.

5. AUDIENCE PARTICIPATION

Dominic Cusmano, St. Clair Shores resident, stated he is very happy to see the discussions that are taking place. He was a builder for 30 years and built houses in St. Clair Shores. He demolished some condemned houses in the city. He wants to know why he is being forced to register houses he owns as a rental because no one has lived there.

5. AUDIENCE PARTICIPATION cont'd.

Every case should be scrutinized separately. He heard that the water signal system is used to find vacant houses. He has a court date at 40th District Court about the issue of registering the houses he owns.

James Kelly, St. Clair Shores resident, was surprised about the water loss being higher this year. He called in a water main break on Superbowl Sunday and was upset that the employee put up a barricade, but the repair did not start for 15 hours. Because overtime was not approved, water was lost. Regarding the smart meters, peak times and non peak times can be monitored. He stated that if he cuts down usage on peak hours, he should get a break. Regarding the cost of the battery, it was not reported who would replace the batteries. The meter replacement program could be similar to the sidewalk program where the city is divided and is a continuous running program.

Elaine Cusmano, St. Clair Shores resident, asked if the city buildings have new meters and can the usage be reported. She has had rental properties for many years, but she is upset about the direction the City is taking on foreclosures. She believes there should be transparency so the public can see how the non-homesteaded properties are being monitored. Mr. Walby suggested that Ms. Cusmano contact Mr. Hughes to get her questions answered.

6. ADJOURNMENT

Motion by Rubino, seconded by Rusie to adjourn the meeting at 9:37 p.m.

Ayes: All – 6

KIP C. WALBY, MAYOR

MARY A. KOTOWSKI, CITY CLERK

(THE PRECEDING MINUTES ARE A SYNOPSIS OF A CITY COUNCIL MEETING AND DO NOT REPRESENT A VERBATIM RECORD.)