



FROM THE OFFICE
OF THE
CLARE CITY TREASURER,
FINANCE AND INFORMATION
TECHNOLOGY DIRECTOR

Within the last couple of articles we have been discussing municipal accounting, financial management and budgeting with the intention of providing more insight and knowledge into the fiscal operation of the City of Clare. We started this series of articles with a brief overview of the rules and regulations that local units of government must comply with and we then discussed how the elected and appointed leaders within each community go through the often difficult process of allocating the increasingly limited resources to provide the required and community desired services that as a general rule only a municipality can provide.

Our last article discussed the City's water fund which along with our sewer fund are referred to in governmental accounting as enterprise or business type activity funds. The reason that these two particular funds are defined as business type activity funds is that by law they are required to be financially self sustaining. This means that all costs incurred to provide clean water and properly treat and dispose of waste water must be completely paid for by the user fees charged for these utility services. We also reviewed in the last article some of the costs of operating the water system in addition to discussing some of the capital improvements that have recently been made to our municipal water supply.

This month we are going to turn our attention to the sewer system fund reviewing some of the normal operating costs of providing this service to the community as well as briefly discussing the rather significant and required capital improvements of our waste water treatment plant. To begin this discussion and to provide a point of reference the City of Clare paid a total of \$86,036 for electricity used in the operation of our waste water treatment plant for the fiscal year that ended June 30, 2011. Another normal operating expense is the purchase of chemicals and other operating supplies used to properly treat the raw sewage which totaled \$60,212 last year.

Our sewer system fund also annually contributes to the maintenance of our City's vehicles and heavy equipment used to maintain the water and sewer systems. For the fiscal year ending June 30, 2011 we have budgeted a total contribution from the sewer system fund of just over \$112,000. This contribution pays for the allocated costs of purchasing, performing repairs and maintenance, purchasing fuel for the vehicles, paying for insurance and for the general operation of this equipment.

These are normal, recurring costs of operating a sewer system plant which the City's staff diligently works to reduce to be as efficient as possible while simultaneously complying with the various laws and regulations that govern the operation of a municipal sewer system and treatment plant. It is important to note at this point that the entire operation of our municipal water and sewer systems is done with a staff of just four fulltime and one part time employees who are on call 24 hours a day, each and every day of the year to insure that these systems are in proper working order providing clean water and removing/treating our wastewater.

You may have read in the local newspapers that for the past couple of years we have been working with the Department of Environmental Quality along with our engineering contractor and others preparing for several capital improvements to our sewage treatment plant. Most of this work is maintenance in nature with the primary improvement at the center of this project being the reduction of the level of ammonia still present in the clean water that is discharged after treatment has been completed in the cold weather months. For several years the DEQ has allowed the City of Clare's treated/discharged water to contain ammonia levels somewhat higher than the established, allowed levels during late winter/spring. However, the DEQ has informed the City that these levels must be reduced or our waste water discharge permit will not be re-issued for our plant.

These capital improvements are relatively expensive totaling approximately \$2,000,000 after everything has been completed. To minimize the costs of such a large project for such a small municipal sanitary sewer system the City of Clare is working with the United States Department of Agriculture - Rural Development to finance this project with a 2.5% low interest rate community development loan for a period of forty years. As part of this project we will also be refinancing some of the City's existing sewer system debt, significantly reducing the interest rate and cutting our interest expense in half on these bonds.

These mandated and required capital improvements to our sanitary sewer system are expensive and as indicated at the beginning of this article must by law be completely paid for from the user fees charged. These types of capital improvement costs, the size of the system, the number of customers served are some of the reasons that it is very difficult to compare the City of Clare's water and sewer utility rates with those of other municipalities. Though it may seem to those of us that pay these fees that the City of Clare's water and sewer utility rates are relatively high, they truly are much lower than many other municipal systems throughout the state. Reviewing utility rates from other communities throughout northern Michigan we found the following water and sewer base residential and usage rates:

	Ready To Serve Base Rate	Usage Charge Per 1,000 Gallons
<u>Water</u>		
Highest	\$ 35.00	\$ 7.27
Average	14.44	2.39
Lowest	1.69	-
City of Clare's		
Residential Rates (3/4" Meter)	10.00	2.34
<u>Sewer</u>		
Highest	\$ 55.00	\$ 15.00
Average	20.19	3.03
Lowest	2.00	0.60
City of Clare's		
Residential Rates (3/4" Meter)	20.11	4.28
Data source: Gosling-Czubak Engineering Sciences, Inc. 2011 Water and Sewer Rate Survey.		

Finally, on June 6, 2011 as part of the annual budget process the Clare City Commission voted to maintain the water and sewer rates the same as the previous year at \$31.11 for the base residential rate (\$10.00 for water, \$20.11 for sewer and \$1.00 for meter replacement). It is also worthwhile to mention that during the nine year period from 2002 to 2011 the base residential utility rates within the City of Clare have only increased \$0.03 for water and \$0.51 for sewer. It is also important to note that as of July 1, 2010 the first 4,000 gallons of water was eliminated from the ready to serve base rate in an effort to encourage water conservation and also to lessen the impact to low volume users. During this same timeframe the usage charges have increased from \$1.44 to \$2.34 per 1,000 gallons of water used and \$4.17 to \$4.28 per 1,000 gallons of sewage treated.

Prior articles on municipal accounting, financial management and budgeting, the complete 2011 water and sewer utility system rate survey compiled by Gosling-Czubak as well as the City of Clare's water and sewer rate history can be found on the City of Clare's Internet site at www.cityofclare.org.

If you have any questions concerning this month's Treasurer's article or any other City of Clare finance or property tax matter we encourage you to call (386-7541, extension 107), to stop by City Hall or if it is more convenient send an e-mail message to me at skingsbury@cityofclare.org.