

AGENDA ITEM REQUEST FROM COUNCIL MEMBER MICHAEL LAMB:

TOPIC: Request to Authorize Village Manager to Explore Intergovernmental Agreement for Water and Sewer Operations

BACKGROUND BRIEF:

The Village Council should request that the Village Manager open discussions and negotiations with the Charter Township of Orion regarding a proposed intergovernmental agreement for the operation and maintenance of the Village of Lake Orion's water and sewer system.

This is not a request to give away the Village's system, surrender public control, or approve a final agreement. It is a request to investigate whether a formal intergovernmental service contract can provide Village residents with more efficient, reliable, and cost-effective water and sewer service while preserving Village ownership, Village oversight, and Council authority over rates and policy.

The practical reason for doing this is clear. The Village water system is not an isolated system. The Village already purchases its water from Orion Township through metered connections. The Village's system is therefore already physically and operationally connected to the Township system. Because the Township is the upstream water supplier and operates a larger water and sewer department, it is reasonable to determine whether the Township can also perform the day-to-day operation and maintenance functions for the Village.

The Village is currently paying Oakland County approximately \$500,000 per year to operate the Village sewer system. That is a substantial annual expense. Before continuing indefinitely with that arrangement, the Village should determine whether Orion Township can and is willing to provide the same or better level of service at a lower cost.

This is an especially appropriate time to examine the issue because the Village is in the middle of a major repair and improvement program. After the Phase 2 and Phase 3 repair program, estimated at approximately \$10 million, is completed, the Village's water and sewer infrastructure should be in excellent condition. That means the Village would not be asking another public entity to take over a neglected or failing system. Instead, the Village would be asking whether a neighboring public utility operator can operate and maintain a newly improved system more efficiently than the Village's current arrangements.

The staffing situation in the Village Department of Public Works also supports this review. The Village previously had a five-person department consisting of a director, a foreman, and three laborers. That structure has now been reduced to three laborers, without the same management and supervisory capacity that previously existed. Even if the Village attempts to rebuild that

management structure, it will take many months to hire, train, and educate new managers so they can properly understand the Village's water, sewer, streets, cemetery, parks, equipment, facilities, and day-to-day operations.

The Village should consider whether it is more practical to contract out specialized utility operations rather than attempting to rebuild a larger in-house department. Water and sewer operations require technical knowledge, regulatory compliance, emergency response capacity, recordkeeping, system history, and experienced supervision. Those are not functions that can be replaced quickly. A contract with Orion Township could provide the Village with access to an already-established utility department instead of requiring the Village to recreate one from the ground up.

This does not mean the Village must eliminate its DPW. A smaller Village DPW could still perform local maintenance functions that are visible and important to residents, such as mowing grass, maintaining public grounds, watering flowers, assisting with parks, handling minor maintenance, and responding to basic Village needs. The question is whether the Village should continue trying to staff and manage specialized utility operations internally when those services may be more efficiently provided through a contract with a larger neighboring public utility operator.

The same practical issue applies to cemetery burials. Cemetery burials require qualified and experienced personnel, proper procedures, safety practices, scheduling, equipment knowledge, and care in handling cemetery grounds. If the Village no longer has qualified staff on hand to perform burials, then cemetery burials should also be evaluated for contracting. The Village can remain responsible for the cemetery, but the actual burial work should be performed by qualified personnel under contract if the Village does not currently have the necessary in-house capability.

Water and sewer service is an essential public utility. It requires trained personnel, emergency response, regulatory compliance, system records, meter work, hydrant maintenance, valve maintenance, sewer response, billing coordination, capital planning, and public communication. These functions become more difficult and more expensive when a small municipality attempts to maintain a separate operating structure for a limited customer base. By contrast, the Township already maintains a water and sewer service structure for a much larger area. A negotiated agreement could allow the Village to benefit from the Township's existing staff, equipment, systems, purchasing power, billing experience, emergency response procedures, and operational scale. Ideally, the additional user base and revenues gained by the Township could also provide a broader financial benefit to Township water and sewer customers.

The Village should also consider this because water and sewer rates are an increasing concern for residents. Before additional rate pressure is placed on residents, the Council should determine whether there is a more efficient operating model. Negotiating with the Township does not

predetermine the answer, but it gives the Council the information needed to compare the present model with a contracted Township-operated model.

This is also consistent with Michigan's policy of allowing intergovernmental cooperation. Michigan law provides mechanisms for local units of government to contract with one another for the joint operation or performance of public services. Water and sewer service is the type of essential municipal function that can be evaluated for shared operation when both local units have the authority and capacity to provide the service. The Council cannot properly evaluate potential cost savings, service improvements, staffing impacts, or operational benefits unless it first asks the Village Manager to obtain proposed terms for review.

For those reasons, the Village Council should request that the Village Manager negotiate with the Charter Township of Orion for a proposed contract for operation and maintenance of the Village water and sewer system and bring the proposed terms back to the Village Council for public review, legal review, financial analysis, and final Council decision. As part of that review, the Village Manager should also evaluate which DPW functions should remain in-house, which specialized functions should be contracted out, and whether cemetery burials should be performed by qualified outside personnel rather than by the reduced Village staff.

SUMMARY OF PREVIOUS COUNCIL ACTION: None

FINANCIAL IMPACT: Unknown at this time

ATTACHMENTS: None

RECOMMENDED MOTION:

I move to direct the Village Manager to begin discussions and negotiations with the Charter Township of Orion regarding a possible intergovernmental agreement for the operation, maintenance, and administration of the Village of Lake Orion's water and sewer systems.

The Village Manager is further directed to evaluate this issue in light of the Village's current DPW staffing situation, including the reduction from a five-person department consisting of a director, foreman, and three laborers to three laborers, and the time and cost that would be required to hire and train new supervisory and management personnel.

The Village Manager shall also evaluate whether certain specialized DPW functions, including cemetery burials, should be contracted out due to the lack of currently qualified in-house personnel, while maintaining a smaller Village DPW for basic local maintenance functions such as mowing, grounds maintenance, flower watering, parks support, and other general Village maintenance duties.

The Village Manager shall bring back to the Village Council a report and, if available, proposed contract terms addressing anticipated costs, service responsibilities, emergency response, regulatory compliance, billing or administrative issues, staffing impacts, cemetery burial services, Village oversight, termination rights, and any legal or financial issues requiring Council review.