

Debt Service

5.1 Debt Limitation

The City is subject to the State of Michigan debt limitation of 10% of State Equalized Value (SEV), however, Act 94 of 1933 allows communities to issue bonds secured by the revenues of the system and because the security is system revenues (as opposed to the City’s taxing ability) these bonds do not count towards the debt limit. Since the water fund can issue bonds under Act 94 of 1933, the 10% of SEV debt limit is not a concern related to the water fund utilizing debt to finance projects.

Cash Flow

6.1 Methodology

The revenue needs to support operations, debt, and capital improvements while solving to cash balance. The City would like to limit the amount of debt by paying cash for as many capital improvement projects as possible. City officials determined that the increase in 2023/24 and 2024/25, followed by a consistent rate track with manageable annual inflationary increases is the best option for their customer base. The increases in 2023/24 and 2024/25 are implemented to assist in the system’s immediate needs.

6.2 Proposed/Potential Rates

The rate track below in table 6-2A demonstrates an increase of \$0.45 to the City’s Commodity Charge and a \$1.00 increase to the Service Ready Fee in 2023/24 and 2024/25. The table below also shows annual inflationary increases of \$0.15 to the City’s Commodity Charge and \$0.30 to the City’s Service Ready Fee thereafter.

TABLE 6-2A: PROPOSED RATES ADJUSTMENTS

Adjustment	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Commodity Charge (per 1,000 gallons)	\$2.45	\$2.90	\$3.35	\$3.50	\$3.65	\$3.80
Service Ready Fee (Monthly)	5.92	6.92	7.92	8.22	8.52	8.82
Water Improvement Project Fee (Monthly)	6.00	6.00	6.00	6.00	6.00	6.00

The City bills customers every month. Table 6-2B below shows an estimate of a typical homeowner’s monthly bill based on 4,500 gallons of water.

TABLE 6-2B: TYPICAL HOMEOWNER’S MONTHLY BILL

Homeowner Type	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Metered [1]	\$22.95	\$25.97	\$29.00	\$29.97	\$30.95	\$31.92

[1] Assumes 4,500 gallons per month.