

Memo

To: Mayor Hall

From: Sanya Vitale

cc: City Council

Date: 05/09/2023

Re: Water Rate Study & Proposed Water Improvements

Today's review of the Water Rate Study with baker tilly and consideration to schedule the Proposed Water Improvements public hearing, as proposed by Wightman is the first conversation about this topic over the course of the next month. The Council will participate in public hearings and consider rate adjustments as well as review the proposed CWSRF application in the coming weeks.

As part of the City's effort to comply with the State's Lead and Copper Rule (LCR) which requires the replacement of all lead service lines at a minimum rate of 5% per year, not to exceed 20 years, the City Council approved a Water Rate Study by baker tilly.

This Water Rate Study, similar to the Sewer Rate Study conducted last year, provides an analysis of the current rates and projects the necessary rates needed to afford ongoing water supply and system upgrades and maintenance as well as the mandated infrastructure changes needed to comply with the LCR.

Earlier this year, Wightman proposed that the Council consider applying for a maximum award under the current State of Michigan Clean Water State Revolving Fund (CWSRF) given the City's current designation as a Significantly Overburdened Community, and include both the compliance with the LCR as well as other water infrastructure related improvements outlined in the City's current Capital Improvement Plan. As a Significantly Overburdened Community, the City has the potential to be eligible for a 50%, 75% or even a 100% grant, reducing the amount of potential debt bonding. Some of the funds available for these grants are temporary funds available for a limited time, making the timing of this opportunity a bit narrower.

In reviewing the Water Rate Study and application for Proposed Water Improvements, the Council will want to consider whether the City should apply for a project that only includes the mandated Lead Service Line Replacement which is estimated at \$6.5M in overall project costs or apply for the maximum award possible which would include needed water related upgrades and the LSLR costs for a total estimated cost of \$12.1M.

If the Council decides to apply for the maximum award and receives, for example, a 50% grant, the Council could decide to reduce the amount of the total project and cut portions of the overall project scope out at that time in an effort to reduce the overall bond debt burden.

Please see attached information about the LCR.

Here is information about the State Revolving Fund and Overburdened Communities:

<https://www.michigan.gov/egle/regulatory-assistance/grants-and-financing/drinking-water-state-revolving-fund/overburdened-communities>