

Water & Sewer Rates

Fiscal Year 2026-2027

Ensuring Long-Term Utility System Sustainability

Why are rates being reviewed?

- ▶ Six-month review conducted in conjunction with the Michigan Rural Water Authority (MRWA)
- ▶ Analysis of the water and sewer enterprise funds
- ▶ Evaluation included:
 - ▶ Operating Costs
 - ▶ Infrastructure Needs
 - ▶ Contractual Obligations
 - ▶ Long-Term Financial Sustainability
- ▶ Goal: Modernize utility billing and ensure adequate revenues

Current Utility Rates Are Not Sustainable

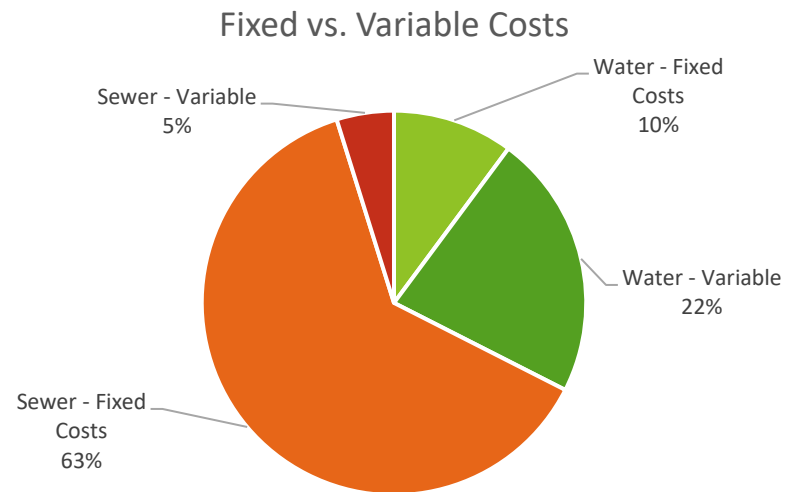
- ▶ Revenue generated under the current rate structure is insufficient to:
 - ▶ Maintain Infrastructure
 - ▶ Meeting Contractual Obligations
 - ▶ Fund Operations
 - ▶ Building Reserves for future system needs
- ▶ Without adjustments:
 - ▶ Deferred maintenance increases
 - ▶ Infrastructure risks increase
 - ▶ Future rate shocks become more severe

Estimated FY 27 Utility Budget With NO Rate Change



Most Utility Costs Are Fixed

- ▶ The City only has **1,779 utility accounts**, but has high fixed costs regardless of usage.
- ▶ Examples:
 - ▶ Employee (active/retiree) wages & benefits
 - ▶ Bond payments
 - ▶ GLWA/SOCWA/EFSD obligations
 - ▶ Utility Administration
- ▶ Fixed Costs ~73%
- ▶ Variable Costs ~27%



FY 26-27 Water Fund Fixed Costs

Cost Category	Amount
Staff & Benefits	\$200,000
Lathrup Services (DPS)	\$82,500
SOCWA Fixed Costs	\$97,700
Bond Payments	\$339,000
Total Major Fixed Costs	~\$719,000

► Key Point:

- Current bond charge (\$10.70 per month) only recovers ~\$229,000 of the \$339,000 annual obligation

FY 26-27 Sewer Fund Fixed Costs

Cost Category	Amount
Staff & Benefits	\$150,000
Lathrup Services (DPS)	\$82,500
WRC Retention Tank Oversight	\$93,500
EFSD Sewage Disposal	\$1,168,000
Bond Payments	\$409,000
Total Major Fixed Costs	~\$1.9 Million

- ▶ Key Point:
 - ▶ Most sewer costs are outside direct City control

Variable Costs Must Also Be Funded

▶ Examples:

- ▶ Water purchases from SOCWA (~\$344,000)
- ▶ Lead & Copper Line Replacements
- ▶ Liability Insurance
- ▶ Utilities
- ▶ Equipment Maintenance
- ▶ Emergency Repairs

▶ Important

- ▶ **Proposed rates do NOT fund major grant-funded capital projects**
- ▶ They only provide resources for ongoing operations and future planning

Why Change The Billing Structure?

▶ Current Structure

- ▶ Four-unit minimum billing
- ▶ Less directly tied to actual usage
- ▶ Lower recovery of fixed costs

▶ Proposed Structure

- ▶ Ready-To-Serve (RTS) charge
- ▶ Usage charged based on consumption
- ▶ Better aligns revenues with actual system costs

What is Ready-To-Serve?

- ▶ The RTS charge supports:
 - ▶ Infrastructure
 - ▶ Debt obligations
 - ▶ Metering systems
 - ▶ Regulatory compliance
 - ▶ Staffing administration
 - ▶ System availability 24/7
- ▶ Key Point:
 - ▶ Customers pay not only for water consumed, but for maintaining the system that is available whenever needed.

Proposed Water Rates

Proposed Rate	Rate (monthly)
Bond Charge	\$10.70
Water - RTS - 5/8	\$17.65
Water - RTS - 3/4	\$19.85
Water - RTS - 1	\$21.55
Water - RTS - 1.5	\$28.25
Water - RTS - 2	\$39.5
Water - RTS - 3	\$58.75
Water - RTS - 4	\$70.25
Water - RTS - 6	\$83
Water - Usage (per unit)	\$5.15

▶ Key Point:

- ▶ Most residential customers have either 5/8" or 3/4" meters.

Proposed Sewer Rates

Proposed Rates	Rate (monthly)
Sewer - RTS - 5/8	\$48.95
Sewer - RTS - 3/4	\$52.65
Sewer - RTS - 1	\$59.75
Sewer - RTS - 1.5	\$69.7
Sewer - RTS - 2	\$78.6
Sewer - RTS - 3/4	\$94.25
Sewer - RTS - 4	\$105.75
Sewer - RTS - 6	\$117.5
Sewer - Usage (per unit)	\$6.05

Customer Impact

► Typical Residential Account (5/8” Meter) - Using 4 Units

4-Unit Bill	Current		4-Unit Bill	Proposed
Bond Charge	\$10.70		Bond Charge	\$10.70
Bill Charge	\$1.00		Water - RTS	\$17.65
Meter Charge	\$2.99		Water - Usage	\$20.60
Sewer	\$37.43		Sewer - RTS	\$48.95
Water	\$20.63		Sewer - Usage	\$24.20
TOTAL	\$72.75		TOTAL	\$122.10

- If you're a resident who typically uses ~1 unit per month, the proposed rates would be \$88.50.
- If you're a resident who typically uses ~2 units per month, the proposed rates would be \$99.70.

Consequences of Inaction

- ▶ Without rate adjustments:
 - ▶ Operating deficits
 - ▶ Reduced fund balances
 - ▶ Deferred maintenance
 - ▶ Increased infrastructure failures
 - ▶ Greater future borrowing needs
 - ▶ Larger future rate increases



Benefits of the Proposed Rates

- ▶ Support reliable service delivery
- ▶ Meet contractual obligations
- ▶ Improve financial sustainability
- ▶ Build reserves for future infrastructure needs
- ▶ Reduce risk of emergency repairs
- ▶ Position the utility funds for long-term stability

Recommended Action

- ▶ Approve the FY 2026-27 Utility Rate Structure in conjunction with the FY 26-27 Budget.
 - ▶ Transitions to the RTS + Usage Model
 - ▶ Establish sustainable utility funding
 - ▶ Protect critical infrastructure
 - ▶ Ensure reliable water and sewer services for residents