



## CITY OF NOVI CITY COUNCIL JULY 13, 2026

**SUBJECT:** Approval of Proposed Water & Sewer Rate Resolutions for 2026-2027

**SUBMITTING DEPARTMENT:** Finance/Water and Sewer

**KEY HIGHLIGHTS:**

- Proposed water variable rate increase of 9% and proposed sewer variable rate increase of 9.5%
- Average user will see only a 6.4% increase in their total water and sewer bill

**BACKGROUND INFORMATION:**

The Finance Department has analyzed the water and sewer rates for fiscal year 2026-2027. In our review of rates, we looked at both operating and capital costs of the system. The largest impact to the City's operating costs of the water and sewer systems are the changes in rates our providers of water and sewer services charge us (Great Lake Water Authority, or "GLWA," and Oakland County Water Resource Commissioner, or "WRC"). GLWA charges the city a fixed fee and a variable fee whereas WRC charges only a fixed fee.

Other operating costs include salaries and fringes, equipment, maintenance, and cleaning costs, which are estimated to increase by inflation. Efficiencies in operations over the past few years have allowed the city to have relatively low increases compared to the increases in costs for the city.

The table below shows the increases in costs to the City from GLWA and WRC as well as the City's increases or decreases in water and sewer rates going back 10 years. Over the past 10 years, the average user has not seen an increase in their water and sewer bills greater than 5% while the city has seen significant increases in their costs, especially on the sewer side. In addition, GLWA promised the local communities they would not see increases greater than 4% for a set number of years. For FY2027, GLWA fixed rate is 3.02% and the variable rate is 9.77% which results in a 5.62% combined revenue requirement increase in water rates.

| RATE INCREASES/DECREASES |            |            |            |            |            |            |            |            |            |            |            | Proposed |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------|
|                          | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 | FY 2025/26 | FY 2026/27 |          |
| GLWA                     | -23.9%     | 8.7%       | -0.2%      | -0.6%      | 1.9%       | 2.0%       | 2.7%       | 5.9%       | 2.4%       | 6.3%       | 3.0%       |          |
| WRC                      | 2.8%       | 0.6%       | 1.3%       | 21.3%      | 15.5%      | 1.1%       | 3.3%       | 5.1%       | 7.0%       | 4.2%       | 5.5%       |          |
| City Water               | -16%       | 0%         | 2%         | 2%         | 2.0%       | 1.0%       | 2.5%       | 6.0%       | 6.0%       | 8.0%       | 9.0%       |          |
| City Sewer               | 6%         | 0%         | 8%         | 3%         | 7.0%       | 1.0%       | 5.0%       | 6.25%      | 9.0%       | 6.0%       | 9.5%       |          |
| Typical User - Combined  | -8%        | 0.0%       | 3.2%       | 1.6%       | 2.8%       | 0.6%       | 2.5%       | 4.0%       | 5.0%       | 4.7%       | 6.4%       |          |
|                          |            |            |            |            |            |            |            |            |            |            |            |          |
|                          |            |            |            |            |            |            |            |            |            |            |            |          |
|                          |            |            |            |            |            |            |            |            |            |            |            |          |
|                          |            |            |            |            |            |            |            |            |            |            |            |          |

The City's current **estimated** cash and investments balance in the Water and Sewer Fund is:

June 30, 2026, cash and investments \$19 million

FY 2026 remaining budgeted capital projects to take place in FY 2027 (\$10.2 million)

FY 2027 budgeted use of fund balance (includes \$5.1 million of capital projects) (\$5.1 million)

**Estimated cash balance June 30, 2027, \$3.7 million**

**Example of Water and Sewer charges using Huron Rouge Metered Rate**

|                    | <u>2025-2026</u>   | <u>2026-2027</u>   | <u>Increase</u> |
|--------------------|--------------------|--------------------|-----------------|
| <b>Quarterly:</b>  |                    |                    |                 |
| <b>Water</b>       |                    |                    |                 |
| Fixed rate         | \$ 56.00           | \$ 56.00           |                 |
| 20,000 gallons     | \$ 85.40           | \$ 93.09           |                 |
| <b>Sewer</b>       |                    |                    |                 |
| Fixed rate         | \$ 30.00           | \$ 30.00           |                 |
| 20,000 gallons     | \$ 109.00          | \$ 119.36          |                 |
| <b>Quarterly</b>   | <b>\$ 280.40</b>   | <b>\$ 298.44</b>   | <b>\$ 18.04</b> |
| <b>Annually</b>    | <b>\$ 1,121.60</b> | <b>\$ 1,193.76</b> | <b>\$ 72.16</b> |
| Estimated increase |                    |                    | 6.4%            |

Note:  
 Example of Water and Sewer Charges using Huron Rouge Metered Rate  
 Department and Oakland County Water Resource Commission.

The proposed water variable rate increase of 9% and the proposed sewer variable rate increase of 9.5% is estimated to generate \$1.2 million in cash which covers some of the budgeted \$5.1 million in capital outlay. **The average user will see only a 6.4% increase in their total water and sewer bill.**

We will continue to monitor the water and sewer rates and cash reserve balance on an annual basis and make recommendations as needed to adjust them as facts and circumstances change. In FY2026/27, the city will send out an RFP for a complete Water & Sewer Rate Study to make sure the rates are appropriate for the City's needs to sustain the water and sewer operations.

**RECOMMENDED ACTION:** Approval of Proposed Water & Sewer Rate Resolutions for 2026-2027