



The City of
Saline

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Memorandum

From: City Treasurer Elle Cole
Date: November 6, 2023
Subject: 23-228 2024 Water and Sewer Rates
Background Brief:

Annually, the City of Saline evaluates the necessity of adjustments to its water and sewer fees, guided by the imperative of ensuring the sustained operational and capital requirements of these essential systems. We are pleased to communicate the findings of a comprehensive independent utility rate study conducted by Baker Tilly, a leading authority in the field, on October 10, 2023. The rate study considers both current operational needs of the water and sewer utility, as well as planned capital improvements to both the system and plants. The study is designed to identify the rates necessary to both sustain reliable operations, and meet the improvement needs of the system moving forward.

For the 2024 calendar year, the results of this extensive study have led us to conclude that the following rate adjustments are necessary:

- Sewer: An 8% increase in both ready-to-serve and consumption fees.
- Water: A 5% increase in both ready-to-serve and consumption fees.

Original projections in the previous utility rate study estimated the 2024 need of a 25% increase to sewer rates and 3% increase to water rates for 2024. The revised increase of just 8% for sewer rates reflects the impact of the \$5 million direct appropriation from the State of Michigan and \$6.2 million-dollar principal forgiveness through the Bipartisan Infrastructure Act. The resulting recommendation for our 2024 utility rates is found to be both fair and manageable.

In addition to the Wastewater Treatment Plant Rehabilitation, estimated to cost \$81 million, other notable investments for 2024 include additional water main lining to improve water clarity, and cleaning and lining sewers to improve system wide resilience. Residents can learn more about planned capital improvements through the City's transparency portal available at <https://city-saline-mi-projects.cleargov.com>.

The attached supporting documents encapsulate the implications of these rate adjustments for our residential customers, as well as for the City's two largest industrial users. The residential impact is thoughtfully dissected, considering the average bill for a low water user (10 units), an average user (13 units), and a high user (17 units). The collective impact, when blended, equates to an approximate 7.1% increase overall. We anticipate that in the years to come, a prudent projection of an average 5% increase, effective January 1st of each year, will be necessary to counterbalance the effects of inflation, ensuring the continued reliability of our municipal services.

The additional attachment provides a comprehensive analysis of the overall cost of water and sewer rates for an average household when juxtaposed against private utility bills. This examination reveals that the cost of public services, even with the proposed adjustments, remains competitive and consistent with comparable household fees.

In addition to the annual rate recommendations, the City's utility billing team is recommending a shift to quarterly billing cycles that aligns with the calendar year. This is both for user convenience to tie cycles to a standard calendar year quarter and to ensure that individual billing cycles do not span two separate fiscal years of the City. To begin this process, the last utility bill of 2023 will be extended through December 2023, with bills mailed on January 31, 2024, and due on March 1, 2024. This will result in a billing cycle that contains four instead of three months. All future cycles will align with a standard calendar year quarter system as follows for 2024:

- Quarter 1: January 1st- March 31st, bills delivered April 30th, and due June 3, 2024
- Quarter 2: April 1st - June 30th, bills delivered July 31st, and due September 3, 2024
- Quarter 3: July 1st - September 30th, bills delivered October 31st, and due December 2, 2024
- Quarter 4: October 1st - December 31st, bills delivered January 31st, and due March 3, 2025

It is important to emphasize that this request pertains solely to the 2024 rate year. If approved, these new rates would come into effect on January 1, 2024, aligning seamlessly with the City's new quarterly billing cycle. We encourage residents and stakeholders to email waterbilling@cityofsaline.org with any questions.

Previous Action: On October 16, 2023 the City hosted a work session to review the recommendations of its third-party financial consultants from the 2023 Utility Rate Study.

Economic Impact: Varies (8% sewer/5% water)

Budget Line Items: 590-000-642-000
590-000-643-000
591-000-642-000
591-000-642-000

Amendment Required: No.

Recommended Motion:

MOVED

SECONED

To **acknowledge** receipt of the memo from Treasurer Cole and to **adopt or not adopt** Resolution #23-228.

ATTACHMENTS:

[Utility_Fees_Resolution_2024.pdf](#)

[Residential Rate Impact_FY24.pdf](#)

[Household Utility Rates.pdf](#)