

## Water/Sewer Utility Rate FAQ's

### 1. Please explain how a water/sewer bill is calculated?

**Answer:** The City utility bill is comprised of two entirely separate utilities (water and sewer) and each utility charge contains two different components. The first is called the "Ready-to-serve charge" which is a fixed monthly fee based upon meter size. The second component is called the "commodity charge or usage charge". This is based on the amount used by the customer. The usage rate is billed at the per 1,000 gallons of usage rate.

### 2. Please explain why there is a fixed "Ready to serve" charge when water/sewer should be billed only based on usage.

**Answer:** A significant number of costs that a small water/sewer system have are fixed in nature (usually 60-70 percent of the annual budget). Some items that are fixed (not dependent on the amount of water treated or pumped) are debt service, regulatory agency expenses, staffing, equipment costs, billing, capital replacement, etc. The City must keep close attention to its rate structure to ensure that the "Ready-to-serve" charge generates enough revenue to cover the fixed cost obligations of the system.

Often system customers may request to have the "ready to serve" charge suspended for a period of time (example: snowbirds). It is critical that this charge is paid monthly without a break. There is a value associated with connection to the system and ultimately capacity is obligated to each connection. Therefore, each connection has a responsibility to cover their fair share of this portion. Example: the bank doesn't suspend mortgage payments on your house if you are on vacation for a month.

### 3. Water/Sewer used to be very cheap. Now it seems to be going up in cost. Why?

**Answer:** Yes, water/sewer bills have crept upward in recent years. This follows a nationwide trend. The reality is that for many years rates were kept fictitiously low which makes it feel like the increases are significant. The City acknowledges that any increase in rates places a burden on everyone's household budget. However, it is critical that the City begin to generate the revenue necessary to

fund ALL of the following: Operational Expenses, Preventative and Predictive Maintenance (Asset Management), Emergency Operating Reserves, Debt Service, and Future Capital Replacement. For many years not all of these needs were being met, which created cash flow and credit worthiness concerns for the City with regard to its Water and Sewer Infrastructure.

**4. What is the process for raising water/sewer rates?**

**Answer:** Many factors affect the City's decision to increase water/sewer rates. These can be budget driven, regulatory agency driven, staff driven. Discussion regarding rate increases are generally initiated at the Council Committee level and then a recommendation is forwarded to the City Council for consideration. Each rate ordinance must go through two readings and a Public Hearing. Upon passage the ordinances are then published in the newspaper before they can take effect. The most recent water rate increase was adopted in 2019 which had a four (4) year rate step plan with a 3% increase built in each year thereafter beginning in 2023. The most recent sewer rate increase was adopted in 2022 with rates increasing by a three (3) year rate step plan and a 3% increase built in each year at the conclusion of this initial 3-year rate period.

**5. Can't the City just reduce expenses and avoid the rate increase?**

**Answer:** As mentioned in previous answers the City has obligations (many of which are beyond the City's control) that must be met. Almost all expense increases you have experienced in recent years, the City has as well. The City must charge a utility rate that covers these needs. This was not happening for many years and the funds were at levels that were not adequate to fund operations, let alone replacement of large capital items.

This decision was not taken lightly and was made after extensive and careful discussion. It is hopeful that the increases implemented in recent years will put the City in a better position to meet short-term needs and potentially some of its long-term needs. We appreciate your understanding as we work to ensure that water/sewer safety and reliability remain at the highest possible level in the City of Wayland for many years to come.

**6. What percentage will the increases be?**

**Answer:** Aside from the 3% annual increase in rates, the rate increases are rarely communicated in percentages. Each rate ordinance contained a

significant rate restructuring to promote revenue stabilization in the most equitable manner possible. Therefore, the percentage increases were different for each customer type and meter size.

**7. How do the City water/sewer rates compare with neighboring communities?**

**Answer:** What the rates are in other communities hold little to no impact on what our utility rates are in the City of Wayland. Each community has different needs, different regulations that must be met, has different treatment technologies, and different aged systems. Because of the localized nature of our water/sewer needs, this is irrelevant. However, Wayland is always below the regional averages for water/sewer, which isn't always a good thing as the City did not keep up with rate needs for several years. Historically communities with the lowest rates are the most poorly managed utilities and there are no efforts being made to fund future needs which places the community in a very precarious financial situation.

**8. I don't feel that the City of Wayland Water/Sewer rates are affordable?**

**Answer:** While everyone holds a slightly different opinion of what is affordable there are some model worth explanation and consideration. Funding agencies (government agencies that provide grant or subsidized loan funding for water/sewer projects) want to see utility rates at 1.5% of the Median Household Income per utility or 3.0% combined (Water AND Sewer) before they will consider offering funding assistance for a project. Essentially, until the City has done enough to help itself (by setting appropriate rates) no outside assistance is determined to be needed.

The City's Median Household Income (MHI) (as of the 2020 census) is \$63,500. This would place the utility affordability threshold at \$79.38 per month per utility or a combined water/sewer bill of \$158.75.

At current (after the most recent increases) the City's water rate sits at \$29.36 per month assuming 4,500 gallons of usage (typical household). This is only about 0.55% of the MHI. The City's sewer rate sits at \$47.75 per month assuming 4,500 gallons of usage. This is only about 0.9% of the Median Household Income.

Therefore, the City still has significant affordability threshold capacity to raise rates and will need to continue to implement rate increases to fund required capital improvements to the system.

**9. What future rate increases can be expected?**

**Answer:** Currently the City is planning several large-scale capital improvements over the next 5-10 years. Such projects include a new water tower (mandated by EGLE), new water meters, lift station improvements, water tower painting, distribution and collection system improvements, and lead/copper service line mitigation. Conservative estimates would have these improvements above \$10,000,000 between the Water and Sewer Funds. Consideration of the next round of increases is ongoing with plans for in-depth discussions in the next 6-12 months. No one wants a rate increase however, the longer the City waits to implement one, the higher the resulting increase will be.

**10. I don't agree with my reported water consumption. What are my options?**

**Answer:** If there are concerns regarding your utility bill, please contact City Hall at 269-792-2265 to ask City staff for additional clarification. While no one likes receiving a big bill, these are almost always the result of a leak somewhere past the meter. Many of these leaks are often very difficult to locate and may require professional leak detection services. The City does have a limited number of leak detection dye kits which can help customers in determining if there could be a leak.

Water meters are specifically engineered to prevent accelerated readings. In fact, as they wear out, they will register zero consumption which then alerts the City of Wayland employees to contact the customer and inspect the meter for potential replacement.

Since the meter readings are obtained from the remote reader located outside the house, the potential for a misread exists if there is a problem with the hard wiring to the water meter in the basement or with the remote reading devices. Misreads are extremely rare. The letter "A" following the "Current Read" on your bill indicates an actual read. To verify the reading shown on your bill, compare it to the reading on your water meter in the basement. The reading that you take (first 4 digits reading left to right) should be greater than the "Current Read" from the bill. If you subtract the bill's "Current Read" amount from the reading you

took, it will measure the amount of water consumed since the end date of the “Service Period” also shown on the bill.

If there is further dispute, residents always have the option of having the meter tested by a third party. If it is determined that the meter was reading accurately (often old meters will read low) the customer is responsible for the cost of the test which could run \$50-\$100.

**11. I didn’t receive my bill. What should I do?**

**Answer:** The City utilizes the United States Postal Service for distribution of its utility bills. This is generally reliable; however there have been times where delivery wasn’t always timely. Regardless, customers should have self-awareness to know that the water/sewer bill is monthly and be proactive in ensuring that their account remains current. City Hall staff is available to answer your questions regarding any amounts due and take payment to help ensure that accounts aren’t assessed any late charges.

**12. I can’t pay my bill and want to avoid being shut off. What can I do?**

**Answer:** Service termination is never the goal of the City; however it is one of the extreme measures that we must utilize in a City to help ensure equity across its customers. Water customers making on-time payments every month can’t be expected to supplement those that don’t make timely payments.

However, the City is cognizant that everyone may face hardship at some point. Therefore, the City does offer payment plans to customers. In order to obtain the most favorable payment plan it is in the customer’s best interest to be proactive, and contact City Hall to discuss options and potentially execute a payment plan agreement. Waiting until shut-off day to do this is not appropriate, and at that point the opportunity for a payment plan has passed. Payment of the full amount plus a turn on fee will be due in order for service restoration.

**13. I already pay high property taxes. Can’t this be used for water/sewer?**

**Answer:** There is a commonly held belief that the City has high property taxes. When this is examined regionally that is not the case. Additionally, the City property tax millage remains below the State average. What other taxing entities charge for millage rates have no bearing on what the City needs to charge for water/sewer service.

Additionally, it should be noted that water/sewer revenues must only be used for the water and sewer funds. Therefore, they cannot be used for the expenses associated with things such as the Police Department, Parks and Recreation, General Government, Fire Department, etc.

**14. I'm on a "fixed income". Is there a way the City could give me a break?**

**Answer:** While the City is aware of the struggle of many to meet all of their needs in a month, especially those on fixed incomes the City Water/Sewer funds are considered enterprise funds. Revenue generated for enterprise funds is subject to the restriction that the revenue generated must be closely related to the service received. This has been addressed in case law. Therefore the City must have a rate that is equitable which means that a particular customer group (by usage levels) must generate a percentage of revenue that is related to the percentage of usage on the system. The City is given very little latitude in allowing one customer group to supplement another.

**15. Is debt financing for projects a sign of poor financial management?**

**Answer:** The cost of full system replacement of the City's Water/Sewer infrastructure would be in the tens of millions of dollars. The assets involved are often assets with a lifespan of 50-100 years. This spans multiple generations and various portions are built in phases or multiple years. When the assets were constructed rates were kept low without a plan for funding the replacement for them in place. It would not be feasible for the City to catch up these funds in one or two generations. Luckily, the City often has access to debt at favorable interest rates and loan terms which allow the City to spread the costs over several years. One way to think about this is if "multiple generations will benefit from an assets construction, then multiple generations have an obligation to pay for that asset."