



# 2025 Utility Rate Financial Study

# 2025 UTILITY RATE FINANCIAL STUDY

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# **2025 UTILITY RATE FINANCIAL STUDY**

## **SECTION I - UTILITY RATES**

### **INTRODUCTION**

The City Administration has reviewed the utility rate structure for the purpose of considering necessary adjustments to utility rates, while addressing long-term needs of the city utility system. During the development of the 2025 Utility Rate Financial Study, a review of the previous study and the present rate structure was conducted.

As part of the ongoing effort to control costs and maintain the lowest possible utility rates for water and sewer customers, the City Administration reviewed the overall utility operation in light of the privatization of the operation and maintenance functions of the utility initiated in March 1997. Privatization has been extremely effective in cutting overall utility costs while still providing a high level of service to customers. The city's contractor performs all routine operation and maintenance activities for the water utility, including operation of the pumping and overhead storage facilities; meter installation, repair and reading; water service repair and maintenance; water main repair; fire hydrant flushing and repair; MISS DIG staking and other miscellaneous activities. Routine operation and maintenance activities performed for the sewer utility include cleaning and inspection of sanitary sewers; cleaning of storm sewer piping and manholes; daily inspection, maintenance and repair of sanitary sewage pumping facilities; repair and cleaning of sanitary sewer manholes; street sweeping and other miscellaneous activities. On March 21, 2023, the City Council extended the contract with Veolia through June 2028.

### **Background**

The Governmental Accounting Standards Board (GASB) requires that Sewer and Water Funds be enterprise funds and be operated in a manner similar to private business, with costs recovered primarily through user charges.

In 1986, the first Water and Sanitary Sewer Rate Committee reviewed the financial status of the Sanitary Sewer and Water Funds. The Water and Sanitary Sewer Rate Committee has met every year since to review the rates and make recommendations to the City Council. Prior to 1986, utility rates were reviewed and adjusted on an as needed basis, which lead to unpredictable rates and charges.

In 2008, the city received a letter from the State of Michigan requiring a financial plan to rectify a water fund deficit. The city has followed the plan submitted to the State of Michigan and the water fund deficit has been eliminated. Water and sanitary sewer rate increases required to eliminate the deficit, meet the conditions in the financial plan submitted to the State of Michigan and reach a positive working capital balance for the utility funds as a whole were substantial. Over the past several years the utility funds have been able to pay cash for capital improvement projects and pay off all callable debt and significant rate increases were not required.

Rate adjustments since 2008 are as follows:

<u>Fiscal Year</u>	<u>Combined Water &amp; Sewer % Rate Change (Typical Residential Customer)</u>
2008	13.68
2009	12.22
2010	15.03
2011	10.85
2012	4.85
2013	2.73
2014	1.40
2015	0.94
2016	0.75
2017	0.62
2018	-3.91
2019	-3.56
2020	0.00
2021	5.47
2022	5.23
2023	7.08
2024	8.44

Rate adjustments typically result from inflationary pressure, material changes in governmental programs and operations, and other factors which cannot be controlled by the city, such as charges from the City of Kalamazoo for sewage treatment and Consumers Energy for gas and electricity.

#### CURRENT STATUS

A fundamental principle of utility fund financing is that user rates should be sufficient to fund the entire cost of utility system operations. This principle is accepted by all authoritative sources (Government Finance Officers Association, American Water Works Association, etc.) and is based on the enterprise fund status. Enterprise funds operate as a private business and all businesses must generate sufficient revenues to cover costs in order to be viable.

#### Utility System Rate Structure

For provision of sanitary sewer and water service, a two-part rate structure is in effect. For sanitary sewer and water customers, the rate consists of a fixed portion, referred to as the "basic quarterly charge" and a unit rate, referred to as the "commodity" rate.

For water and sewer activities of the utility, the basic quarterly charge is designed to cover the fixed costs of providing service. These costs, which are generally stable throughout the year despite the amount of water produced or sewage transported, include: Personnel salaries and

fringes, the Veolia operation and maintenance contract, office supplies, mailing expenses, telephone charges, environmental testing, water quality testing, printing and publishing and equipment repair and maintenance. The fixed costs are applied to the meter size using a formula which recognizes the capacity of the meter size and the impact on the water and sanitary sewer systems.

Commodity rates are designed to cover more variable costs, including sewage treatment costs, public utilities, sewer lead repair, equipment rental costs, equipment replacements, retention basin testing and administrative costs. Commodity rates are based on a dollar amount per thousand gallons of water metered for both water and sewer billings, with sewer billings capped for residences as described below. All classes of customers are billed quarterly with the basic quarterly rate applied in addition to the commodity charge.

### **Sanitary Sewer System**

The City of Portage sanitary sewer system consists of 242 miles of sewer main, and 56 sewage lift stations. The sanitary sewer system has a capacity of 10.8 million gallons per day, with an average daily flow of 4 million gallons. Future expansion projects are prioritized to address the areas with greatest potential for groundwater contamination. Citizen petitions are also given high priority. Priorities are reviewed annually by the City Administration to ensure consistency with Council goals and environmental concerns. The current and projected resources of the Sanitary Sewer Fund appear adequate to accommodate increased expansion of the sanitary sewer system. The recommended six-year 2025-2031 Capital Improvement Program (CIP) includes \$9.75 million in sanitary sewer system improvements and expansions. The proposed improvements would be funded through various financing methods. The projects are considered important in order to pursue placement of sanitary sewer throughout the city and to continue with the mandatory sewer hookup program emphasis. In addition to extension of sanitary sewer mains, operational improvements over the next six years include:

- Installation of sanitary sewer leads that were not included in original construction.
- Installation of sanitary mains in existing developed plats.
- Rehabilitation of sanitary sewer lift stations and force mains

The proposed sanitary sewer rate structure was developed taking into account the capital expenditures necessary to meet these needs through various financing means.

### **Sanitary Sewer Billing Cap**

Sewer bills are calculated based upon water usage with the assumption that water used within a residence is generally discharged to the sanitary sewer system as wastewater. A cap on sewer billing to residential customers limits the sewer bill to 125% of the customer's winter quarter water usage. The 125% cap was established based upon an analysis of residential accounts with separate water meters for irrigation. This analysis was undertaken to determine the quarterly water usage pattern of the "typical residential customer." Results of the analysis indicated that average summer water usage discharged to the sanitary sewer system, for a single-family residence, is approximately 125% of the winter water consumption when external irrigation is

excluded. Winter usage is defined as that quarter in which January occurs. The sanitary sewer billing cap ensures that residential customers are billed for flow to the sanitary sewer and not for outdoor water use.

### **Water System**

The city water system consists of 19 production wells, one 750,000 gallon elevated storage tank, one 1,500,000 gallon elevated storage tank and 265 miles of water main. The Garden Lane Water Treatment Plant removes arsenic, iron and manganese that natural occur in the water. The water system currently has a capacity of 25 million gallons per day. The average day production is 4.5 million gallons. The Water Reliability Study was updated in 2024. The Wellhead Protection Program was updated in 2021 as well as the Risk and Resilience Assessment. These studies, together with current management information and system use data, are the basis for planned future system improvements.

The recommended six-year 2025-2031 CIP includes \$33,215 million in water system improvements. Current and future anticipated demands placed on the system necessitate provision of numerous operational improvements over the next ten years, including:

- Replacement of municipal wells and deteriorating water main that have reached the end of their useful life.
- Installation of water main and service lines in developed plats.
- Improvement of the stormwater collection and recharge system.
- Additional treatment facility with iron removal capabilities.

The proposed water rate structure was developed taking in consideration of the capital expenditures necessary to meet the above noted needs through various types of financing.

On February 11, 2014, Portage City Council approved reinstatement of a 10% discount on water use charges for eligible senior citizens. Redistribution of the 10% discount to senior citizen customers to the remaining water customers was also taken into account in the development of the water rate structure. The subsidy for the Senior Citizen Discount in Calendar Year 2024 was \$87,692.

### **Utility Customer Growth**

As of January 1, 2025, the utility has 16,349 sanitary sewer customers and 15,757 water customers. An increase in the number of customers has a general impact of stabilizing system-wide operation costs as cost of service can be spread over a larger number of users. Although the total number of water and sewer customers continues to increase, the rate of increase in utility customers has slowed over the years. The utility system is a mature system with 96.7 % of developed properties served by municipal sewer and 87.5% served by municipal water. In the future, new customer growth will be most directly related to new development occurring in the city.

## FINANCIAL REVIEW

Using current information on the status of the utility systems as background, the 2025 Utility Rate Financial Study was conducted to determine appropriate cost recovery rate levels. These rates provide for operation of the utility systems, funding of utility-related capital improvement needs and repayment of Limited Tax General Obligation (LTGO), city share debt and Utility Revenue bond debt related to infrastructure extensions and replacements.

The Annual Comprehensive Financial Reports for prior fiscal years provide the primary source for review of the past financial condition of the Utility Funds. Additional sources include the Municipal Budget for Fiscal Year 2024-2025, the 2024-2030 CIP, the recommended 2025-2031 CIP and prior utility rate studies. Increases in sanitary sewer sludge disposal and capital improvements to the Kalamazoo Regional Sewage Treatment Plant will result in an increase in sewage treatment charges. As a result of the increases in treatment charges and inflationary cost increases, an increase in City of Portage sanitary sewer and water rates is necessary.

As of June 30, 2024, the Sewer Fund had a working capital balance of \$11,038,584, which was 101% of operating expenses, or 99% of operating expenses plus debt service, and the Water Fund had a working capital balance of \$4,890,401, which was 104% of operating expenses, or 75% of operating expenses plus debt service. These balances have been maintained through conservative budgeting and forecasting methods.

### Typical Residential Customer

The typical residential customer in Portage purchases approximately 19,000 gallons of water and is billed for 15,000 gallons of sewage flow per quarter. The typical residential customer has been defined based upon an analysis of all residential accounts and represents the baseline used for comparison since single-family residences represent about 90% of utility accounts. The table below demonstrates the typical average residential customer quarterly usage of water and billing of sewage flow.

#### TYPICAL RESIDENTIAL CUSTOMER

	Metered Water (x1000 gallons)	Billed Sewer (x1000 gallons)
Winter usage (quarter including January)	14	14
Spring usage	14	14
Summer usage	33	18
<u>Autumn usage</u>	<u>14</u>	<u>14</u>
Annual Total	75	60

The differential between the metered water and the billed sewer is a result of the 125% sewer cap. The cap impacts the summer sewage billing quarter by limiting it to 125% of the winter metered water.

## RATE RECOMMENDATIONS

Tables 1, 2 & 3 summarize Sanitary Sewer Fund and Water Fund statements of estimated revenue and expenses for the fiscal years ending June 30, 2025 through 2030. Projected commodity rates, sales in millions of gallons and an analysis of capital/debt needs and funding are also presented. Factors that impact these projections include the cost of living increase, the number of utility customers, revised contaminate level standards promulgated by the USEPA, reduced flow from sewer customers and the sewage treatment costs by the City of Kalamazoo in the case of the Sewer Fund. Table 4 analyzes the recommendations as applied to the "typical residential customer." The following recommendations are presented regarding 2025 Utility Rate Financial Study.

### Sanitary Sewer Fund

It is recommended that the sewer commodity rate per thousand gallons be increased from \$6.45 to \$7.03 for Fiscal Year 2025-2026, \$7.66 for Fiscal Year 2026-2027 and \$8.35 for Fiscal Year 2027-2028. The rate will: 1) provide for increased treatment charges billed by the City of Kalamazoo, 2) continue funding operations, capital improvement needs, repayment of outstanding sewer-related Limited Tax General Obligation (LTGO) bonds and 3) provide for future LTGO and revenue bond debt. Privatization of the utility operation has resulted in a significant savings in the sewer fund over the last twenty-eight years, in spite of a lower billable flow growth compared to previous years.

It is recommended that the sewer basic quarterly charges be increased as shown below:

#### SANITARY SEWER BASIC QUARTERLY CHARGE CITY OF PORTAGE CUSTOMERS

<u>Meter Size</u>	<u>Current Quarterly Charge 2024-2025</u>	<u>Proposed Quarterly Charge 2025-2026</u>	<u>Proposed Quarterly Charge 2026-2027</u>	<u>Proposed Quarterly Charge 2027-2028</u>
5/8"	\$ 36.04	\$ 38.56	\$ 41.26	\$ 44.15
3/4"	\$ 54.05	\$ 57.84	\$ 61.89	\$ 66.23
1"	\$ 81.08	\$ 86.76	\$ 92.84	\$ 99.34
1-1/2"	\$ 144.14	\$ 154.24	\$ 165.04	\$ 176.60
2"	\$ 216.22	\$ 231.26	\$ 247.56	\$ 264.90
3"	\$ 360.36	\$ 385.60	\$ 412.60	\$ 441.50
4"	\$ 720.72	\$ 771.20	\$ 825.20	\$ 883.00
6"	\$ 1,261.26	\$ 1,349.60	\$ 1,444.10	\$ 1,545.25
8"	\$ 1,801.80	\$ 1,928.00	\$ 2,063.00	\$ 2,207.50

The basic quarterly charges are designed to cover the fixed costs related to the operation of the sanitary sewer system. With the continuation of the sanitary sewer bill cap of 125%, the recommended Fiscal Year 2025-2026 basic quarterly charges and increasing the commodity rate at \$7.03 per thousand gallons will result in an added monthly expense of \$3.74 for the typical residential customer.



In previous utility rate studies, emphasis has been placed on stabilizing retained earnings in the Sanitary Sewer Fund at a level of \$1,500,000 as recommended by the city's financial advisor. An adequate cash balance must be maintained for operation of the utility and to make debt service payments. Basic Quarterly Charges are recommended to ensure sufficient resources are available within the Sanitary Sewer Fund to meet obligations to avoid the need for subsidy by non-utility related funds.

For Fiscal Year 2024-2025 the estimated working capital (i.e. cash) at the end of the year is \$10,634,207. Based on the recommended basic quarterly charges and commodity rate for Fiscal Year 2025-2026, 2026-2027 and 2027-2028, an acceptable level of working capital balance can be maintained through Fiscal Year 2029-2030.

The recommended rates for Fiscal Year 2025-2026 are slightly lower than the rates forecasted in the 2024 Utility Financial Rate Study due to averaging the increases over the projected five years, as shown in Table 1 (Utility Fund Statements of Revenues and Expenses – Sanitary Sewer Fund). The rate increases are necessary as significant increases in wastewater treatment charges from the City of Kalamazoo are expected to continue in subsequent years.

#### **Sanitary Sewer Rate - Schoolcraft Township**

The service agreement with Schoolcraft Township establishes the rate charged to customers in Schoolcraft Township. The basic quarterly charge is the same as charged to the City of Portage customers. There is a 5% surcharge on the commodity rate and a \$0.35 charge per thousand gallons for capital costs. It is recommended that the Fiscal Year 2025-2026 sanitary sewer commodity rate to Schoolcraft Township customers be increased from \$7.12 to \$7.73 per thousand gallons.

## **Water Fund**

### **Water Service Charges**

It is recommended that the water commodity rate be increased per thousand gallons from \$3.64 to \$3.82 for Fiscal Year 2025-2026, \$4.01 for Fiscal Year 2026-2027 and \$4.21 for Fiscal Year 2027-2028. The basic quarterly costs are designed to cover fixed costs related to the operation of the water system. It is recommended that the water basic quarterly charges be increased as shown below:

#### **WATER BASIC QUARTERLY CHARGE CITY OF PORTAGE CUSTOMERS**

<u>Meter Size</u>	<u>Current Quarterly Charge 2024-2025</u>	<u>Proposed Quarterly Charge 2025-2026</u>	<u>Proposed Quarterly Charge 2026-2027</u>	<u>Proposed Quarterly Charge 2027-2028</u>
5/8"	\$ 24.97	\$ 26.22	\$ 27.53	\$ 28.91
3/4"	\$ 37.46	\$ 39.33	\$ 41.30	\$ 43.37
1"	\$ 56.19	\$ 59.00	\$ 61.94	\$ 65.05
1-1/2"	\$ 99.88	\$ 104.88	\$ 110.12	\$ 115.64
2"	\$ 149.82	\$ 157.32	\$ 165.18	\$ 173.46
3"	\$ 249.70	\$ 262.20	\$ 275.30	\$ 289.10
4"	\$ 499.40	\$ 524.40	\$ 550.60	\$ 578.20
6"	\$ 873.95	\$ 917.70	\$ 963.55	\$ 1011.85
8"	\$ 1,248.50	\$ 1,311.00	\$ 1,376.50	\$ 1,445.50

The proposed Fiscal Year 2025-2026 rates will result in \$1.54 change in the monthly expense for the typical residential water customers.

### **Private Fire Protection Service Charges.**

Dedicated fire protection service is defined as a separate water service line that solely provides fire protection to a property. The Basic Quarterly Charge will ensure that the cost of providing a dedicated fire service that only benefits one property is borne by the benefiting customer and not the utility customers at large. In addition to the Basic Quarterly Charge a \$6.40 per 1,000-gallons charge for all water use recorded on the fire service bypass meter is assessed. It is recommended that the Basic Quarterly Charge for fire protection services be increased as shown in the table below.

#### **Private Fire Protection - Basic Quarterly Charge**

<u>Fire Protection Service Size</u>	<u>Current Basic Quarterly Charge</u>	<u>Proposed Basic Quarterly Charge</u>
4 – inch	\$25.00	\$30.00
6 – inch	\$45.00	\$54.00
8 – inch	\$80.00	\$96.00
10 – inch	\$125.00	\$150.00
12 – inch	\$180.00	\$216.00
16 – inch	\$320.00	\$384.00

As shown on Table 2 (Utility Fund Statements of Revenues and Expenses - Water Fund), rate increases are recommended in subsequent years. The water basic quarterly charges and commodity rate must be increased to continue funding operations, meet major capital improvement needs, keep up with inflationary increases in water production costs (pumping, disinfection, etc.), repay outstanding water-related Limited Tax General Obligation (LTGO) bonds and provide for future LTGO and revenue bond debt. In future years, costly major water projects such as additional water storage and iron removal facilities will be required as demands on the Portage water system increase. In addition, the Water Fund will finance needed storm drainage improvements throughout the city.

Emphasis has been placed on stabilizing retained earnings in the Water Fund at a level of \$2,500,000 as recommended by the city's financial advisor. An adequate cash balance needs to be maintained for operation of the utility and to make debt service payments. There are sufficient resources available within the Water Fund to meet obligation to avoid the need for subsidy by non-utility related funds with the recommended rate over the coming years. For Fiscal Year 2024-2025, the estimated working capital (i.e. cash) at the end of the year is \$4,476,280. Based on the recommended basic quarterly charges and commodity rate for Fiscal Year 2025-2026, 2026-2027 and 2027-2028, an acceptable level of working capital balance can be maintained through Fiscal Year 2029-2030.

It is important that the city continue to plan for the installation of new iron removal facilities at the Shuman well site (currently scheduled in Fiscal Year 2028 through 2030 in the recommended 2025-2031 CIP) to relieve pressure on the Kalamazoo/Portage groundwater aquifer and replacement of a municipal well in the Milham well field located north of Portage Northern High School. Exploration in southern Portage, Schoolcraft Township and Pavilion Township was not successful in locating any new suitable well sites with low iron content.

### **Water Rate — Pavilion Township and Schoolcraft Township**

It is recommended that the basic quarterly charges for Pavilion Township and Schoolcraft Township residents be the same as charged to City of Portage customers. It is also recommended that the water commodity rate for Pavilion Township and Schoolcraft Township residents be increased from \$4.30 to \$4.43 per thousand gallons for Fiscal Year 2025-2026.

### **SUMMARY OF RECOMMENDATIONS**

The effect of the combined recommendations on the typical City of Portage residential customer is projected through Fiscal Year 2029-2030 in Table 3. The Fiscal Year 2025-2026 combined rate increase for the typical residential customer is 7.01%. The typical residential customer having both municipal water and sewer service, the proposed rates will result in an added monthly expense of \$5.28 for Fiscal Year 2025-2026. With operations, capital improvements and debt service continuing to be funded, the utility systems have been self-supporting since July 1989. Self-supporting status is essential for these important enterprise funds so that the funds do not become a financial drain on either the General Fund or the Capital Improvement Fund.

It is recommended that the effective date for rate adjustments be July 1.

## SECTION II – UTILITY

### FEES AND CHARGES

#### INTRODUCTION

Although the establishment of appropriate commodity rates and basic quarterly charges for water and sewer service is the primary focus of the annual Utility Rate Financial Study, it is also prudent to give attention to matters which may be less significant in dollar amounts but are still important to the financial health of the utility system, i.e. utility fees and charges.

#### **Background**

The establishment of adequate fees and charges for services performed in addition to the delivery of water and sewer service is necessary to fairly and equitably recover costs for services provided. When fees and charges are inadequate, the utility rate payer must bear the cost for services provided to others. Examples include costs for service connections, meters, turn-on fees, etc. In each case, if the charges for these services are inadequate to recover costs, the rate payers subsidize the service provided to some extent.

#### CURRENT STATUS AND RECOMMENDATIONS

#### **Meter Charges**

The current meter installation charges are based on the cost of the meter plus the cost of labor and equipment to install the meter. The current meter and installation costs have been reviewed and no adjustments are necessary to water meter charges as shown in the table below.

<u>Meter Size</u>	<u>Current Charges</u>	<u>Recommended Charges</u>
5/8"	\$255	\$255
3/4"	\$305	\$305
1"	\$360	\$360
1-1/2" SR (Irrigation)	\$1,225	\$1,225
1-1/2" Compound	\$1,725	\$1,725
2" SR (Irrigation)	\$1,525	\$1,525
2" Compound	\$2,360	\$2,360
3" Compound	\$3,100	\$3,100
4" Compound	\$4,800	\$4,800
6" Compound	\$8,300	\$8,300

### **Meter Box Charge**

A meter box charge is based on the cost of materials to install the meter box. Meter boxes are used when a suitable location for meter installation is not available in the building or property being served. The charge has been reviewed and it was found that the cost has not increased. It is recommended that the meter box charge remain unchanged at \$1250.

### **Hydrant Meter Charges**

The use of meters on fire hydrants is a service provided as a convenience to contractors or individuals who need to obtain large quantities of water in a short period of time. It is recommended that the minimum charge for use of a hydrant meter remain at \$150. The minimum charge for supplying and installing a meter on a fire hydrant includes the use of 15,000 gallons of water. It is also recommended that the commodity charge for use over 15,000 gallons of water remain at \$6.40 per 1,000 gallons. Furthermore, the deposit required to ensure the return of all hydrant meter hoses and other items remain at \$250. This deposit eliminates the potential problem of collecting for the service provided.

### **Fire Hydrant Flow Test Charge**

Fire hydrant flow tests are often requested by insurance companies and developers to determine the quantity of water available for fire protection at a property. The established charge for providing a flow test ensures that the cost is borne by the benefiting customer and not the utility customers at large. It is recommended that the charge for a hydrant flow test be increased from \$135 to \$150.

### **Reinstatement Processing Fee**

A fee is charged for reinstating water service turned off due to delinquency or at the request of the customer. In the case of delinquency, three notices are sent to the customer with a shut-off date established on the third notice. Once a work order has been issued for water shut-off, the processing fee is automatically added to the customer's bill and payment of the delinquent bill plus the processing fee is required prior to reactivation of service. The current fee is \$50 and is recommended to be continued. When payment for the balance due has been made, including the \$50 fee, and a waiver has been completed, water service will be restored the same day up to 4PM; if paid after 4PM, service is restored the next business day. No fee is charged for a water turn-off and subsequent restoration of water service when requested by the customer or contractor due to an emergency, or scheduled maintenance activity. For home inspections, when service is requested to be turned on and off the same or next business day, the processing fee and charges for usage of less than 3,000 gallons are waived. For water service turn-on after normal working hours, the current processing fee of \$100 is recommended to be continued. The \$100 processing charge reflects the added hourly cost for the service technician associated with the provision of water service turn-on after normal working hours.

## **Other Charges and Policies**

1. **Flat Rate:** Non-metered sewer customers are billed based on a water usage of 15,000 gallons per quarter (flat rate). It is recommended that this policy be continued.
2. **Irrigation Allowance:** Single family residences, residential condominiums and all other individually metered residential units may be given a discount for irrigation as follows:
  - a. Charges for such customers are based on actual water consumption, except that there is no sewage charge for water consumption exceeding 125% of the water consumption for the most recent quarter billing in which the month of January is included;
  - b. Residential customers who do not have a quarter billing in which the month of January is included or who have a zero (0) water usage for the quarter which includes the month of January have the sewer charge for the other three quarters established at the maximum rate volume of 15,000 gallons or actual usage, if less, per quarter until such time as quarter billing information, in which the month of January is included, is available. It is recommended that the irrigation allowance be continued.
3. **Senior Citizen Water Allowance:** City of Portage water customers 65 years of age and older who submit an application and provide proof of age are eligible for a 10% discount on water use charges for their primary residence account.
4. **Non-Sufficient Funds (NSF) Check Fee:** It is recommended to maintain the current fee of \$30 per occurrence to reflect current administrative cost for any returned/unpaid check or other failed financial instrument which results in uncollected funds.
5. **Outstanding Charges Limit:** The amount of past due/outstanding charges necessitating water shut-off is recommended to be maintained at \$60.
6. **Utility Late Fee Waivers:** It is recommended that the utility billing late fee be waived if the customer:
  - a. has paid all of the last 8 or more utility bills on time and the customer requests that the late fee be waived/removed or;
  - b. signs up for automatic payment where the amount due is taken from their bank account on the due date.
7. **Billing Discrepancies:** In the event of billing discrepancies or incorrect charges, the Transportation and Utilities Director and the Finance Director will review and determine the appropriate corrective billing measures, including the timeframe and amount to be adjusted. However, corrective billing adjustments shall not exceed a lookback period of three (3) years.

## SUMMARY OF RECOMMENDATIONS

Summarizing recommendations for Fiscal Year 2025-2026 utility fees and charges, it is advised that:

1. Charges for meters and installations remain the same.
2. Charges for installation of meter box remain the same.
3. The current charge of a \$250 deposit for the installation of a hydrant meter remains the same and the current minimum charge including the use of up to 15,000 gallons of water remains at \$150. Further, the current commodity charge of \$6.40 per thousand gallons for all water used over 15,000 gallons remains the same.
4. The \$50 processing fee associated with turn-on or shut-off of a water service is continued, except the initial turn-on for first-time customers will be at no charge. When the city dispatches a person to turn on water during non-business hours, the processing fee of \$100 will be continued.
5. The flat rate based on a consumption of 15,000 gallons per quarter for non-metered sewer customers continues in effect.
6. The sewer billing cap for residential customers having a zero water meter reading in the quarter that contains January remains at 15,000 gallons.
7. The current charge of \$30 per occurrence will be assessed for any returned/unpaid check or other failed financial instrument which results in uncollected funds.
8. The utility billing late fee will be waived:
  - a. if the customer has paid all of the last 8 or more utility bills on time and the customer requests that the late fee be waived/removed or;
  - b. if the customer signs up for automatic payment.
9. An amount past due of more than \$60 remains as the shut-off level amount.

## Utility Fund Statement of Revenues and Expenses

<b>SEWER FUND</b>								<b>Table 1</b>	
25/26, 26/27 & 27/28 Proposed Rates									
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30		
	Audited	Estimated	Proposed	Proposed	Proposed	Projected	Projected		
SALES (million gallons)	1,136	1,142	1,148	1,153	1,159	1,165	1,171		
RATE (per 1000 gallons)	\$5.86	\$6.45	\$7.03	\$7.66	\$8.35	\$9.10	\$9.92		
BASE CHARGE (per quarter)	\$32.76	\$36.04	\$38.56	\$41.26	\$44.15	\$47.24	\$50.55		
User charges	10,335,828	11,441,773	12,059,000	13,107,000	14,252,000	15,495,000	16,853,000		
Other revenue	196,207	251,695	283,173	286,005	288,865	291,753	294,671		
<b>TOTAL OPERATING REVENUE</b>	<b>10,532,035</b>	<b>11,693,468</b>	<b>12,342,173</b>	<b>13,393,005</b>	<b>14,540,865</b>	<b>15,786,753</b>	<b>17,147,671</b>		
Operations and maintenance	3,125,821	3,218,872	3,467,213	3,519,000	3,572,000	3,626,000	3,680,000		
Sewer treatment charges	5,342,392	5,800,000	6,420,000	7,190,000	8,053,000	9,019,000	10,101,000		
General and administrative	1,533,243	1,622,496	1,679,283	1,704,000	1,730,000	1,756,000	1,782,000		
Depreciation	911,356	930,965	951,140	977,315	1,006,865	1,034,165	1,050,000		
<b>TOTAL OPERATING EXPENSE</b>	<b>10,912,812</b>	<b>11,572,334</b>	<b>12,517,636</b>	<b>13,390,315</b>	<b>14,361,865</b>	<b>15,435,165</b>	<b>16,613,000</b>		
<b>OPERATING GAIN (LOSS)</b>	<b>(380,777)</b>	<b>121,135</b>	<b>(175,463)</b>	<b>2,690</b>	<b>179,000</b>	<b>351,588</b>	<b>534,671</b>		
Interest income	546,027	313,600	300,000	301,500	303,000	304,500	306,000		
Interest on outstanding debt	(22,501)	(14,836)	(8,671)	(4,773)	(2,680)	(889)	0		
<b>NET NON-OPERATING REVENUE (EXPENSE)</b>	<b>523,526</b>	<b>298,764</b>	<b>291,329</b>	<b>296,727</b>	<b>300,320</b>	<b>303,611</b>	<b>306,000</b>		
<b>NET GAIN (LOSS) BEFORE TRANSFERS</b>	<b>142,749</b>	<b>419,899</b>	<b>115,866</b>	<b>299,417</b>	<b>479,320</b>	<b>655,199</b>	<b>840,671</b>		
<b>TRANSFERS IN (OUT)</b>	<b>0</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>(95,000)</b>		
<b>CHANGE IN NET POSITION</b>	<b>142,749</b>	<b>324,899</b>	<b>20,866</b>	<b>204,417</b>	<b>384,320</b>	<b>560,199</b>	<b>745,671</b>		
<b>CASH FLOW ANALYSIS</b>									
Beginning Cash Balance	10,915,980	10,617,399	10,634,207	9,918,647	9,214,823	8,595,437	8,629,991		
Net Cash from Operating Activities	938,048	1,052,100	775,677	980,005	1,185,865	1,385,753	1,584,671		
Investing Activities	546,027	313,600	300,000	301,500	303,000	304,500	306,000		
Proceeds of Bond Issuance	-	-	-	-	-	-	-		
<b>CASH AVAILABLE</b>	<b>12,400,055</b>	<b>11,983,099</b>	<b>11,709,884</b>	<b>11,200,152</b>	<b>10,703,688</b>	<b>10,285,690</b>	<b>10,520,662</b>		
Capital Improvement Needs	1,519,549	1,095,000	1,595,000	1,895,000	2,045,000	1,595,000	1,595,000		
Principal & Interest on Long Term Debt	263,107	253,892	196,237	90,329	63,251	60,699	-		
<b>CASH OUTFLOW</b>	<b>1,782,656</b>	<b>1,348,892</b>	<b>1,791,237</b>	<b>1,985,329</b>	<b>2,108,251</b>	<b>1,655,699</b>	<b>1,595,000</b>		
<b>ENDING CASH BALANCE</b>	<b>10,617,399</b>	<b>10,634,207</b>	<b>9,918,647</b>	<b>9,214,823</b>	<b>8,595,437</b>	<b>8,629,991</b>	<b>8,925,662</b>		
<b>WORKING CAPITAL</b>	<b>11,038,584</b>	<b>11,056,059</b>	<b>10,312,113</b>	<b>9,580,369</b>	<b>8,936,412</b>	<b>8,972,337</b>	<b>9,279,737</b>		
Typical residential % change	8.56%	10.05%	8.45%	8.44%	8.48%	8.46%	8.49%		



## Utility Fund Statement of Revenues and Expenses

<b>WATER FUND</b>								<b>Table 2</b>
25/26, 26/27 & 27/28 Proposed Rates								
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
	Audited	Estimated	Proposed	Proposed	Proposed	Projected	Projected	
SALES (million gallons)	1,451	1,459	1,466	1,473	1,481	1,488	1,495	
RATE (per 1000 gallons)	\$3.47	\$3.64	\$3.82	\$4.01	\$4.21	\$4.42	\$4.64	
BASE CHARGE (per quarter)	\$22.70	\$24.97	\$26.22	\$27.53	\$28.91	\$30.36	\$31.88	
User charges	7,440,130	7,524,688	8,304,000	8,748,000	9,217,000	9,711,000	10,231,000	
Other revenue	97,290	88,234	89,117	90,008	90,908	91,817	92,735	
<b>TOTAL OPERATING REVENUE</b>	<b>7,537,420</b>	<b>7,612,923</b>	<b>8,393,117</b>	<b>8,838,008</b>	<b>9,307,908</b>	<b>9,802,817</b>	<b>10,323,735</b>	
<b>OPERATING EXPENSES:</b>								
Operations and maintenance	2,223,019	2,256,364	2,290,200	2,324,600	2,359,500	2,394,900	2,430,800	
General and administrative	1,442,412	1,761,136	2,072,776	2,103,900	2,135,500	2,167,500	2,200,000	
Depreciation	1,028,554	1,087,286	1,119,611	1,150,099	1,179,836	1,236,461	1,438,586	
<b>TOTAL OPERATING EXPENSE</b>	<b>4,693,985</b>	<b>5,104,786</b>	<b>5,482,587</b>	<b>5,578,599</b>	<b>5,674,836</b>	<b>5,798,861</b>	<b>6,069,386</b>	
<b>OPERATING GAIN (LOSS)</b>	<b>2,843,435</b>	<b>2,508,137</b>	<b>2,910,530</b>	<b>3,259,409</b>	<b>3,633,072</b>	<b>4,003,956</b>	<b>4,254,349</b>	
State grant	16,039	-	-	-	-	-	-	
Interest income	340,053	162,724	175,000	178,500	182,100	185,700	189,400	
Interest on outstanding debt	(150,564)	(105,895)	(70,688)	(49,016)	(36,935)	(25,453)	(17,717)	
<b>NET NON-OPERATING REVENUE (EXPENSE)</b>	<b>205,528</b>	<b>56,829</b>	<b>104,312</b>	<b>129,484</b>	<b>145,165</b>	<b>160,247</b>	<b>171,683</b>	
<b>NET GAIN (LOSS) BEFORE TRANSFERS</b>	<b>3,048,963</b>	<b>2,564,966</b>	<b>3,014,842</b>	<b>3,388,893</b>	<b>3,778,237</b>	<b>4,164,203</b>	<b>4,426,032</b>	
TRANSFERS IN (OUT)	12,000	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	
<b>CHANGE IN NET POSITION</b>	<b>3,060,963</b>	<b>2,504,966</b>	<b>2,954,842</b>	<b>3,328,893</b>	<b>3,718,237</b>	<b>4,104,203</b>	<b>4,366,032</b>	
<b>CASH FLOW ANALYSIS</b>								
Beginning Cash Balance	5,248,243	5,042,853	4,615,323	6,131,078	7,815,757	10,946,918	9,988,936	
Net Cash from Operating Activities	3,961,641	3,652,252	4,134,453	4,538,992	4,958,073	5,400,664	5,864,618	
Transfers from Other Funds	12,000	-	-	-	-	-	-	
State Grant	16,039	-	-	-	-	-	-	
Investing Activities	340,053	162,724	175,000	178,500	182,100	185,700	189,400	
Proceeds of Bond Issuance	-	-	-	-	-	-	7,000,000	
<b>CASH AVAILABLE</b>	<b>9,577,976</b>	<b>8,857,829</b>	<b>8,924,776</b>	<b>10,848,570</b>	<b>12,955,929</b>	<b>16,533,282</b>	<b>23,042,955</b>	
Capital Improvement Needs	2,690,662	2,770,000	1,660,000	2,525,000	1,560,000	6,110,000	20,960,000	
Principal & Interest on Long Term Debt	1,844,461	1,472,506	1,133,698	507,813	449,011	434,346	179,582	
<b>CASH OUTFLOW</b>	<b>4,535,123</b>	<b>4,242,506</b>	<b>2,793,698</b>	<b>3,032,813</b>	<b>2,009,011</b>	<b>6,544,346</b>	<b>21,139,582</b>	
<b>ENDING CASH BALANCE</b>	<b>5,042,853</b>	<b>4,615,323</b>	<b>6,131,078</b>	<b>7,815,757</b>	<b>10,946,918</b>	<b>9,988,936</b>	<b>1,903,373</b>	
<b>WORKING CAPITAL</b>	<b>4,890,401</b>	<b>4,475,796</b>	<b>5,945,727</b>	<b>7,579,476</b>	<b>10,615,979</b>	<b>9,686,958</b>	<b>1,845,831</b>	
Typical residential % change	5.11%	6.22%	4.96%	4.98%	4.99%	5.00%	4.99%	

## Utility Fund Statement of Revenues and Expenses

<b>SEWER AND WATER FUNDS</b>								<b>Table 3</b>
25/26, 26/27 & 27/28 Proposed Rates								
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
	Audited	Estimated	Proposed	Proposed	Proposed	Projected	Projected	
User charges	17,775,958	18,966,461	20,363,000	21,855,000	23,469,000	25,206,000	27,084,000	
Other revenue	293,497	339,930	372,290	376,013	379,773	383,570	387,406	
<b>TOTAL OPERATING REVENUE</b>	<b>18,069,455</b>	<b>19,306,391</b>	<b>20,735,290</b>	<b>22,231,013</b>	<b>23,848,773</b>	<b>25,589,570</b>	<b>27,471,406</b>	
Operations and maintenance	5,348,840	5,475,236	5,757,413	5,843,600	5,931,500	6,020,900	6,110,800	
Sewer treatment charges	5,342,392	5,800,000	6,420,000	7,190,000	8,053,000	9,019,000	10,101,000	
General and administrative	2,975,655	3,383,632	3,752,059	3,807,900	3,865,500	3,923,500	3,982,000	
Depreciation	1,939,910	2,018,251	2,070,751	2,127,414	2,186,701	2,270,626	2,488,586	
<b>TOTAL OPERATING EXPENSE</b>	<b>15,606,797</b>	<b>16,677,120</b>	<b>18,000,223</b>	<b>18,968,914</b>	<b>20,036,701</b>	<b>21,234,026</b>	<b>22,682,386</b>	
<b>OPERATING GAIN (LOSS)</b>	<b>2,462,658</b>	<b>2,629,271</b>	<b>2,735,066</b>	<b>3,262,099</b>	<b>3,812,071</b>	<b>4,355,544</b>	<b>4,789,020</b>	
Interest income	886,080	476,324	475,000	480,000	485,100	490,200	495,400	
Interest on outstanding debt	(173,065)	(120,731)	(79,359)	(53,789)	(39,615)	(26,342)	(17,717)	
<b>NET NON-OPERATING REVENUE (EXPENSE)</b>	<b>713,015</b>	<b>355,593</b>	<b>395,641</b>	<b>426,211</b>	<b>445,485</b>	<b>463,858</b>	<b>477,683</b>	
<b>NET GAIN (LOSS) BEFORE TRANSFERS</b>	<b>3,191,712</b>	<b>2,984,865</b>	<b>3,130,707</b>	<b>3,688,310</b>	<b>4,257,556</b>	<b>4,819,402</b>	<b>5,266,703</b>	
<b>TRANSFERS IN (OUT)</b>	<b>12,000</b>	<b>(155,000)</b>	<b>(155,000)</b>	<b>(155,000)</b>	<b>(155,000)</b>	<b>(155,000)</b>	<b>(155,000)</b>	
<b>CHANGE IN NET POSITION</b>	<b>3,203,712</b>	<b>2,829,865</b>	<b>2,975,707</b>	<b>3,533,310</b>	<b>4,102,556</b>	<b>4,664,402</b>	<b>5,111,703</b>	
<b>CASH FLOW ANALYSIS</b>								
Beginning Cash Balance	16,164,223	15,660,252	15,249,530	16,049,725	17,030,579	19,542,355	18,618,927	
Net Cash from Operating Activities	4,899,689	4,704,352	4,910,130	5,518,997	6,143,938	6,786,417	7,449,289	
Investing Activities	886,080	476,324	475,000	480,000	485,100	490,200	495,400	
Bond issue Proceeds	-	-	-	-	-	-	7,000,000	
<b>CASH AVAILABLE</b>	<b>21,949,992</b>	<b>20,840,928</b>	<b>20,634,660</b>	<b>22,048,721</b>	<b>23,659,617</b>	<b>26,818,972</b>	<b>33,563,616</b>	
Capital Improvement Needs	4,210,211	3,865,000	3,255,000	4,420,000	3,605,000	7,705,000	22,555,000	
Principal & Interest on Long Term Debt	2,107,568	1,726,398	1,329,935	598,142	512,262	495,045	179,582	
<b>CASH OUTFLOW</b>	<b>6,317,779</b>	<b>5,591,398</b>	<b>4,584,935</b>	<b>5,018,142</b>	<b>4,117,262</b>	<b>8,200,045</b>	<b>22,734,582</b>	
<b>ENDING CASH BALANCE</b>	<b>15,660,252</b>	<b>15,249,530</b>	<b>16,049,725</b>	<b>17,030,579</b>	<b>19,542,355</b>	<b>18,618,927</b>	<b>10,829,034</b>	
<b>WORKING CAPITAL</b>	<b>15,928,985</b>	<b>15,531,855</b>	<b>16,257,840</b>	<b>17,159,845</b>	<b>19,552,391</b>	<b>18,659,295</b>	<b>11,125,568</b>	
Typical residential % change	7.08%	8.44%	7.01%	7.04%	7.10%	7.11%	7.16%	

Table 4

	Fiscal 2024-2025 Current Rates			Fiscal 2025-2026 Proposed rates			Fiscal 2026-2027 Proposed rates			Fiscal 2027-2028 Proposed rates		
	Sewer Cap = 125%			Sewer Cap = 125%			Sewer Cap = 125%			Sewer Cap = 125%		
	Sewer (000 Gal.)	Water (000 Gal.)	Total	Sewer (000 Gal.)	Water (000 Gal.)	Total	Sewer (000 Gal.)	Water (000 Gal.)	Total	Sewer (000 Gal.)	Water (000 Gal.)	Total
Winter	14	14		14	14		14	14		14	14	
Spring	14	14		14	14		14	14		14	14	
Summer	18	33		18	33		18	33		18	33	
Fall	14	14		14	14		14	14		14	14	
Total	60	75		60	75		60	75		60	75	
Rate per 1000 gallons	\$6.45	\$3.64		\$7.03	\$3.82		\$7.66	\$4.01		\$8.35	\$4.21	
Usage charge	\$387.00	\$273.00	\$660.00	\$421.80	\$286.50	\$708.30	\$459.60	\$300.75	\$760.35	\$501.00	\$315.75	\$816.75
Annual basic rate	144.16	99.88	244.04	154.24	104.88	259.12	165.04	110.12	275.16	176.60	115.64	292.24
Total	\$531.16	\$372.88	\$904.04	\$576.04	\$391.38	\$967.42	\$624.64	\$410.87	\$1,035.51	\$677.60	\$431.39	\$1,108.99
% change				8.45%	4.96%	7.01%	8.44%	4.98%	7.04%	8.48%	4.99%	7.10%

Increased cost for the Typical Portage Residential Customer

	<u>for sewer</u>	<u>for water</u>	<u>for both</u>	<u>for sewer</u>	<u>for water</u>	<u>for both</u>	<u>for sewer</u>	<u>for water</u>	<u>for both</u>
per year	\$44.88	\$18.50	\$63.38	\$48.60	\$19.49	\$68.09	\$52.96	\$20.52	\$73.48
per quarter	\$11.22	\$4.63	\$15.85	\$12.15	\$4.87	\$17.02	\$13.24	\$5.13	\$18.37
per month	\$3.74	\$1.54	\$5.28	\$4.05	\$1.62	\$5.67	\$4.41	\$1.71	\$6.12
per week	\$0.86	\$0.36	\$1.22	\$0.93	\$0.37	\$1.30	\$1.02	\$0.39	\$1.41
per day	\$0.12	\$0.05	\$0.17	\$0.13	\$0.05	\$0.18	\$0.15	\$0.06	\$0.21

Table 5

SEWER									
Project Number	Dept.	Project Name	Budget		Forecast		Projections		
			25-26	26-27	27-28	28-29	29-30	30-31	Total
1	T&U	Lift Station Renovations	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000
2	T&U	Weaver Drive Sanitary Sewer (Charles Street to north end)	-	-	450,000	-	-	-	450,000
3	T&U	Portage Road/Lake Center Corridor Project	-	300,000	-	-	-	-	300,000
SEWER TOTAL EXPENDITURES			1,500,000	1,800,000	1,950,000	1,500,000	1,500,000	1,500,000	9,750,000
WATER									
Project Number	Dept.	Project Name	Budget		Forecast		Projections		
			25-26	26-27	27-28	28-29	29-30	30-31	Total
1	T&U	Municipal Well Replacement	1,000,000	-	-	1,000,000	-	-	2,000,000
2	T&U	Local Street Water & Storm Improvements	300,000	300,000	325,000	325,000	350,000	350,000	1,950,000
3	T&U	Storm Drainage Improvements Program	300,000	300,000	325,000	325,000	350,000	350,000	1,950,000
4	T&U	Cox's Drive Storm Drainage Improvements	-	430,000	-	-	-	-	430,000
5	T&U	Old Centre Avenue (Moorsbridge Road to West Centre Avenue)	-	360,000	-	-	-	-	360,000
6	T&U	Oakland Drive (Shaver Road to Katie Court)	-	175,000	-	-	-	-	175,000
7	T&U	Portage Road Water Main Replacement & Storm Drainage Improvements	-	900,000	-	-	-	-	900,000
8	T&U	East Milham Watermain	-	-	500,000	-	-	-	500,000
9	T&U	Garden Lane Storm Water Drainage Improvements	-	-	350,000	-	-	-	350,000
10	T&U	Shuman Wellfield Iron Removal Facility	-	-	-	3,000,000	20,000,000	-	23,000,000
11	T&U	East Centre Ave Water Main Replacement (Shaver Rd to Lovers Lane)	-	-	-	1,400,000	-	-	1,400,000
12	T&U	Lovers Ln (Forest to E. Centre)	-	-	-	-	100,000	-	100,000
13	T&U	Mall Drive Storm Water Drainage Improvements	-	-	-	-	100,000	-	100,000
WATER TOTAL EXPENDITURES			1,600,000	2,465,000	1,500,000	6,050,000	20,900,000	700,000	33,215,000
TOTAL UTILITIES EXPENDITURES			3,100,000	4,265,000	3,450,000	7,550,000	22,400,000	2,200,000	42,965,000