



## VILLAGE OF SUTTONS BAY

COMMITTEE OF THE WHOLE

420 Front Street


Suttons Bay, MI 49682

Tuesday May 6, 2025 at 8:30 am

### AGENDA

#### Call to Order

1. Reports (staff)
  - a. DPW Director Report
  - b. Marina Report
  - c. WWTP Report
  - d. Treasurer Report
2. Additions / Deletions to the Agenda
3. Reports / Communications
4. Committee Member Information / Comments
5. Public Comments (*Please limit remarks to no more than three (3) minutes or less*).
6. Old Business
7. New Business
  - a. VSB-2025-16 Water Rate Increase
8. Public Comments/Written Communication
9. Committee Member Comments
10. Announcements:
11. Adjourn

		<b>VILLAGE OF SUTTONS BAY</b>	
		<b>REPORT VSB -2025-16</b>	
Prepared:	May 1, 2025	Pages:	1 of 1
Meeting:	May 6, 2025	Attachments:	<input checked="" type="checkbox"/>
Subject:	Water Rate Increase		

#### **PURPOSE**

To discuss the attached report.


#### **STAFF COMMENT**

As we discussed in 2024, elected officials are often tasked with having to make the difficult and often unpopular decisions on behalf of their constituents. The decision to raise water rates, following 17-years without raising rates, certainly falls into this category.

Although, we will continue our efforts to secure funding for mandated improvements, we will also continue to plan accordingly. Attached is a report (thank you Dave!) that explains our strategy and reasoning for incrementally increasing water rates. Our approach is intended to avoid an abrupt increase that could otherwise be detrimental to those residents living on a fixed income.

#### **RECOMMENDATION**

Discussion and a recommendation to the Village Council.

		<b>DEPARTMENT OF PUBLIC WORKS</b> <b>REPORT DPW -2025- 05</b>	
Prepared:	April 29, 2025	Pages:	4
Meeting:	May 7, 2024	Attachments:	<input type="checkbox"/>
Subject:	Utility Rate Schedules and Adoption		

**Utility Rates: Recommended Utility Rates for The Village of Suttons Bay**

**Background:**

Ever since 2007, the Village has used its current rate structure and fee format for water and sewer billing. That fee has not increased in 17 years to keep up with the rising costs of maintaining the water system. The purpose of revisiting our fee schedule is to ensure that there are adequate funds to operate efficiently and effectively. We are operating a water system in 2025 with 2007 revenue. This makes it very challenging due to the increased costs of equipment, laboratory testing, EGLE permits requirements, supplies and electricity, etc.

To explain further, well pump replacements now cost approximately \$30,000 each. The Village has 4 wells, and the typical use life expectancy is 10 years. Another example is fire hydrant replacements. These hydrants cost approximately \$10,000 to replace, similar to the well pumps mentioned above, these costs are several times our 2007 cost.

It is noteworthy that the Village has not qualified for any recent grants applied for or loans when it comes to the water system. Regardless, we will continue our efforts to secure funding for our water line (7 + miles) replacement project and water storage expansion.

**Strategy: Putting the pieces together**

One area is the CPI (Consumer Price Index) for inflation across the country. Data was analyzed from 2007 through 2024 to understand where we should be at in dollars for 2024 regarding CPI for our water rates.

Table 1.

Suttons Bay H2O rates compared by CPI		
2007 - 2024	CPI inflation	CPI Year
2.95	314	<b>2024</b>
2.95	207.3	<b>2007</b>
2.95	1.5147	<b>\$4.47</b>

Taking the CPI for 2007 and dividing it into the CPI for 2024, it equates to a ratio of 1.5147. Next, take our rate of \$2.95 per 1000 gallons of water that the village charges for consumption and multiply it by the CPI ratio and it comes to \$4.47.

This national data from 2007 to 2024 for CPI is just the cost of water alone and none of any other operating factors involved.

The other area that was reviewed is the annual survey published that compares other local municipal rates. Looking at similar communities in a purely population aspect we are behind in terms of rates as well.

**Where we stand: Commodity charges**

Shown on the table below are three other comparable sized area communities, their cost per 1000 gallons of water and their average monthly bill. This monthly cost was based on the average use of 4500 gallons per month per household.

Table 2.

WATER RATES: cost/per 1000 gal water	AVERAGE Monthly bill based on 4500 gal of water	Population	Community
\$6.70	\$30.20	505	Lake City, City of
\$5.39	\$31.47	620	Empire, Village of
\$5.77	\$36.23	605	Mackinaw City, Village of
<b>\$2.95</b>	<b>\$22.86</b>	<b>600</b>	Suttons Bay, Village of
<b>\$5.95</b>	<b>\$32.63</b>	<b>577</b>	<b>AVG (less Suttons Bay)</b>

The cost per thousand gallons averaged between the two communities is double what our village has been charging since 2007. The average water rate alone of \$5.95 between the three other comparable communities is \$3.00 higher than our current rate. The Village of Suttons Bay consumes an annual average of 4200 gal per day based on actual metered use. The Village water supply produced a 4-year average of 31,232,856 gallons.

**Ready-To-Serve (RTS): Operational Charges**

Part of the monthly bill is Ready to Serve fees. Ready to Serve is a monthly fee and based on operating costs of the system for both water and sewer. Those costs are associated with system maintenance, repairs to existing infrastructure, and meter reading. Basically, the overall daily expense of operating the water system.

Those Ready-To-Serve fees have been the same since 2007 have not changed either. System maintenance costs have risen substantially over the years particularly when purchasing meter assemblies and electrical components. The Ready to Serve values are based on the smallest meter typically 3/4" in size, then increase in cost with larger sizes based on flow capability.

Table 3.

Ready to Serve / Month	Population	Community
\$30.20	505	Lake City, City of
\$18.33	400	Empire, Village of
\$10.26	605	Mackinaw City, Village of
<b>\$9.58</b>	<b>600</b>	Suttons Bay, Village of
<b>\$19.60</b>	<b>503</b>	<b>AVG (less Suttons Bay)</b>

Both components to the monthly water bill go hand in hand. Together the Ready-To-Serve and consumption charges are the core costs of operating the system. The average is \$10.00 per month higher than our long-standing rates.



**Moving forward: Charting a course**

Now that we have this data, a plan can be developed. To catch up all at once is a big undertaking and not practically feasible for residents. Alternatively, a 5-year approach with incremental increases (as a base plan to be reviewed annually) is a starting point. The tables below layout those annual increases.

Note: Capital fees were not considered and are not part of the day-to-day costs of operating the system. Those fees are for large capital projects and will remain unchanged at this time.

**New Water Commodity Charges:**

Shown below is the cost of water per 1000 gal. As you can see in Table 4 (below) the increases we are proposing are minimal when compared to purchasing a bottle of water from the store. For example, a 24-pack (16.9oz) of Ice Mountain water, or 3.16 gallons cost \$7.49. The village currently charges \$0.0093 for the same equivalent of 3.16 gallons.

Table 4.

<b>WATER RATES: cost/per 1000 gal water</b>	<b>Annual cost Increase per 1000 gal</b>	<b>NEW RATE: cost/per 1000 gal water</b>	<b>% Increase per Year</b>	<b>YEAR</b>
\$2.95	\$1.00	\$3.95	33.9	<b>2025</b>
\$3.95	\$0.75	\$4.70	19.0	<b>2026</b>
\$4.70	\$0.75	\$5.45	16.0	<b>2027</b>
\$5.45	\$0.50	\$5.95	9.2	<b>2028</b>
\$5.95	\$0.50	<b>\$6.45</b>	8.4	<b>2029</b>

As shown in Table 2, the 2024 average is \$5.95 based on similar population.

Looking forward to our 2029 rate table, \$6.45 lands just above that table 2 average. These averages are based here on 2024 figures. Key take away is that we fluctuate in water production during the seasons. In the late fall and winter months we pump around 45,000 gallons per day for our customers. In the summer months when everything is in full swing it's common to see days we produce over 160,000 gallons per day.

**New Ready-To-Serve Charges (RTS): The operating cost of the water system.**

After reviewing table 3, there is a considerable gap between the three communities in ready-to-serve charges. Especially compared to the smaller communities which could have other operational needs to address. The \$19.60 average is another scenario that a large adjustment leap is not practical, and incremental adjustments are more appropriate.

In the summary table below, an initial 25% increase to start in 2025, followed by an annual percentage increase shown in the first column according to meter size for the years 2026 through 2029. 95% of our customers are in the 5/8" – 1" meter category. Thus, the larger 15% percentage increases starting in 2026 due to the greatest demand by volume and number of connections on the system.

Also, the table shows the monthly adjustment to fees by year concerning the Ready-To-Serve by meter size. This is the same structure that has been in use and available online in the Fee Schedule. This is included for annual review according to the water ordinance. This table will be the 5-year adjustment schedule outlined below.

Table 5. New 5-year rate schedule

Inc % 2026- 2029	METER SIZE	Current RTS	initial inc. 25% 2025 RTS	2026 RTS	2027 RTS	2028 RTS	2029 RTS	5 YR Inc / Cust	# meter sizes	% of meters by size
15.0%	5/8" to 1"	\$9.58	\$11.98	\$13.77	\$15.84	\$18.21	\$20.94	\$11.36	451	95.75%
7.5%	1 1/4" - 1 1/2"	\$28.95	\$36.19	\$38.90	\$41.82	\$44.96	\$48.33	\$19.38	10	2.12%
7.5%	2"	\$54.80	\$68.50	\$73.64	\$79.16	\$85.10	\$91.48	\$36.68	9	1.91%
5.0%	3"	\$139.50	\$174.38	\$183.09	\$192.25	\$201.86	\$211.95	\$72.45	1	0.21%
2.5%	4"	\$251.10	\$313.88	\$321.72	\$329.76	\$338.01	\$346.46	\$95.36	0	0.00%
	Cost of water / 1000 gallons	\$2.95	\$3.95	\$4.70	\$5.45	\$5.95	\$6.45			

After 5 years, we arrive at \$20.94 base rate for Ready-To-Serve and \$6.45 per 1000 gallons. This puts us within the range of the 2024 community-based averages of \$19.60 for Ready-To-Serve and \$5.95 per 1000 gallons rates as outlined in tables 2 & 3.

#### Summary:

The goal of setting a five-year rate plan will is to help maintain our water system while we plan system improvements. We recommend the adoption of these new fee increases with the understanding that the 5-year projection will bring us to today's averages. Therefore, we would recommend revisiting these percentage increases following the 2026 year and make any necessary adjustments.