

Water Service Advisory Council (WSAC)

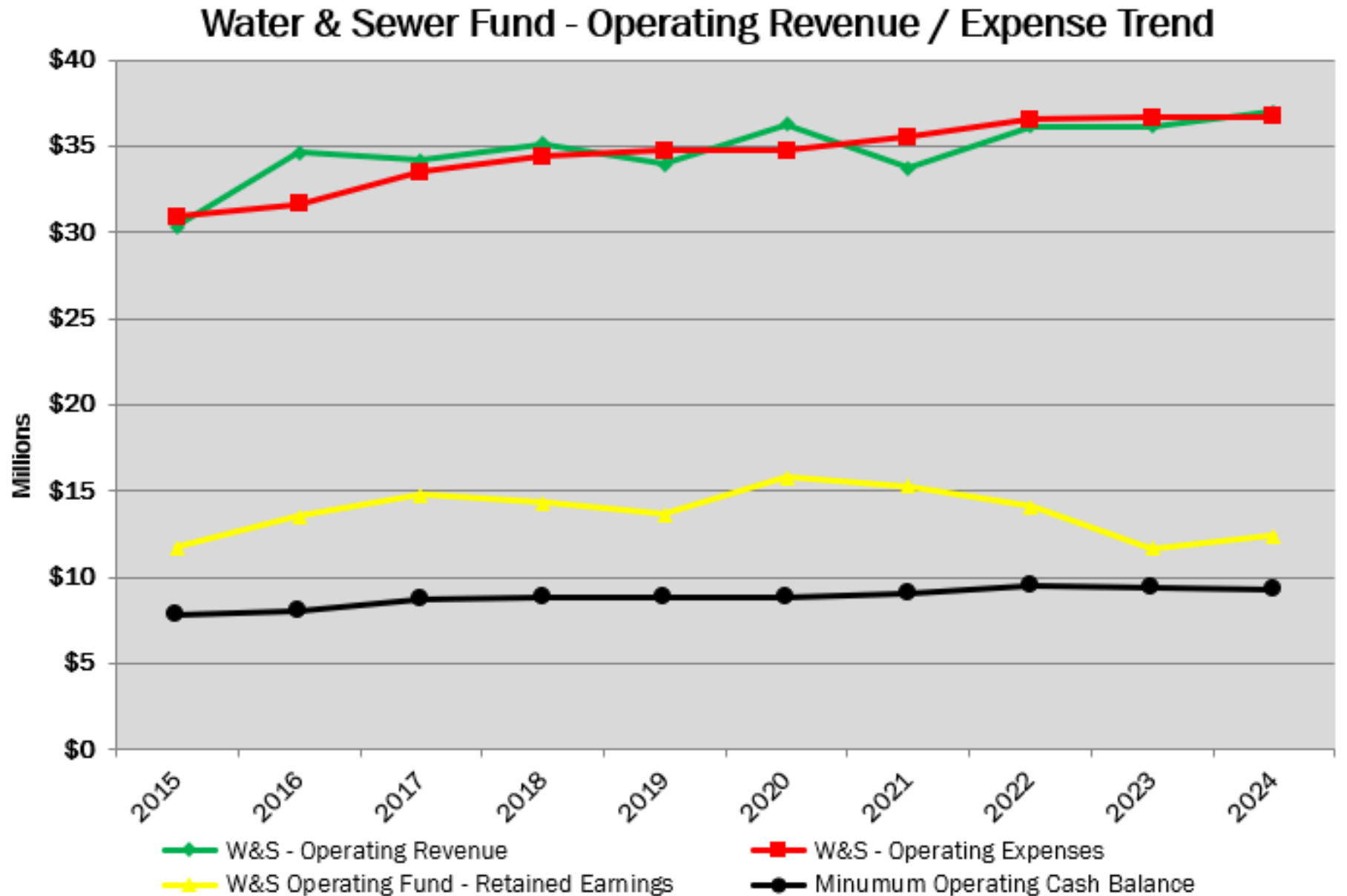
Water and Sewer Rate Presentation

Rate Period:

July 1, 2025 to June 30, 2026

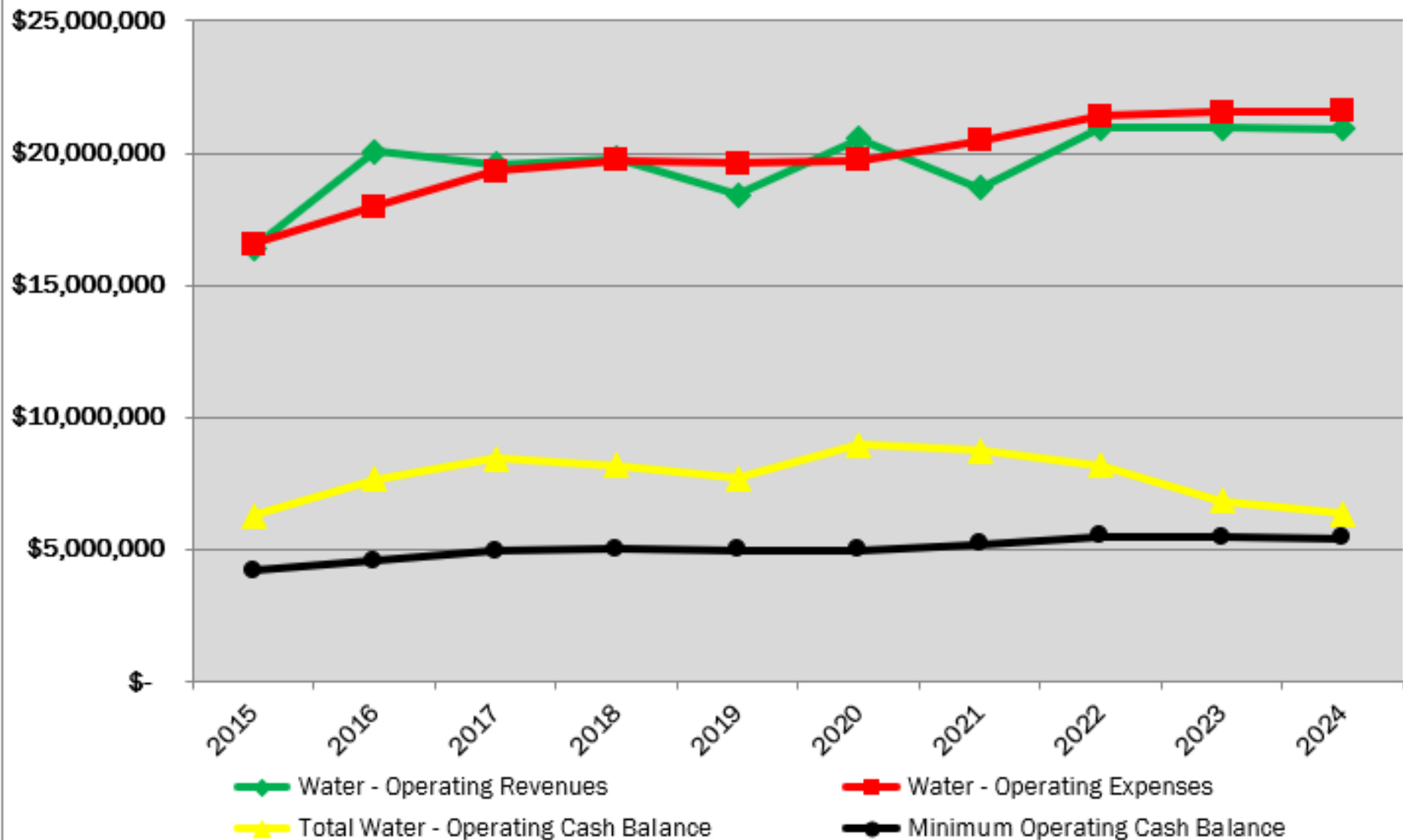
April 30, 2025

W&S / Historical Operating Trend



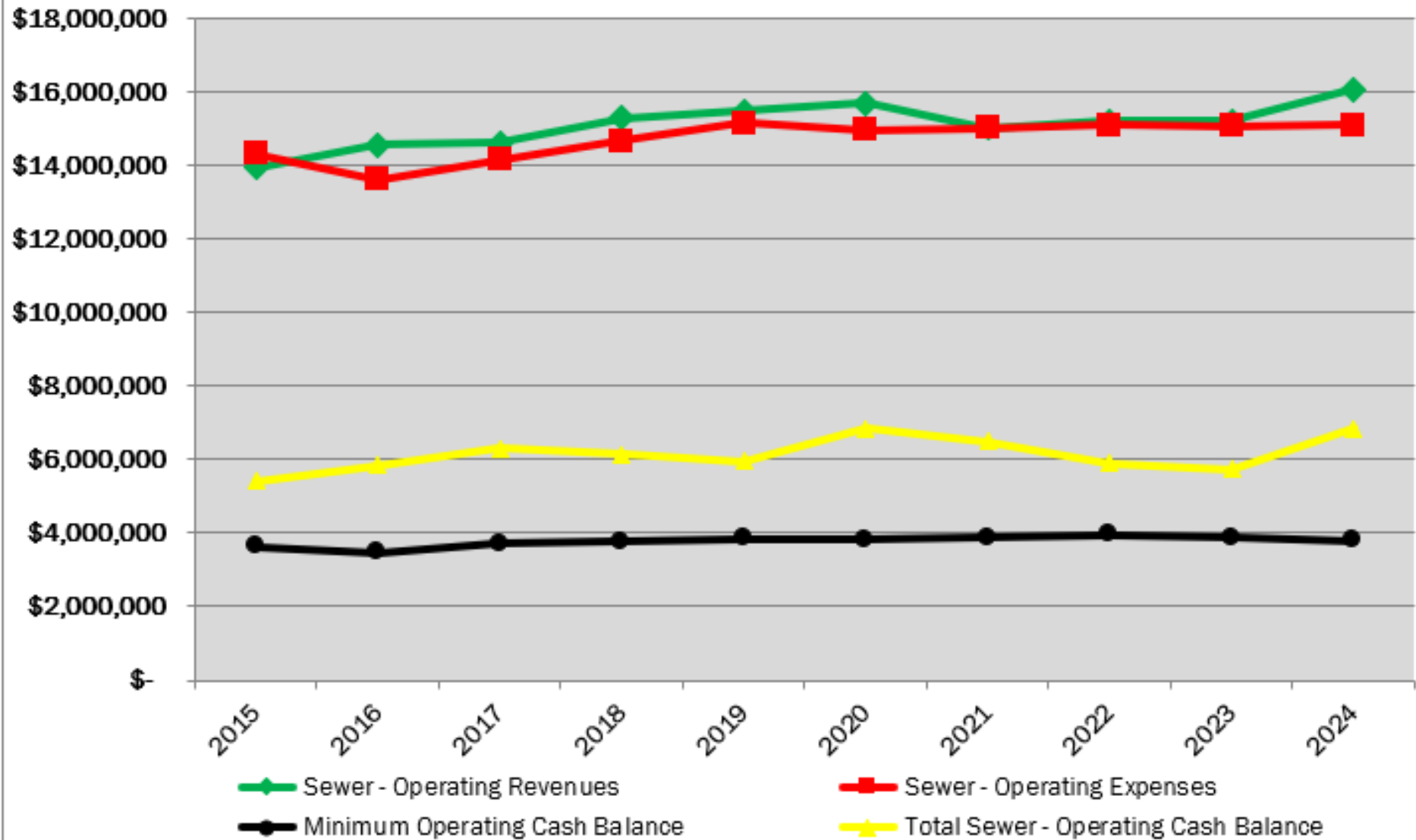
Water / Historical Operating Trend

Water Division: Operating Revenues / Expenses / Reserves



Sewer / Historical Operating Trend

Sewer Division: Operating Revenues / Expenses /Reserves



Water Rate Discussion 2025-2026

Water Rates have three (3) major items that impact rates:

- Impact #1: Operating Gain or (Loss) from the prior rate year
- Impact #2: Estimation of the volume of water that will be sold
- Impact #3: Adjustment needed to meet revenue requirements of our supplier (NOCWA/GLWA)

Water: Operating Gain/Loss

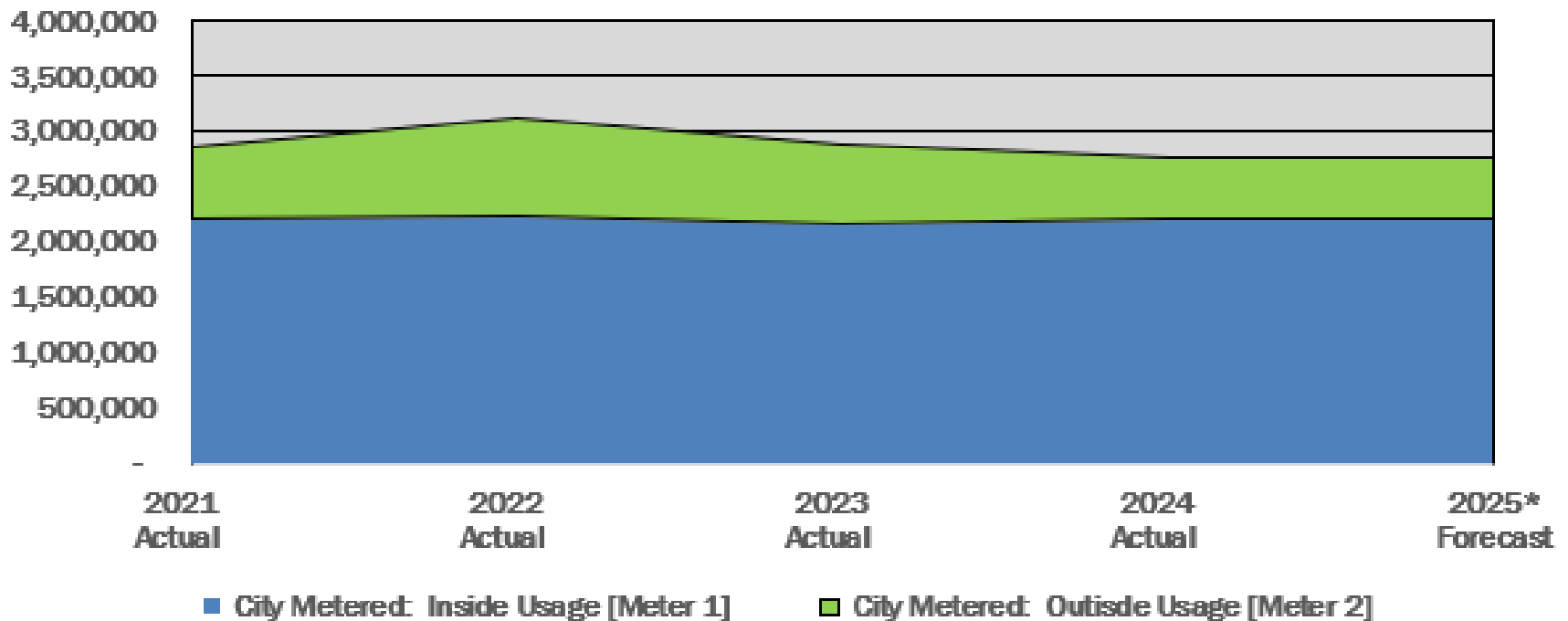
Impact #1 Operating Gain / Loss	2021 Actual	2022 Actual	2023 Actual	2024 Actual	% Change
Water Operating Revenue	\$ 18,677,842	\$ 20,934,576	\$ 20,946,005	\$ 20,909,356	-0.2%
Water Operating Expense	\$ 20,476,609	\$ 21,414,931	\$ 21,556,523	\$ 21,571,046	0.1%
Operating Gain/(Loss)	\$ (1,798,767)	\$ (480,355)	\$ (610,518)	\$ (661,690)	
Water Units Sold	2,872,270	3,118,115	2,889,601	2,768,320	-4.2%
Operating Gain/(Loss) per Unit	\$ (0.63)	\$ (0.15)	\$ (0.21)	\$ (0.24)	
Projected Units (3-Yr Ave):	3,038,035	2,973,118	3,068,756	2,959,995	
Actual - Projected:	(165,765)	144,997	(179,155)	(191,675)	
% Difference:	-5.46%	4.88%	-5.84%	-6.48%	

- As of December 31, 2024, the Water Division ended with a net operating ***loss*** of (\$661,690)
- For the Water Division to have “broken even” in FY 2024, water rates would have been +\$0.24 per unit ***more***

Water: Unit Sales

Impact #2 Forecasted Water Usage	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025* Forecast
City Metered: Inside Usage [Meter 1]	2,214,631	2,235,973	2,157,921	2,208,357	2,208,357
City Metered: Outside Usage [Meter 2]	657,639	882,142	731,680	559,963	559,963
Total Metered Water Sold (Units)	2,872,270	3,118,115	2,889,601	2,768,320	2,768,320
%-age Change in Water Sold	-10.7%	8.6%	-7.3%	-4.2%	0.0%
* 2025 Volume Forecast = Based Upon 2024 Actual (Not 3-Year Average)					

Total Water Consumption (Units)



Water: Annual Charge GLWA/NOCWA

Impact #3 Commodity Change	2024-25 Adopted	2025-26 Anticipated	\$ Change	% Change
NOCWA Variable Commodity Rate	\$ 1.61	\$ 1.70	\$ 0.09	5.7%
Fixed Monthly Amount	\$ 657,761	\$ 695,647	\$ 37,885	5.8%
x Billings per Year	12	12		
= Fixed Charge - Annual	\$ 7,893,136	\$ 8,347,760	\$ 454,625	5.8%
/ Water Units Sold	2,768,320	2,768,320	-	0.0%
= Fixed Charge / Unit	\$ 2.85	\$ 3.02	\$ 0.17	5.8%
Adjusted NOCWA Commodity Rate	\$ 4.46	\$ 4.72	\$ 0.26	5.8%

- **Variable Commodity Rate** = It is anticipated that NOCWA will increase the effective *Commodity Rate* per unit to the City for 2025-26 by +5.7% or +\$0.09 per unit [from \$1.61 per unit to \$1.70 per unit].
- **Fixed Monthly Charge** = It is anticipated that NOCWA will increase the *Fixed Monthly Charge* component to the City for 2025-26 by +5.8% or +\$37,885 per month [from \$657,761 per month to \$695,647 per month].
 - When the increased fixed monthly charge is annualized and then divided by the projected volume of water units billed-out by the City, the fixed monthly charge component increases by +\$0.17 per unit [from \$2.85 per unit to \$3.02 per unit].
- **Total Aggregate Charge** = In total, the aggregate Commodity rate over the 2025-26 rate year is anticipated to be approximately \$4.72 per unit, and increase of +5.8% or \$0.26 per unit.
- In order for the Water Division to simply “pass-on” NOCWA/GLWA changes, water rates should increase by +\$0.25 per unit.
- GLWA future rate changes are projected to increase by +5.5% per year.

Sewer Rate Discussion 2025-26

Sewer Rates have four (4) major items that impact the rate:

- Impact #1: Operating Gain or (Loss) from the prior rate year
- Impact #2: Estimation of the volume of sanitary sewer that will be charged
- Impact #3: Adjustment needed to meet revenue requirements of our supplier (OCWRC)
- Impact #4: Debt Service schedule

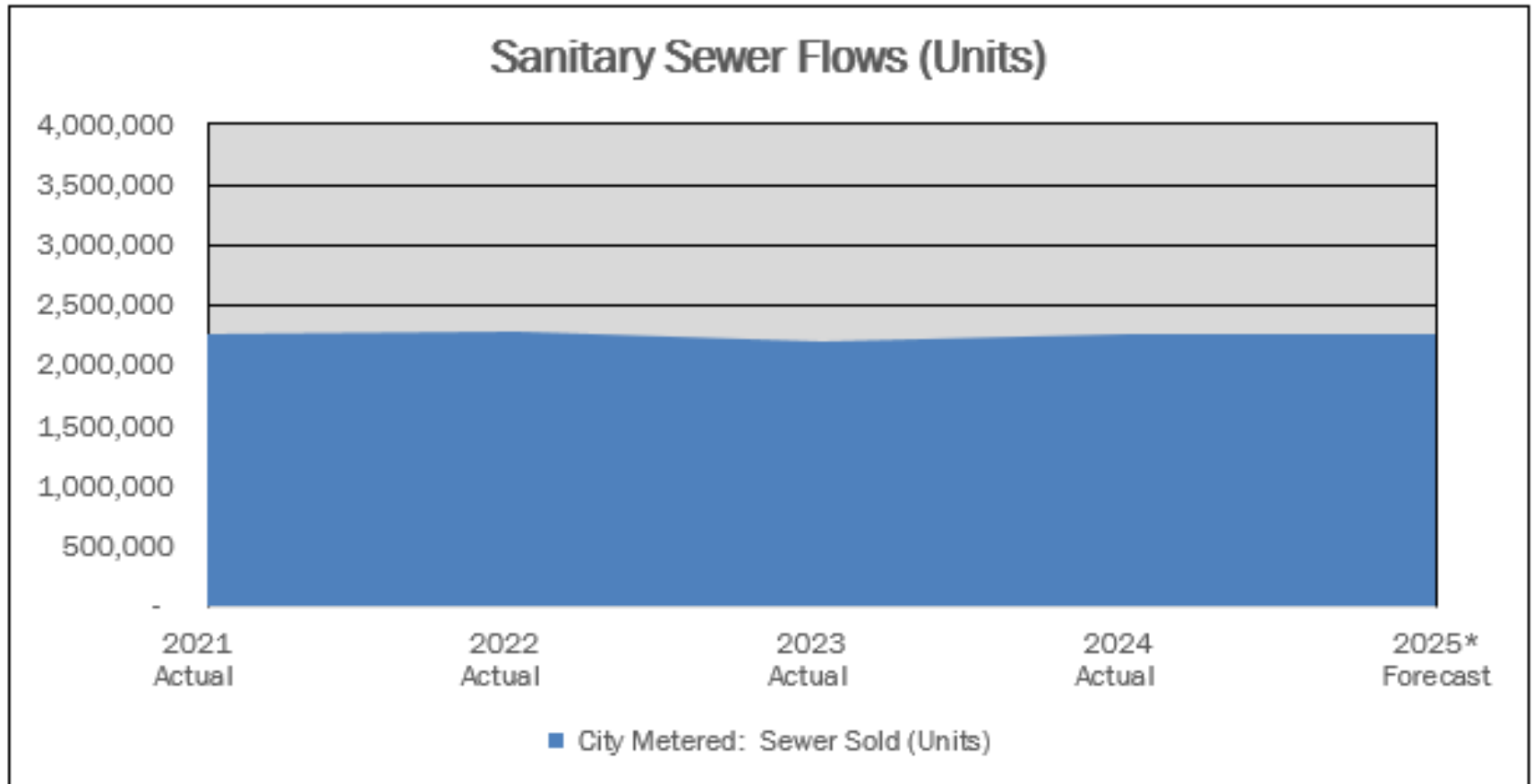
Sewer: Operating Gain or Loss

Impact #1 Operating Gain / Loss	2021 Actual	2022 Actual	2023 Actual	2024 Actual	% Change
Sewer Operating Revenue	\$ 15,046,132	\$ 15,224,785	\$ 15,224,745	\$ 16,080,336	5.6%
Sewer Operating Expense	\$ 15,028,144	\$ 15,125,140	\$ 15,084,959	\$ 15,122,674	0.3%
Operating Gain/(Short)	\$ 17,988	\$ 99,645	\$ 139,786	\$ 957,662	
Sewer Units Sold	2,261,257	2,281,873	2,202,343	2,252,948	2.3%
Operating Gain/(Short) per Unit	\$ 0.01	\$ 0.04	\$ 0.06	\$ 0.43	
Projected Units (3-Yr Ave):	2,345,380	2,304,477	2,297,185	2,248,491	
Actual - Projected:	(84,123)	(22,604)	(94,842)	4,457	
% Difference:	-3.59%	-0.98%	-4.13%	0.20%	

- As of December 31, 2024, the Sanitary Sewer Division ended with a net operating *gain* of +\$957,662.
- For the Sanitary Sewer Division to have “broken even” in FY 2024, sanitary sewer rates could have been (\$0.43) per unit *less*.

Sewer: Unit Sales

Impact #2 Forecasted Sewer Usage	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025* Forecast
City Metered: Sewer Sold (Units)	2,261,257	2,281,873	2,202,343	2,252,948	2,252,948
Total Metered Sewer Sold (Units)	2,261,257	2,281,873	2,202,343	2,252,948	2,252,948
%-age Change in Sewer Sold	-3.7%	0.9%	-3.5%	2.3%	0.0%
* 2025 Volume Forecast = Based Upon 2024 Actual (Not 3-Year Average)					



Sewer: Annual Charge from OCWRC

Impact #3 Commodity Change	2024-25 Adopted	2025-26 Anticipated	\$ Change	% Change
OCSO Fixed Charge per Month	\$ 683,686	\$ 704,197	\$ 20,511	3.0%
x Billings per Year	12	12	-	0.0%
= Annual Amount	\$ 8,204,235	\$ 8,450,362	\$ 246,127	3.0%
/ Sanitary Sewer Units Billed	2,252,948	2,252,948	-	0.0%
= Fixed Charge / Unit	\$ 3.64	\$ 3.75	\$ 0.11	3.0%

- In April 2025, the City received preliminary rate increase information from the Oakland County Water Resources Commission (OCWRC) regarding 2025-26 sanitary sewer rate changes.
- The 2025-26 aggregate OCWRC sanitary sewage billable flow rate is anticipated to be approximately \$3.75 per unit, which is a 3.0% or \$0.11 increase.
- In order for the Sewer Division to simply “pass-on” OCWRC changes, sewer rates would increase by +3.0% or \$0.11 per unit.
- OCWRC future rate changes are projected to increase by +5.5% per year.

Sewer: Debt Service

Impact #4 Debt Service	Actual 2024	Anticipated 2025	Anticipated 2026	Anticipated 2027	Anticipated 2028
Sewer: OMID 2010A	\$ 214,770	\$ 214,790	\$ 214,700	\$ 214,500	\$ 214,820
Sewer: OMID 2011	260,450	260,130	260,490	260,700	259,990
Sewer: OMID 2013	541,430	540,880	541,520	541,290	541,560
Sewer: OMID 2014A	85,450	86,000	86,780	86,570	86,330
Sewer: OMID 2019 Refunding	59,080	60,030	60,970	59,860	62,700
Sewer: CRWRRF Electrical	3,990	21,540	39,630	57,710	212,040
<i>Sewer: Lining 2025</i>	-	-	-	-	-
<i>Sewer: Lining 2026</i>	-	-	463,570	463,570	463,570
<i>Sewer: Lining 2027</i>	-	-	-	618,090	618,090
SEWER: TOTAL DEBT SERVICE	\$ 1,165,170	\$ 1,183,370	\$ 1,667,660	\$ 2,302,290	\$ 2,459,100
Sewer Units Charged:	2,252,948	2,252,948	2,252,948	2,252,948	2,252,948
Sewer Debt Service / Unit:	\$ 0.52	\$ 0.53	\$ 0.74	\$ 1.02	\$ 1.09

- The projected 2025-26 debt service component of the sanitary sewage disposal rate is anticipated to increase slightly from \$0.52 per unit to \$0.53 per unit.
- In 2026 [\$30M], and 2027 [\$40M] the Clinton-Oakland Sanitary Sewer Interceptor District is anticipated to perform a total of \$70,000,000 of sanitary sewer lining
 - City of Rochester Hills share = 21.581% = \$15,295,700
- In 2026 the debt service component is anticipated to increase to \$0.74
- In 2027 the debt service component is anticipated to increase to \$1.02
- In 2028 the debt service component is anticipated to increase to \$1.09

Water & Sewer: Customer Charge

- The customer charge collects for services related to water &/or sewer billing
- Items included within the customer charge are set at a flat rate per bill as the associated costs are not dependent upon level of consumption, but rather the costs required to accurately and timely bill for the amounts of service/commodity used
- Components of the Customer charge include:
 - Water Meter installation, replacement, and repair
 - Water Meter reading
 - Water & Sewer billing
 - Accounting Division support staff
 - Billing & Processing
- The per-bill Customer charge for the 2025-26 year is projected to increase from **\$6.06 per-bill** (or \$3.03 per water and \$3.03 per sewer) to **\$6.12 per-bill** (or \$3.06 per water and \$3.06 per sewer), **representing a +\$0.06 or +1.0% increase** over the 2024-25 rate year.

W&S: Rate Discussion

WSAC is presented with three (3) rate setting options to consider:

- **Option #1:** Keep Rates Flat for 2025-2026 and adjust future rates to meet the need
- **Option #2:** Adjust Rates to operationally Break Even in the next rate year and adjust future rates to meet the need
- **Option #3:** Smooth Rate Over 4-Year Period

Option #1: Keep Rates Flat for 2025-26

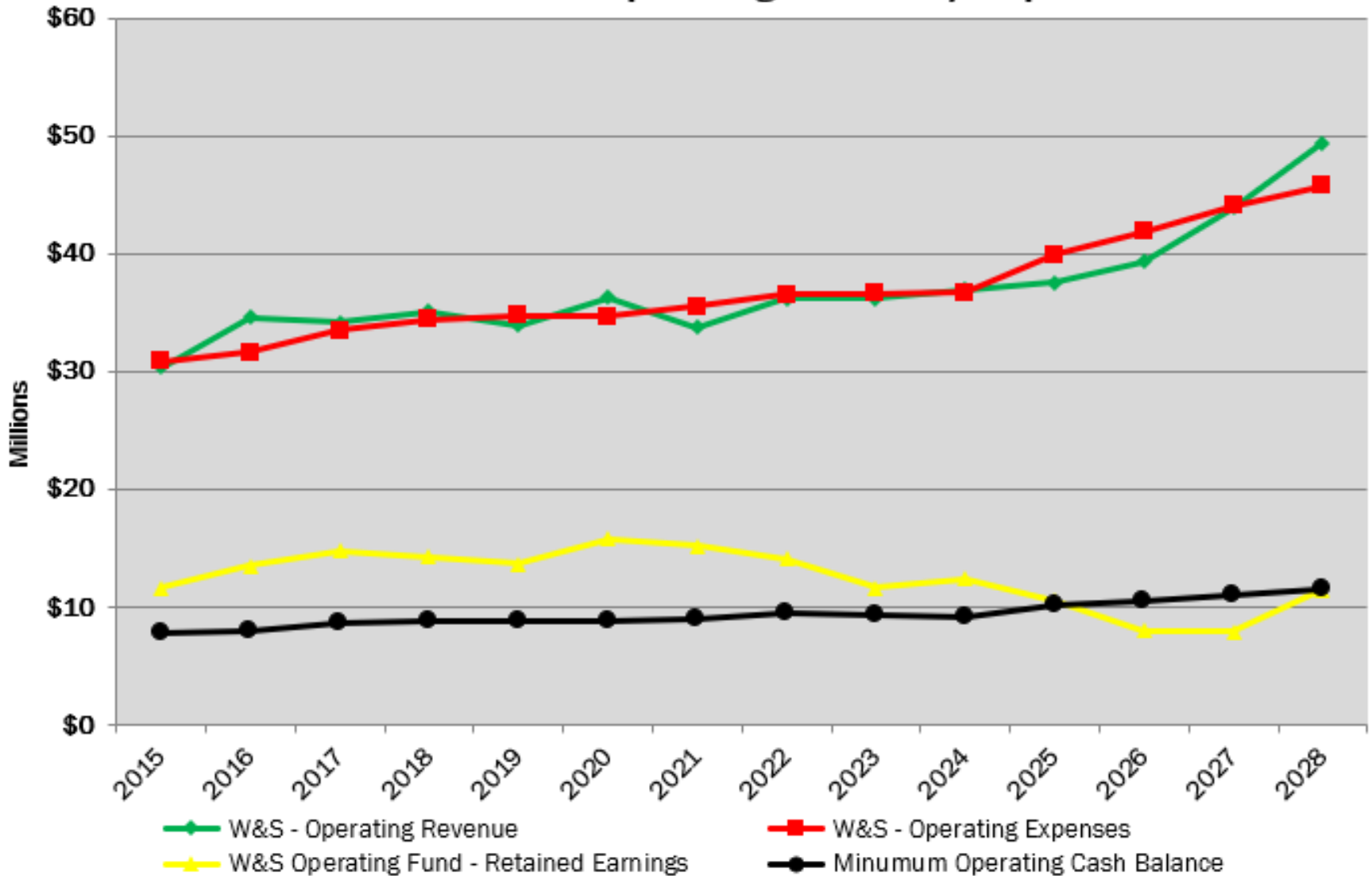
	Prior 2022-23	Prior 2023-24	Current 2024-25	Proposed 2025-26	Estimated		
					2026-27	2027-28	2028-29
Water Rate	\$ 6.47	\$ 6.67	\$ 6.99	\$ 6.99	\$ 8.33	\$ 9.92	\$ 11.81
Sewer Rate	\$ 6.09	\$ 6.38	\$ 6.69	\$ 6.69	\$ 6.92	\$ 7.16	\$ 7.41
Customer Charge	\$ 5.70	\$ 5.86	\$ 6.06	\$ 6.12	\$ 6.28	\$ 6.44	\$ 6.60
Total W&S Bill @ 12 Units	\$ 156.42	\$ 162.46	\$ 170.22	\$ 170.28	\$ 189.26	\$ 211.41	\$ 237.30
Water % Change	11.4%	3.1%	4.8%	0.0%	19.1%	19.1%	19.1%
Sewer % Change	-1.8%	4.8%	4.9%	0.0%	3.5%	3.5%	3.5%
Customer % Change	2.5%	2.8%	3.4%	1.0%	2.6%	2.5%	2.5%
Total W&S Bill % Change	4.5%	3.9%	4.8%	0.0%	11.1%	11.7%	12.2%

Please Note:

- Each Option assumes 12 Units of W&S Consumption per Billing
- Future NOCWA Water Rate changes (2026-27 and beyond) = increase at 5.5% per year
- Future OCWRC Sewer Rate changes (2026-27 and beyond) = increase at 5.5% per year

Option #1: Keep Rates Flat for 2025-26

Water & Sewer Fund - Operating Revenue / Expense Trend



Option #2: Breakeven Immediately

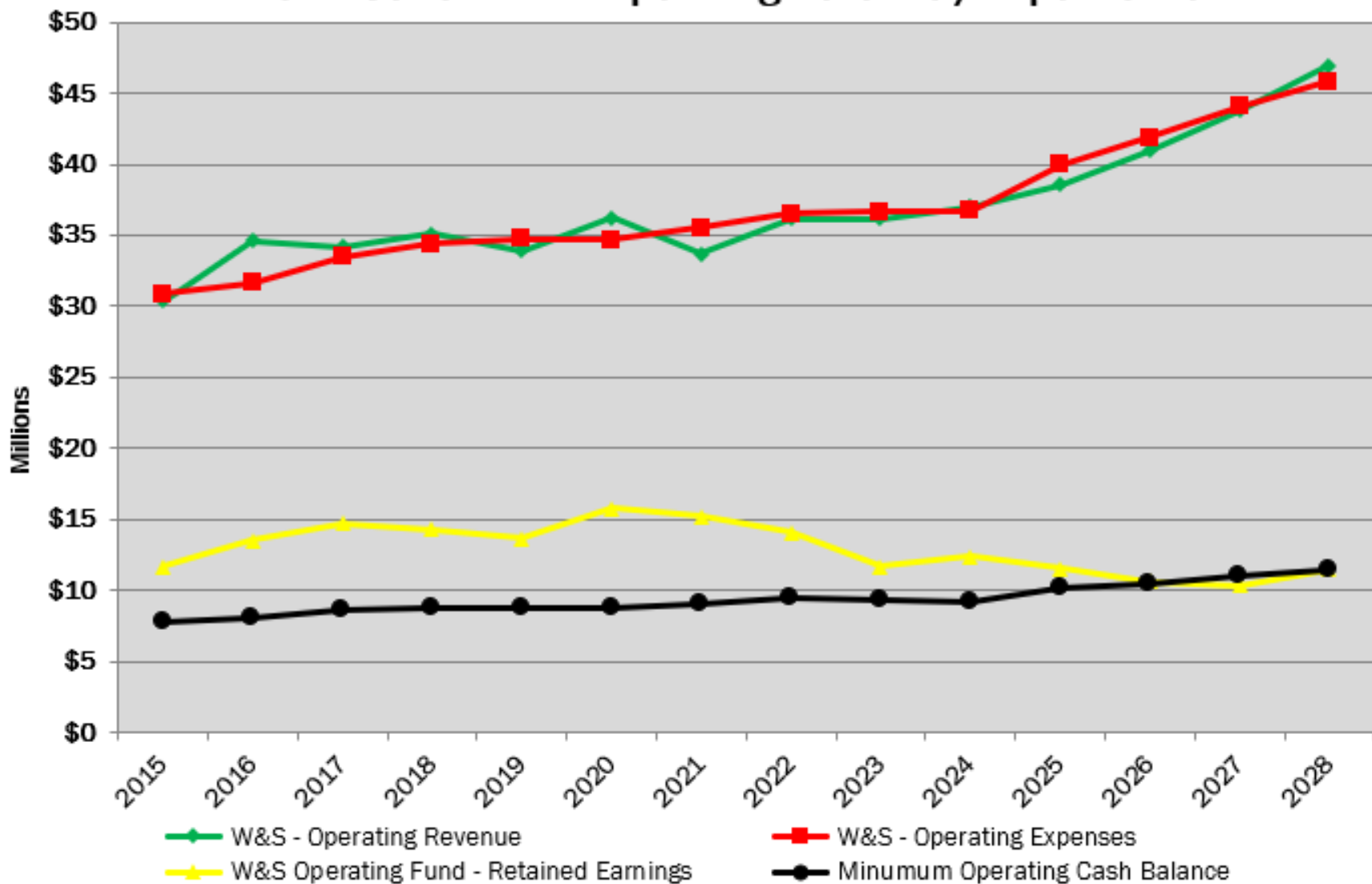
	Prior 2022-23	Prior 2023-24	Current 2024-25	Proposed 2025-26	Estimated		
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Water Rate	\$ 6.47	\$ 6.67	\$ 6.99	\$ 7.80	\$ 8.59	\$ 9.46	\$ 10.42
Sewer Rate	\$ 6.09	\$ 6.38	\$ 6.69	\$ 6.68	\$ 6.92	\$ 7.17	\$ 7.42
Customer Charge	\$ 5.70	\$ 5.86	\$ 6.06	\$ 6.12	\$ 6.28	\$ 6.44	\$ 6.60
Total W&S Bill @ 12 Units	\$ 156.42	\$ 162.46	\$ 170.22	\$ 179.95	\$ 192.45	\$ 206.01	\$ 220.73
Water % Change	11.4%	3.1%	4.8%	11.7%	10.1%	10.1%	10.1%
Sewer % Change	-1.8%	4.8%	4.9%	-0.1%	3.6%	3.6%	3.6%
Customer % Change	2.5%	2.8%	3.4%	1.0%	2.6%	2.5%	2.5%
Total W&S Bill % Change	4.5%	3.9%	4.8%	5.7%	6.9%	7.0%	7.1%

Please Note:

- Each Option assumes 12 Units of W&S Consumption per Billing
- Future NOCWA Water Rate changes (2026-27 and beyond) = increase at 5.5% per year
- Future OCWRC Sewer Rate changes (2026-27 and beyond) = increase at 5.5% per year

Option #2: Breakeven Immediately

Water & Sewer Fund - Operating Revenue / Expense Trend



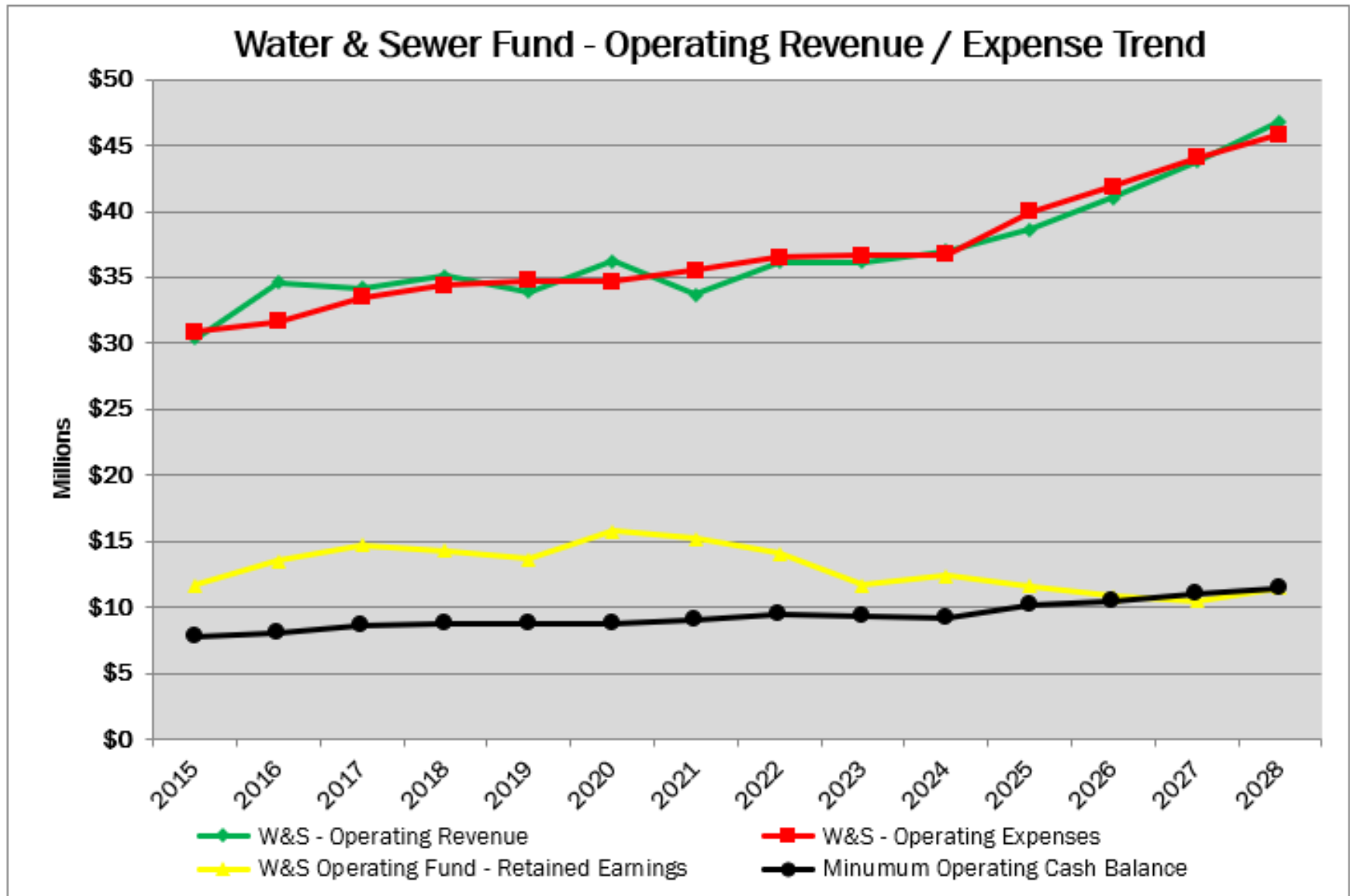
Option #3: Smooth Rate Over 4-Year Period

	Prior 2022-23	Prior 2023-24	Current 2024-25	Proposed 2025-26	Estimated		
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Water Rate	\$ 6.47	\$ 6.67	\$ 6.99	\$ 7.74	\$ 8.56	\$ 9.48	\$ 10.49
Sewer Rate	\$ 6.09	\$ 6.38	\$ 6.69	\$ 6.82	\$ 6.95	\$ 7.08	\$ 7.21
Customer Charge	\$ 5.70	\$ 5.86	\$ 6.06	\$ 6.12	\$ 6.28	\$ 6.44	\$ 6.60
Total W&S Bill @ 12 Units	\$ 156.42	\$ 162.46	\$ 170.22	\$ 180.77	\$ 192.42	\$ 205.15	\$ 219.09
Water % Change	11.4%	3.1%	4.8%	10.7%	10.7%	10.7%	10.7%
Sewer % Change	-1.8%	4.8%	4.9%	1.9%	1.9%	1.9%	1.9%
Customer % Change	2.5%	2.8%	3.4%	1.0%	2.6%	2.5%	2.5%
Total W&S Bill % Change	4.5%	3.9%	4.8%	6.2%	6.4%	6.6%	6.8%

Please Note:

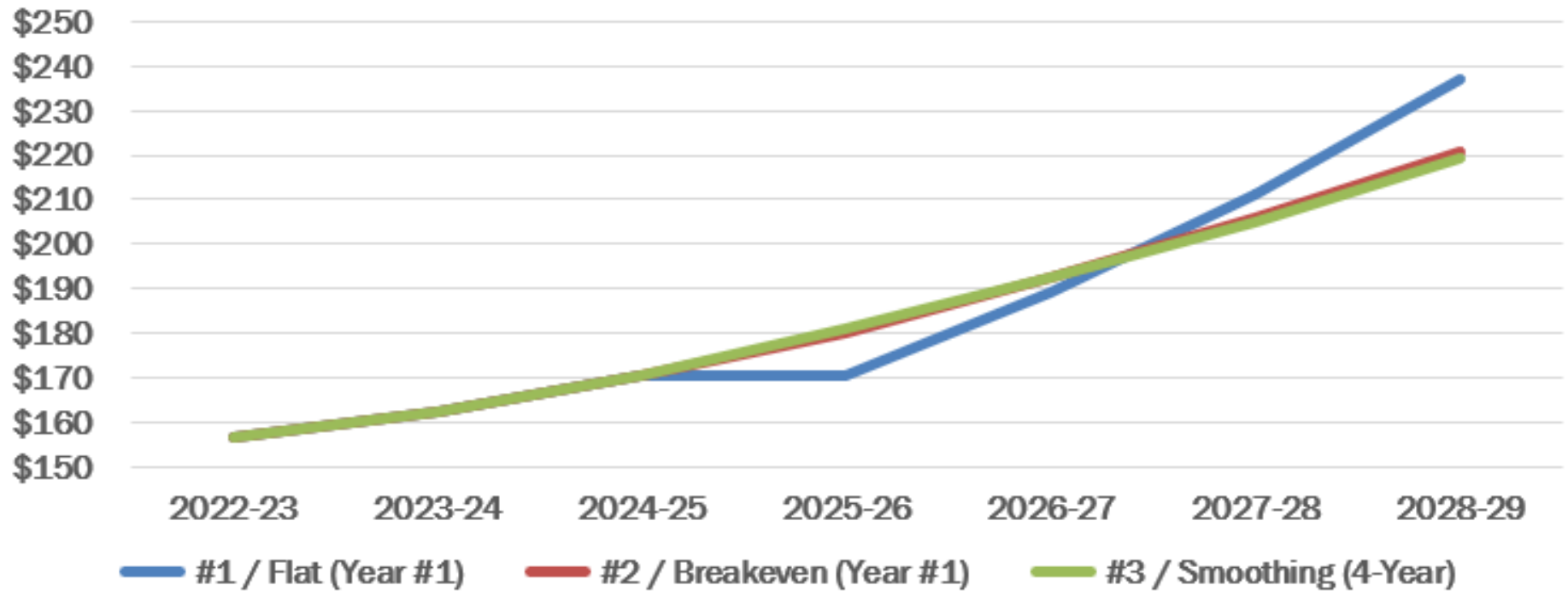
- Each Option assumes 12 Units of W&S Consumption per Billing
- Future NOCWA Water Rate changes (2026-27 and beyond) = increase at 5.5% per year
- Future OCWRC Sewer Rate changes (2026-27 and beyond) = increase at 5.5% per year

Option #3: Smooth Rate Over 4-Year Period



Total Water & Sewer per Bill Projections (12 units)

W&S Combined Bill Trend (each 2-Months)



	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
#1 / Flat (Year #1)	\$ 156.42	\$ 162.46	\$ 170.22	\$ 170.28	\$ 189.26	\$ 211.41	\$ 237.30
#2 / Breakeven (Year #1)	\$ 156.42	\$ 162.46	\$ 170.22	\$ 179.95	\$ 192.45	\$ 206.01	\$ 220.73
#3 / Smoothing (4-Year)	\$ 156.42	\$ 162.46	\$ 170.22	\$ 180.77	\$ 192.42	\$ 205.15	\$ 219.09

Water Service Advisory Council Recommendation

- **Recommend Approval of W&S Rates per Option #____**

- *2025-2026 W&S Rates / Reading #1*
 - *May 12, 2025*

- *2025-2026 W&S Rates / Reading #2*
 - *June 9, 2025*

- *2025-2026 W&S Rates / Go Into Effect*
 - *July 1, 2025*

Thank You For Your
Time, Attention, and
Service on the WSAC!