



Moore+Bruggink
Consulting Engineers

May 2, 2024

Re: Ada Utility Serv Eng Water-
Sewer 2022
Project No. 240104.01

Mr. Julius Suchy
Ada Township
7330 Thornapple River Drive SE
Ada, Michigan 49301

Dear Julius:

We have completed our review of the annual water/sewer rate study for Ada Township.

Currently, the Township charges both a commodity fee and readiness-to-serve fee to your customers for water usage, but you have historically only charged a monthly fixed fee to your customers for sewage disposal. The fixed fee is based upon an REU or "residential equivalent unit." Typical residential customers are charged one REU/month, or \$43.30/month. The REUs for other customers (commercial, industrial, government, or schools) are based upon estimated REUs that assume anticipated flows.

As we mentioned in prior rate studies, during the COVID shutdown, various commercial customers (mainly restaurants) received a much lower water bill than usual, but they were billed the same amount for sewer as previous billings even though their sewage use was much less. Over the past year, the Township reviewed various options to switch from an REU basis for sewer billings to a commodity and readiness-to-serve billing structure that would be similar to the water billing. This is proving to be a challenging task, and the BGU Committee decided to stay with the REU structure for the sewer billings for this coming year.

Effective January 1, 2024, the City of Grand Rapids increased the wholesale water and sewer rates to Ada Township by 6.47 percent and 3.12 percent, respectively.

In 2019, the Township authorized \$10 million in bond proceeds to fund significant improvements to both the water and sewer systems. These projects have now been completed well under the project budgets, with contingency allowances still intact. As a result, the water and sewer fund balances continue to increase; but keep in mind, the fund balances reflect roughly \$2 million in unspent bond proceeds.

Water Rate Recommendation

Over the past few years, Ada Township has passed along the full rate increase from Grand Rapids to your water/sewer customers. The water fund is in good shape, and, given the projected fund balance, you do not need to increase water rates this year.



We are projecting the water fund balance on March 31, 2025, will be around \$3.95 million. This is an increase of \$116,168 over the fiscal year. The water system is in good shape and, while we do not anticipate any significant projects this coming year, the increased fund balance will allow for future system improvements.

Sewer Rate Recommendation

As reported in last year's rate study, the City of Grand Rapids raised sewer rates significantly in 2020 (10.3 percent), 2021 (9.42 percent), and 2022 (7.26 percent) to fund the \$85 million biodigester. Last year's rate increase was a modest .44 percent, and this year's wholesale rate increase is 3.12 percent.

We anticipate the following sewer projects this year:

- Hall/Fernridge Lift Station – \$1,400,000
- H₂S Treatment Allowance – \$150,000
- Miscellaneous – \$50,000

Based upon the increase from Grand Rapids, along with these projects, we are recommending that you pass along the 3.12 percent increase in your sewer rates, with the typical charge per REU increasing from \$43.5/REU to \$44.8/REU.

The sewer fund is in good shape with a projected balance of just over \$3 million in reserves through March 31, 2024. With this increase, the sewer fund will operate under a deficit this year in order to fund \$1.6 million for the projects listed above, with a projected fund balance of \$1.75 million on March 31, 2025.

Summary

With the proposed rate increases, we are projecting fund balances on March 31, 2025, of \$4,096,000 and \$1,752,000 for the water and sewer fund respectively. Since most of the unspent bond proceeds are in the water fund, we recommend transferring \$1 million of the unspent proceeds from the water fund to the sewer fund to even out the fund balances. Each fund would then have a little more than one year's operating budget in reserve.

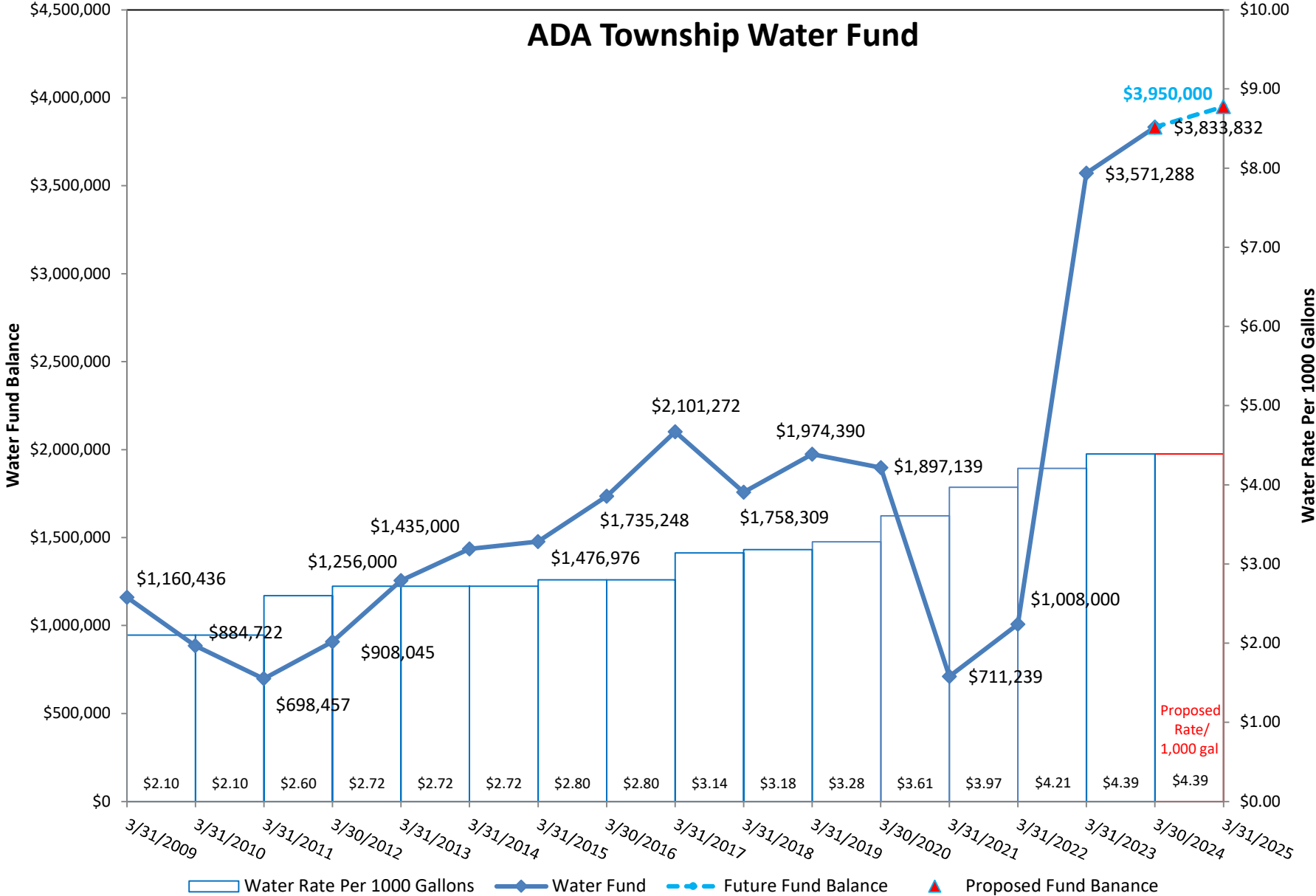
We have once again prepared charts showing past and projected water and sewer fund balances, along with tables showing Ada's rates compared to similar communities. Please give me a call if you have any questions.

Sincerely,

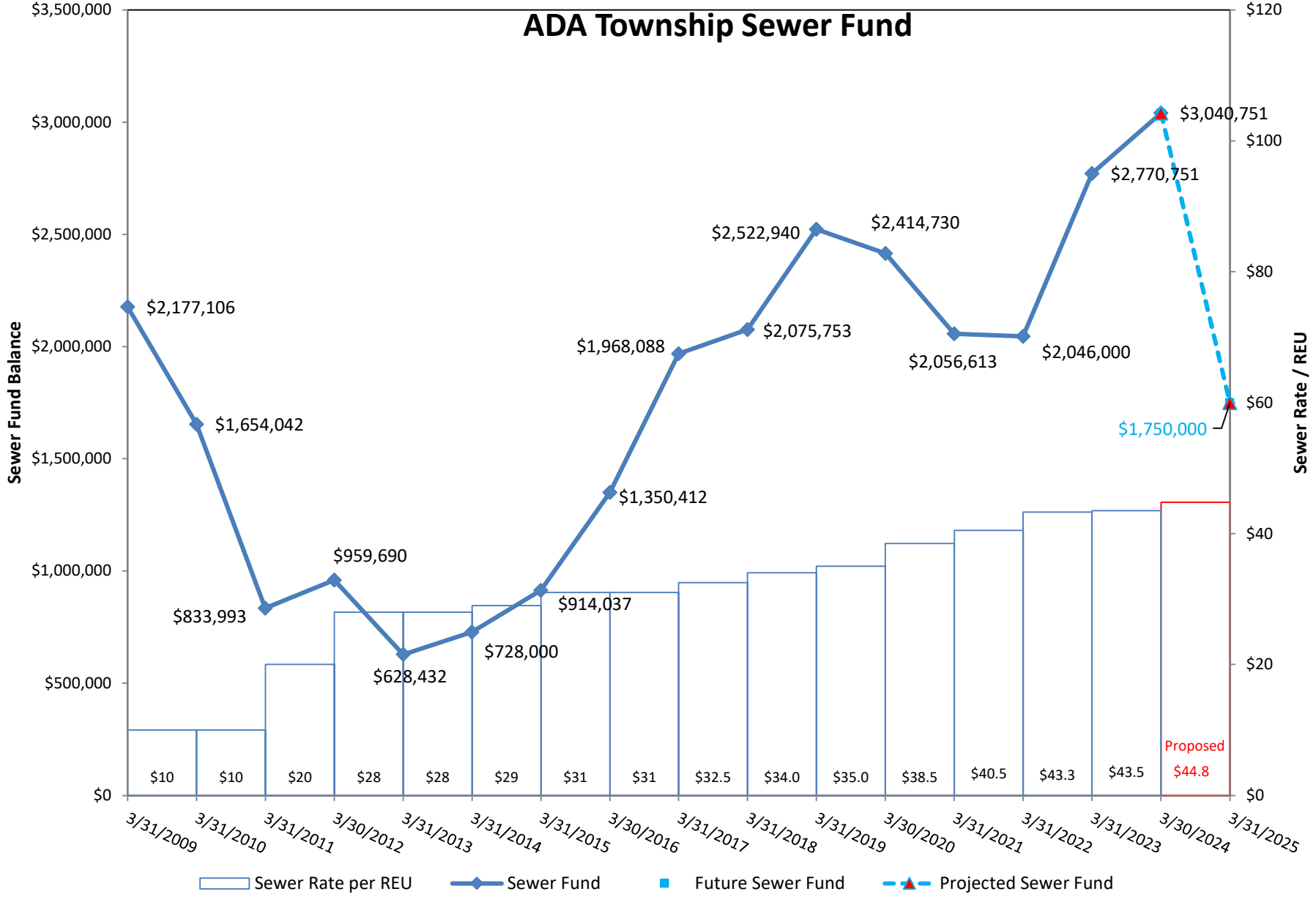
Steven C. Groenenboom, P.E.
Ada Township Engineer

Attachments

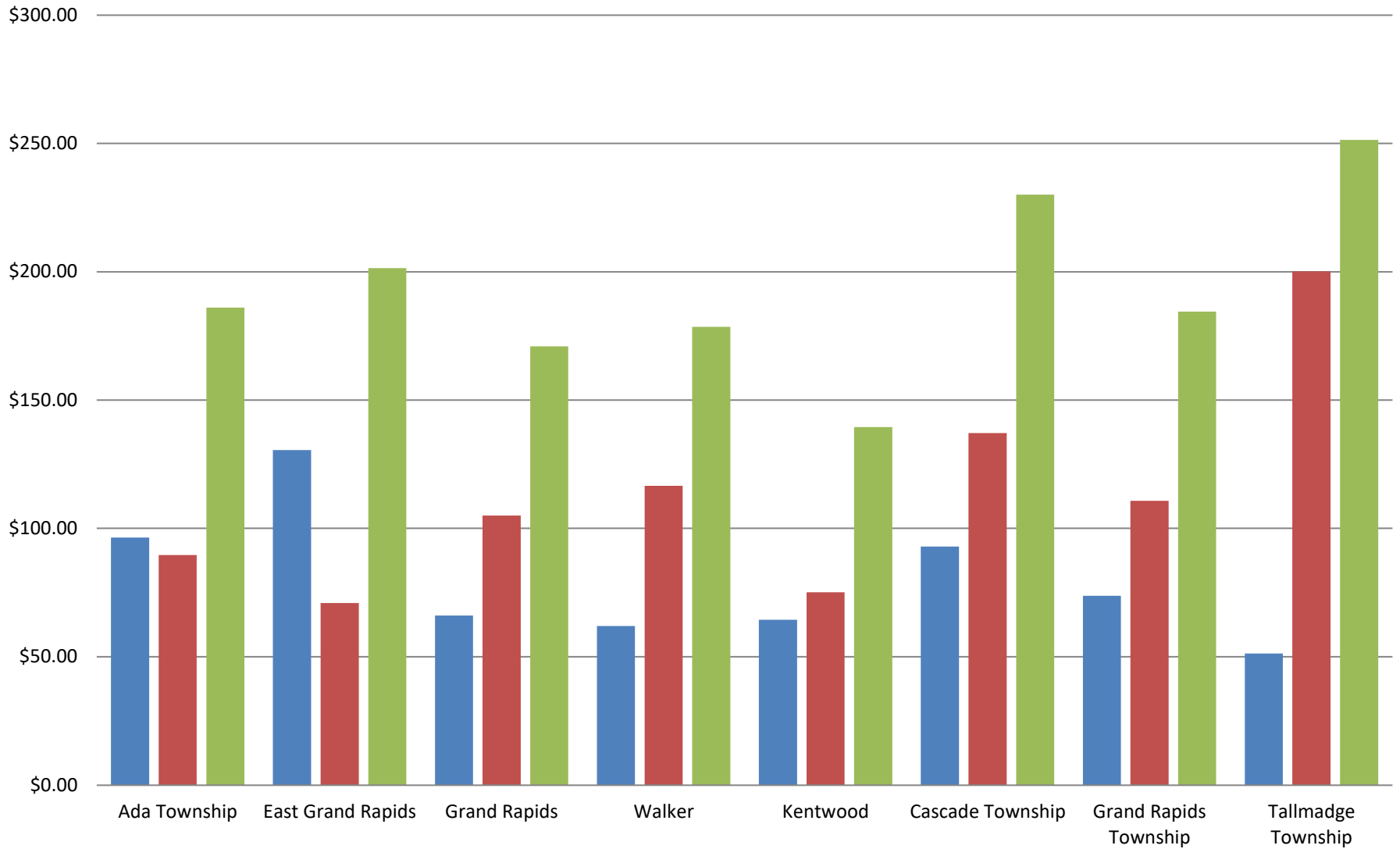
ADA Township Water Fund



ADA Township Sewer Fund



Summary of Average Bi-Monthly Water/Sewer Bill for 2024 – Grand Rapids Customers



These comparisons assume water usage of 200 gallons per day or 6,000 gallons per month.

■ Water ■ Sewer ■ Total

Billing Comparison: The current and proposed water and sewer bills in Ada Township compare with other communities as follows. These comparisons assume water usage of 200 gallons per day or 6,000 gallons per month. The billing comparison assumes bimonthly billings.

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ada Township									
Water	\$66.41	\$69.04	\$69.83	\$71.98	\$79.20	\$87.12	\$92.34	\$96.40	\$96.40
Sewer	\$62.00	\$65.00	\$68.00	\$70.00	\$77.00	\$81.00	\$86.60	\$87.00	\$89.60
	\$128.41	\$134.04	\$137.83	\$141.98	\$156.20	\$168.12	\$178.94	\$183.40	\$186.00
East Grand Rapids									
Water	\$68.40	\$68.40	\$68.40	\$74.20	\$74.20	TBD	\$114.20	\$117.68	\$130.48
Sewer	\$73.20	\$73.20	\$76.80	\$83.80	\$83.80	TBD	\$123.80	\$69.82	\$70.95
	\$141.60	\$141.60	\$145.20	\$158.00	\$158.00	—	\$238.00	\$187.50	\$201.44
City of Grand Rapids									
Water	\$48.64	\$50.34	\$52.36	\$53.68	\$55.53	\$55.25	\$58.01	\$61.64	\$66.00
Sewer	\$83.79	\$84.98	\$87.58	\$90.58	\$93.56	\$99.97	\$102.47	\$103.77	\$104.95
	\$132.44	\$135.33	\$139.94	\$144.26	\$149.09	\$155.22	\$160.48	\$165.41	\$170.95
Walker									
Water	\$50.58	\$51.27	\$51.74	\$53.55	\$55.50	\$55.95	\$58.74	\$59.62	\$61.96
Sewer	\$102.30	\$93.22	\$96.28	\$97.61	\$101.58	\$108.38	\$114.88	\$115.19	\$116.57
	\$152.88	\$144.49	\$148.02	\$151.17	\$157.07	\$164.33	\$173.62	\$174.81	\$178.53
Kentwood									
Water	\$54.14	\$55.49	\$53.48	\$55.23	\$57.35	\$57.65	\$60.53	\$62.96	\$64.40
Sewer	\$53.90	\$52.24	\$55.98	\$57.70	\$60.18	\$66.41	\$72.39	\$73.62	\$75.06
	\$108.04	\$107.73	\$109.46	\$112.93	\$117.53	\$124.06	\$132.92	\$136.58	\$139.46
Cascade Township									
Water	\$76.13	\$78.62	\$81.92	\$84.93	\$85.61	\$81.40	\$83.63	\$86.77	\$92.90
Sewer	\$105.70	\$105.89	\$105.30	\$107.58	\$111.94	\$123.59	\$132.24	\$134.50	\$137.12
	\$181.83	\$184.51	\$187.22	\$192.50	\$197.55	\$204.98	\$215.87	\$221.27	\$230.02
Grand Rapids Township									
Water	\$56.84	\$59.32	\$61.68	\$63.84	\$66.11	\$66.74	\$66.50	\$70.67	\$73.74
Sewer	\$91.82	\$87.98	\$91.00	\$94.22	\$98.03	\$105.65	\$106.81	\$108.64	\$110.76
	\$148.66	\$147.29	\$152.68	\$158.07	\$164.14	\$172.39	\$173.31	\$179.31	\$184.50
Tallmadge Township									
Water	\$70.29	\$71.49	\$65.78	\$67.13	\$56.81	\$48.27	\$49.58	\$51.44	\$51.23
Sewer	\$239.32	\$240.98	\$222.72	\$221.37	\$201.47	\$193.84	\$197.83	\$201.21	\$200.18
	\$309.61	\$312.47	\$288.50	\$288.50	\$258.29	\$242.11	\$247.41	\$252.65	\$251.41