



March 21, 2023

Attn: Gull Lake Sewer & Water Authority Customers

Re: Sewer Rate Increase  
(Effective for bills rendered as of 3/31/2023)

Dear Authority Customer,

The GLSWA public sewer system has been in service for over 40 years. As the system ages and the service area increases, the need to invest back into the system also increases. The Authority is limited to two sources for funding capital. One is cash funding through utility rates. The second is debt. While the Authority is classified as a governmental agency, ARPA funds and Grants are unavailable to the Authority.

By utilizing the cash funding method for operations and capital improvements, the Authority looks to the recommendation of its rate consultants.

In setting rates, the following factors are taken into consideration:

1. The need to retain a minimum bank balance to fund unplanned emergencies based on a reserve level of 4.5 months of operating revenue.
2. Review of the annual budget plus any substantial unplanned repairs and expenses.
3. Focus on preventative maintenance, which in the long run is less costly than emergency repairs.
4. Financial recognition of the 175% increase in wastewater treatment charges over the past 5 years and set a rate that will compensate for this past loss.
  - a. The mid-year wastewater treatment rate increase of 20%, by the City of Kalamazoo, was one of the unplanned expenses impacting the Authority's reserves.
  - b. Currently the City of Kalamazoo projects treatment costs to rise 7.5% in each of the next 3 years.
5. Incorporation of the significant inflationary impact on services and materials.

**The monthly sewer rate will increase from \$40 / month per REU to \$55 / month per REU.** The rates will be reflected starting the first billing cycle after March 31, 2023.

The historical practice of setting multi-year rate resolutions is no longer a viable forecast for continued success. Expect annual rate reviews and recommendations going forward; however, after this rate increase, we do not anticipate a large jump like we have seen in the past.

Respectfully,

John Crumb, Executive Director  
Gull Lake Sewer & Water Authority