



Genoa Charter Township

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Memorandum

TO: Lake Edgewood Sewer Customers
FROM: Greg Tatara, Utility Director
DATE: March 9, 2010
RE: 2010 Sewer Rate Increase

Background

The Lake Edgewood System was initiated in 1987 to serve the Lake Edgewood Townhome Development. Due to regulations and development pressure, the plant was expanded in 2000 to 500,000 gallons per day. Additionally, the service area was expanded to serve Grand River between Kellogg and Bendix Roads. Although growth has occurred in this area (Woodland Medical Center, Genoa Business Park Drive), the plant currently operates at only 24% of its capacity. Recently, the plant flows have dropped 10% over volumes received last year at this time. Unfortunately, the costs to operate the plant and collection system are likely 90% of what they would be if the plant was at full capacity. Labor, phone, repairs, chemicals, pump repairs, and electricity are significant costs that would not change greatly if flows were increased.

Proposed Rate Increase

This year, the Lake Edgewood System has implemented an 8% increase in rates, effective April 1, which will result in reducing the existing deficit in the operational account, as continued reserve fund contributions are unsustainable with no new growth.

The impact to the average customer from this rate increase is as follows:

Flat Rates increase \$7.74 / Quarter or approx. \$31.00 / Year
Metered Customer Using 18,000 Gal/ Qtr. Increase \$8.10 / Qtr or approx. \$32 / Year

Conclusion

Due to reduced usage, the Lake Edgewood System has seen 9.7% revenue decline over what was budgeted for the past fiscal year. Through operational efficiencies, we were able to lower our operating expenses 7.5% from the budgeted amount. Therefore, the revenue decline, and the inability to use reserve funds to cover deficits any longer, has resulted in this unfortunate, yet necessary rate increase.

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