

City of Munising Water Rates Evaluation

May 13, 2026



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Meeting Goals

1. Review of the Water Utility:
 - Definitions
 - What Does Our Water Utility Provide?
 - Munising's Water Utility
 - Components
 - Water Bills
 - Reserve Funds
2. Discuss:
 - Water Utility Finances & Evaluation of Water Rates
3. Recommendation on Rates

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Meeting Ground Rules

1. Commissioner questions are welcome during the presentation.
2. Public involvement and comments are important!
Questions from the public will be addressed after the presentation.
3. There is space at the end of the meeting for Public Comment.

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Definitions

- Water Utility
- Water System
- Sewer Utility
- Water/Sewer Bill
- Water Main
- Mains
- Water Pipe
- Service Line
- Enterprise Fund
- R&R
- O&M
- CPI
- Infrastructure
- Bond / Loan

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Utility Bill



Office Hours:
Monday through Friday
9:00-4:30
(906) 387-2095



CITY OF MUNISING
301 E. SUPERIOR ST.
MUNISING, MI 49862

NAME: CITY OF MUNISING
LOCATION: 301 E SUPERIOR BILL: 03/31/2026
ACCOUNT #: 502270 FROM: 03/03/2026 TO: 03/30/2026 DUE: 04/28/2026

CD	DATE READ	DESCRIPTION	METER READING		MULT FACT	USAGE	CHARGE
			PRESENT	PREVIOUS			
		PREVIOUS BALANCE					\$ 0.00
A	3/30/2026	SEWER	157571	156285	1.00	1286	\$24.73
A	3/30/2026	WATER	157571	156285	1.00	1286	\$11.89
		SEWER SERVICE					\$14.24
		WATER SERVICE					\$24.65

A 5% PENALTY WILL BE ADDED TO ALL BILLS NOT PAID BY THE DUE DATE.
PAST DUE ACCOUNTS WILL BE SHUT OFF.
SHUT-OFF IS 10 DAYS AFTER THE DUE DATE.

If you have any questions regarding your bill, please contact us at (906) 387-2095.

AFTER DUE DATE PAY	BALANCE FORWARD	THIS BILLING	TOTAL DUE
\$79.28	\$ 0.00	\$75.51	\$75.51

PARCEL: 051-253-017-00

PLEASE KEEP TOP PORTION FOR YOUR RECORDS
PLEASE DETACH AND RETURN BOTTOM PORTION WITH YOUR PAYMENT



CITY OF MUNISING
301 E. SUPERIOR ST.
MUNISING, MI 49862

PARCEL: 051-253-017-00
ADDRESS: _____

CITY OF MUNISING
301 SUPERIOR ST. E
MUNISING, MI 49862

ACCOUNT	DATE DUE	AMOUNT DUE
502270	04/28/2026	\$75.51




BILL: 03/31/2026
MAKE CHECKS PAYABLE TO: _____


AMOUNT REMITTED

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Water Bill (Just Water)



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In March 2026, City Hall used 1,286 gallons of water.
Water consumption costs \$11.89 & Water Service fee of \$24.65, totaling \$ \$36.54

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What does Our Water Utility Provide?

- Provides Safe, Clean Drinking Water - 24x7x365 Days A Year!
- Water for Fire Protection
- State & Federal Regulations, ensure compliance
- Maintains Infrastructure: Water Mains, Hydrants, Wells, Water Storage, Equipment, Repairs, Etc.
- Administration: Licensed Operators, Maintenance/Mechanics, Billing, Testing
- Opportunity for Community Expansions
- Peace of Mind!

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What are the Components of Our Water Utility?

- Groundwater Wells (raw water supply) X 6
- Well Pump House x 3
- Water Storage
 - Water Tower
 - Water Storage Tank x 3
- Distribution (Approx 20 miles of water mains)
- Fire Hydrants x 160
- Distribution Equipment (pumps, booster station, etc.)

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What are the Components of Our Water System?

Year	Number of Customers
2025	1,030

Year	Water Sold (gallons)
2022	67,053,118
2023	67,995,965
2024	66,498,165

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What's the purpose of the Water Bill?

1. Cover Operation Costs
2. Fund Debt Payments
3. Build Reserve Funds:
 - Operations
 - Debt Payments
 - Emergency Repairs
 - Repair & Replace / Improve

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What's the purpose of the Water Bill?

1. **Cover Operation Costs**
 2. Fund Debt Payments
 3. Build Reserve funds:
 - Operations
 - Debt Payments
 - Emergency Repairs
 - Repair & Replace / Improve
- Administration
 - Certified Water Operators
 - Maintenance Staff
 - Admin/Billing Staff
 - Billing System
 - Insurance
 - Certification/Training
 - Water Testing
 - Reporting
 - Debt Payments
 - Energy costs
 - Pumping (wells, booster stations, distribution)
 - Plant operations
 - Heating & lighting
 - Maintenance and Repairs
 - Valve & Hydrant
 - Well maintenance
 - Pumps & Motors
 - Leak Detection
 - Water Main Repairs
 - Equipment Costs
 - Supplies/tools
 - General System Maintenance

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What's the purpose of the Water Bill?

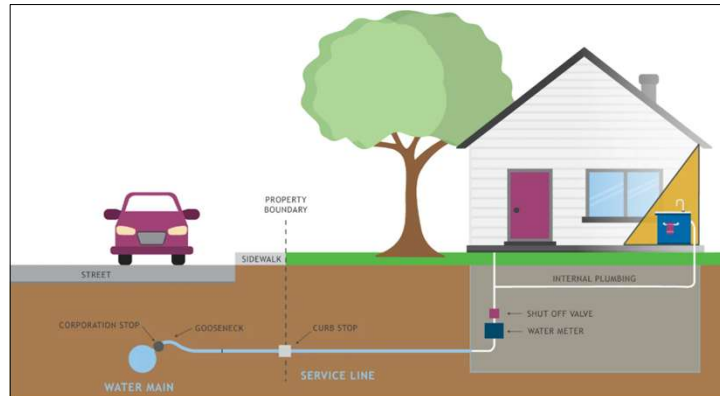
1. Cover Operation Costs
 2. **Fund Debt Payments**
 3. Build Reserve Funds:
 - Operations
 - Debt Payments
 - Emergency Repairs
 - Repair & Replace / Improve
- Repayments of loans/bonds for projects such as the M-28 Project
 - New Projects:
 - Lead Service Line Replacement
 - Project Total: \$2.77 million
 - \$1.385 million State Grant
 - \$1.385 million Bond
 - Washington St.
 - Project Total: \$6 million
 - \$1.719 million Bond for the water portion

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Projects:

Lead Service Line Replacement Project

- Public Water Utilities to replace all lead and galvanized previously connected to lead (GPCL) service lines
- Sate to pay 50%

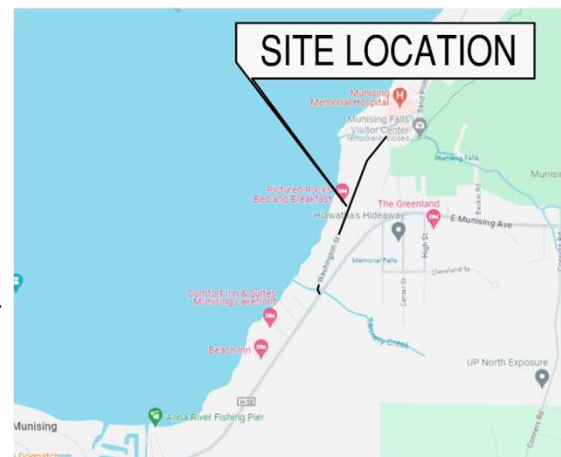


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Projects:

Washington St. Project

- \$6 million approx. total cost
 - Water \$1.719 million (Bond Funded)
 - Sewer \$2.709 million (Bond Funded)
 - Paving \$2 million (Grant Funded)
- Identified as a project need back in the late 1990's.
- Water Main pre-WWII (possibly late 1930's),
- Undersized water main,
- Sewer is in terrible shape and must be replaced.
- Grant funding of \$2 million is available for a limited time to help repave after water/sewer mains are replaced.
- Supports Master Plan



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What's the purpose of the Water Bill?

1. Cover Operation Costs
2. Fund Debt Payments
3. **Build Reserve Funds:**
 - Operations
 - Debt Payments
 - Emergency Repairs
 - Repair & Replace / Improve

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Reserve Funds?

Operational Reserve:

REQUIRED BY BONDS:
2 to 6 months of
operational costs

Goal Approx: \$200,000

Debt Reserves:

REQUIRED BY BONDS

Approx: \$300,000

Emergency Capital Reserves:

10% of Capital Assets

Goal Approx: \$500,000

Repair/Replace/Improve:

Improve:
\$800,000
This may need to be
higher depending on
projects.

Repair/Replace:
REQUIRED BY BONDS
\$190,000/year

Goal Approx: \$1,000,000

Reserve Target: \$2,000,000 (Current Reserve: \$1,000,000 [approx.])

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Repair & Replace Funds

- For Short-lived Assets – Items that will be replaced within the next 10 to 20 years that cost more than \$1,000 or require routine recurring maintenance.

– **The utility should be saving and paying cash for these expenses.**






- Water Tower Painting (15 years)
- Well Pumps & Controls (10 years)
- Water Storage Tanks (30 years)
- Trucks and Equipment (15 years)
- And more!

Repair & Replace: \$190,000 per year

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Repair & Replace Funds

- Cost Challenges

- | | | |
|---|---|---------------------|
| – Lift Station Pump \$4,500 in 2012 |  | \$15,000 in 2026 |
| – Fire Hydrants \$3,200 in 2010 |  | \$8,700 in 2025 |
| – Water Main (8-inch) \$31/foot in 2010 |  | \$102/foot in 2025 |
| – Asphalt \$77 /ton in 2010 |  | \$121 / ton in 2025 |
| – 1-inch Copper Tubing \$4/foot in 2014 |  | \$21 /foot in 2026 |

Repair & Replace: \$190,000 per year

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Water Utility Financial Analysis

	Regular Water Increase (Inflation)
Revenue =	\$1,353,000
Expenses =	<u>\$1,273,000*</u>
Reserves =	\$80,000

* Includes Debt Payments

Requirement: \$190,000/year for Reserves for Repair & Replace

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Water Utility Financial Analysis

	Regular Water Increase (Inflation)	Recommended Water Increase
Revenue =	\$1,353,000	\$1,462,000
Expenses =	<u>\$1,273,000*</u>	<u>\$1,273,000*</u>
Reserves =	\$80,000	\$189,000


* Includes Debt Payments

Requirement: \$190,000/year for Reserves for Repair & Replace

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Recommended Water Rate (WATER ONLY)

WATER RATE RECOMMENDATION - RESIDENTIAL					
Gallons Used	Proposed			Old Bill	Change in Bill
	Water Service Fee	Volume Charge	Proposed Bill		
2,000	\$27.96	\$20.99	\$48.95	\$43.16	\$5.79
4,000	\$27.96	\$41.97	\$69.93	\$61.66	\$8.27
6,000	\$27.96	\$62.96	\$90.92	\$80.17	\$10.75
12,000	\$27.96	\$125.91	\$153.87	\$135.69	\$18.19



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How do I figure out what my rate would be?

- Per Gallon Charge

2025-2026	2026-2027
\$0.00925	\$0.01049

- Water Service Fee - Monthly

2025-2026	2026-2027
\$24.65	\$27.96

But How Much Water Do I Use?!

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How Much Water Do I Use?

- **Probably around 1,000 gallons a month**
- **How do we know?**
 - Formula: Water consumption per year-round household ÷ persons per house
 - Ave. household water consumption per month (2025) = 2,238 gal
 - 2,238-gal water/ 2.18 people per household = **1,068 gal/person**
 - *Does not include customers designated as commercial/condo/businesses/apartments; includes households using 600 gal or more every month of the year

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How Much Water Do I Use?

- **Average number of people per house:**
 - Population ÷ # of house holds
 - 1,986 people ÷ 908 house holds = 2.18 people per household
 - Source Munising Housing Needs Assessment (Nov 2024)

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How do I figure out what my rate would be?

Three Formulas to get to the answer:

1.	$\# \text{ of People} \times \text{Per Person Monthly Water Use} = \text{Volume of Water Used}$	$4 \text{ people} \times 1,000 \text{ gallons/person} = 4,000 \text{ gallons Water Used/month}$
2.	$\text{Volume of Water Used} \times \text{Per Gallon Cost} = \text{Water Cost per month}$	$4,000 \text{ gallons Water Used} \times \$0.01049 \text{ gallon} = \$41.97 \text{ Water Volume Cost}$
3.	$\text{Water Volume Cost} + \text{Water Service Fee} = \text{Total Water Bill}$	$\$41.97 \text{ Water Volume Cost} + \$27.96 \text{ Service Fee} = \$69.93 \text{ Cost of Water per month}$

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Recommended Water Rate

WATER RATE RECOMMENDATION - RESIDENTIAL				
Proposed				
Gallons Used	Volume Charge	Water Service Fee	Proposed Bill	Change in Bill
2,000	\$20.99	\$27.96	\$48.95	\$5.79
4,000	\$41.97	\$27.96	\$69.93	\$8.27
6,000	\$62.96	\$27.96	\$90.92	\$10.75
12,000	\$125.91	\$27.96	\$153.87	\$18.19



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Water Service Fee

- **What is & how is the Water Service Fee calculated?**
 - Fee to cover the fixed cost of always keeping water available to customers – even if little to no water is used.
 - Example: homeowner is gone, but water is needed for fire suppression.
 - Calculated based on the number of customers, operational cost, debt payments, and Repair & Replace Expenses.
 - Operations + Debt + R&R = \$7.39 + \$16.46 + \$4.11 = \$27.95/month.

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Last Meeting Questions

- **How do apartment building water bills work?**
 - For Small Apartment Buildings
 - Service fees are based on the meter service charge X # of apts.
 - **For Example: 4-unit Apartment Building**
 - $\frac{3}{4}$ -inch water meter = \$27.96 monthly service fee
 - \$27.96/month X 4 Apartment = \$111.84 monthly service fee
 - Water use is in addition to the monthly service fee.

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Last Meeting Questions

- **What do businesses pay?**

- Per gallon cost \$0.01049 (same for residential) +
- Water Service Fee (Businesses often have a larger meter & service fee, which is how they are charged more than residential customers):

METERS:			
	FIXED MONTHLY RATES		
	July 1, 2024	July 1, 2025	July 1, 2026 (Proposed)
BELOW 1"	\$23.52	\$24.65	\$27.96
1" METER	\$65.86	\$69.02	\$78.26
1 ½" METER	\$112.90	\$118.32	\$134.16
2" METER	\$159.94	\$167.62	\$190.06
3" METER	\$517.44	\$542.30	\$614.90
4" METER	\$1,176.00	\$1,232.50	\$1,397.50
6" METER	\$2,352.00	\$2,465.00	\$2,795.00
8" METER*	\$6,350.40	\$6,655.50	\$7,546.50
10" METER	\$6,585.60	\$6,902.00	\$7,826.00

*Out of City

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Last Meeting Questions

- **Equipment Rental**

- “Fancy” way of saying that the Water Utility must contribute money for the upkeep of the equipment and vehicles it uses.
 - Goes towards maintenance, repairs, staff mechanic, etc.

- **Other Community Water Bills**

- Not really a good thing to compare against.
- Example Houghton, MI (Pop: ~8,300 Households: 2,200)
Vs Munising, MI (Pop: ~ 1,900 Households: 800)
- Lots of differences: population, treatment, system age, distribution areas, etc.

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Conclusion

- **WATER ONLY** -The average water increase approx. \$8.25 per month.
- This is required to support necessary water projects and the required Repair & Replacement costs.

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Water Rate Recommendation Alternative

	Regular Water Increase (Inflation)	Recommended Water Increase	11% Water Increase
Revenue =	\$1,353,000	\$1,462,000	\$1,433,000
Expenses =	<u>\$1,273,000*</u>	<u>\$1,273,000*</u>	<u>\$1,273,000*</u>
Reserves =	\$80,000	\$189,000	\$160,000

* Includes Debt Payments, and Approx \$60,000 for R&R

Goal: \$190,000/year Reserves for Repair & Replace

An 11% increase is the **MINIMUM** allowable increase to be eligible for the Lead Service Line Replacement and Washington Street Bond

- Higher rates will be required for an additional year to be at the R&R Requirement

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Alternative Water Rate (No Sewer Included)

RESIDENTIAL - WATER RATE ALTERNATIVE RECOMMENDATION				
Gallons Used	Volume Charge	Water Service Fee	New Bill	Change in Bill
2000	\$20.60	\$27.36	\$47.96	\$4.80
4,000	\$41.19	\$27.36	\$68.56	\$6.89
6,000	\$61.79	\$27.36	\$89.15	\$8.99
12,000	\$123.58	\$27.36	\$150.94	\$15.26

