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Scio Township Utility Rate Model

April 22, 2025



History Lesson

- For many years, Scio Township sporadically adjusted Water and Sewer utility rates
- In spring/summer 2024, the Township commissioned Plante Moran for the creation of a 5-year rate model
- Several iterations of the model were created and shared with the Township Board. After deliberation, the Township approved the version of the model referred to as the “Rip the Band-Aid Off” version.

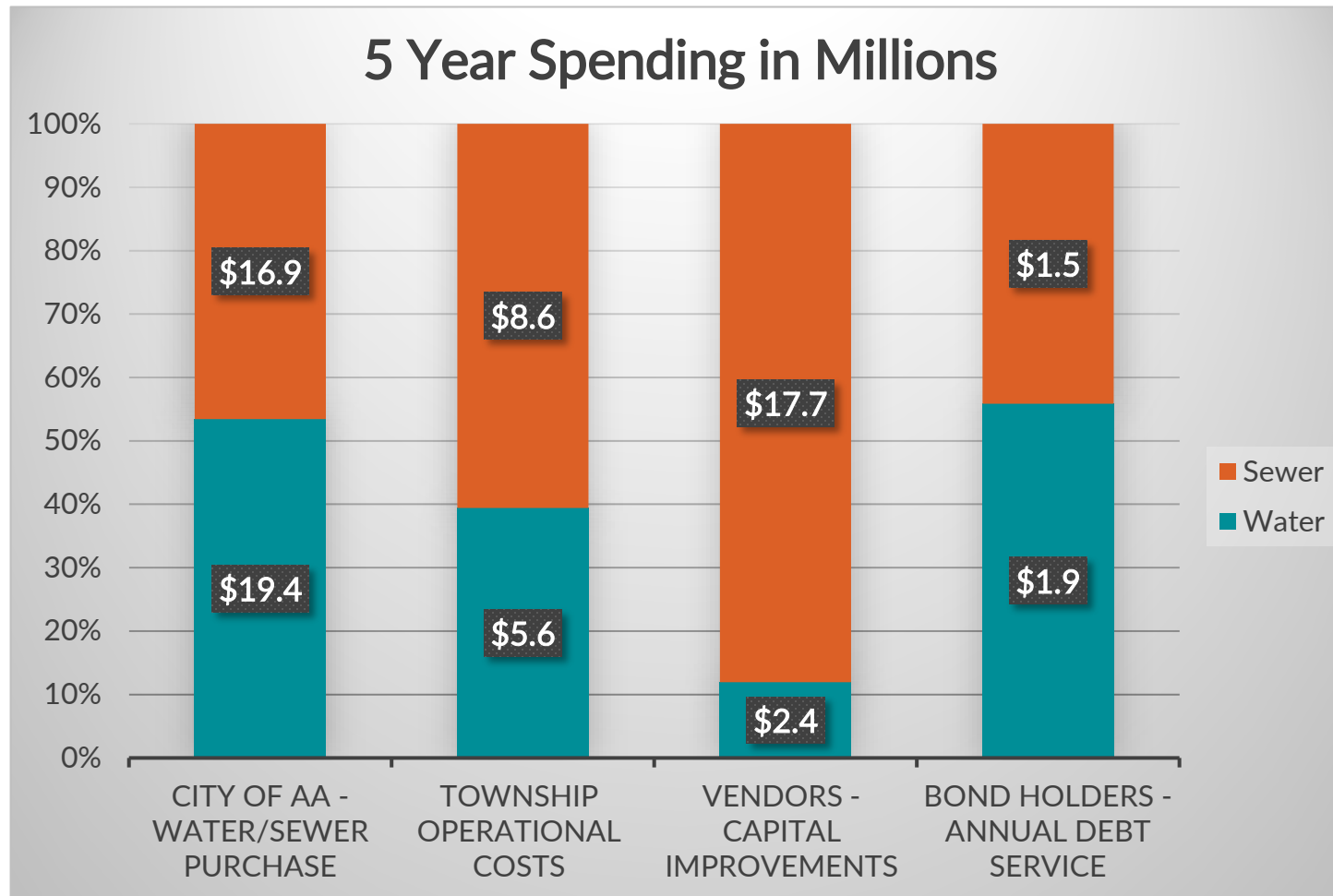


History Lesson (continued)

- The Township Board approved a significant rate increase effective July 1, 2024 with the understanding that future annual increases would be significantly less. The approved version of the Model suggested future rate increases of 5% per year to the Township's variable commodity rate for both Water and Sewer, with no change to either the Readiness to Serve ("RTS") or Debt charge.



Where Does This Money Go?

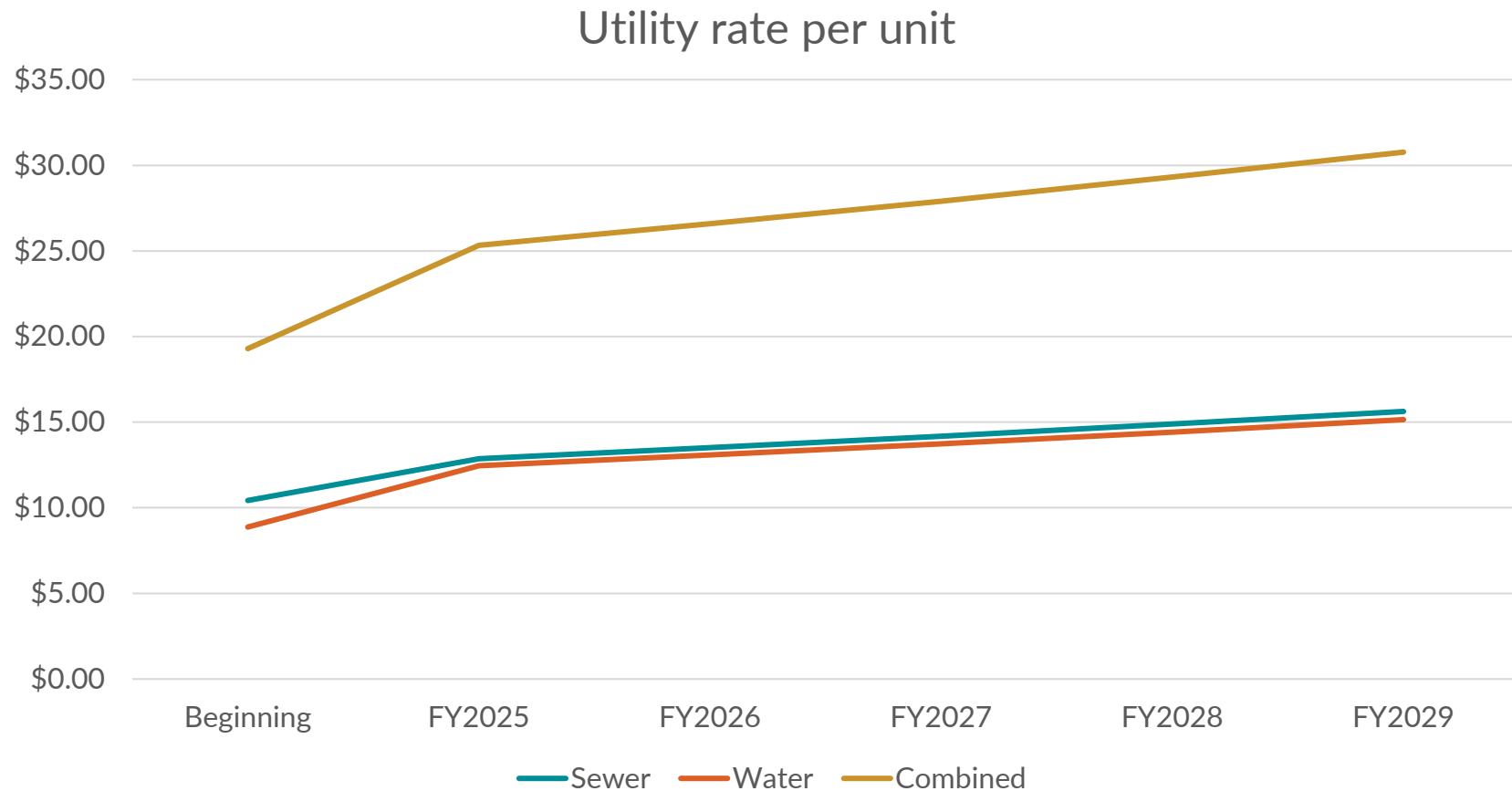




Proposed Rate Changes

Water rate (orange) increases 40.4% in year one, but a 5% annual rate increase thereafter.

Sewer rate (green) increases 23.4% in year one, but a 5% annual rate increase thereafter.

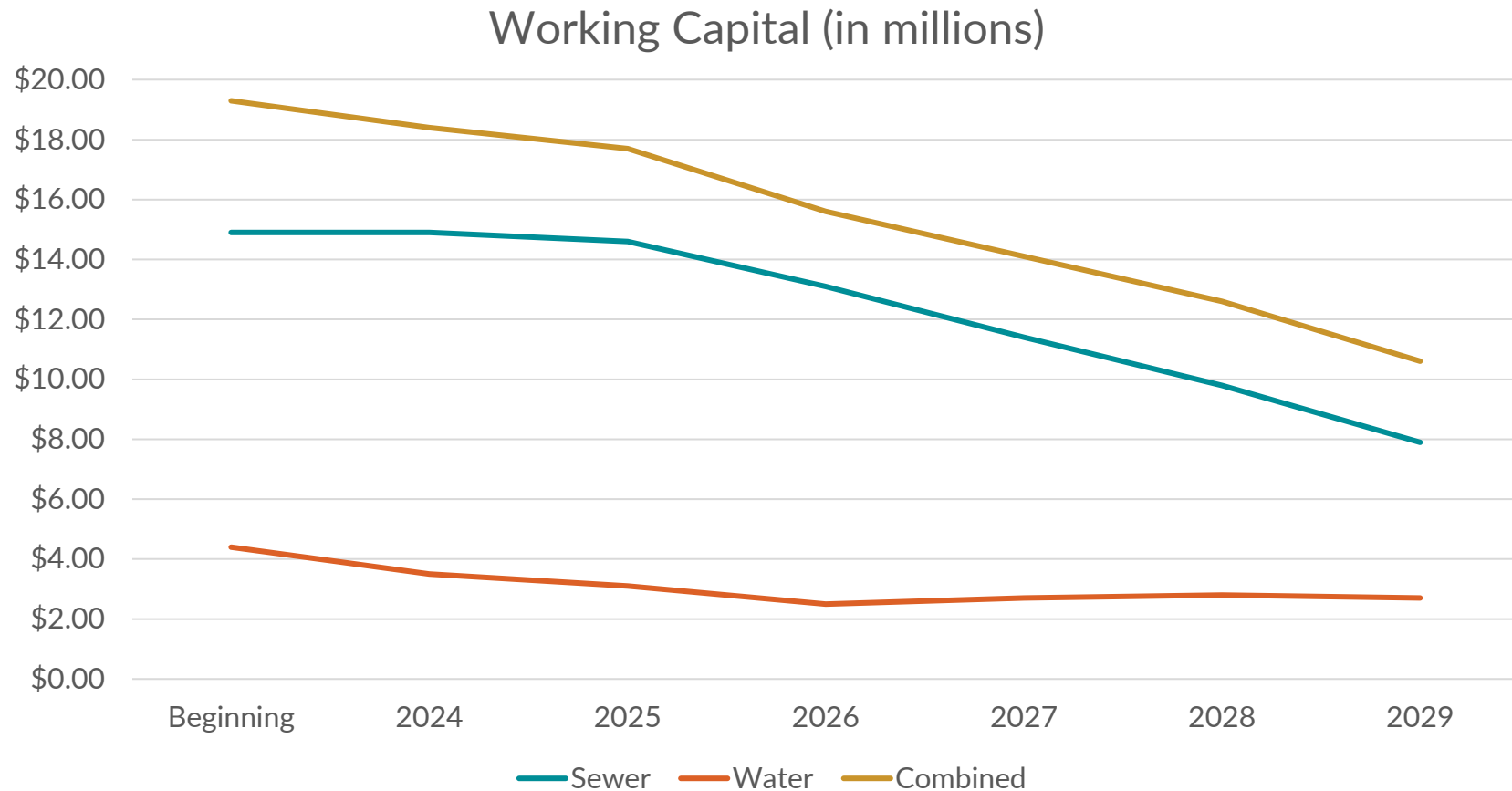




Working Capital Changes

Water working capital (orange) decreases initially as capital projects are performed, but levels out thereafter.

Sewer working capital (green) intentionally decreases by \$7M over 5 years as a result of the significant capital projects, but is still very healthy at \$7.9M in 2029.





Effect on Customers

Because the models do not include a rate change to the RTS or water debt charges, the actual affect on the customer is less significant than the percentage increase to the variable rate would suggest. This is an example of an average residential customer in Scio.

Township "average" resident (3/4" line)								
			Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Average User Water/Sewer bill								
Average customer uses	55	units per year						
Ready to serve - Water			\$ 103.76	\$ 103.76	\$ 103.76	\$ 103.76	\$ 103.76	\$ 103.76
Ready to serve - Sewer			\$ 103.56	\$ 103.56	\$ 103.56	\$ 103.56	\$ 103.56	\$ 103.56
Water Debt			\$ 118.92	\$ 118.92	\$ 118.92	\$ 118.92	\$ 118.92	\$ 118.92
Water Variable Charge			\$ 486.08	\$ 666.78	\$ 700.12	\$ 735.13	\$ 771.88	\$ 810.48
Sewer Variable Charge			\$ 571.02	\$ 704.84	\$ 740.08	\$ 777.09	\$ 815.94	\$ 856.74
Total Annual Water/Sewer bill			\$ 1,383.33	\$ 1,697.86	\$ 1,766.45	\$ 1,838.46	\$ 1,914.07	\$ 1,993.46
Total Quarterly Water/Sewer bill			\$ 345.83	\$ 424.47	\$ 441.61	\$ 459.61	\$ 478.52	\$ 498.36
\$ increase to annual cost				\$ 314.53	\$ 68.58	\$ 72.01	\$ 75.61	\$ 79.39
\$ increase to quarterly bill				\$ 78.63	\$ 17.15	\$ 18.00	\$ 18.90	\$ 19.85
Overall effective increase in Water/Sewer average annual user cost			n/a	22.7%	4.0%	4.1%	4.1%	4.1%



Effect on Customers

This is an example of a high-volume residential customer in Scio.

High volume resident (3/4" line)								
			Actual 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Average User Water/Sewer bill								
Average customer uses	110	units per year						
Ready to serve - Water			\$ 103.76	\$ 103.76	\$ 103.76	\$ 103.76	\$ 103.76	\$ 103.76
Ready to serve - Sewer			\$ 103.56	\$ 103.56	\$ 103.56	\$ 103.56	\$ 103.56	\$ 103.56
Water Debt			\$ 118.92	\$ 118.92	\$ 118.92	\$ 118.92	\$ 118.92	\$ 118.92
Water Variable Charge			\$ 972.15	\$ 1,333.57	\$ 1,400.24	\$ 1,470.26	\$ 1,543.77	\$ 1,620.96
Sewer Variable Charge			\$ 1,142.03	\$ 1,409.68	\$ 1,480.17	\$ 1,554.18	\$ 1,631.88	\$ 1,713.48
Total Annual Water/Sewer bill			\$ 2,440.42	\$ 3,069.49	\$ 3,206.65	\$ 3,350.67	\$ 3,501.89	\$ 3,660.68
Total Quarterly Water/Sewer bill			\$ 610.11	\$ 767.37	\$ 801.66	\$ 837.67	\$ 875.47	\$ 915.17
\$ increase to annual cost				\$ 629.06	\$ 137.16	\$ 144.02	\$ 151.22	\$ 158.78
\$ increase to quarterly bill				\$ 157.27	\$ 34.29	\$ 36.01	\$ 37.81	\$ 39.70
Overall effective increase in Water/Sewer average annual user cost			n/a	25.8%	4.5%	4.5%	4.5%	4.7%



How To Use The Model

➤ 5 Year Model is not a 5 Year Commitment

The model is a “living” tool that should be reviewed and updated every year as part of the budget process, continuously pushing the forecast out another year, always looking 5 years into the future. Because facts and circumstances can change so quickly, the Board should only adopt utility rate increases one year at a time, not for the next 5 years at one time.

➤ Year 2 (July 1, 2025 to June 30, 2026)

- Evaluate actual activity to date and compare to the assumptions in the model, including the Township’s Capital Improvement Plan (CIP)
 - Based on results of the evaluation, either
 1. Stay the Course – adopt the Year 2 rates from the model with the intention of evaluating again next year
 2. Update the Model – revise assumptions and extend the model for another 5 years from now



Summary

	Current Rate	FY 2026 Rate	Increase
Water Variable Charge (per unit)	\$ 12.46	\$ 13.08	5%
Water Readiness To Serve (quarterly fixed)	\$ 20.17	\$ 20.17	No Change
Water Debt Charge (quarterly fixed)	\$ 29.73	\$ 29.73	No Change
Sewer Variable Charge (per unit)	\$ 12.86	\$ 13.51	5%
Sewer Readiness To Serve (quarterly fixed)	\$ 24.29	\$ 24.29	No Change

Almost all residential customers will see a 4 to 5 percent increase to their quarterly bill.



Next Steps

Approve new rates as of July 1, 2025



Continue updating the capital plan



Re-evaluate progress during FY27
budget development



Thank you for the opportunity to serve the Scio Township.

For more information, please contact:

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