

# SOUTH HAVEN AREA WATER SEWER AUTHORITY

November 24, 2020

Dear Customer,

The South Haven Area Water-Sewer Authority recently received two comprehensive financial studies on our water and sewer systems from Utility Financial Solutions, LLC. UFS is one of the largest and most respected providers of financial services to utilities throughout the United States. As we prepare to meet current and future needs of our residential and business customers, SHAWSA asked UFS to conduct a third-party review of the cost of service, financial projections and rate design for both our water and sewer systems. You can read the complete studies on our website, [www.shawsa.org](http://www.shawsa.org).

These studies were done in anticipation of SHAWSA undertaking a series of capital improvement projects. Some of these improvements are mandated by the State of Michigan while others are necessitated by the aging of our critical infrastructure. In both instances for both systems, the results are clear that without a rate increase:

- Projected revenues will not keep pace with projected expenses over the next five years
- The sewer income is inadequate to address the needed capital improvements.
- Cash reserves will be unable to ensure the timely completion of improvement projects

UFS recommended SHAWSA make adjustments to our water and sewer rates to ensure we had the necessary income and operating reserves to meet our capital needs. These recommendations and the supporting studies were presented to SHAWSA in a series of public meetings this fall. On Oct. 27, the Authority approved the following rate increases:

- Water: 6.5% effective Jan. 1, 2021 and 6.5% effective July 1, 2021
- Sewer: 9.9% effective July 1, 2021 and 9% effective July 1, 2022

What will the funds be used for?

- \$15.9 million over the next 20 years to meet new requirements under the Safe Water Drinking Act related to lead and copper. We began this process earlier in the year and expect to invest \$625,000 each year for the next 20 years. I can confirm the most recent results from our ongoing monitoring continue to show **no traces of lead** in your drinking water.
- \$6.9 million over the next seven years to replace a concrete standpipe, which is a water storage tank that will serve our 11,305 residential, business and school customers. Funds will also be used to build additional infrastructure to support the standpipe, including a pump station at 361 Blue Star Highway.
- \$7.05 million for new aeration tanks, chlorine storage, settling tanks and aeration blowers for our sewer system that have exceeded their useful life. These replacements will enhance the water quality and capacity at our Waste Water Treatment Plant.
- \$1 million has also been set aside to address high-water issues on Lake Michigan, which have affected the capacity at our Waste Water Treatment Plant. Failing to act could reduce our capacity and allow for unintentional poor-quality water to be discharged and potentially result in sanitary sewer overflows.
- \$41 million over the next 28 years to service ongoing debt requirements without entering a budget shortfall.

SHAWSA remains committed to providing safe, clean and affordable drinking water as well as reliable sewer services to all who live, work or spend time in our community. Addressing these critical infrastructure needs now and in the years to come will ensure we can continue to deliver on this commitment to you.

As we begin to undertake these projects, SHAWSA will keep you informed of our progress. If you have any questions in the meantime, please contact me at 269.637.0737.

Best regards,

*William Hunter*

William Hunter

Director, SHAWSA