Grand Rapids Water and Sewer Customers:

This Citizen's Guide outlines Grand Rapids' preliminary water and sewer rate study. The new utility rates will start on January 1, 2027. This is the 50th annual water and sewer rate study report. It includes a full review of both operating and capital costs, and usage changes by community.

This study sets the 2027 rates based on data from the previous year. This year's preliminary rate study shows increases of **4.55% in water rates** and **2.67% in sewer rates**. For comparison, the inflation rate for the previous 12 months ending in September 2026 is 3.35%.

The average Grand Rapids customer will pay around $7.01 more on their quarterly bill. This is a 3.21% increase in the combined quarterly water and sewer rates. Customers outside the city—including retail areas (Walker, Kentwood, Cascade Township, Grand Rapids Township, and Tallmadge Township) and wholesale communities (East Grand Rapids, Ada Township, Gaines Township, Caledonia Township, and Ottawa County)—will see different rate changes. Each community has different rates based on their own costs and how much water and sewage they use.

In 2026, the three-year average billed volume for both utility systems increased. Billed volume is used in the rate study to project expected revenue for the upcoming year. In 2010, the rate study started averaging billed volume over three years. This helps smooth out large changes in volume and stop sudden rate shifts. The Water System saw a 3.58% increase in the three-year average of billed volume. Meanwhile, the Sewer System had a 0.51% increase. These increases help to keep rates from growing too fast. Consumption went up and new customers were added to the systems to spread out costs.

For the Water System, the main reason for the rate increase was a $4.9M jump in day-to-day operating costs. Personnel costs rose by $1.2M in FY26. Part of this happened because new positions were added. Those new positions were need because the System is growing. There were also inflation-related salary increases under union contracts. The System also spent about $1.5M on maintenance at the Lake Michigan Filtration Plant. This helped keep the plant running smoothly. This included repairs to the roofs, brick facades, and generators. The Water System also continued to replace lead service lines. This is to meet safety regulations set by the Environmental Protection Agency (EPA) and the Michigan Environment, Great Lakes & Energy Department (EGLE).

The Water System had $45M of new assets put into service in FY26. This included new water mains and a new pump station in Caledonia. Despite this investment, depreciation went down $61k this year. The water mains have a 75-year useful life which helps spread depreciation costs. Two groups of assets were excluded from depreciation. Private developers contributed $5M of the new assets. Some older assets also reached the end of their useful life. However, fixed assets impact rates through more than depreciation. Both systems must collect a Return on Investment (ROI). This is based on the national Bond Buyer's Index (BBI). The BBI increased

Water's revenue needs by $885k. A bond refinancing helped reduce annual debt payments by about $100k to offset this cost.

The Sewer System also faced a rise in costs. Operational expenses increased by nearly $3.9M. This was largely due to rising costs rather than a change in operations or services. Personnel costs rose by $1.2M in FY26. This happened because 3.5 positions were added. There were also inflation-related salary increases under union contracts. Electricity costs rose by $137k. Treatment chemicals increased by $101k. Fleet costs went up by $274k. General supplies jumped by $490k. The System began treating wastewater sludge produced by the City of Wyoming. This had a limited impact on revenue requirements as Wyoming pays the System the cost of what is treated.

The Sewer System put into place about $11.8M in assets this year. $8.8M went toward upgrades at the Water Resource Recovery Facility. This included turning the ash lagoon into a pond that filters stormwater. It also included upgrading a grit tank that removes heavy dirt and sand from wastewater. These upgrades serve all communities in the system; so, the costs are shared by everyone. This keeps customer rates from increasing too much. The Sewer System, like the Water System, refinanced old bonds. This saved $600k in loan payments. Despite the System adding almost $12M in upgrades, revenue needs only increased $700k.

The Sewer System continued to sell Renewable Natural Gas (RNG) and energy credits produced by the biodigester. The revenue stream has smoothed out due to a contract to sell the commodities. Gas production rose due to a partnership with the City of Wyoming to treat their sludge. Industrial Pretreatment Program revenues also went up a bit. This is because the number of facilities allowed increased.

The Rate Study continues to use an affordability program. This program, called the Individual Circuit Breaker (ICB) and the City and Customer Community Circuit Breaker (CCCCB) uses penalty fee revenue to help make the system more affordable. In this rate study, $157,596 was generated for the ICB. This program helps retail customers pay their water and sewer bills. An additional allocation of non-operating revenue will supplement this amount again. A total of $1,103,171 from CCCCB funds was used in this rate study. This helped each retail customer service area keep its revenue change near the system average.

The report will be released on November 17, 2026, which begins a 20-day period for public comment. You can find a copy of the annual rate study, plus explanatory materials, at the City Clerk's Office. It's also available online at. Customers can comment on the report and rates by reaching out to the City Clerk's Office. The address is 300 Monroe NW, Grand Rapids, MI 49503. You can also email info@grcity.us. This public comment period will end December 7, 2026. The Grand Rapids City Commission is expected to approve the rates through resolution on Tuesday, December 15, 2026.

Rate Setting Methodology Background:

In 1976, the City set out to create a yearly method for deciding rates and charges for System customers. Before that, the City changed rates for its users based on short-term cash flow needs. It also set suburban customer rates at twice the City rates. However, these adjusted rates didn't meet the long-term needs of the System. They also did not reflect the differences in usage rates or the costs of serving suburban communities. To fix this issue and adjust rates yearly, the City worked with communities that have water and sewer agreements. They developed a method for annual rate changes. The rate study methodology has four key goals:

- It acknowledges differences among communities.
- It generates adequate revenue over time.
- It allows for various rate adjustments.
- It promotes openness and transparency.

The City has completed rate studies every year since 1978. It has also adjusted rates based on those findings.

The rate-setting method is based on a simple principle. Rates will be set to cover revenue needs. These are based on historical costs and adjusted for any known changes. A key goal of the method was to assign costs and rates to users in each community fairly. Typically, costs for capital improvements that benefit specific customers are allocated to those customers. In contrast, costs for improvements that help the whole System are shared by all users.

The annual rate analysis is assembled from August to November each year. The base period financial info includes the actual revenues and expenses from the fiscal year that ended on the last June 30th. The System's revenue needs include:

- Operating and maintenance expenses
- Depreciation costs
- Returns on fixed assets purchased with retained earnings
- Specific debt service costs

In addition to these needs, Integrated connection fees collected are an offset to revenue requirements. The revenue requirement components are updated to match the current unit cost data available during the rate study. Rates are then set to ensure revenues meet the net revenue requirement. Each year, the Utility Advisory Board informs the City Commission and customer communities about new rates and charges around November 15th. These rates go into effect on January 1st the following year. The latest rate structure will be shown to the City Commission on November 17, 2026. This applies to users in the City and nearby communities.