

Gull Lake Sewer & Water Authority

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July 31, 2008

Attn: Gull Lake Sewer Authority Customers

Re: Update – 25 Years of Business / Sept 1st Rate Increase / Insurance issues

Dear Authority Customer;

We are writing to provide you an update on several important issues (page 2-highlighted) and have included a bit of history of the System on page 1. We thank you for your continued support as we celebrate our 25th year of business. Yes, it is hard to believe the start-up of the initial Gull Lake Sewer System was 1983.

What is the Authority?

Created in 1980 as an intergovernmental utility agency, the Authority collects wastewater from over 2000 customers in northern Kalamazoo County, using a network of 50 miles of collector sewers, 35 pumping stations and associated trunk sewers. Wastewater is pumped to the City of Kalamazoo at several locations for treatment and final disposal. The Authority provides complete System management, maintenance, repair and upgrades. Originally servicing the shoreline area of Gull Lake in Ross, Richland, Barry and Prairieville Townships, the current service district encompasses the Village of Richland and surrounding Township areas, and portions of Cooper and Charleston Townships. At this time, we do not own or operate any public water systems.

Authority Mission:

It is the mission of the Authority to effectively, efficiently and in observance of all safety and sanitary practices, collect and transport wastewater from its customers to the City of Kalamazoo.

Legal Status:

The Authority was created by the 4-Townships around Gull Lake under Public Act 233, where the Authority has "municipal" status; however, we have no taxing or ordinance powers and are therefore dependent upon our Townships and the Village of Richland for approving ordinances and rates. We act as utility "agents" for the municipalities that we service.

Financial status:

The Authority, as a separate legal entity, collects rates and charges from its customers. Revenues received by the Authority are used strictly for the public sewer system. There are no Township funds utilized for our operation, nor do any revenues we receive flow to the Townships. The Authority is audited annually and audit reports are available on-line with the State Treasury Department or on our website at www.glswwa.org. User revenues (quarterly receipts) fund the on-going day-to-day operation of the System, and Assessments and Connection Charges fund the capital cost of installing and/or expanding the sewer system. The original Gull Lake System debt was retired in 2001.

Sewer Rates

For 20 years, from 1985-2005, our sewer use rate was \$55 per quarter per home (unit). In 2005, due to increasing treatment cost by the City of Kalamazoo, increasing repair costs, and increasing utilities/fuel costs, we found it necessary to increase our rate by \$5 per quarter to \$60 per quarter per home unit. These same costs are continuing to increase and as a result it is necessary we increase our rates by \$5 per quarter to \$65 per quarter per unit, effective September 1st.

Briefly illustrating the impact the City of Kalamazoo rate has had on our budget:

- Since 3/31/07, the City of Kalamazoo has increased its treatment cost by 29%, and, for 2008, our payments to the City for treatment represent 47% of our total expenditures.

Do's and Don'ts of Sewer Use:

- Grease: Don't put grease or cooking oils down the drain. Grease will most often plug your own private line, but it does cause additional maintenance, wear-and-tear on our system.
- Plastics / Latex: Don't flush plastics, condoms or feminine products down the drain.
- Towels / Rags: Don't place "flushable" towels into the sewer. Fibrous towels cause plugging of pumps and equipment.

Sewer Back-ups / Insurance:

We would like to tell you that sewer back-ups into basements never occur; however, with 35 pumping stations, storms, power outages, etc, these events do occur. Regarding our insurance coverage, prior to the 9/11 terrorist incident and other disasters impacting the insurance agencies, we were able to purchase insurance coverage for sewer back-up damage claims; however, after 9/11, insurance coverage was eliminated and more recently, is now available in limited amounts at unreasonable costs, therefore, most public agencies are now self-insured. In 2002, the state legislature amended Public Act 170 of 1964 limiting the exposure public agencies have from damage claims due to sewer back-ups. As a result of our limited liability under the statute, it is highly recommended you contact your homeowner's insurance company and add sewer back-up, water damage and other such protection as part of your own coverage.

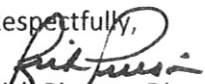
Sewer Easements:

Much of the original Gull Lake sewer system was installed between the homes and the lake, within public easements obtained in 1982-1983. The Authority will be conducting a walking on-site review of the easement areas in the fall and spring of 08 and 09 respectively. This would be during normal business hours, when our staff, with proper identification, will walk the easement areas around Gull Lake, typically between the hours of 9 am - 4 pm. We apologize for any inconvenience this may cause. If we find trees, structures or other prohibited items over the easement areas, you will be notified in writing.

Additional information:

For additional information regarding contacts, staffing, Board of Directors, current and past projects, visit our web-site at www.glswa.org.

In closing, we are greatly appreciative of your business and will make every attempt to continue with excellent service to your property. If there are questions, please do not hesitate to phone or email us.

Respectfully,

Rich Pierson, Director