

Water and Sewer Rate Study

Presentation to the Village Board

April 26, 2016

Presented by:

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Manager



Contents

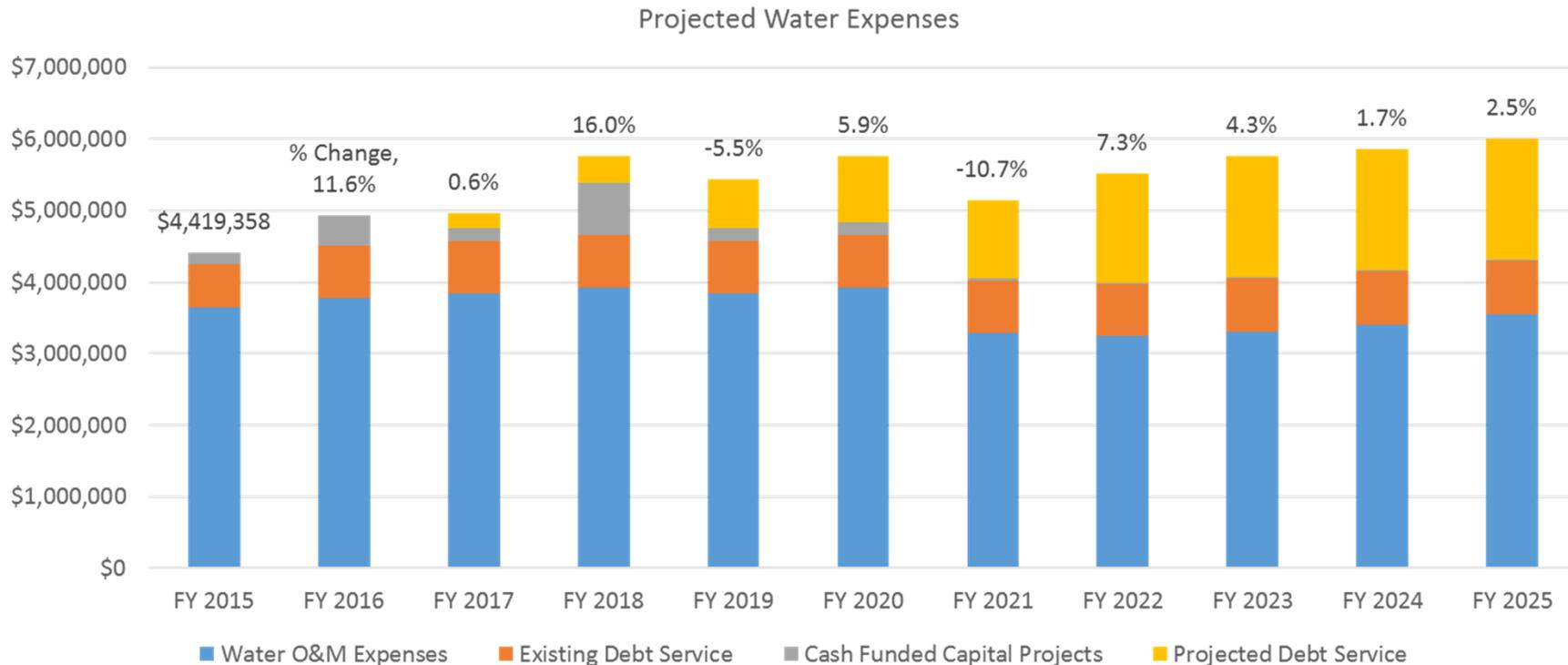
- 1 Rate Study Background and Purpose
- 2 Projected Expenses
- 3 Projected Consumption
- 4 Projected Revenue Increase Needs
- 5 Proposed Rate Structure Alternatives
- 6 Customer Impacts
- 7 Customer Bill Comparisons
- 8 Final Recommendations

Rate Study Background and Purpose



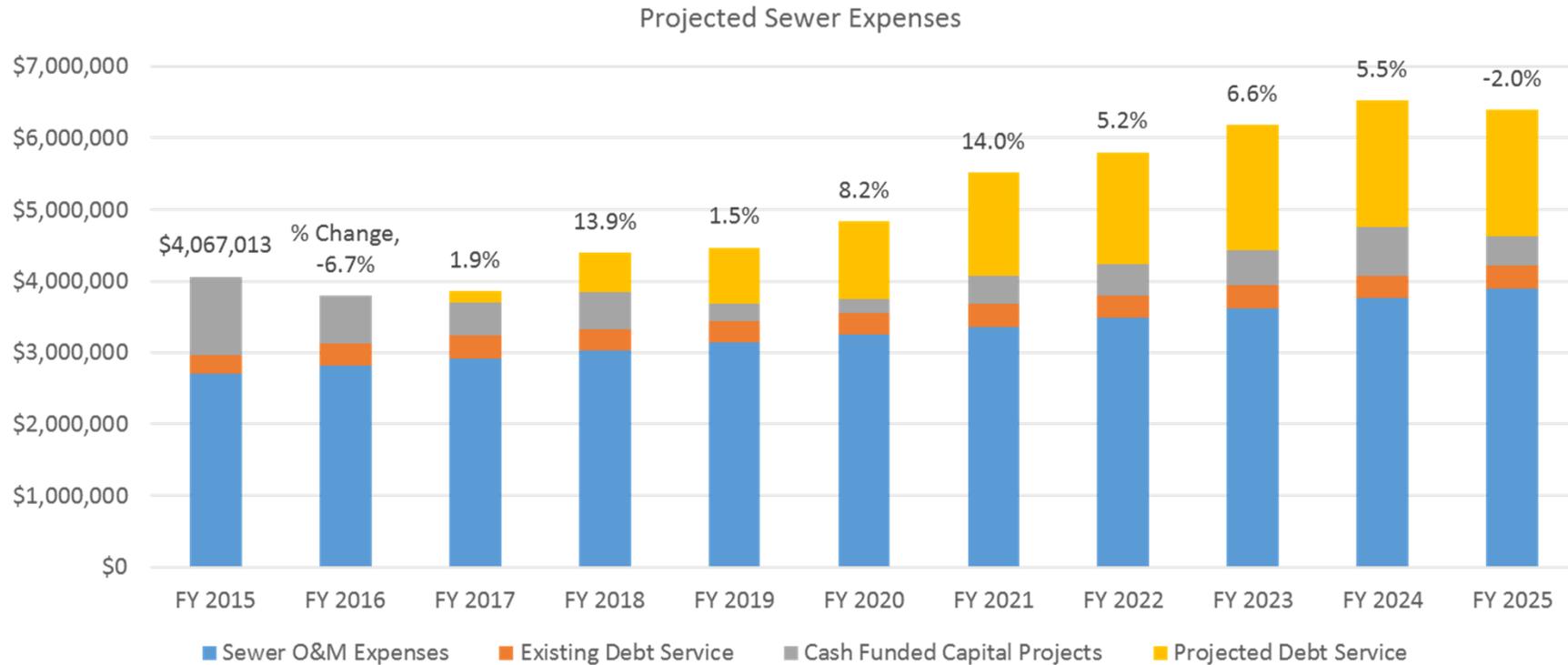
- Why perform a rate study?
 - Assess financial health of the Village's utility fund
 - Ensure compliance with all federal and state regulations
 - Project future operating and capital expenses needed to maintain utility systems
 - Project future rates that will generate revenues sufficient to cover operating and capital expenses
 - Assure a minimum level of cash reserves
- Drivers of rate increases:
 - Increasing operating costs (3.7% per year)
 - Major capital improvements planned over the next five to ten years
 - Maintaining 25% of Utility Fund operating expenses in a cash reserve

Projected Costs Summary - Water



- Includes known projections of CLCJAWA rates
- Includes escalation of operating expenses at an average of 1.5% per year until FY 2020, then an average of 2.0% from FY 2022 to FY 2025 (FY 2021 includes drop due to projected CLCJAWA rate)
- Funds all existing debt and proposed capital (future capital funded 92% by new debt)

Projected Costs Summary - Sewer

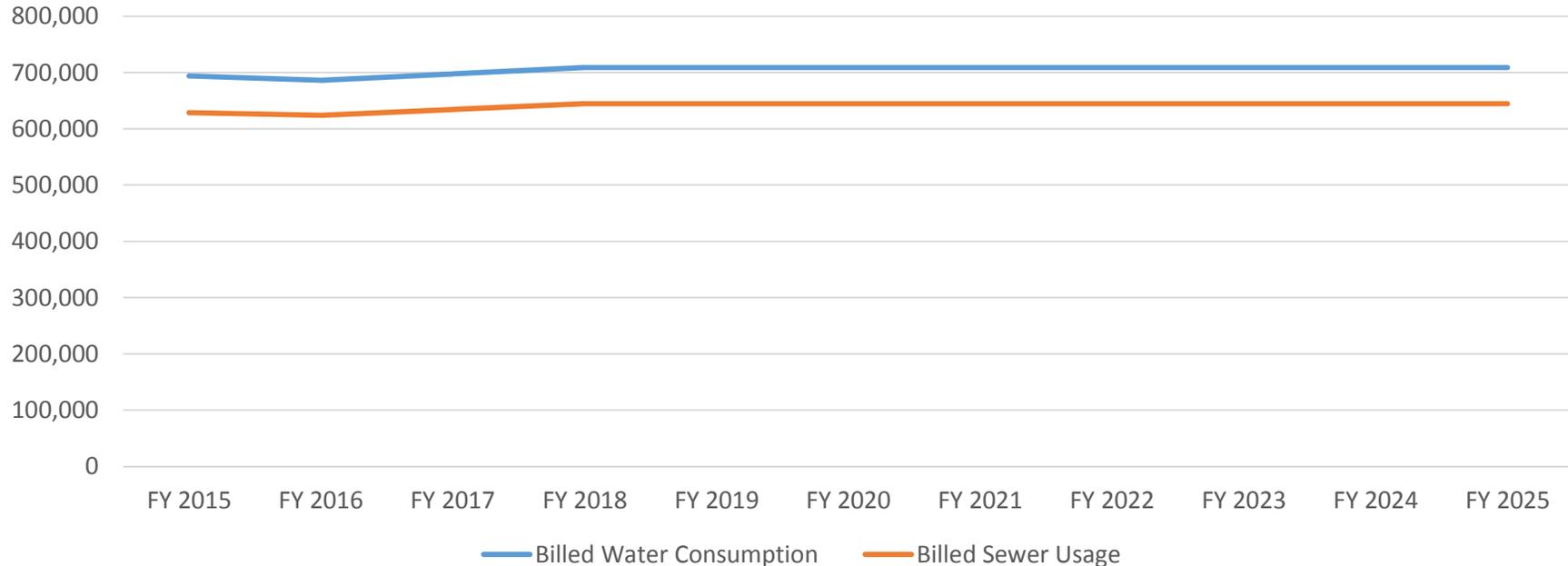


- Includes escalation of operating expenses at an average of 3.8% per year
- Funds all existing debt and proposed capital (future capital funded 83% by new debt)
- Total costs increasing almost 60% during projection period

Projected Consumption Summary

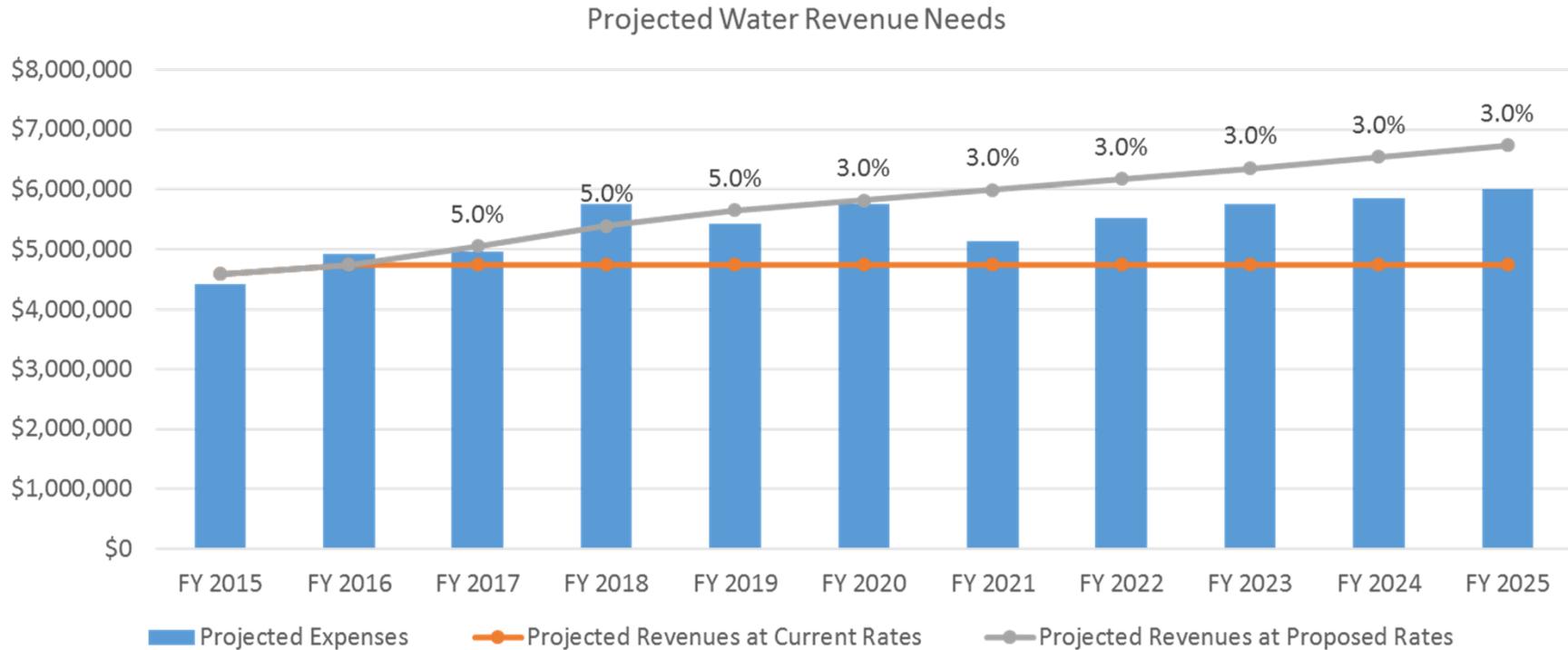


Projected Water and Sewer Billed Usage (1,000 Gallons)



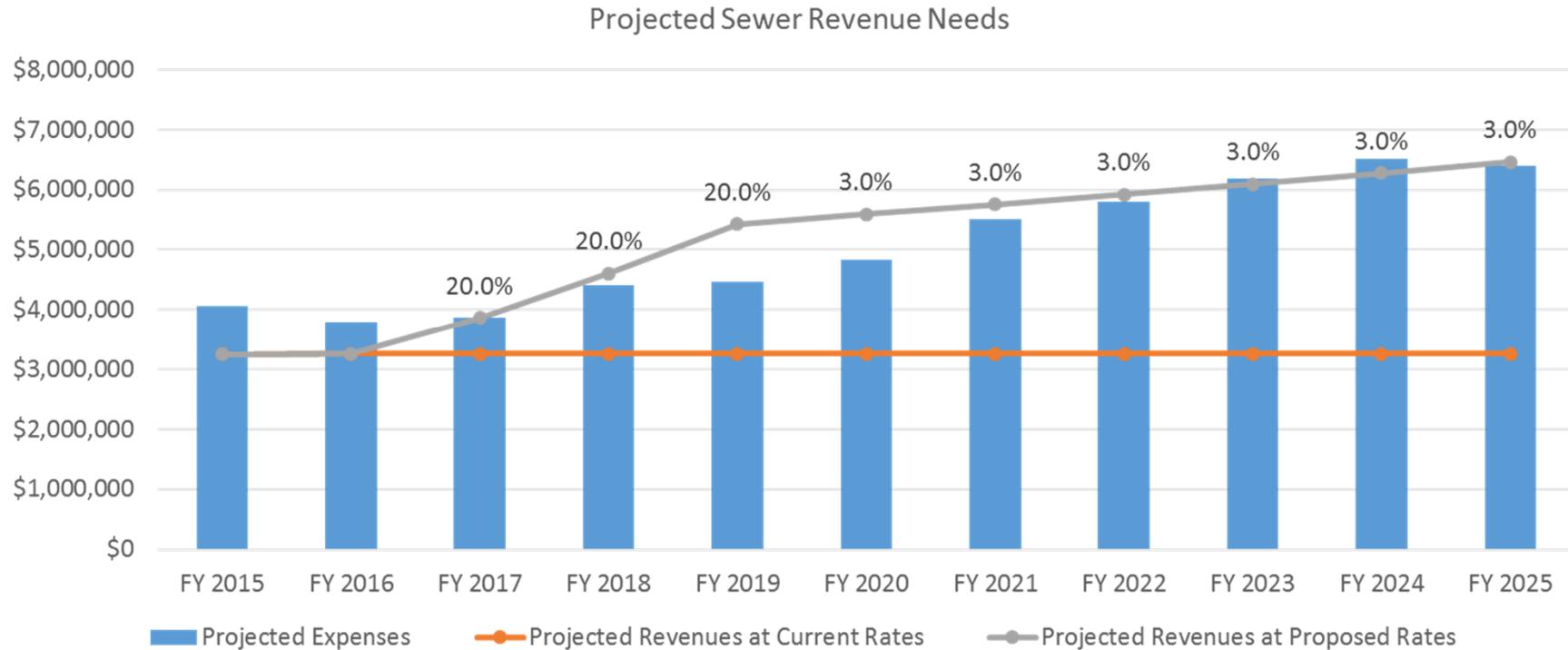
- Billed sewer usage is on average about 9% lower than billed water consumption due to the cap on sewer usage based on winter water consumption.
- Minor increases in consumption due to customer growth projected in FY 2017 and FY 2018, otherwise 0% growth

Projected Revenue Needs - Water



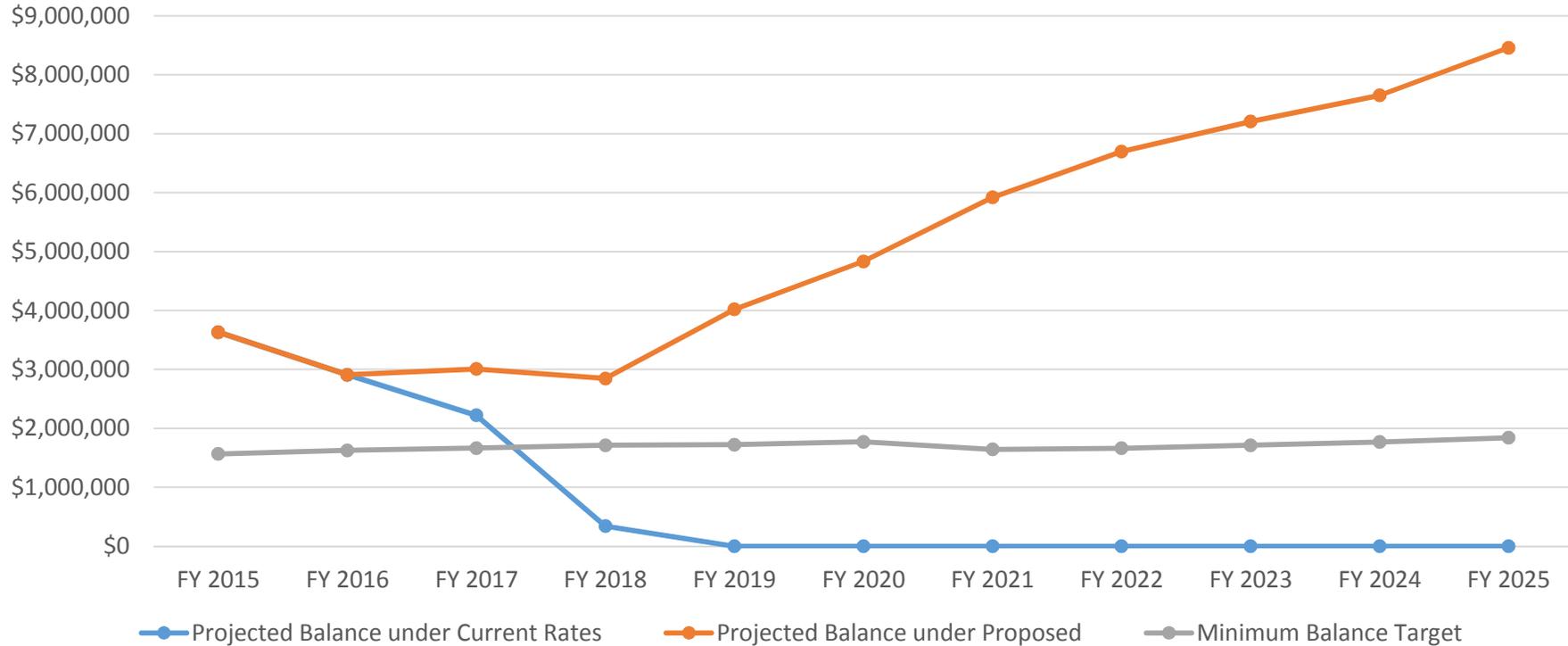
- Percentages shown are proposed revenue increases, independent of rate structure.

Projected Revenue Needs - Sewer



- Percentages shown are proposed revenue increases, independent of rate structure.

Projected Utility Fund Cash Balance



- Future surpluses above and beyond the minimum balance may be directed towards additional capital projects and/or debt mitigation for currently planned projects.

Proposed Water Rate Structure



- FY 2016 Water Rate Structure:
 - Bi-Monthly Minimum charge = \$30.69
 - Unit rate for usage above 4,000 gallons = \$6.40 per 1,000 gallons
- Proposed Rate Structure:
 - Fixed Bi-Monthly Fee of \$22.83 (no usage included)
 - Tiered Rate structure per 1,000 gallons:
 - Tier 1 – Up to 4,000 = \$2.40
 - Tier 2 – From 4,000 to 8,000 = \$4.81
 - Tier 3 – Over 8,000 = \$7.21

Proposed Sewer Rate Structure



- FY 2016 Sewer Rate Structure:
 - Sewer Usage capped at 110% of winter water usage
 - Bi-Monthly Minimum charge = \$21.42
 - Unit rate for usage above 4,000 gallons = \$4.13 per 1,000 gallons
 - Unit rate **includes** Lake County charge of \$0.37 per 1,000 gallons
- Proposed Rate Structure:
 - Sewer usage capped at 125% of winter water usage
 - Fixed Bi-Monthly Fee of \$7.66 (no usage included)
 - Unit rate for all usage = \$4.31 per 1,000 gallons
 - Unit rate **does not include** Lake County charge of \$0.37 per 1,000 gallons
 - Total unit rate including Lake County charge is \$4.68

Rate Alternative Considerations



- Should the Village continue to offer the senior discount?
 - Yes, and our recommendations reflect a continuation of the senior discount.
- Should the Village increase the cap on sewer usage billed in summer months?
 - Yes, and our recommendations include increasing this cap to 125%. Future rate increases have been adjusted downward to reflect this additional billable sewer usage.
- Should multiple units behind one water meter be treated as one account or individual accounts when it comes to the water rate tiers?
 - Current Village policy treats these situations as one account, and MFSG recommends that this policy continues under the tiered rate. MFSG's analysis showed that treating these customers as individuals always results in these accounts receiving higher bills than they receive under current policy.

Impact of Rate Structure and Increase

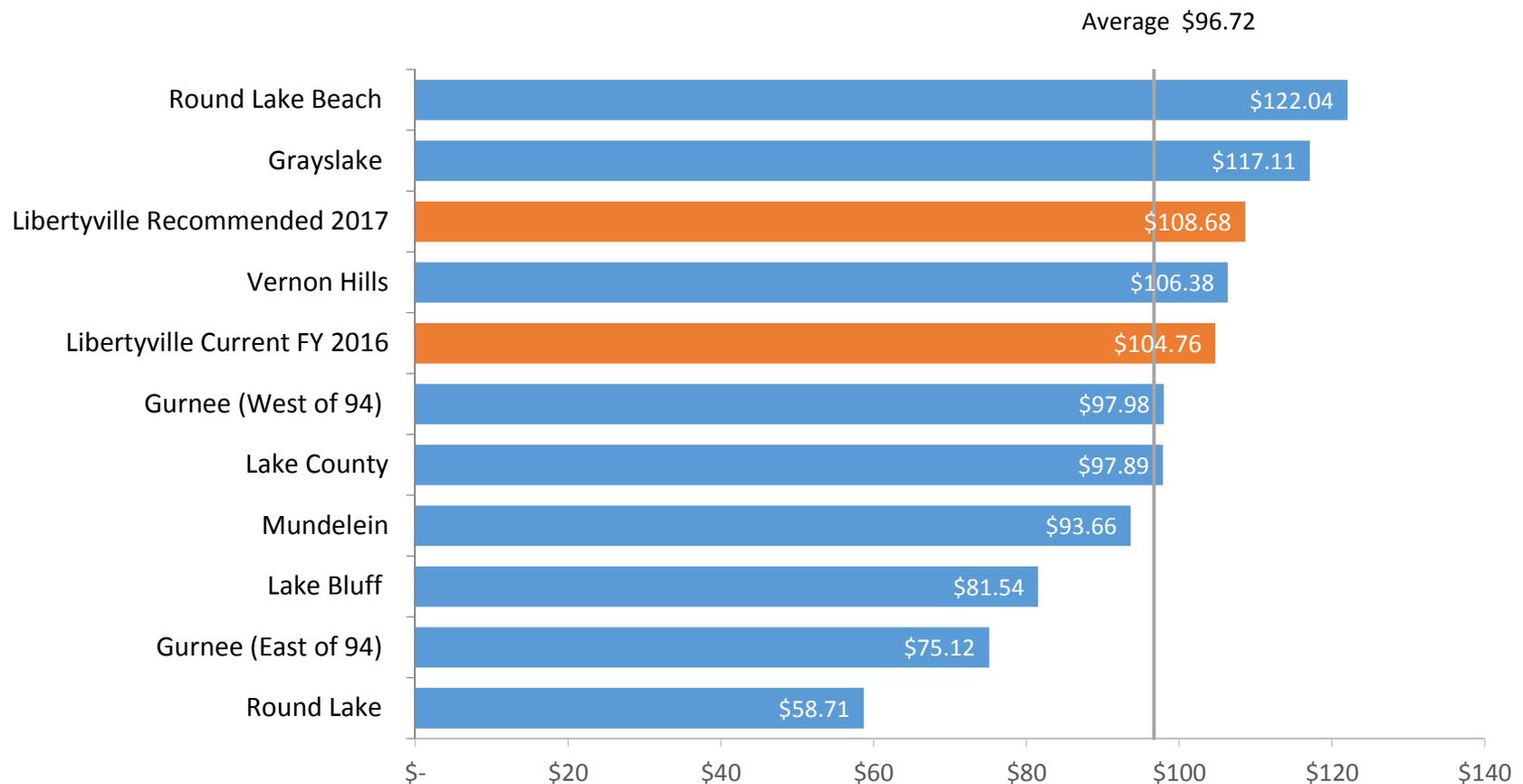


Sample Bills	Bi-Monthly Usage	Current FY 2016	Updated FY 2017	% Change from 2016	Recommended FY 2017	% Change from 2016
Senior Citizen	2,000	\$52.11	\$53.67	3%	\$44.66	(-14%)
Average Residential	9,000	\$104.76	\$107.90	3%	\$108.68	4%
High Use Residential	20,000	\$220.59	\$227.21	3%	\$239.50	9%
Multi-Unit	22,000	\$241.65	\$248.90	3%	\$263.29	9%
Industrial	45,000	\$483.84	\$498.36	3%	\$536.82	11%
Commercial	49,000	\$525.96	\$541.74	3%	\$584.39	11%

- Updated FY 2017 rates include a 3% increase
- A more complete table of customer impacts is provided as a handout

Sample Customer Bills

- Sample bi-monthly bills for a residential customer using 9,000 gallons per bi-monthly period



Summary of Recommendations



- FY 2017 Water Rate Structure:
 - Fixed Bi-Monthly Fee of \$22.83 (no usage included)
 - Tiered Rate structure per 1,000 gallons:
 - Tier 1 – Up to 4,000 = \$2.40
 - Tier 2 – From 4,000 to 8,000 = \$4.81
 - Tier 3 – Over 8,000 = \$7.21

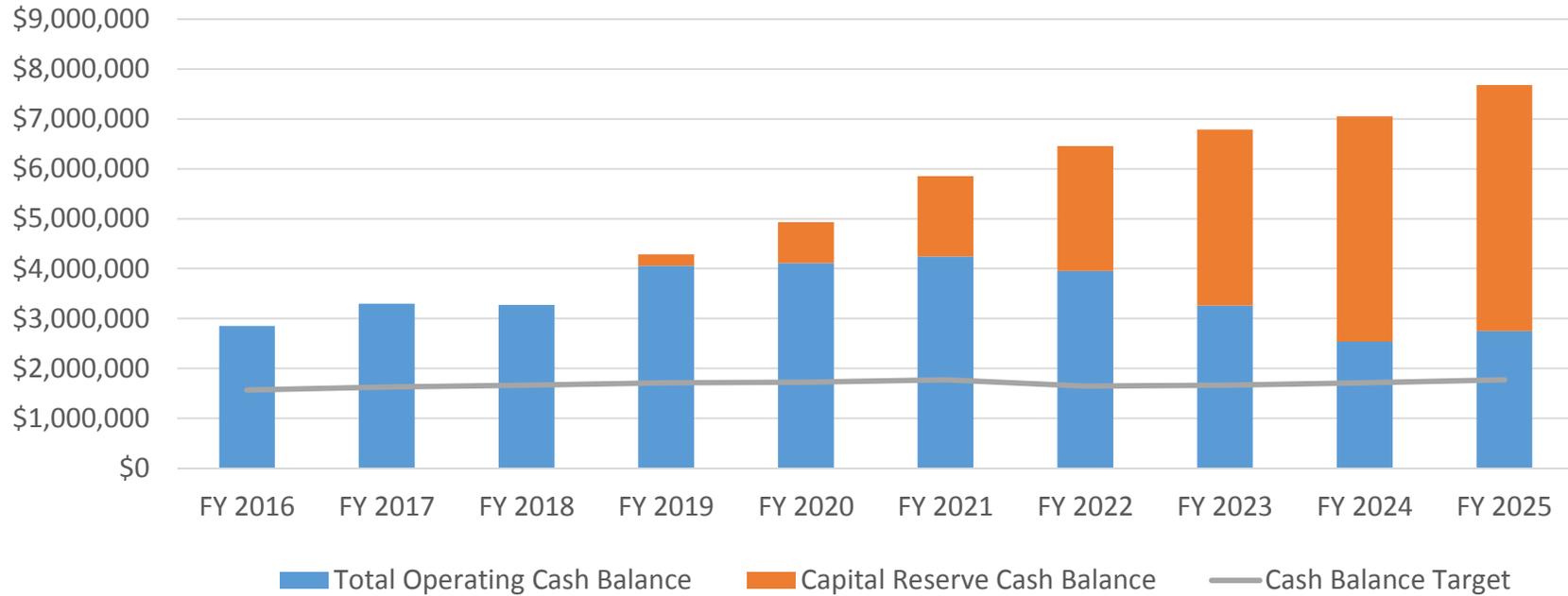
- FY 2017 Sewer Rate Structure
 - Sewer usage capped at 125% of winter water usage
 - Fixed Bi-Monthly Fee of \$7.66 (no usage included)
 - Unit rate for all usage = \$4.31 per 1,000 gallons
 - Unit rate does not include Lake County charge of \$0.37 per 1,000 gallons in excess of 4,000 gallons

- Annual revenue increases of:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Water Fund	5.0%	5.0%	5.0%	3.0%	3.0%
Sewer Fund	20.0%	12.0%	12.0%	3.0%	3.0%

- Increases in FY 2020 through FY 2025 recommended at 3% per year

Projected Utility Fund Cash Balance



	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water Revenue Increase	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Sewer Revenue Increase	20.0%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

- Future surpluses above and beyond the minimum balance may be directed towards additional capital projects and/or debt mitigation for currently planned projects.