



#130491

MEMORANDUM

To: Finance Committee

From: Timothy Sexton, Director of Finance

Date: September 17, 2013

Subject: Proposed Water/Sewer Rate Increase

The City of Chicago, and subsequently the DuPage Water Commission (DWC), officially passed a rate hike that directly affected local water rates beginning in 2012. The additional revenue will help the DWC to get out of debt within four years and offset the city of Chicago's rate increases. The city of Chicago funnels water from Lake Michigan to many suburbs. The city of Chicago will use the revenue to cover the cost of water and sewer infrastructure upgrades. DWC customers began paying 30 percent more starting in January 2012. In addition, the DWC approved a 20 percent increase for 2013, 18 percent for 2014, and a 17 percent for 2015.

Options

The Village experienced high water consumption in the summer of 2012 due to the hot, dry weather over the summer months. This additional revenue increased the overall fund balance beyond the 25% required by the financial policies. Therefore, coming into the 2014 budget, there are two options as it relates to the water and sewer rate. The first option is to gradually increase the rate over the next three years to avoid any spikes in one particular year. Under this option, the estimated increases for 1/1/14, 1/1/15 and 1/1/16 would be 4.15%, 4.62% and 6.09%, respectively. This option is shown in the multiyear forecast in **Attachment 1**.

The other option available is to use fund balance to offset expenditures in 2014, and have no rate increase. The downside to this option is that there is then a spike in rates in 2015 and 2016 of 10.61% and 6.75%. Historically, it has been received better by the public to have gradual rate increases over time, as opposed to having no rate increase for a period, and then a large rate increase all at once. This option is shown in the multiyear forecast in **Attachment 2**.

Recommendation

Given these options, staff is recommending the first option of gradually increasing the rate over the next three years. The proposed budget that is presented includes this option currently. The proposed budget includes an increase in water and sewer O&M rates of \$0.50 that would become effective with bills issued on or after January 1, 2014. In addition to the rate increases, the budget as proposed includes an increase to the per bill service charge of \$0.35 for water and sewer customers, and \$0.18 for sanitary sewer service only customers. The budget as proposed also includes an increase to the cross-connection control surcharge of

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\$0.30 per bill that would become effective with bills issued on or after January 1, 2014. For the average residential customer that uses 8,000 gallons on a bi-monthly basis, this increase will cost them \$6.80 additional on a bi-monthly basis. The overall rate increase is a 4.15% increase, compared to the 8.94% increase on January 1, 2013. It is currently anticipated that the increase over the next two years would be 4.62% and 6.09%. However, these increases could change as they are impacted by numerous variables. As in previous discussions with the Village Board, staff would like to continue to gradually increase rates each year. This will allow the residents to budget more effectively for the future. Also, in accordance with Resolution No. 4806 passed by the Village Board of Trustees on February 2, 2006, the capital rate portion of the water and sewer rates remains frozen at \$1.20 per 1,000 gallons of water until May 31, 2016 (FYE 2016). The unincorporated rate remains at 1.5 times the resident rate.

Attachment 1

**WATER & SEWER
OPERATING & MAINTENANCE FUND
MULTIYEAR FINANCIAL FORECAST
SUMMARY**

	FYE 2013 YE Est	FYE 2014 Projection	FYE 2015 Projection	FYE 2016 Projection
BEGINNING FUND BALANCE	5,004,204	5,324,394	5,119,321	4,392,471
REVENUES				
CHARGES FOR SERVICE	14,110,650	14,478,220	15,209,620	16,207,790
MISCELLANEOUS REVENUES	323,100	170,100	170,100	170,100
TRANSFERS IN	0	0	0	0
TOTAL REVENUES	14,433,750	14,648,320	15,379,720	16,377,890
EXPENDITURES				
PERSONAL SERVICES	3,501,560	3,353,590	3,492,520	3,645,470
COMMODITIES	5,668,100	6,541,859	7,520,840	7,738,600
CONTRACTUAL SERVICES	4,064,410	4,172,464	4,297,640	4,426,560
OTHER EXPENSES	0	0	0	0
CAPITAL EXPENDITURES	0	0	0	0
TRANSFERS OUT	879,490	785,480	795,570	805,960
TOTAL EXPENDITURES	14,113,560	14,853,393	16,106,570	16,616,590
PROJECTED SURPLUS (DEFICIT)	320,190	-205,073	-726,850	-238,700
ENDING FUND BALANCE	5,324,394	5,119,321	4,392,471	4,153,771
FUND BALANCE AS A PERCENT OF TOTAL EXP.	37.7%	34.5%	27.3%	25.0%

SUMMARY				
TOTAL REVENUES	\$14,433,750	\$14,648,320	\$15,379,720	\$16,377,890
TOTAL EXPENDITURES	\$14,113,560	\$14,853,393	\$16,106,570	\$16,616,590
AMT. REV OVER/(UNDER) EXP.	\$320,190	(\$205,073)	(\$726,850)	(\$238,700)

Projected Annual Water & Sewer Rate Increases				
for Operations	\$0.99	\$0.50	\$0.58	\$0.80
for Capital	\$0.00	\$0.00	\$0.00	\$0.00
Amount/1000 gallons	\$0.99	\$0.50	\$0.58	\$0.80
Water O&M Rate	\$5.90	\$6.23	\$6.62	\$7.15
Sewer O&M Rate	\$4.96	\$5.13	\$5.32	\$5.59
Capital	\$1.20	\$1.20	\$1.20	\$1.20
Total Water & Sewer Rate	\$12.06	\$12.56	\$13.14	\$13.94
Percentage Increase	8.94%	4.15%	4.62%	6.09%
Service Charge (per bill)	\$8.35	\$8.70	\$9.05	\$9.40
Percentage Increase	4.38%	4.19%	4.02%	3.87%
Cross Connection Charge (per bill)	\$7.20	\$7.50	\$7.80	\$8.10
Percentage Increase	4.35%	4.17%	4.00%	3.85%

Attachment 2

**WATER & SEWER
OPERATING & MAINTENANCE FUND
MULTIYEAR FINANCIAL FORECAST
SUMMARY**

	FYE 2013 YE Est	FYE 2014 Projection	FYE 2015 Projection	FYE 2016 Projection
BEGINNING FUND BALANCE	5,004,204	5,324,394	4,513,111	4,028,741
REVENUES				
CHARGES FOR SERVICE	14,110,650	13,872,010	15,452,100	16,571,520
MISCELLANEOUS REVENUES	323,100	170,100	170,100	170,100
TRANSFERS IN	0	0	0	0
TOTAL REVENUES	14,433,750	14,042,110	15,622,200	16,741,620
EXPENDITURES				
PERSONAL SERVICES	3,501,560	3,353,590	3,492,520	3,645,470
COMMODITIES	5,668,100	6,541,859	7,520,840	7,738,600
CONTRACTUAL SERVICES	4,064,410	4,172,464	4,297,640	4,426,560
OTHER EXPENSES	0	0	0	0
CAPITAL EXPENDITURES	0	0	0	0
TRANSFERS OUT	879,490	785,480	795,570	805,960
TOTAL EXPENDITURES	14,113,560	14,853,393	16,106,570	16,616,590
PROJECTED SURPLUS (DEFICIT)	320,190	-811,283	-484,370	125,030
ENDING FUND BALANCE	5,324,394	4,513,111	4,028,741	4,153,771
FUND BALANCE AS A PERCENT OF TOTAL EXP.	37.7%	30.4%	25.0%	25.0%

SUMMARY				
TOTAL REVENUES	\$14,433,750	\$14,042,110	\$15,622,200	\$16,741,620
TOTAL EXPENDITURES	\$14,113,560	\$14,853,393	\$16,106,570	\$16,616,590
AMT. REV OVER/(UNDER) EXP.	\$320,190	(\$811,283)	(\$484,370)	\$125,030

Projected Annual Water & Sewer Rate Increases				
for Operations	\$0.99	\$0.00	\$1.28	\$0.90
for Capital	\$0.00	\$0.00	\$0.00	\$0.00
Amount/1000 gallons	\$0.99	\$0.00	\$1.28	\$0.90
Water O&M Rate	\$5.90	\$5.90	\$6.75	\$7.35
Sewer O&M Rate	\$4.96	\$4.96	\$5.39	\$5.69
Capital	\$1.20	\$1.20	\$1.20	\$1.20
Total Water & Sewer Rate	\$12.06	\$12.06	\$13.34	\$14.24
Percentage Increase	8.94%	0.00%	10.61%	6.75%
Service Charge (per bill)	\$8.35	\$8.70	\$9.05	\$9.40
Percentage Increase	4.38%	4.19%	4.02%	3.87%
Cross Connection Charge (per bill)	\$7.20	\$7.50	\$7.80	\$8.10
Percentage Increase	4.35%	4.17%	4.00%	3.85%