



MEMORANDUM

To: Finance Committee
From: Timothy Sexton, Director of Finance
Date: September 19, 2014
Subject: Proposed Water/Sewer Rate Increase

Discussion

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.

As reported by the DuPage Water Commission (DWC), the Village of Lombard's 2014 Water rate was \$1.09 or 13.73% less than the average rate of all DWC customers. The Village's Sewer rate was \$0.36 or 6.73% more than the average rate of all DWC customers. Combined, the Village's W/S rate was \$0.73 or 5.49% less than the average of all DWC customers.

Future Rates

The Village last conducted a rate analysis in 2003. The 2015 Public Works Department operating budget contains funds for a rate study that will assess the operations and maintenance component and the capital component of the water and sewer rate. The rate study will look at the overall rates necessary to support operations/maintenance and capital, as well as looking at concept such as line charges and inverted block rates that promote conservation. The results of the rate study will be presented at a combined meeting with the Public Works and Finance Committee for review and recommendations.

Recommendation

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, 2015. 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 \$0.12 for sanitary sewer service only customers. The

budget as proposed also includes an increase to the cross-connection control surcharge of \$0.30 per bill that would become effective with bills issued on or after January 1, 2015.

For the average residential customer that uses 8,000 gallons on a bi-monthly basis, this increase will cost them \$4.35 additional on a bi-monthly basis. The overall W/S rate increase is a 3.98% increase, compared to the 4.15% increase on January 1, 2014. The Village would receive an additional \$0.24 on a bi-monthly basis.

It is currently anticipated that the increase next year would be 5.36%. 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.

Communications Plan

Attached is a Communications Plan to raise the public's understanding of the proposed Water & Sewer rate increases and an example of a flyer that can be added in with the bi-monthly bills.



Village of Lombard Communications Plan Water Rate Increase

Purpose of the Water Rate Increase

The City of Chicago, and subsequently the DuPage Water Commission (DWC), officially passed a rate hike that directly affected water rates beginning in 2012. DWC customers began paying 30% more starting in January 2012. In addition, the DWC approved a 20% increase for 2013, 18% for 2014 and 17% for 2015.

The DuPage Water Commission is passing this increase along to their customers, which includes Lombard. With these increased costs facing the Lombard water system, the rates for Lombard customers will also increase. The Finance Committee and the Village of Lombard Board of Trustees will meet this fall to discuss the 2015 water and sewer rates. The recommended total Water & Sewer rate percent increase for the Village of Lombard FY15 is 3.98%, or \$0.50 per thousand gallons.

Goal

The objective of this plan is to raise public understanding of:

- What factors caused the Water & Sewer rate increase for Lombard
- How much the increase will change the average monthly bill
- Factors Village Staff considered to calculate the water rate increase
- What percentage of a W&S bill goes to the Village of Lombard

The objectives are to:

- Inform the residents of the history of the Water & Sewer rate increase
- Clarify that for the average residential customer that uses 8,000 gallons on a bi-monthly basis, this increase cost them \$4.35 additional on a bi-monthly basis.
- Prepare residents adequately for a possible Jan. 1, 2015 Water & Sewer rate increase
- Be sure residents understand that the capital rate portion of the water and sewer rates will remain frozen at \$1.20 per 1,000 gallons of water until May 31, 2016

Audiences

The audience this communications plan is directed toward includes:

Public:

1. All residents
1. All businesses

Media:

1. Print/Online (Lombardian, Suburban Life, Daily Herald, Chicago Tribune, Chicago Sun-Times)
2. Radio/TV (WBBM, ABC7, NBC5, WLS, CBS2, WGN9, FOX)

Community Leaders:

1. Mayor/Board of Trustees
2. Chamber of Commerce
3. Lombard Town Centre

Key Messages

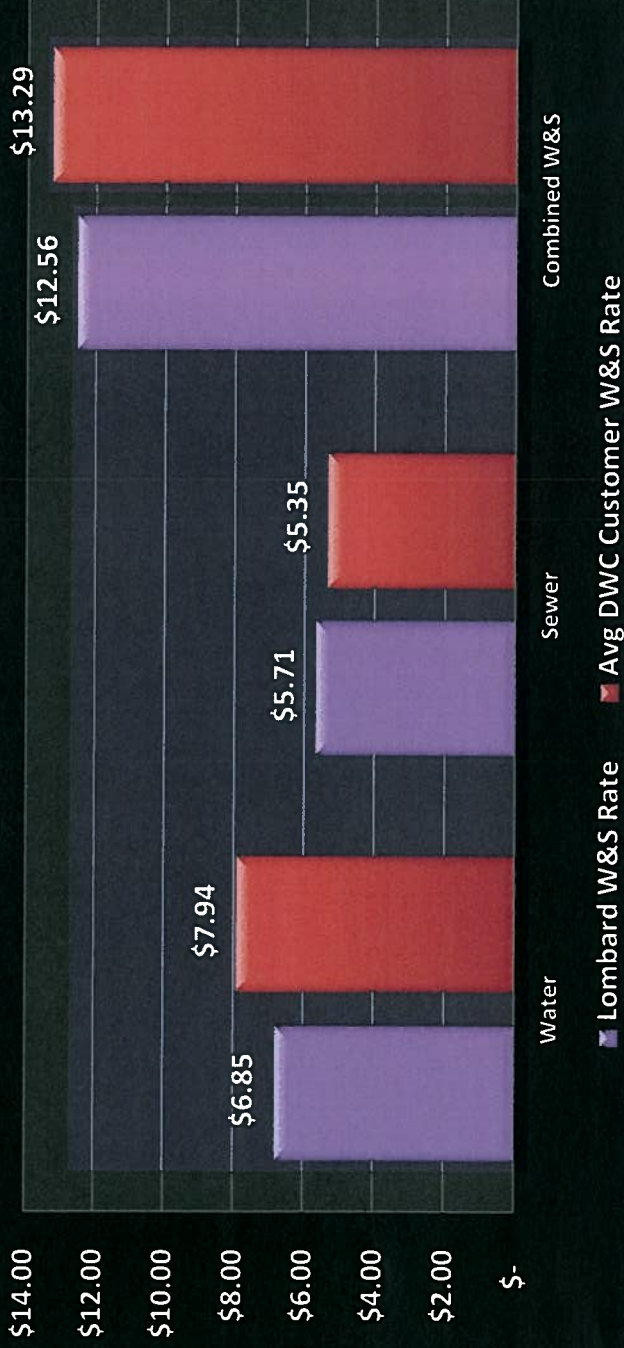
- The recommended total Water & Sewer rate percent increase for the Village of Lombard FY15 is 3.98%, or \$0.50 per thousand gallons.
- The FY2015 proposed Water & Sewer O&M rate is \$11.86 per 1,000 gallons. The Village of Lombard would receive \$3.85 per 1,000 gallons for operating and maintenance activities.
- About 67.5% of the FY2015 proposed expenses in the Water & Sewer Fund are payments to the DuPage Water commission and Glenbard Wastewater Facility for purchase and delivery of Chicago water and the processing of wastewater.
- The Village of Lombard's 2014 Water rate was \$1.09 or 13.73% less than the average rate of all DWC customers.
- The Village of Lombard's 2014 Sewer rate was \$0.36 or 6.73% more than the average rate of all DWC customers.
- Combined the Villages Water & Sewer rate was \$0.73 or 5.49% less than the average rate of all DWC customers.
- Be sure residents understand that the capital rate portion of the water and sewer rates will remain frozen at \$1.20 per 1,000 gallons of water until May 31, 2016

Action Plan

In an effort to keep residents, business, community leaders and the media informed of the Water & Sewer rate increase, the Village of Lombard has/will execute an ongoing and comprehensive communications plan containing the following:

1. Write a follow-up press release and send to media
2. Post press release on Village website
3. Include article in upcoming issue of Lombard Pride
4. Use social media to share information and respond to questions

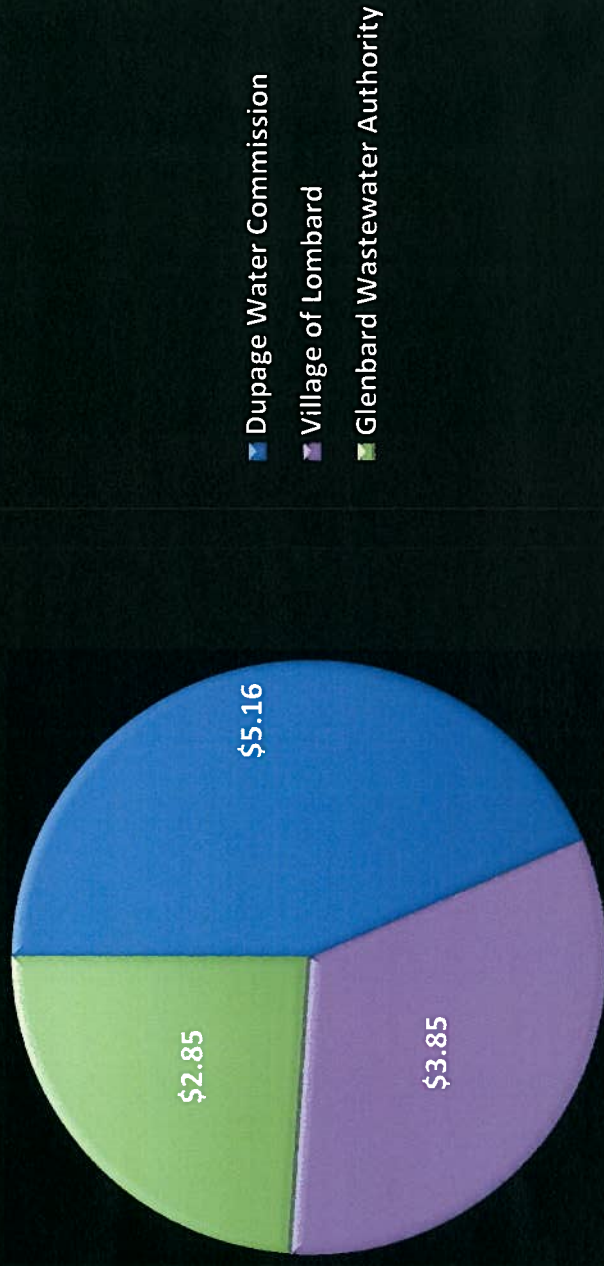
How Do We Compare in FY 2014 To Other Dupage Water Commission Customers?



- The Village of Lombard's 2014 Water rate was \$1.09 or 13.73% less than the average rate of all DWC customers.
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* As reported by DuPage Water Commission

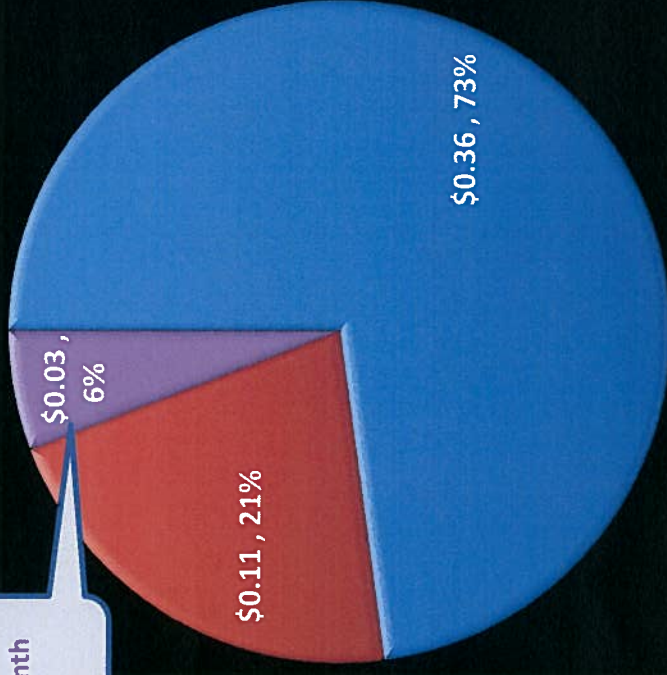
Where Does My Money Go?



- The FY 2015 Proposed Water & Sewer O&M Rate is \$11.86 per 1,000 gallons.
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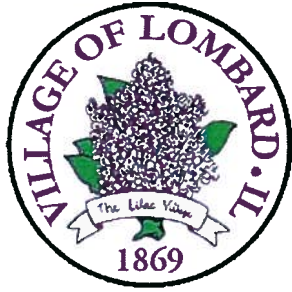
2015 Proposed W/S O&M Rate Increase by Entity

The Village would receive an additional 12¢/month from the average residential customer



- Dupage Water Commission
- Glenbard Wastewater Authority
- Village of Lombard

- The FY 2015 proposed Water/Sewer rate increase is \$0.50 or 3.98% per 1,000 gallons.
- The Village's portion of the \$0.50 increase is \$0.03 or 6.0% of the overall 3.98% per 1,000 gallons.
- For the average residential customer that uses 4,000 gallons/month, this increase of \$0.50 will cost an additional \$2.00 per month.



HIGHER WATER COST LEAD TO RATE INCREASES

Due to a rate increase imposed by the City of Chicago, new rates are effective January 1, 2015. The Village of Lombard utility rates will continue to be below the average among comparable communities in the DuPage Water Commission system.

The majority of the increase in the Village of Lombard's water rate is attributable to Chicago's increase in its 2015 supply costs. Chicago has indicated that the increase will be put toward infrastructure improvements to provide a more reliable and efficient system, including upgrading feeder mains that serve the suburbs. A portion of the increase will address the Village's increasing operating costs and reserve requirements toward future system maintenance. The DuPage Water Commission also increased its Operating & Maintenance rate for supplying Chicago water to its other suburban customer communities.

The rate change means that the average residential customer that uses 4,000 gallons of water per month will see an increase of 4.35 on a bi-monthly bill.

For residential customers, the 2015 rate is as follows:

- Water: Base charge is \$6.61 per 1,000 gallons
- Sewer: Base charge \$5.25 per 1,000 gallons
- Service Charge: \$9.05 per bill
- W/S Capital: \$1.20 per 1,000 gallons

The new rates are effective January 1 based on usage.

Because residents are charged for the amount of water they actually use rather than for a minimum amount, you can control the cost of your utility bills through conservation measures. Conservation tips and further information on the new utility rates are available on the Village's website at www.villageoflombard.org. If you have other questions, please call the Water Billing Division at 630-620-5920.