

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

 X Resolution or Ordinance (Blue) *Waiver of First*
 Recommendations of Boards, Commissions & Committees (Green)
 Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Timothy Sexton, Acting Village Manager

DATE: October 7, 2015 (COW)(B of T) Date: October 15, 2015

TITLE: Ordinances Amending Title 5, Chapter 50 of the Lombard Village Code in Regard to
Water and Sewer Rates.

BACKGROUND/POLICY IMPLICATIONS:

Attached are three ordinances that amend the Village Code as it relates to water and sewer rates for FY 2016. The proposed budget includes an increase in water and sewer O&M rates of \$1.24 that would become effective with bills issued on or after January 1, 2016. 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 \$0.17 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, 2016. For the average residential customer that uses 4,000 gallons on a monthly basis, this water and sewer rate increase will cost them \$4.96 additional on a monthly basis. The overall rate increase is a 9.49% increase, compared to the 3.98% increase on January 1, 2015. The Village's proposed water and sewer rate for 2016 matches the average 2015 rate of all Dupage Water Commission customer rates. 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.

The Finance and Administration Committee voted unanimously to recommend approval of the increase in water and sewer rates.

Review (as necessary):

Village Attorney	<u> X </u>	Date	<u> </u>
Finance Director	<u> X </u> <i>Timothy Sexton</i>	Date	<u>10/5/15</u>
Village Manager	<u> X </u>	Date	<u> </u>



MEMORANDUM

To: Village Board of Trustees
Scott Niehaus, Village Manager

From: Tim Sexton, Director of Finance

Date: October 6, 2016

Subject: Proposed Water/Sewer Rate Increase

Discussion

A water and sewer rate increase of \$1.24 per 1,000 gallons is recommended beginning January 1, 2016. If a residential customer uses 4,000 gallons of water per month, this increase of \$1.24/1000 gallons will cost an additional \$4.96 per month. Combined, the Village's proposed Water & Sewer rate of \$14.30 for 2016 matches the average 2015 rate of all DWC customers.

The reason for the rate increase is due to underreporting of water usage by aged and slow meter readings. The meters used in the majority of Lombard residential homes were tested, and on average found to have underreported the amount of water used by 6.4%.

* The following is an example of how much revenue is lost due to aged meter underreporting.

If a residence uses 4,000 gallons of water per month, and the meter used to keep track of the amount of water used underreported the amount by 6.4%, then this resident, using the current water and sewer rate (FY15), is under billed approximately \$3.34 per month, which translates to \$40.08 per year.

This significant under collection of water sales could be avoided in the future with a water meter residential change out program. The residential water meter change out program will entail the Village changing the old brass meter at each residence with a new meter. Accurate meters would result in accurate billing and would avoid the need for a significant water rate increase in the future due to water loss and/or the underreporting of actual water usage.

The Village is working with the IEPA to secure funding in order to start the residential meter replacement program earlier than anticipated. At this time, the residential meter replacement program is programmed in the Capital Improvement Plan to start in 2018.

In addition to the water and sewer rate increase, the budget includes an increase to the per bill service charge of \$0.35 for water and sewer customers, and \$0.17 for sanitary sewer service

only customers. The budget also includes an increase to the cross-connection control surcharge of \$0.30 per bill, effective with bills issued on or after January 1, 2016.

Future Rates

The Village is currently conducting a water and sewer rate study to help determine future rate increases. The information gathered from this study will provide the Village with data to effectively align future revenues and expenses based on planned infrastructure upgrades. The results of the rate study will be presented at a combined meeting with the Public Works and Finance Committee for review and recommendation.

Recommendation

The Finance Committee voted unanimously to recommend approval of the increases in water and sewer rates. The proposed budget includes an increase in water and sewer O&M rates of \$1.24 that would become effective with bills issued on or after January 1, 2016. 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 \$0.17 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, 2016. As approved by the Board during the referendum in 2006, the capital rate will remain unchanged at \$1.20 through May 2016.

The rate for 2017 thru 2020 will be based on the Water & Sewer rate study that is starting in October 2015. The rate study will look at the overall rates necessary to support operations/maintenance and capital, as well as looking at various concepts such as line charges and inverted block rates that promote conservation.

Communications Plan

Attached is a Communications Plan to raise the public's understanding of the proposed Water & Sewer rate increase.



**Village of Lombard
Communications Plan
Water and Sewer Rate Increase**

Purpose of the Water and Sewer Rate Increase

A water and sewer rate increase of \$1.24 per 1,000 gallons is recommended beginning January 1, 2016. The reason for the rate increase is due to underreporting by aged and slow meter readings. The meters used in the majority of Lombard residential homes were tested, and on average found to have underreported the amount of water used by 6.4%.

The Village is currently conducting a water and sewer rate study to help determine future rate increases. The information gathered from this study will provide the Village with data to effectively align future revenues and expenses based on planned infrastructure upgrades.

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 Water & Sewer bill goes to the Village of Lombard

The objectives are to:

- Inform the residents of the history of the Water & Sewer rate increase
- Clarify by example, that if a residential customer that uses 4,000 gallons of water per month, this increase of \$1.24/1000 gallons will cost an additional \$4.96 per month
- Prepare residents adequately for a proposed Jan. 1, 2016 Water & Sewer rate increase
- Be sure residents understand that the difference between the capital rate portion and the water and sewer operating costs
 - Capital portion will remain frozen at \$1.20 per 1,000 gallons of water until May 31, 2016 to pay for costs related to water and sewer infrastructure improvements

Audiences

The audience this communications plan is directed toward includes:

Public:

1. All residents
2. 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 increase for the Village of Lombard FY16 is \$1.24 per 1000 gallons used.
- The FY2016 proposed Water & Sewer rate is \$14.30 per 1,000 gallons. The Village of Lombard would receive \$4.62 per 1,000 gallons for operating and maintenance activities and capital improvements.
- About 67% of the FY2016 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.
- Combined, the Village's proposed Water & Sewer rate for 2016 matches the average 2015 rate of all DWC customers (\$14.30).
 - The Village of Lombard's proposed 2016 Water rate is \$8.06 (including capital)
 - 8% less than the average of all DWC 2015 customer rates (\$8.73).
 - The Village of Lombard's proposed 2016 Sewer rate is \$6.24 (including capital)
 - 12% more than the average of all DWC 2015 customer rates (\$5.57)
- 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. Purchase a page in the Lombardian for a personalized letter from Mayor to residents
4. Include article in upcoming issue of Lombard Pride
5. Create whiteboard video for use on website and social media

6. Use social media to share information and respond to questions
7. Create FAQ sheet for employees and for resident access

FAQ's Regarding Water Rate Increase

What is the difference between the capital portion and the operational portion?

Capital funds go to paying for pipes, meters and physical assets necessary for water distribution. Capital funds also pay for the storm water management efforts including overflow in pond areas and pumps that help prevent flooding. The operational portion is the day to day costs which include contractual costs for professionals and employees to run the system efficiently.

What are the operating costs?

Operating costs include the equipment, tools, chemicals, outside contractors needed for special purposes, and employees that staff the water operations. Operating costs also include training, operating supplies, electricity, emergency water services, regular salaries, part time wages, overtime. Vehicles used for daily service. Everything needed for water supply excluding physical infrastructure.

Why is there an increase in operating costs?

The majority of meters in Lombard are underreporting on the amount of water that has been used by residents due to the age of the meters. This has been an ongoing issue for several years, and the residential meters are about 6 or more years beyond their useful life expectancy. The average life expectancy of a water meter is 20 years based on the American Water Works Association. This means that the amount of revenue collected is less than the funds available for operating costs. Therefore, a rate increase is proposed to make up for the lost revenues.

How are we sure that the old brass meters are underreporting?

When residential water meters are taken out of service they are sent to a third party for certified testing. Meters are taken out of service for multiple reasons; water service upgrades (increase size), resident requests meter to be tested due to high usage, malfunctioning meter (no read or zero usage).

How accurate are the old brass meters?

Small brass meters that have been removed from Lombard residences are on average testing at an accuracy rate of 93.6%. The meters are not calculating the full amount of water running through the meter, and are not counting 6.4% of the water used. This results in an undercharge of water usage. This is a problem because our overall expenses have not decreased. The money collected from water and sewer sales pays for the operations of Lombard's water and sewer system.

How many homes use the old brass meters?

Approximately 10,900 or 90% of residential meters are old meters circa mid to late 1980's.

How much of this increase goes to the Village of Lombard?

The Village of Lombard would receive an additional \$0.10/1000 gallons from the proposed rate increase of \$1.24/1000 gallons. This is to cover increased operating expenses.

Where does the \$1.24 increase go to?

Below is a breakdown of the \$1.24/1000 gallons of water rate increase.

\$1.09	(to make up for long term uncollected water revenue due to aging meters underreporting water usage)
\$0.10	(Village of Lombard for increased operational expenses)
\$0.37	(Glenbard Wastewater Authority)
- <u>\$0.32</u>	(DuPage Water Commission)
\$1.24	(Water rate increase per 1000 gallons)

The DuPage Water Commission reduced its total water rate by slightly over 2% in FY 2015-2016. In addition no further water rate increases are expected from the City of Chicago until June 2016. Therefore, this helps to offset the proposed Village of Lombard 2016 rate increase by \$0.32.

* The following is an example of how much revenue is lost due to aged meter underreporting.

A residence used 4,000 gallons of water per month and the meter used to keep track of the amount of water used, underreported the amount by 6.4%. This means that this resident, using the current water and sewer rate (FY15), is under billed approximately \$3.34 per month, which translates to \$40.08 per year.

There are approximately 10,000 residential homes in Lombard with the old meters. If those residences on average use 4,000 gallons per month, this results in a Village wide revenue loss of approximately \$400,800. This lost revenue is necessary to pay for expenses needed for quality water production.

How can this be avoided in the future?

This significant under collection of water sales could be avoided in the future with a water meter residential change out program. This will entail the Village changing the old brass meter at each residence with a new meter. Accurate meters would result in accurate billing and would avoid the need for a significant water rate increase in the future due to water loss.

ORDINANCE NO. _____

**ORDINANCE AMENDING TITLE 5, CHAPTER 50 OF THE
LOMBARD VILLAGE CODE IN REGARD TO
WASTEWATER COLLECTION AND TREATMENT CHARGES**

BE IT ORDAINED by the President and Board of Trustees of the Village of Lombard, DuPage County, Illinois, as follows:

SECTION 1: That, effective January 1, 2016, Title 5, Chapter 50, Section 50.106(B) of the Lombard Village Code is amended to read in its entirety as follows:

“(B) There is hereby established a wastewater collection and treatment charge as follows:

- (1) Within the Village limits: \$6.24 per 1,000 gallons of water metered to, or sewage measured from, each user during the billing period, with said rate broken down as follows:
 - (a) \$5.66 per 1,000 gallons for operation and maintenance; and
 - (b) \$0.58 per 1,000 gallons for capital improvements.
- (2) Outside the Village limits: \$9.36 per 1,000 gallons of water metered to, or sewage measured from, each user during the billing period, with said rate broken down as follows:
 - (a) \$8.49 per 1,000 gallons for operation and maintenance; and
 - (b) \$0.87 per 1,000 gallons for capital improvements.
- (3) Effective June 1, 2007, the per 1,000 gallon rate for capital improvements, as set forth in Subsections (1)(b) and 2(b) above, shall be reduced to \$0.58 per 1,000 gallons and \$0.87 per 1,000 gallons, respectively, and shall remain at said rates through May 31, 2016, with the total charge per 1,000 gallons, as set forth in Subsections (1) and (2) above, being adjusted accordingly.
- (4) Pursuant to Resolution No. 48-06, adopted February 2, 2006, the Corporate Authorities committed to freezing the capital rate portion of the water and sanitary sewer rates for Village residents at \$1.56 per 1,000 gallons of water used for the period of June 1, 2006 through May 31, 2007, and at \$1.20 per 1,000 gallons of water used for the period of June 1, 2007 through May 31, 2016. For purposes of verifying this freeze, reference is made to Section 50.114 of this Code, which addresses the capital rate per 1,000 gallons of water used for water service.”

SECTION 2: That, effective January 1, 2016, Title 5, Chapter 50, Section 50.107 of the Lombard Village Code is amended to read in its entirety as follows:

“50.107 MINIMUM CHARGE FOR SEWER SERVICE.

be: The minimum charge for 1,000 gallons of usage in one billing period shall

- (A) \$6.24 within the Village limits, with said amount broken down as follows:
 - (1) \$5.66 for operation and maintenance; and
 - (2) \$0.58 for capital improvements.
- (B) \$9.36 outside the Village limits, with said amount broken down as follows:
 - (1) \$8.49 for operation and maintenance; and
 - (2) \$0.87 for capital improvements.
- (C) Effective June 1, 2007, the amount for capital improvements, as set forth in Subsections (A)(2) and B(2) above, shall be reduced to \$0.58 and \$0.87, respectively, and shall remain at said amounts through May 31, 2016, with the total charge per 1,000 gallons, as set forth in Subsections (A) and (B) above, being adjusted accordingly.
- (D) Pursuant to Resolution No. 48-06, adopted February 2, 2006, the Corporate Authorities committed to freezing the capital rate portion of the water and sanitary sewer rates for Village residents at \$1.56 per 1,000 gallons of water used for the period of June 1, 2006 through May 31, 2007, and at \$1.20 per 1,000 gallons of water used for the period of June 1, 2007 through May 31, 2016. For purposes of verifying this freeze, reference is made to Section 50.114 of this Code, which addresses the capital rate per 1,000 gallons of water used for water service.”

SECTION 3: That this Ordinance shall be in full force and effect from and after its passage, approval and publication in pamphlet form as provided by law.

Passed on first reading this _____ day of _____, 2015.

First reading waived by action of the Board of Trustees this ____ day of _____, 2015.

Passed on second reading this _____ day of _____, 2015.

Ayes: _____

Nays: _____

Absent: _____

Ordinance No. _____
Ordinance Amending Title 5, Chapter 50
Page 3

Approved this _____ day of _____, 2015.

Keith Giagnorio
Village President

ATTEST:

Sharon Kuderna
Village Clerk

Published by me in pamphlet form this _____ day of _____, 2015.

Sharon Kuderna, Village Clerk

ORDINANCE NO. _____

**ORDINANCE AMENDING TITLE 5, CHAPTER 50, SECTION 50.113(A)
OF THE LOMBARD VILLAGE CODE IN REGARD
TO SANITARY SEWER SERVICE ONLY RATES**

BE IT ORDAINED by the President and Board of Trustees of the Village of
Lombard, DuPage County, Illinois, as follows:

SECTION 1: That, effective January 1, 2016, Title 5, Chapter 50, Section 50.113(A)
of the Lombard Village Code is amended by revising the reference therein to, "\$4.80," to read,
"\$4.97."

SECTION 2: That this Ordinance shall be in full force and effect from and after its
passage, approval and publication in pamphlet form as provided by law.

Passed on first reading this _____ day of _____, 2015.

First reading waived by action of the Board of Trustees this ____ day of _____, 2015.

Passed on second reading this _____ day of _____, 2015.

Ayes: _____

Nays: _____

Absent: _____

Approved this _____ day of _____, 2015.

Keith Giagnorio
Village President

Ordinance No. _____
Ordinance Amending Title 5, Chapter 50, Section 50.113(A)
Page 2

ATTEST:

Sharon Kuderna
Village Clerk

Published by me in pamphlet form this _____ day of _____, 2015.

Sharon Kuderna, Village Clerk

ORDINANCE NO. _____

**ORDINANCE AMENDING TITLE 5, CHAPTER 50, SECTION 50.114 OF THE
LOMBARD VILLAGE CODE IN REGARD TO WATER RATES**

BE IT ORDAINED by the President and Board of Trustees of the Village of Lombard, DuPage County, Illinois, as follows:

SECTION 1: That, effective January 1, 2016, Title 5, Chapter 50, Section 50.114 of the Lombard Village Code is amended to read in its entirety as follows:

"50.114 WATER RATES

- (A) There are established rates or charges for the use of services of the waterworks system of the Village as follows:
 - (1) Water Rates Within the Village Limits: \$8.06 per 1,000 gallons, with said rate being broken down as follows:
 - (a) \$7.44 per 1,000 gallons for operation and maintenance; and
 - (b) \$0.62 per 1,000 gallons for capital improvements.
 - (2) Water Rates Outside the Village Limits: \$12.09 per 1,000 gallons, with said rate being broken down as follows:
 - (a) \$11.16 per 1,000 gallons for operation and maintenance; and
 - (b) \$0.93 per 1,000 gallons for capital improvements.
- (B) In addition to the rates and charges set forth in Subsection (A) above, each customer account shall be charged a flat fee of \$9.40 per billing period as an administrative service charge to cover the Village's administrative expenses relating to providing utility service, including, but not limited to, the expenses of billing, collecting, meter reading and meter maintenance."
- (C) In addition to the rates and charges set forth in subsections (A) and (B) above, effective January 1, 2016, each non-residential customer account shall be charged a flat fee of \$8.10 per billing period as a cross-connection control program charge to cover the Village's expenses relating to monitoring compliance by non-residential customers with the provisions of Section 51.08 of this Code."
- (D) Effective June 1, 2007, the per 1,000 gallon rate for capital improvements, as set forth in Subsections (A)(1)(b) and (A)(2)(b) above, shall be reduced to \$0.62 per 1,000 gallons and \$0.93 per 1,000 gallons, respectively, and shall remain at said rates through May 31, 2016, with the total charge per 1,000 gallons, as set forth in Subsections (A)(1) and (A)(2) above, being adjusted accordingly.
- (E) Pursuant to Resolution No. 48-06, adopted February 2, 2006, the Corporate Authorities committed to freezing the capital rate portion of the water sewer rates for Village residents at \$1.56 per 1,000 gallons of water used for the period of June 1, 2006 through May 31, 2007, and at \$1.20 per 1,000 gallons of water used for the period of June 1, 2007 through May 31, 2016. For purposes of verifying this freeze, reference is made to Sections 50.106(B) and 50.107 of this Code, which addresses the capital rate per 1,000 gallons of water used for sanitary sewer service."

Ordinance No. _____
Ordinance Amending Title 5, Chapter 50, Section 50.114
Page 2

SECTION 2: That this Ordinance shall be in full force and effect from and after its passage, approval and publication in pamphlet form as provided by law.

Passed on first reading this _____ day of _____, 2015.

First reading waived by action of the Board of Trustees this ____ day of _____, 2015.

Passed on second reading this _____ day of _____, 2015.

Ayes: _____

Nays: _____

Absent: _____

Approved this _____ day of _____, 2015.

Keith Giagnorio
Village President

ATTEST:

Sharon Kuderna
Village Clerk

Published by me in pamphlet form this _____ day of _____, 2015.

Sharon Kuderna, Village Clerk