

WATER/SEWER OPERATION & MAINTENANCE (O&M) FUND REVENUE & EXPENDITURE ASSUMPTIONS/COMMENTS

FISCAL YEAR 2017 BUDGET

BUDGET WORKSHOP AUGUST 15, 2016



FY 2017 W/S O&M RATE RECOMMENDATION

RAISE \$0.30

30¢ INCREASE IN 2017 (FY18: 30¢; FY19: 30¢; FY20: 30¢; FY21 30¢)								
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
% FUND BALANCE	Actual	YE Est	Budget	Projection	Projection	Projection	Projection	
	28.6%	28.6%	28.2%	26.9%	24.5%	21.2%	16.9%	
Projected Annual Water & Sewer Rate Increases								
for Operations	\$0.50	\$1.24	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
for Capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Amount/1000 gallons	\$0.50	\$1.24	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Water O&M Rate	\$6.61	\$7.44	\$7.64	\$7.84	\$8.04	\$8.24	\$8.44	
Sewer O&M Rate	\$5.25	\$5.66	\$5.76	\$5.86	\$5.96	\$6.06	\$6.16	
Capital	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
Total Water & Sewer Rate	\$13.06	\$14.30	\$14.60	\$14.90	\$15.20	\$15.50	\$15.80	
Percentage Increase	3.98%	9.49%	2.10%	2.05%	2.01%	1.97%	1.94%	

The rate for 2018 thru 2021 will be based on the results of the W/S rate study which began in FY16 and will be reviewed by the Finance & Administration Committee and the Public Works Committee for Village Board approval in FY17.

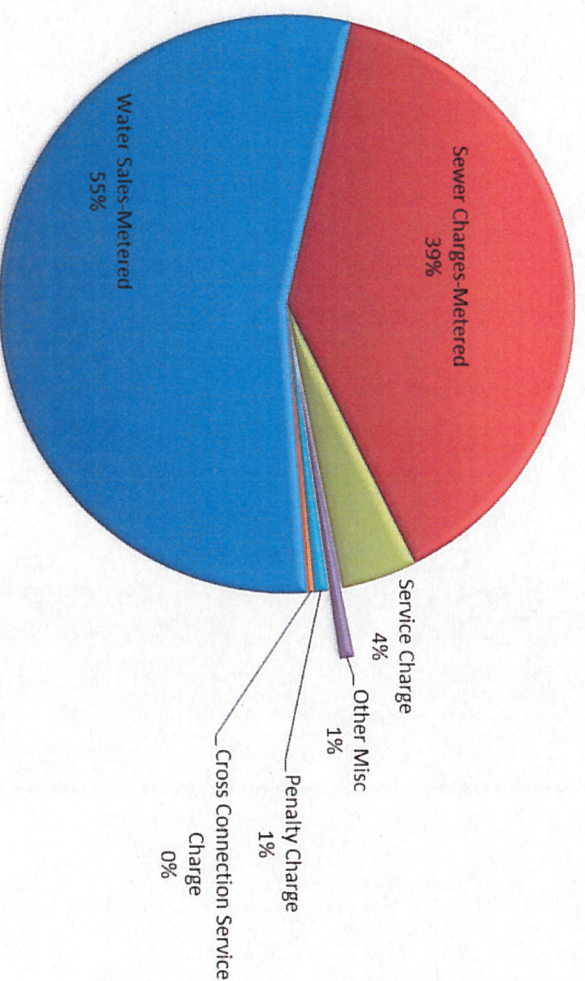
TOP 5 WATER/SEWER O&M FUND REVENUE ASSUMPTIONS

The recommended total Water & Sewer rate percent increase for FY17 is 2.10% or 30¢ per thousand gallons.

Description	2015 Actual Amount	2016 Amended Budget	2016 Estimated Amount	2017 Budgeted Revenues	\$ Over/Under 16 Budget	% Over/Under 16 Budget	Assumptions/Comments
Water Sales-Metered	\$7,948,308	\$8,824,900	\$8,824,900	\$9,062,250	\$237,350	2.69%	Revenue for FY17 is based upon selling 1.187 bgal of water @ \$7.64/kgal compared to projected FY16 sales of 1.187 bgal @ \$7.44/kgal. A water rate increase of \$0.20 (2.69%) is recommended for FY17. Sales continue to decrease as water saving efforts are implemented by residents. Also, the average accuracy rate for small meters tested was 93.2%. The meter changeout program will help to recover unbilled water use/increase revenues.
Sewer Charges-Metered	\$5,924,899	\$6,361,970	\$6,361,970	\$6,474,300	\$112,330	1.77%	Revenue for FY17 is based upon billing 1.123 bgal of sewer @ \$5.76/kgal compared to projected FY16 of 1.123 bgal @ \$5.66/kgal. A sewer rate increase of \$0.10 (1.77%) is recommended for FY17.
Service Charge	\$671,774	\$717,180	\$676,890	\$702,100	-\$15,080	-2.10%	Based on projected expenses for FY17, a service charge increase of \$0.35 (3.72%) is recommended for FY17.
Penalty Charge	\$133,209	\$130,000	\$133,300	\$133,300	\$3,300	2.54%	The FY17 budget is based on FY16 projected revenue. Collections can vary from year to year if a few large bills are not paid on time.
Cross Connection Service Charge	\$44,086	\$52,450	\$54,560	\$56,200	\$3,750	7.15%	The FY17 budget is based on FY16 projected revenue. An increase of \$0.30 (3.7%) is recommended to cover the cost to administer the mandated EPA program.

WATER/SEWER O&M FUND REVENUES

Top 5 Water/Sewer O&M Fund Revenues



Description	2015	2016	2016	2017	\$	%
	Actual Amount	Amended Budget	Estimated Amount	Budgeted Revenues		
Top 5 W/S O&M Revenues	\$14,722,276	\$16,086,500	\$16,051,620	\$16,428,150	\$341,650	2.12%
Total W/S O&M Revenue	\$15,071,713	\$16,208,510	\$16,186,120	\$16,563,150	\$354,640	2.19%
Top 5 vs. Total W/S O&M Revenue	97.68%	99.25%	99.17%	99.18%	N/A	N/A

The Top 5 revenue sources total 99.18% of all Water/Sewer O&M Fund revenues.

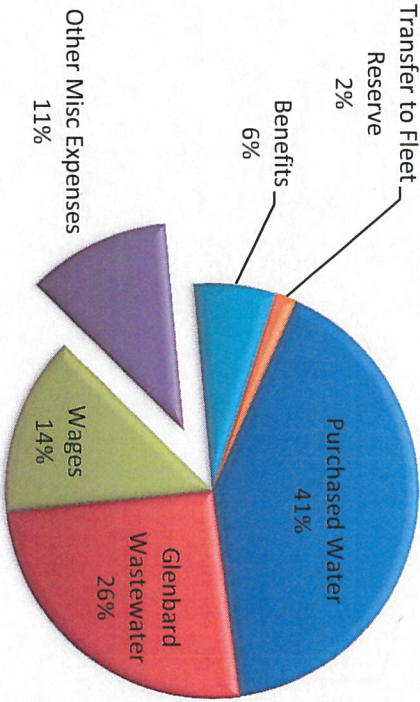
WATER/SEWER O&M FUND TOP 5 EXPENSES

GLOBAL ASSUMPTIONS FOR FY 2016

	FY15	FY16	FY16	FY17	\$	%	
	Actual	Amended Budget	Estimated	Proposed Budget	Over/Under 16 Budget	Over/Under 16 Budget	Assumptions/Comments
Purchased Water	\$6,440,474	\$6,822,085	\$6,686,540	\$6,796,960	(\$25,125)	-0.37%	Decrease is based on FY15 Actual Expense which accounts for reduced water usage by residents and DW/C reduced their rate 2% for FY16-17.
Glenbard Wastewater	\$3,987,108	\$4,117,140	\$4,117,140	\$4,199,480	\$82,340	2.00%	Projected increase is 2% over FY16 budget.
Wages	\$2,118,974	\$2,160,810	\$2,157,380	\$2,308,830	\$148,020	6.85%	Wages include salaries and estimated increases. Increases are in accordance with the AFSCME contract.
Benefits	\$860,733	\$1,095,140	\$924,590	\$1,056,830	(\$38,310)	-3.50%	IMRF expense decreased \$24,360. The IMRF rate decreased from 18.37% in 2016 to 15.93% in 2017.
Transfer to Fleet Reserve	\$147,312	\$268,090	\$268,090	\$279,040	\$10,950	4.08%	Slight increase is due to higher costs associated with future vehicle purchases.

WATER/SEWER O&M FUND CHART 1

Top Five
Compared to Total Expenses



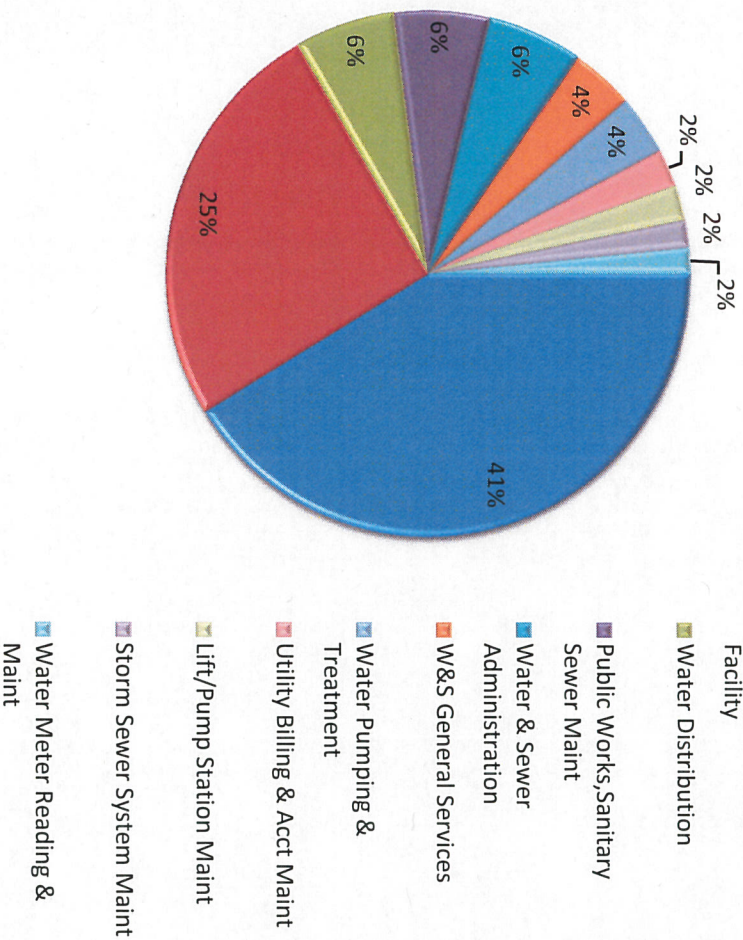
	FY15	FY16	FY16	FY17		
	Actual	Amended Budget	Estimated	Proposed Budget	Over/Under 16 Budget	% Over/Under 16 Budget
Top 5 Expenses	\$13,554,601	\$14,463,265	\$14,153,740	\$14,641,140	\$177,875	1.23%
Total W&S Maint Fund	\$15,351,182	\$16,327,165	\$15,993,260	\$16,487,860	\$160,695	0.98%
Top 5 vs. Total W/S O&M Exp	88.30%	88.58%	88.50%	88.80%	N/A	N/A

Chart 1 shows that the top 5 expenses make up 88.50% of the total expenses in the Water/Sewer O&M Fund.

WATER/SEWER O&M FUND

CHART 1--EXPENSES BY COST CENTER

FY 2017 Proposed Expense



Cost Center	FY 2017 Request	% of Total
Lake Michigan Water	\$6,796,960	41.22%
Glenbard Wastewater Facility	\$4,199,480	25.47%
Water Distribution	\$1,022,280	6.20%
Public Works, Sanitary Sewer Maint	\$973,010	5.90%
Water & Sewer Administration	\$970,270	5.88%
W&S General Services	\$636,330	3.86%
Water Pumping & Treatment	\$607,000	3.68%
Utility Billing & Acct Maint	\$388,390	2.36%
Lift/Pump Station Maint	\$358,130	2.17%
Storm Sewer System Maint	\$272,220	1.65%
Water Meter Reading & Maint	\$263,790	1.60%
Total	\$16,487,860	100.00%

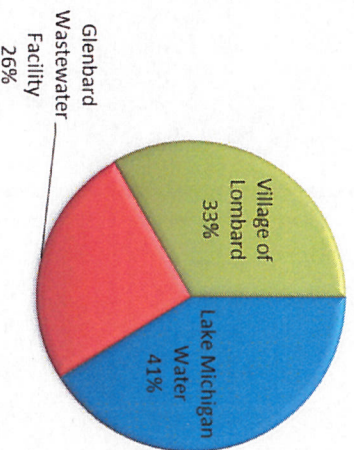
66.69% of the FY 2017 proposed expenses in the W&S Fund are payments to DuPage Water Commission and Glenbard Wastewater Facility for the purchase and delivery of Chicago water and the processing of wastewater.

IDNR Water Rate Survey Comparison		Residential		Commercial	
2015	Average Rate: Lake Michigan Water Rate Survey*	\$	7.97	\$	8.42
2017	Village of Lombard Proposed Water Rate	\$	7.64	\$	7.64

* Complete Illinois Department of Natural Resources, Office of Water Resources Survey is available upon request.

- The Village of Lombard's Proposed 2017 Water rate is \$0.33 or 4.14% less than the average rate of water rates in the Lake Michigan water service area 2015 rates for residential properties.
- The Village of Lombard's Proposed 2017 Water rate is \$0.78 or 9.26% less than the average rate of water rates in the Lake Michigan water service area 2015 rates for commercial properties.

Where Does My Money Go?



Distribution of the Water & Sewer Revenue \$14.60/per 1000 gals

Lake Michigan Water	\$ 6.02
Glenbard Wastewater Facility	\$ 3.72
Village of Lombard	\$ 4.86
Total	\$ 14.60

- The FY 2017 Proposed Water & Sewer Rate is \$14.60 per 1,000 gallons.
- The Village of Lombard would receive \$4.86 per 1,000 gallons for operating and maintenance activities and capital improvements.

- For the average residential customer that uses 4,000 gallons/month, this increase of \$0.30 will cost an additional \$1.20 per month.
- Below is a breakdown of the \$0.30/1000 gallons of water rate increase
 - \$0.05 (DuPage Water Commission*)
 - \$0.16 (Glenbard Wastewater Authority)
 - \$0.19 (Village of Lombard)
 - \$0.30

*The DuPage Water Commission reduced its total water rate by 2% for FY 2016-2017. Therefore, this helps to offset the proposed Village of Lombard rate increase by \$0.06.

- Over the past few years a sample of residential water meters were tested for accuracy. These tests showed significant inaccuracies between the water used vs. amount billed. Due to the underreporting of water usage, the Village of Lombard is losing approximately \$440,000 per year.
- Current residential meter test results show an accuracy of 93.2% (6.8% underreported) compared to prior year's average accuracy of 93.6% (6.4% underreported).



**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 \$0.30 per 1,000 gallons is recommended beginning January 1, 2017. The increase will be used for water and sewer maintenance and operations and for collection and treatment of wastewater.

The total FY2017 proposed Water & Sewer Rate with the \$0.30 increase is \$14.60 per 1,000 gallons. The Village of Lombard would receive \$4.86 per 1,000 gallons (33% of the total rate) for operating and maintenance activities and capital improvements. The remaining \$9.74 is paid to DuPage Water Commission for Lake Michigan Water and Glenbard Wastewater Authority for collection and treatment of wastewater. The capital rate portion of the water and sewer rates is \$1.20 per 1,000 gallons of water and has not increased since February 2006.

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 \$0.30/1000 gallons will cost an additional \$1.20 per month
- Prepare residents adequately for a proposed Jan. 1, 2017 Water & Sewer rate increase
- Be sure residents understand that the difference between the capital rate portion and the water and sewer operating costs
- The capital rate portion of the water and sewer rates is \$1.20 per 1,000 gallons of water and has not increased since February 2006.

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 FY17 is \$0.30 per 1000 gallons used.
- The FY2017 proposed Water & Sewer rate is \$14.60 per 1,000 gallons. The Village of Lombard would receive \$4.86 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.
- The capital rate portion of the water and sewer rates is \$1.20 per 1,000 gallons of water and has not increased since February 2006.

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
5. Create FAQ sheet for employees and for resident access

FAQ's Regarding Water Rate Increase

How much is the proposed W&S Rate increase and when will it take effect?

A water and sewer rate increase of \$0.30 per 1,000 gallons is recommended beginning January 1, 2017.

How will this impact my bill?

If a residential customer uses 4,000 gallons of water per month, this increase of \$0.30/1000 gallons will cost an additional \$1.20 per month.

Where does the \$0.30 increase go to?

Below is a breakdown of the \$0.30/1000 gallons of water rate increase.

\$0.19	(Village of Lombard for increased operational expenses)
\$0.16	(Glenbard Wastewater Authority)
- <u>\$0.05</u>	(DuPage Water Commission)
\$0.30	(Water rate increase per 1000 gallons)

The DuPage Water Commission reduced its total water rate by 2% in FY 2016-2017. Therefore, this helps to offset the proposed Village of Lombard 2017 rate increase by \$0.05.

How does our proposed rate compare to others?

According to a survey provided by the Illinois Department of Natural Resources Office of Water Resources, the Village of Lombard proposed 2017 Water rate of \$7.64 is \$0.33 or 4.14% less than the average 2015 water rate of \$7.97 in the Lake Michigan water service area for residential properties, and \$0.78 or 9.26% less than the average 2015 water rate of \$8.42 for commercial properties.

Why does the Village need to increase the rate?

The total FY2017 proposed Water & Sewer Rate with the \$0.30 increase is \$14.60 per 1,000 gallons. The Village of Lombard would receive \$4.86 per 1,000 gallons (33% of the total rate) for operating and maintenance activities and capital improvements in order to continue to provide excellent quality services (view our water report at villageoflombard.org/waterqualityreport).

What are the operating costs?

Operating costs include the purchase of water, 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.

What are the capital costs?

Capital funds pay 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 capital rate portion of the water and sewer rates is \$1.20 per 1,000 gallons of water and has not increased since February 2006.

Will rates continue to increase in the future?

There are several factors that are considered when calculating annual rate increases. The Village is currently conducting a water and sewer rate study to help determine the future rate. 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 final results of the rate study will be presented at a combined meeting with the Public Works and Finance Committee for review and recommendation in 2017.

Also, revenue collections decreased over the past few years due to underreporting by aged and slow water meters. The lost revenue is essential to pay for expenses needed for quality water operations. Residential meters are about 7 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.

How much revenue is lost due to aged meter underreporting?

Current residential meter test results show an accuracy of 93.2% (6.8% underreported) compared to prior year's average accuracy of 93.6% (6.4% underreported).

Due to the underreporting of water usage, the Village of Lombard is losing approximately \$440,000 per year.

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.

What steps has the Village taken towards a residential change out program?

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 2017.

DRAFT

2017 Water & Sewer Rate Increase

- A water and sewer rate increase of \$0.30 per 1,000 gallons is recommended beginning January 1, 2017.
- The increase would impact a resident that uses an average of 4,000 gallons per month by an additional \$1.20 per month.
- The total FY2017 proposed Water & Sewer Rate with the \$0.30 increase is \$14.60 per 1,000 gallons. The Village of Lombard would receive \$4.86 per 1,000 gallons (33% of the total rate) for operating and maintenance activities and capital improvements.
- The capital rate portion of the water and sewer rates is \$1.20 per 1,000 gallons of water and has not increased since February 2006.
- The proposed increase would bring the Village's 2017 water rate to \$7.64 per 1,000 gallons, which is \$0.33 or 4.14% less than the 2015 average water rate for residential properties, and \$0.78 or 9.26% less than commercial properties in the Lake Michigan water service area according to a survey completed by the Illinois Department of Natural Resources Office of Water Resources.
- The Village is working with IEPA to secure a grant to move up the start date of a meter replacement program in 2017 to replace residential meters that based on a sample of small meters tested, on average are underreporting 6.4% which reduces revenues collected by the Village approximately \$440,000 per year.



NEWS • RELEASE

Village of Lombard
(630) 620-5718

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November 4, 2016

Contact: Avis Meade
Communications Coordinator

Village of Lombard approves Water and Sewer Rates

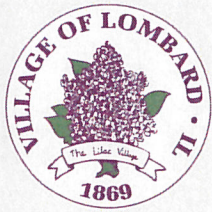
LOMBARD, Illinois— On November 3, 2016, the Lombard Village Board of Trustees approved a water and sewer rate increase of \$0.30 per 1,000 gallons beginning January 1, 2017.

The proposed increase of \$0.30 per 1,000 gallons, will impact the bill of the average Lombard residence, using 4,000 gallons of water per month, by an additional \$1.20 per month. The increase will be used for water and sewer maintenance and operations and for collection and treatment of wastewater.

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 final results of the rate study will be presented at a combined meeting with the Public Works and Finance Committee for review and recommendation in 2017. In addition, a residential meter replacement program is included in the Capital Improvement Plan to start in 2017. The Village is working with the Illinois Environmental Protection Agency to secure funding.

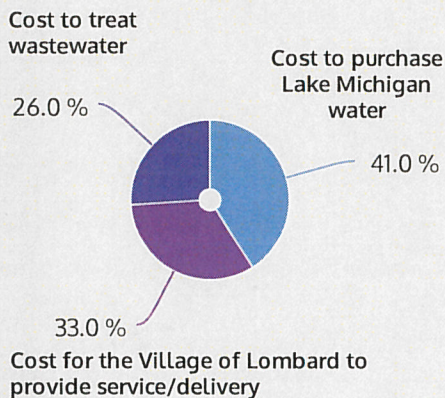
To view a FAQ sheet on the 2017 water and sewer rate and learn about ways to conserve water and save money, please visit www.villageoflombard.org/water.

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Village of Lombard 2017 Water & Sewer Rates

Where Does My Money Go?



Q: How much is the 2017 Water & Sewer rate increase?

A: \$0.30/1,000 gallons of water usage.

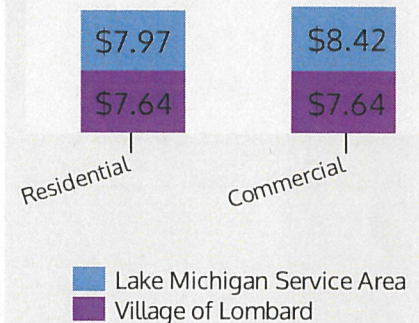
Q: How does this impact my bill?

A: A household that uses an average of 4,000 gallons of water per month will pay an additional \$1.20 per month in 2017, compared to what it cost for the same usage with the 2016 water and sewer rate.

Q: What is the total 2017 Water & Sewer rate?

A: The total 2017 water & sewer rate with the \$0.30 increase is \$14.60/1,000 gallons.

2017 Lombard Water Rate Compared to the Lake Michigan Water Service Area 2015 Avg. Rate



Water Rate Facts



You can view your history of water consumption and view past bills when you sign in at villageoflombard.org/waterbill.



Sign up for the Village's weekly email newsletters at villageoflombard.org/notifyme for updates and news.



The Village is conducting a water and sewer rate study to determine the future rate. The data will be used to align revenues and expenses. Final results of the study will be presented at a combined meeting with the Public Works and Finance Committee for review and recommendation in 2017.



The Village of Lombard will receive \$4.86 per 1,000 gallons (33% of the \$14.60 water and sewer rate) for operating and maintenance activities and capital improvements. The capital rate portion of the water and sewer rates is \$1.20 per 1,000 gallons of water and has not increased since February 2006.



The residential meter replacement program is included in the Capital Improvement Program, scheduled to begin in 2017. The Village is working with the IEPA to secure funding in order to expedite the start of the program.

Cut & Conserve



Check for hidden water leaks. Read the house water meter before and after a two-hour period when no water is being used. If the meter does not read exactly the same, there is a leak.



Put a few drops of food coloring in your toilet tank. If, without flushing, the color begins to appear in the bowl within 30 minutes, you have a leak that should be repaired immediately.



Early watering and late watering, reduce water loss to evaporation. Try not to water when it's windy because wind can blow sprinklers off target and speed evaporation.



Purchase a rain barrel to trap and store rainwater, and enjoy the benefit of having a free water source for watering outdoor plants.



Replace old fixtures with high efficiency models that use 20% less water (toilets, faucets and shower heads).



Practice water saving techniques including time restricted showers, turning the water off when brushing your teeth, or filling dishwasher or clothes washer completely before use.

For more information go to:
www.villageoflombard.org/water