

Water & Sewer Rate and Connection Fee Study Briefing

- Financial plan update
- Proposed rate design
- Typical bill comparison



Presentation to
PWP&T
Committee

June 26, 2019

Financial planning guiding principles

- ▶ Evaluate water and sewer as self-sufficient utilities
- ▶ Cash based capital plan while maintaining:
 - Target debt service coverage of 1.5x
 - Sustain minimum reserves of at least 25% of O&M
- ▶ Previous Committee Guidance
 - Mitigate rate shock
 - 5 year ramp
 - <10% per year increase + CPI
 - No mark up of 3rd party bills
 - Evaluate low service fee rather than minimum gallons use fee

Proposed Revenue Adjustments

Total Proposed Revenue Adjustments						
Water			Sewer			
System		Total	System		Total	
<u>Increase</u>	<u>CPI</u>	<u>Adjustment</u>	<u>Increase</u>	<u>CPI</u>	<u>Adjustment</u>	
2020	9.5%	2.1%	11.6%	2.0%	2.1%	4.1%
2021	9.5%	2.1%	11.6%	2.0%	2.1%	4.1%
2022	9.5%	2.1%	11.6%	1.0%	2.1%	3.1%
2023	9.5%	2.1%	11.6%	0.0%	2.1%	2.1%
2024	9.5%	2.1%	11.6%	0.0%	2.1%	2.1%
2025	9.5%	2.1%	11.6%	0.0%	2.1%	2.1%
2026	9.5%	2.1%	11.6%	0.0%	2.1%	2.1%
2027	0.0%	2.1%	2.1%	0.0%	2.1%	2.1%
2028	0.0%	2.1%	2.1%	0.0%	2.1%	2.1%
2029	0.0%	2.1%	2.1%	0.0%	2.1%	2.1%

Water Rate Increase – 7 years Sewer Rate Increase – 3 years

*CPI is based on current year CPI, subject to change from year to year

Rate structure recommendations

▶ Water

- Replace minimum bill with a meter charge that increases by meter size, uniform across all service areas
- Rate differential in last block increased to 10 percent to support conservation

▶ Sewer

- Maintain existing rate structure including minimum bill and do not adopt a service charge

Water Rates – Service Charge

Monthly Service Charge		
<u>Meter Size</u>	<u>Existing FY 2019</u>	<u>Proposed FY 2020</u> (\$/mo)
Up to 1"	-	\$7.28
1.5"	-	\$8.20
2"	-	\$10.60
3"	-	\$28.70
4"	-	\$35.40
6"	-	\$51.00
8"	-	\$68.80
12"	-	\$115.60

- ▶ Proposed monthly service charges to apply to all areas

Water Rates – Volumetric

Volumetric Rates		
	Existing <u>FY 2019</u>	Proposed <u>FY 2020</u>
General Service Areas	(\$/1000 gal)	(\$/1000 gal)
Block 1 (0-2,000 gallons per month)	\$4.16	\$1.00
Block 2 (3,000-6,000 gallons per month)	\$4.39	\$4.80
Block 3 (7,000 gallons or greater per month)	\$4.60	\$5.28
Non-Residential	\$4.39	\$4.80
CLCJAWA Service Areas		
Block 1 (0-2,000 gallons per month)	\$5.72	\$3.08
Block 2 (3,000-6,000 gallons per month)	\$6.03	\$6.28
Block 3 (7,000 gallons or greater per month)	\$6.33	\$6.91
Non-Residential	\$6.03	\$6.28
Hawthorn Woods - Glennshire/Forest Lake		
Block 1 (0-2,000 gallons per month)	\$8.03	\$5.56
Block 2 (3,000-6,000 gallons per month)	\$8.45	\$8.81
Block 3 (7,000 gallons or greater per month)	\$8.88	\$9.69
Non-Residential	\$8.45	\$8.81

Monthly Water Bill Comparison

Residential						
2020 Proposed Rates						
<u>Meter Size</u>	<u>Monthly Water Use</u>	<u>2019 Current Rates</u>	<u>Monthly Service Charge</u>	<u>Volumetric Charge</u>	<u>Total Bill</u>	<u>Difference</u>
inches	kgal	\$/mo	\$/mo	\$/mo	\$/mo	\$
General Service Areas						
1"	2	\$8.32	\$7.28	\$2.00	\$9.28	\$0.96
1"	5	\$21.49	\$7.28	\$16.40	\$23.68	\$2.19
1"	10	\$44.28	\$7.28	\$42.32	\$49.60	\$5.32
CLCJAWA Service Areas						
1"	2	\$11.44	\$7.28	\$6.16	\$13.44	\$2.00
1"	5	\$29.53	\$7.28	\$24.99	\$32.27	\$2.74
1"	10	\$60.88	\$7.28	\$58.91	\$66.19	\$5.31
Hawthorn Woods Service Areas						
1"	2	\$16.06	\$7.28	\$11.12	\$18.40	\$2.34
1"	5	\$41.41	\$7.28	\$37.55	\$44.83	\$3.42
1"	10	\$85.38	\$7.28	\$85.12	\$92.40	\$7.02

Water Rates – Unmetered

Unmetered Water		
	Existing	Proposed
	<u>FY 2019</u>	<u>FY 2020</u>
	(\$/mo)	(\$/mo)
Arden Shores	\$55.11	\$62.03
Countryside Lake	\$43.86	\$48.00
Forest Lake	\$43.51	\$52.86
Oak Terrace	\$33.42	\$36.00

Sewer Rates – Metered and Unmetered

Metered Sewer Volumetric Rates		
	Existing <u>FY 2019</u>	Proposed <u>FY 2020</u>
	(\$/1000 gal)	(\$/1000 gal)
General Service Areas	\$5.57	\$5.80
Southeast Central - Libertyville, Countryside Manor, North Libertyville Estates, Terre Faire	\$6.56	\$6.83
Northeast Central - NSWRD Wildwood	\$8.08	\$8.41
Northeast Central - NSWRD Arbor Vista	\$10.20	\$10.62

Unmetered Sewer		
	Existing <u>FY 2019</u>	Proposed <u>FY 2020</u>
	(\$/mo)	(\$/mo)
General Service Area	\$44.55	\$46.40
Southeast Central - Libertyville	\$48.39	\$54.64
Northwest	\$41.77	\$43.50
Northeast Central	\$53.70	\$63.08
Ravenna, Royal Melbourne, Kildeer North Kildeer Central, Kildeer South	\$55.73	\$58.00
Riverside Preserve	\$70.73	\$73.65

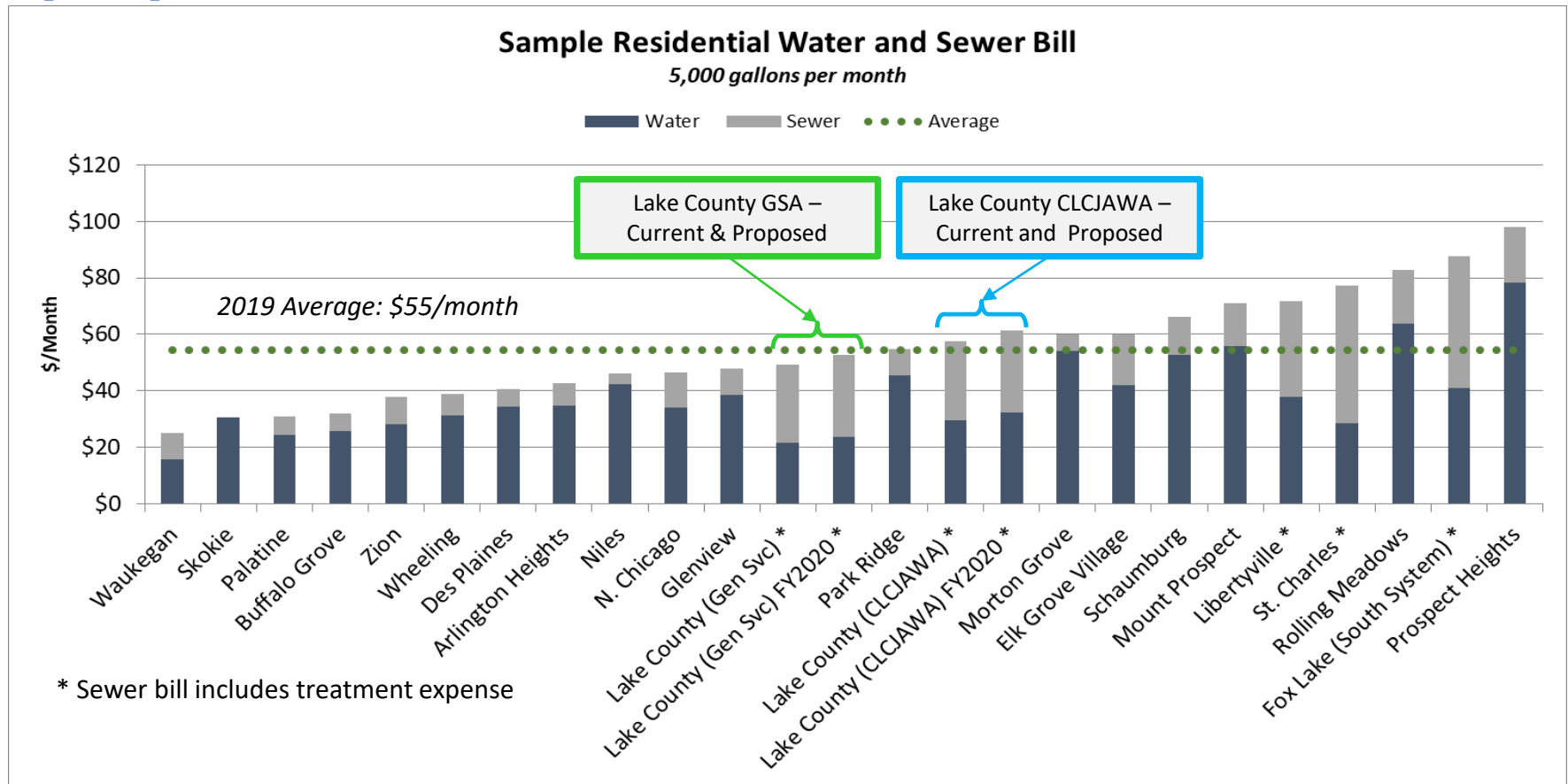
Monthly Sewer Bill Comparison

Residential				
	Monthly	2019	2020	
<u>Meter</u>	<u>Water</u>	<u>Current</u>	<u>Proposed</u>	
<u>Size</u>	<u>Use</u>	<u>Rates</u>	<u>Rates</u>	<u>Difference</u>
inches	kgal	\$/mo	\$/mo	\$
General Service Areas				
1"	2	\$11.14	\$11.60	\$0.46
1"	5	\$27.85	\$29.00	\$1.15
1"	10	\$55.70	\$58.00	\$2.30
Southeast Central - Libertyville, Countryside Manor, North Libertyville Estates, Terre Faire				
1"	2	\$13.12	\$13.66	\$0.54
1"	5	\$32.80	\$34.15	\$1.35
1"	10	\$65.60	\$68.30	\$2.70
Northeast Central - NSWRD Wildwood				
1"	2	\$16.16	\$16.82	\$0.66
1"	5	\$40.40	\$42.05	\$1.65
1"	10	\$80.80	\$84.10	\$3.30
Northeast Central - NSWRD Arbor Vista				
1"	2	\$20.40	\$21.24	\$0.84
1"	5	\$51.00	\$53.10	\$2.10
1"	10	\$102.00	\$106.20	\$4.20

Sewer Rates – Wholesale

Wholesale Sewer				
	<u>Existing FY 2019</u>		<u>Proposed FY 2020</u>	
	(\$/1000 gal)	(\$/RCE/Month)	(\$/1000 gal)	(\$/RCE/Month)
Antioch	\$4.94	\$39.49	\$5.14	\$41.12
Buffalo Grove	\$4.08	\$30.60	\$4.25	\$31.88
Grayslake	\$3.44	\$25.78	\$3.58	\$26.85
Green Oaks	\$1.10	\$8.80	\$1.15	\$9.20
Gurnee	\$3.44	\$25.78	\$3.58	\$26.85
Hainesville (Northwest)	\$3.70	\$27.75	\$3.85	\$28.88
Hainesville (Northeast Central)	\$3.44	\$25.78	\$3.58	\$26.85
Harbor Ridge	\$5.57	\$41.78	\$5.80	\$43.50
Lakes Region Sanitary District	\$3.70	\$27.75	\$3.85	\$28.88
Lake Villa	\$3.70	\$27.75	\$3.85	\$28.88
Lake Zurich	\$4.08	\$30.60	\$4.25	\$31.88
Libertyville	\$1.10	\$8.80	\$1.15	\$9.20
Lincolnshire	\$4.08	\$30.60	\$4.25	\$31.88
Riverwoods	\$5.57	\$44.56	\$5.80	\$46.40
Round Lake	\$3.70	\$27.75	\$3.85	\$28.88
Round Lake Beach	\$3.70	\$27.75	\$3.85	\$28.88
Round Lake Park	\$3.70	\$27.75	\$3.85	\$28.88
Round Lake Heights	\$3.70	\$27.75	\$3.85	\$28.88
Waukegan	\$3.44	\$25.78	\$3.58	\$26.85

Regional bill comparison – existing and proposed rates



- ▶ Includes utilities with treatment services plus others that bill for sewer collection only
- ▶ Proposed rates do not materially impact Lake County's position in the survey

Connection fee direction requested

- ▶ Preliminary results of connection fee analysis suggests potential for substantial increases
- ▶ We believe existing Lake County connection fees are higher than most regional peers
- ▶ Policy direction requested on approach to connection fees
 - Defer connection fee increases for a period of time
 - “Rip the band-aid off” and pursue more immediate implementation
 - Phase-in adjustments based on
 - Proposed user charge rate increases
 - Inflation-based index such as CPI or ENR’s Construction Cost Index

OPEN DISCUSSION

