Water & Sewer Rate and Connection Fee Study Briefing

- Financial planning scenarios
- Current regional utility bill comparison
- Rate structure concepts

Presentation to PWP&T Committee

April 3, 2019

Project timeline

August 2018	Project initiation and data collection
October - January	Analysis and scenario runs
February	PWPT process overview
April	Policy direction on proposed financial planning scenarios
May	Policy direction on proposed rates
May-June	PWPT decision

Rate structures past and present

Implemented as part of the 2015 rate study

- Minimum charges for customers decreased from 3,000 to 2,000 gallons per month
- Summer sewer credit cap increased from 110 to 120%
- Introduction of a tiered rate structure for residential customers to encourage conservation with a 5% differential based on usage

2008-2015

7 year freeze.

2016-2018

3 year fix for operational cost.
Water 10%/year - Sewer 7%/year

2019

1 year CPI. 2%/year

3rd party pass-throughs incorporated each year

Investment categories

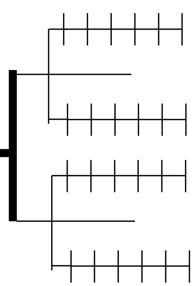
Average Total
$9.2M

Water Production & Storage
$1.7M

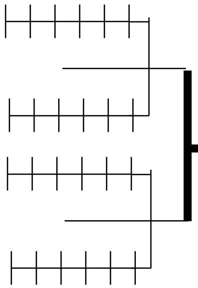
Water Distribution
$2.7M

Sewage Collection System
$2.6M

Water Reclamation Plants
$1.3M



Happy Customer!



Other Support Facilities & Equipment
$0.9M

Financial planning guiding principles

- Cash based revenues and expenditures
- Target debt service coverage of 1.5x
- Sustain minimum reserves of at least 25% of O&M
- No new debt
- Evaluate water and sewer as self-sufficient utilities, as well as a consolidated enterprise

- Other considerations
  - Mitigate rate shock
  - Potential phase-in of capital spending targets

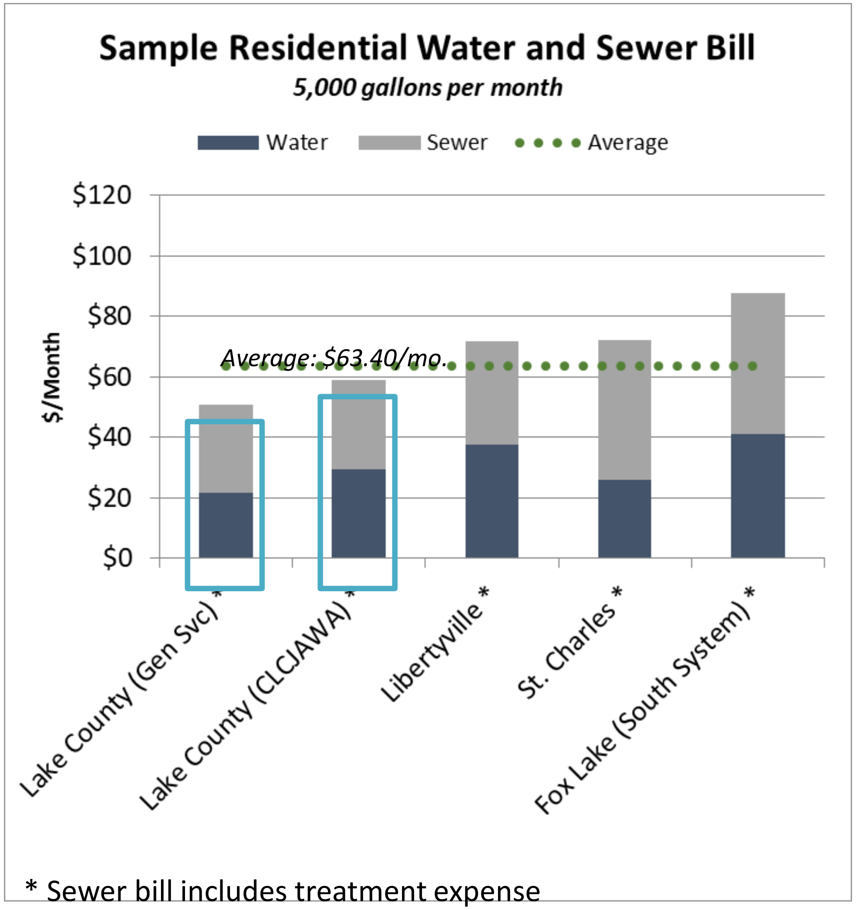
Scenario summaries

	Scenario									
	One				Two				Three	
	"Rip the Band-aid Off"				"5-Year CIP Goal"				"10-Year CIP Goal"	
	Year CIP Target Reached									
Water	2020				2024				2029	
Sewer	2020				2023				2022	
	Total Proposed Revenue Adjustments									
	Water	Sewer	Total		Water	Sewer	Total	Water	Sewer	Total
2020	57.0%	16.0%	28.3%		11.0%	4.3%	6.3%	6.8%	6.8%	6.8%
2021	2.1%	2.1%	2.1%		11.0%	4.3%	6.4%	6.8%	6.8%	6.8%
2022	2.1%	2.1%	2.1%		11.0%	4.3%	6.5%	6.8%	3.1%	4.2%
2023	2.1%	2.1%	2.1%		11.0%	4.3%	6.6%	6.8%	2.1%	3.6%
2024	2.1%	2.1%	2.1%		11.0%	4.3%	6.7%	6.8%	2.1%	3.6%
2025	2.1%	2.1%	2.1%		2.1%	2.1%	2.1%	6.8%	2.1%	3.7%
2026	2.1%	2.1%	2.1%		2.1%	2.1%	2.1%	6.8%	2.1%	3.8%
2027	2.1%	2.1%	2.1%		2.1%	2.1%	2.1%	6.8%	2.1%	3.8%
2028	2.1%	2.1%	2.1%		2.1%	2.1%	2.1%	6.8%	2.1%	3.9%
2029	2.1%	2.1%	2.1%		2.1%	2.1%	2.1%	6.8%	2.1%	3.9%

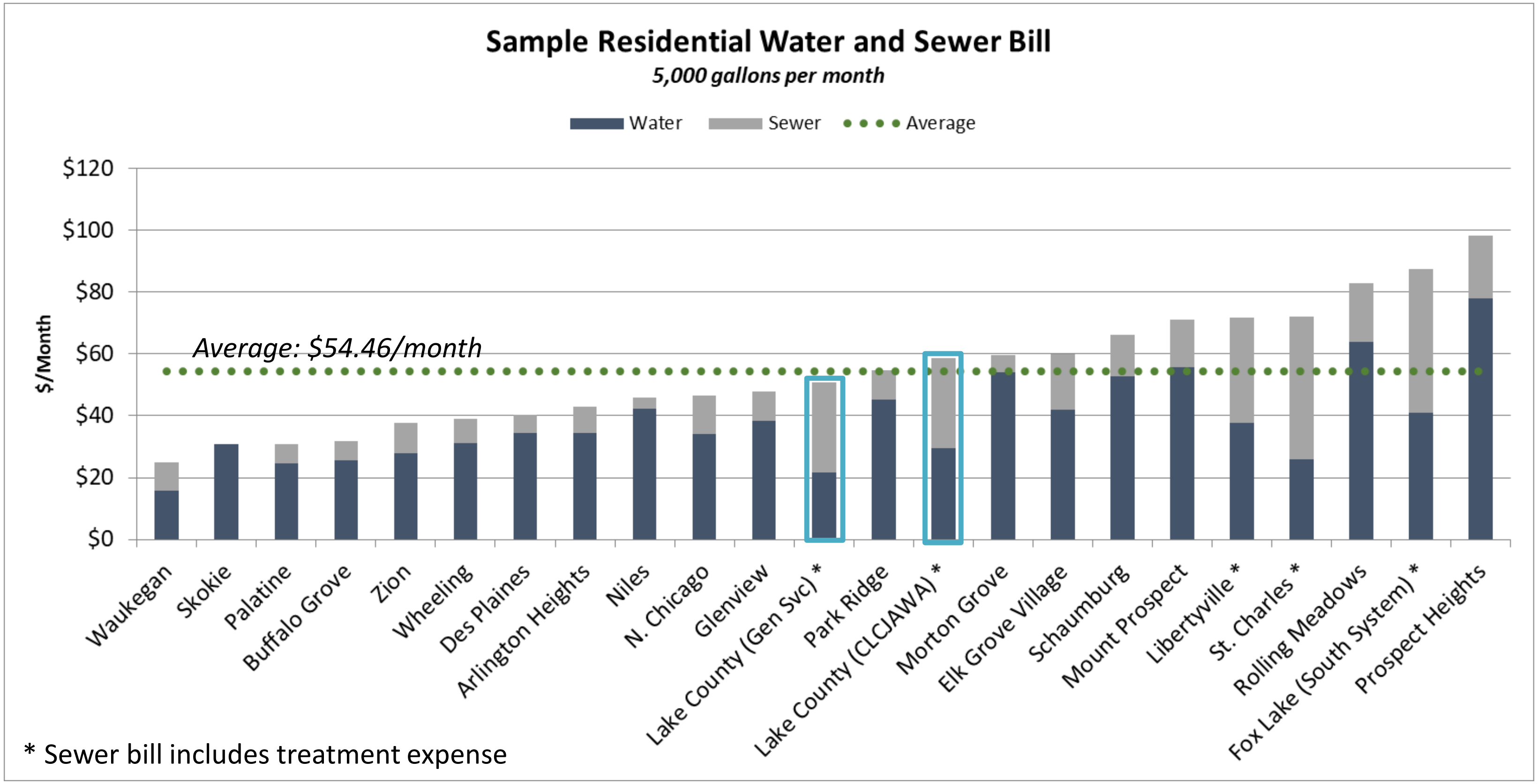
Note: CPI estimated to be 2.1%

Regional bill comparison – existing rates

- Survey compares Lake County bills under existing rates to regional peers with sewer treatment service
- In the Chicagoland area, some sewer utilities:
  - Provide collection service only, with sewer treatment billed separately
  - Recover treatment costs through taxes
- This is a static snapshot of current rates
  - Nationally, utility rates are increasing on average 5-6% per year
  - While circumstances vary for individual utilities, expect utility bills to increase over time



Broader regional bill comparison – existing rates



- Includes utilities from initial survey plus others that bill for sewer collection only
- Lake County reasonably well positioned under existing rates even when compared to utilities where treatment expenses is billed separately

Rate structure concepts under evaluation

- Replacing minimum bill structure with a fixed charge
- Evaluating spread between water volumetric rate blocks
- Consolidating water volumetric rate blocks

OPEN DISCUSSION