

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
JULY 8, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
DuPage Water Commission – Water Rate Increase	Resolution Ordinance Motion ✓ Discussion Only	Michael Baker Assistant Village Manager

SYNOPSIS

Discussion is requested to assist staff in preparation of the FY09 Municipal Budget and Five-Year Financial Plan. Effective January 1, 2008, the City of Chicago, which provides water to the DuPage Water Commission (DWC) that is then resold to the DWC's member communities, adopted a series of rate increases over a three-year period that will significantly impact the costs of water.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for 2007-2012 identified *Exceptional Municipal Organization*. A supporting objective is *Financially Sound and Sustainable Village Government*.

FISCAL IMPACT

On average, the Village of Downers Grove purchases approximately 2,150,000 units of water annually (1 unit = 1,000 gallons). Based on this level of consumption, the rate increase scheduled to go into effect on October 1, 2008, will cost the Village an additional \$100,235 through the remainder of this fiscal year. For FY09, it is estimated that the rate increase will cost the Village an additional \$779,500 as compared with the cost of water based on current rates. Staff will prepare a comprehensive Water Fund and rate analysis as part of the FY09 Budget.

RECOMMENDATION

Information only. Staff recommends the Village maintain existing water rates through FY08 and consider water rates adjustments as part of the FY09 budget process.

BACKGROUND

The Village is a charter member of the DuPage Water Commission and purchases potable water from the Commission at a wholesale rate and in turn the Village re-sells the water to the customers of the Village's water system. The Village currently pays for water at a rate of \$1.25, which took effect in May 2007 following a \$0.20 rate reduction by the DuPage Water Commission. Village residents pay \$2.72 per unit (100 cubic feet, which equals 750 gallons). Non-residents are charged \$3.17 per unit.

Water is originally pumped from Lake Michigan to the DuPage Water Commission's distribution system by the City of Chicago. In developing its 2008 Budget, the City imposed rate increases on the sale of water for three years beginning on January 1, 2008, as listed below. As a result, the DuPage Water Commission took action at its April 10, 2008, meeting to pass along the increases to its member communities over a three year period, as follows:

<u>City of Chicago</u>		<u>DuPage Water Commission</u>	
Rate Increase	Effective Date	Rate	Effective Date
15%	January 1, 2008	\$1.45	October 1, 2008
15%	January 1, 2009	\$1.68	May 1, 2009
14%	January 1, 2010	\$1.93	May 1, 2010