

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
SEPTEMBER 23, 2008 AGENDA

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

SYNOPSIS

An ordinance has been prepared to increase water rates beginning January 1, 2009, as a result of an increase in the price of water imposed by the City of Chicago upon the DuPage Water Commission, from which the Village purchases its water at a wholesale rate.

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

The Village's Water Fund provides for the maintenance and operation of the water system. The cost to the Village for the purchase of water from the DuPage Water Commission will increase by 15 percent effective October 1, 2008, another 15 percent effective May 1, 2009, and by 14 percent effective May 1, 2010. This will increase the rate at which the Village purchases water from \$1.25 per 1000 gallons to \$1.93 per 1000 gallons after all of the rate increases have taken effect. These rate increases are estimated to raise the overall cost for the purchase of water from \$2.7 million in FY08 to \$4.3 million in FY11.

The ordinance will provide for rate increases in January 2009 and again in May 2009 to pass along these increases to water customers.

RECOMMENDATION

Approval on the October 7, 2008 active agenda.

BACKGROUND

The Village is a charter member of the DuPage Water Commission and purchases water from the Commission at a wholesale rate. 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), with a two-unit minimum on each bi-monthly bill. 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>	
<u>Rate Increase</u>	<u>Effective Date</u>	<u>Rate</u>	<u>Effective Date</u>
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

The Village conducted a review of the financial condition of the Water Fund in preparing this item, provided in the table below:

2009 Budget – Water Fund						
(\$ in 000s)	2008 YE est.	2009 Budget	2010 Projection	2011 Projection	2012 Projection	2013 Projection
Beginning Cash Balance	8,364	4,579	2,111	151	(1,575)	(2,483)
Revenues						
Water Sales	7,000	8,105	8,603	9,058	9,511	9,986
All other	622	566	522	520	518	513
Total revenues	7,622	8,671	9,125	9,578	10,029	10,499
Expenses						
Water Purchase	2,770	3,595	4,129	4,300	4,300	4,300
Debt Payment	506	503	504	503	496	-
CIP	4,723	3,060	2,925	2,860	2,400	2,100
All Other	3,408	3,980	3,527	3,641	3,742	3,863
Total Expenses	11,407	11,139	11,085	11,304	10,938	10,263
Change in Fund Balance	(3,785)	(2,468)	(1,960)	(1,726)	(909)	236
Ending Balance	4,579	2,111	151	(1,575)	(2,483)	(2,247)

Based on this review, the Water Fund is not generating sufficient revenue to provide for the operation and maintenance of the system in the long term. This is due in part to the significant cost for infrastructure replacement and repair. In addition, the most recent increase to the water rates to support enhanced system maintenance took place in 2003. The rate increases enacted by the City of Chicago and the DuPage Water Commission compels the Village to consider proportionate increases to its rates. It is anticipated that additional water rate increases will be required beyond 2010 to provide additional revenue to adequately support the operations of the fund. Staff also plans, as part of the Long Range Financial Plan update in 2009 to more closely examine Water Fund expenses and long-term capital needs to ensure that projects are coordinated with other infrastructure work to take advantage of economies of scale.

The ordinance would impact individual households as follows:

	Current	With 1/1/09 Increase	With 5/1/09 Increase
Rate	2.72	2.87	3.04
Typical Consumption (units)	16	16	16
Total Bill	43.52	45.92	48.68
\$ difference from current bill		2.40	5.16
% difference from current bill		5.5%	11.9%

Staff is seeking Village Council approval at this time to allow for notification to be sent to all water billing customers as part of the November and December billing cycles.

There are several alternatives to the ordinance as presented, which staff could explore at the direction of Council. However, any reduction in the recommended rate increases is likely to have a more adverse impact of the financial condition of the Water Fund, at a time when costs are increasing in a manner that is beyond the Village's control.

Water Rates

ORDINANCE NO. _____

AN ORDINANCE AMENDING RATES CHARGED FOR METERED WATER

BE IT ORDAINED by the Village Council of the Village of Downers Grove in DuPage County, Illinois, as follows: (Additions are indicated by **shading**/underline; deletions by ~~strikeout~~):

Section 1. That Section 25.29. is hereby amended to read as follows:

25.29. Rates and charges for metered water.

Water will be furnished to consumers only at rates and charges determined as follows:

(a) Except as provided in Section 25-30, the charge for water furnished to consumers located within the Village limits shall be calculated on a flat rate basis as set forth in the following schedule:

(1) Within Village Limits:

Effective January 1, 2009:

(i) Five dollars and ~~forty~~seventy-four cents (\$5.~~47~~4) or two (2) units for property within Village limits will be imposed every two (2) months as a minimum charge for the consumption of two hundred (200) cubic feet of water, or less, notwithstanding charges for additional consumption.

(ii) Two dollars and ~~seventy-two~~eighty-seven cents (\$2.~~72~~87) for property within Village limits will be charged for the consumption of every additional one hundred (100) cubic feet.

Effective May 1, 2009:

(i) Six dollars and eight cents (\$6.08) or two (2) units for property within Village limits will be imposed every two (2) months as a minimum charge for the consumption of two hundred (200) cubic feet of water, or less, notwithstanding charges for additional consumption.

(ii) Three dollars and four cents (\$3.04) for property within Village limits will be charged for the consumption of every additional one hundred (100) cubic feet.

(2) Outside Village Limits:

Effective January 1, 2009:

(i) Six dollars and ~~thirty-four~~sixty-nine cents (\$6.~~34~~69) or two (2) units for property outside Village limits will be imposed every two (2) months as a minimum charge for the consumption of two hundred (200) cubic feet of water, or less notwithstanding charges for additional consumption.

(ii) Three dollars and ~~seventeen~~thirty-four cents (\$3.~~17~~34) for property outside the Village limits will be charged for the consumption of every additional one hundred (100) cubic feet.

Effective May 1, 2009:

(i) Seven dollars and nine cents (\$7.09) or two (2) units for property outside Village limits will be imposed every two (2) months as a minimum charge for the consumption of two hundred (200) cubic feet of water, or less, notwithstanding charges for additional consumption.

(ii) Three dollars and fifty-four cents (\$3.54) for property outside Village limits will be charged for the consumption of every additional one hundred (100) cubic feet.

(3) The rates set forth herein shall apply equally to all water meter sizes.

(b) The charges for water furnished to any building or portion thereof used for multiple-family residence purposes or mixed business and residential uses (except buildings having separate meters for each dwelling unit or use therein) shall be the aggregate of the applicable charges for each dwelling unit or use in such building or portion thereof served through a single meter, computed as though each such dwelling unit or use:

(1) Was a separate building connected to a separate water meter; and

(2) Consumed during such two-month billing period a quantity of water determined by dividing the total water consumption of such multiple-family or mixed use building by the number of dwelling units or uses contained in such building or portion thereof.

Water Rates

(c) During the month of January in each year, any purchaser of water from the Village for resale, in whole or in part, to consumers located outside the Village limits shall file with the Village Treasurer a sworn written statement setting forth the number of separate dwelling units served by such purchaser as of the date of such statement, including all separate single-family buildings and all separate dwelling units contained within buildings used for multiple-family residence purposes. The charges for water furnished to any such purchaser shall be two times the aggregate of the applicable charges for each such dwelling unit, computed as though each such dwelling unit:

(1) Was a separate single-family building connected to a separate water meter; and

(2) Consumed during such two-month billing period a quantity of water determined by dividing the total water consumption of such purchaser by the number of dwelling units set forth in the latest sworn statement on file with the Village treasurer with respect to such purchaser.

(d) The charges for water furnished to contractors acquiring water from the hydrant connection at the Public Works Facility, 5101 Walnut, Downers Grove, shall be two hundred percent (200%) of the rate listed in subsection (a)(1)(ii), above.

(e) The charges for water furnished to contractors taking water from public hydrants other than at the Public Works yard shall be two hundred percent (200%) of the rate listed in subsection (a)(1)(ii), above.

(Ord. No. 2942, § 1; Ord. No. 3209, § 1; Ord. No. 3326, § 5; Ord. No. 3424, § 2; Ord. No. 3437, § 2)

Section 2. That all ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

Section 3. That this ordinance shall be in full force and effect from and after its passage and publication in the manner provided by law.

Mayor

Passed:

Published:

Attest: _____
Village Clerk