



Water and Sewer Rate Study Village of Itasca

June 18, 2024



Agenda

- Background
- Capital projects
- Rate alternatives
- Results
- Recommendation
- Rate Comparisons
- Discussion

Background and Work to Date

- Village hired Stanley Consultants to complete a water and sewer rate study.
- Goal is to recommend water and sewer rates for the next five years to adequately cover operating and capital expenses, without overcharging.
- Started with a comprehensive review of financial and operational data
- Met with Village staff to review findings
- Developed several rate alternatives
- Met with Village staff to review and refine the alternatives

Planned Capital Projects

- Current annual debt service: \$2.74 million
- 2024-2025: \$3.69 million
- 2025-2026: \$8.60 million
 - Northside Infrastructure Project, water main replacement
- 2026-2027: \$3.58 million
 - Water main replacement, sewer main rehabilitation, water storage tank repairs
- 2027-2028: \$3.79 million
 - Northside Infrastructure Project, water storage tank upgrades
- 2028-2029: \$1.05 million

Methodology and Assumptions

- Establish trends of past revenues and expenses.
- Project revenues and expenses forward for five years.
- Assume inflation rate of 3%.
- Assume DuPage Water Commission cost of water increases 3% annually.
- Assume water usage is consistent across five years.

Observations and Considerations

- Current policy is to maintain a 45-day reserve in the water and sewer operating fund.
 - An increase to 90 days was considered but is not recommended at this time. Sufficient reserves are maintained in operating account, capital account, and general fund.
- Approximately 60% of expenses are related to sewer system, 40% water system.
 - Revenue generated is 50% from water rates and 50% from sewer rates.
- Itasca has above average water and sewer rates compared to similar surrounding communities.
 - Rates are affected by many factors, such as other subsidies contributing revenue, varying age of infrastructure, varying population, TIF districts, etc.

Goals

- Collect sufficient revenue to properly operate, maintain, and renew the Village's water and wastewater infrastructure.
- Design water and sewer rates to adequately fund necessary expenses, without overcharging.
- Increase proportion of revenue generated by sewer charges to better match distribution of expenses.
- Maintain 45 days operating reserve in operating account.
- Maintain between \$2 - \$3 million in capital reserves.

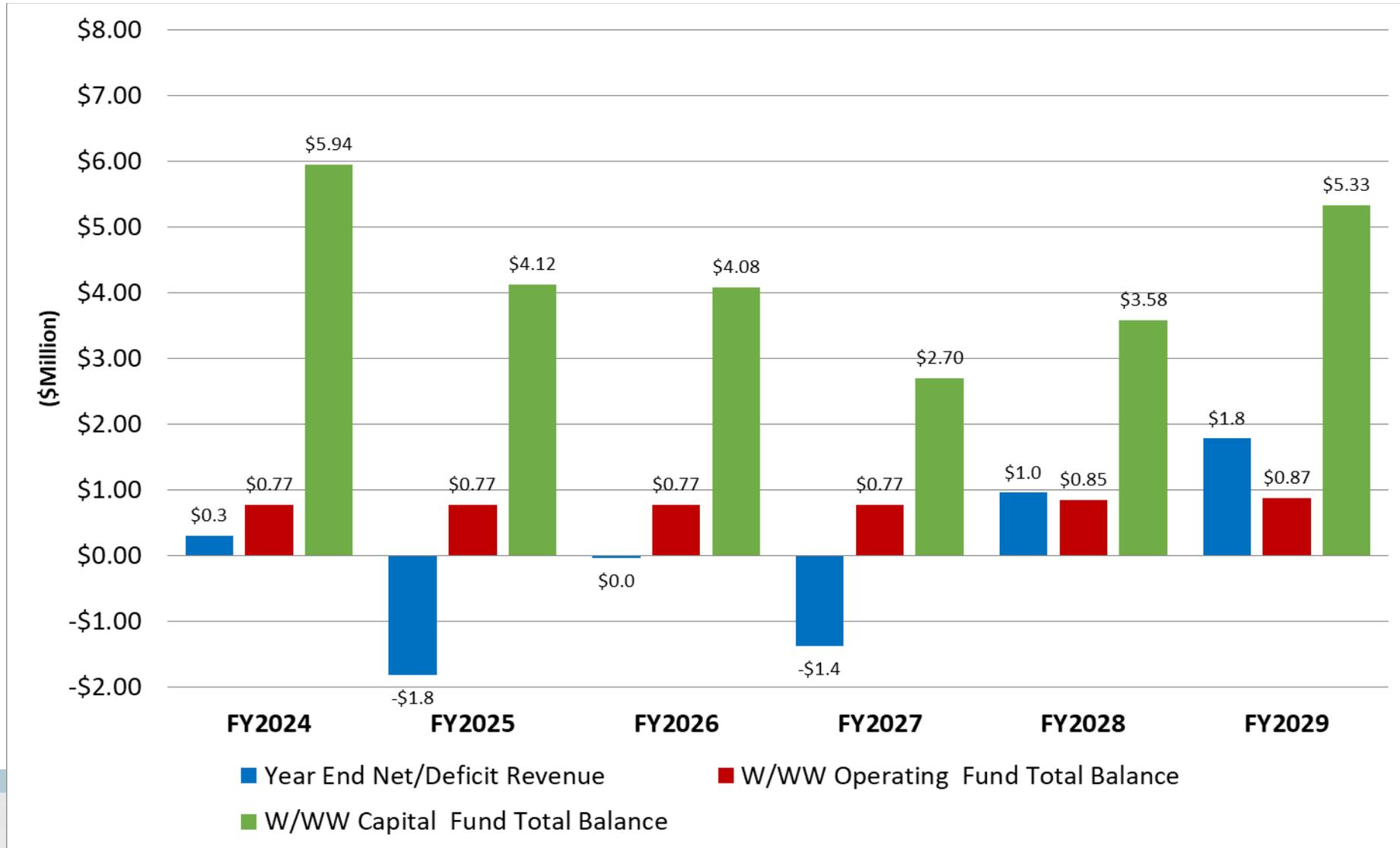
Alternatives

- **Alternative 1:** 0% rate increase this year, 5% each of the following four years
 - Northside Infrastructure project costs included.
- **Alternative 2:** 0% rate increase all five years (rates frozen)
 - Northside Infrastructure project costs included.
- **Alternative 3:** Increase ratio of sewer revenue to water revenue to better match expenses.
 - Northside Infrastructure project costs not included.
 - Rates remain frozen for the remainder of this fiscal year.
- **Alternative 4:** Increase ratio of sewer revenue to water revenue to better match expenses.
 - Northside Infrastructure project costs included.
 - Rates remain frozen for the remainder of this fiscal year.

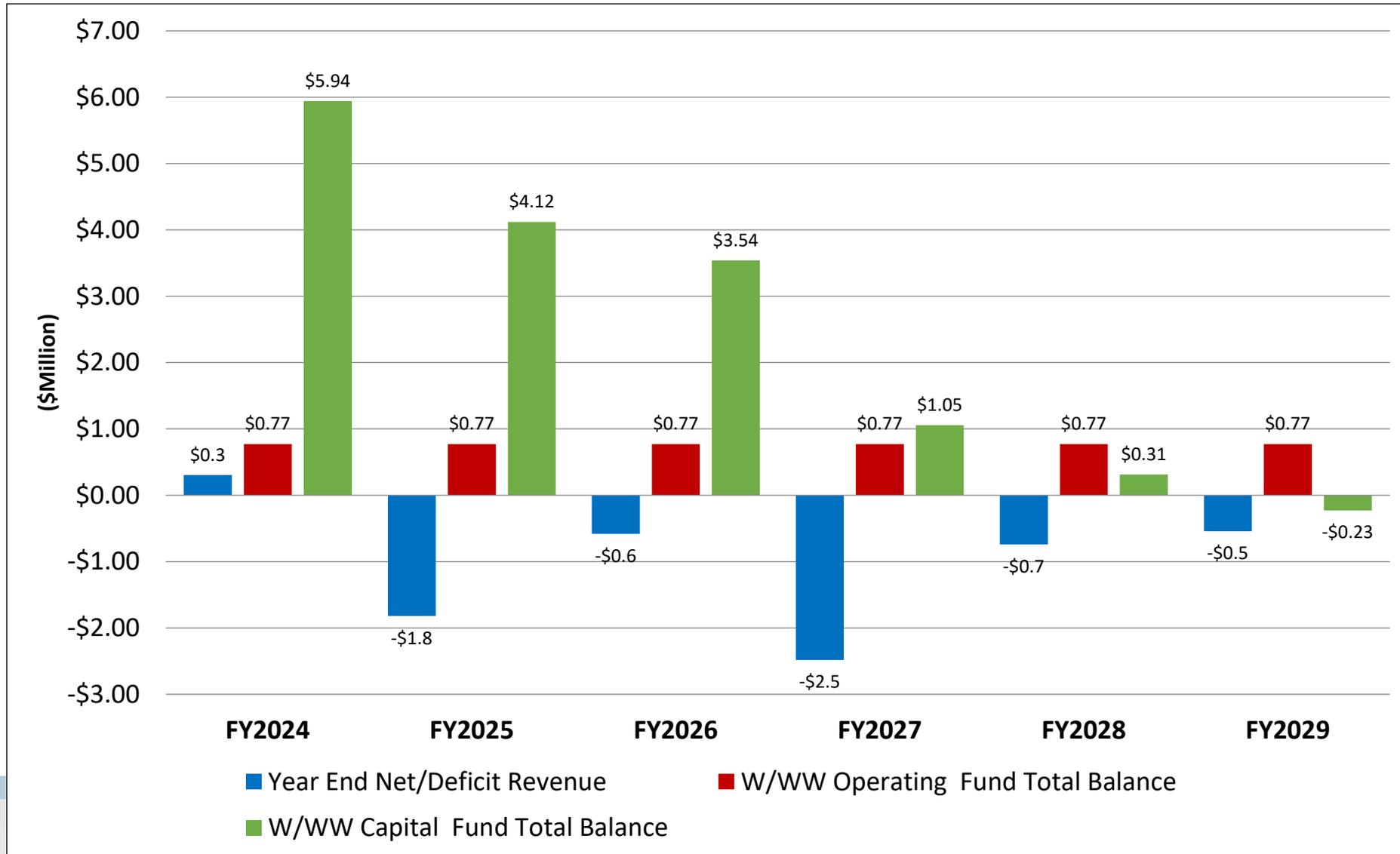
Proposed Rates

Proposed Annual Rate Increases						
Alternative	Water Volume Increase	Sewer Volume Increase	Water Fixed - Small Service Connection	Water Fixed - Large Service Connection	Sewer Fixed - Small Service Connection	Sewer Fixed - Large Service Connection
1	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	0.5%	1.0%	0.5%	1.0%	1.0%	2.0%
4	1.5%	4.0%	2.0%	4.0%	3.0%	6.0%

Alternative 1: Projected Water and Sewer Funds (Annual 5% Increase for All Charges)

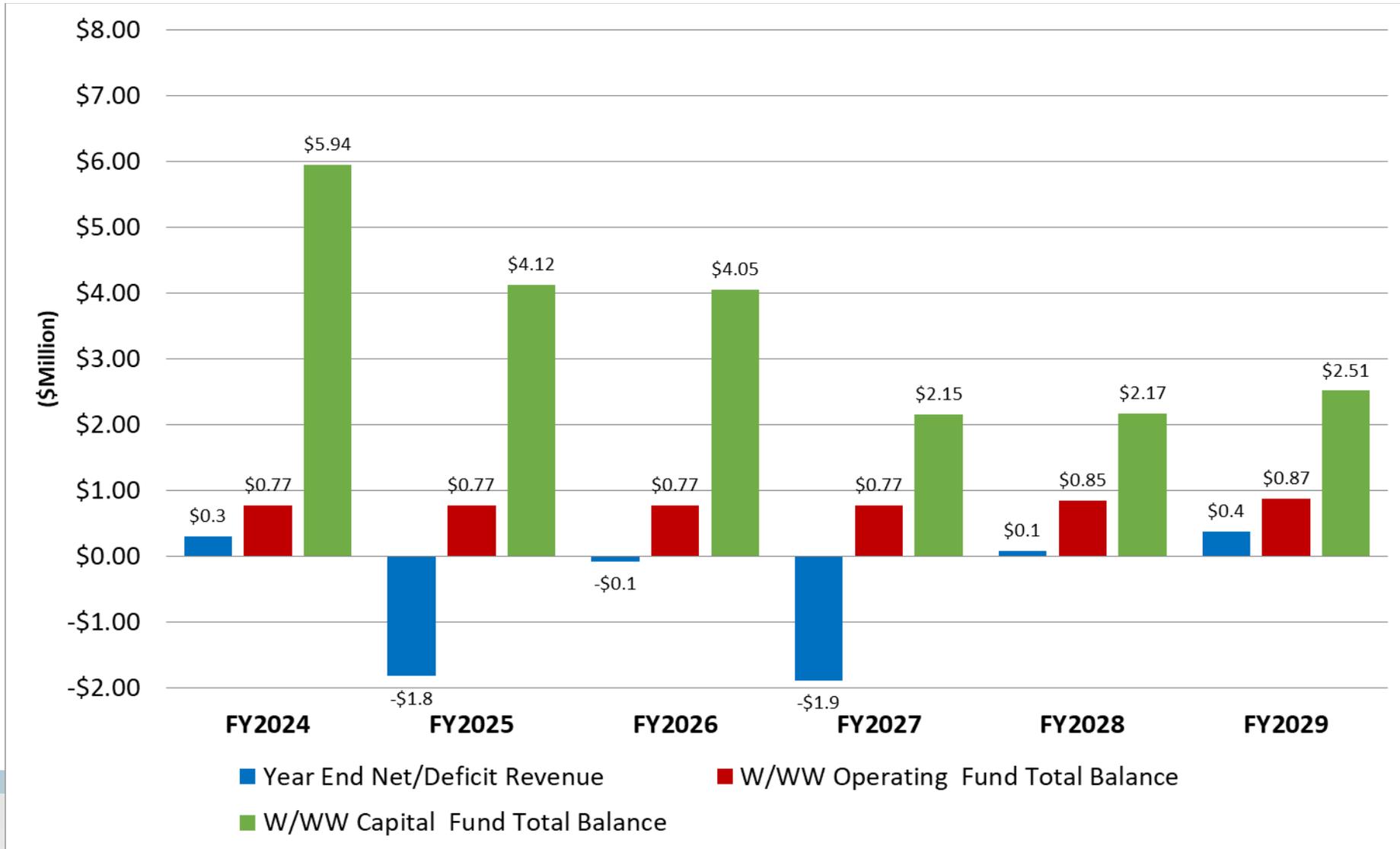


Alternative 2: Projected Water and Sewer Funds (All Rates Frozen)



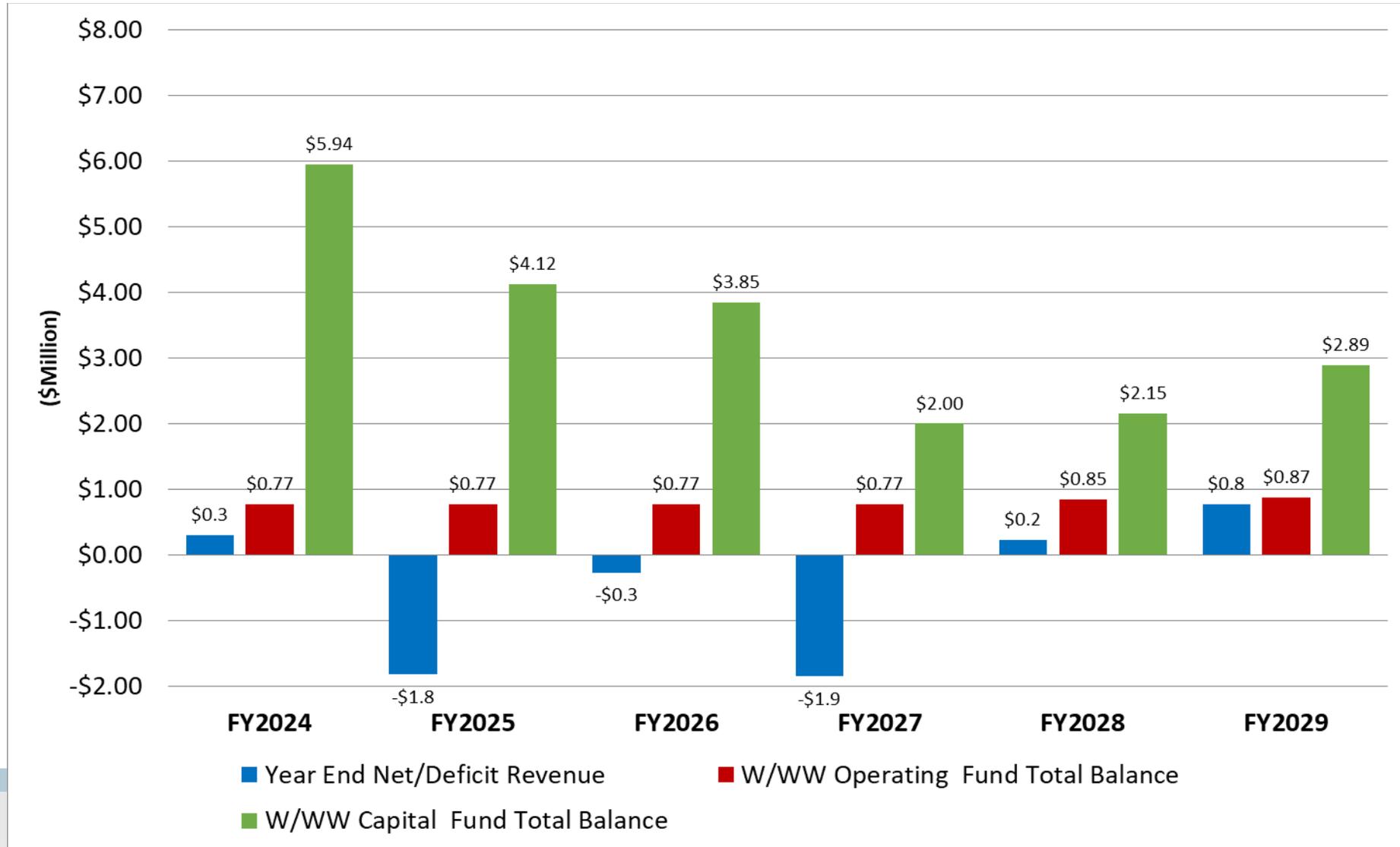
Alternative 3: Projected Water and Sewer Funds

Goals Driven Rates w/o North Side Infrastructure Project



Alternative 4: Projected Water and Sewer Funds

Goals Driven Rates with North Side Infrastructure Project



Key Results

Key Results			
Alternative	Average Residential Monthly Bill Increase	Minimum Capital Account Balance During Study Period	2029 Water/Sewer Revenue Split
1	5.0%	\$2.70M	50.3% / 49.7%
2	0.0%	(\$0.23M)	50.3% / 49.7%
3	0.8%	\$2.15M	49.7% / 50.3%
4	2.7%	\$2.00M	48.0% / 52.0%

Recommendation: Alternative 4 Goals Driven Rates w/ North Side Infrastructure Project

- Alternative 4 achieves all stated goals while also funding the water/wastewater portions of the Northside Infrastructure project. The goals are:
 - Collect sufficient revenue to properly operate, maintain, and renew the Village's water and wastewater infrastructure.
 - Design water and sewer rates to adequately fund necessary expenses, without overcharging.
 - Increase proportion of revenue generated by sewer charges to better match distribution of expenses.
 - Maintain 45 days operating reserve in operating account.
 - Maintain between \$2 - \$3 million in capital reserves.
- Rate increases are minimized to only fund the water and sewer operating and capital costs and required fund reserves.
- No revenues other than those from water and sewer charges.
- Average monthly residential cost would increase from \$135 to \$139 (FY26) and \$151 (FY29) with the proposed rate increases (+2.7%).

Water/Wastewater Rate Comparisons

- Itasca does not have the highest aggregate monthly bill. It does not have the lowest.
- Comparisons between communities are difficult because many communities subsidize their water/sewer departments with outside sources of income and provide different levels of funding for infrastructure renewal (capital spending).
- Outside sources of income used to lower water/sewer rates include:
 - Industrial Pretreatment Fees
 - Video Gaming Taxes
 - Antenna Leases
 - TIF District Funding (Property taxes diversion)
 - Sales Taxes

Water/Wastewater Rate Comparisons – Residential Monthly Cost

- Looking only at the combined water/sewer charges for a home using 4,000 gallons of water per month some typical costs in DuPage County in 2024 are as follows:

Community	Water	Sewer	Total
Itasca:	\$67.49	\$67.95	\$135.44
A*	\$44.36	\$37.64	\$82.00
B	\$67.00	\$28.40	\$95.40
C*	\$49.62	\$73.54	\$123.16
D	\$108.90	\$96.52	\$205.42

* Outside source of funding not included.

Questions and Discussion