

 <p>CITY OF ST. CHARLES ILLINOIS • 1834</p>	AGENDA ITEM EXECUTIVE SUMMARY		Agenda Item number: 7c
	Title:	Recommendation to approve an Ordinance Amending Title 13, “Public Utilities, Chapter 13.16 “Water” of the St. Charles Municipal Code to Allow for Changes in the Rate Structure for the Water Utility	
	Presenter:	Bill Hannah, Director of Finance	

Meeting: Government Operations Committee

Date: April 17, 2023

Proposed Cost: \$ *N/A*

Budgeted Amount: N/A

Not Budgeted:

TIF District: None

Executive Summary (if not budgeted, please explain):

During the recently completed budget process, staff presented information regarding the need to implement utility rate increases in order to continue funding the significant utility capital improvement projects the City has committed to doing over the last several years. These rate increases are based partly on the last completed utility rate study from 2019.

Listed below is a summary of each utility along with the recommended increase in the context of what was recommended as part of the last study. These changes as described below would result in an approximate 4.7% increase to the typical monthly utility bill, increasing from \$262 to \$274 dollars, or about \$12 per month.

Electric Utility

The City’s electric utility, as discussed during the budget process, is overall in good financial shape. The recently approved budget for next year is balanced, with roughly \$69 million in revenues and expenditures, with net current assets of \$40 million. Most of the fund’s capital projects for next year and immediate future are more maintenance related. The rate study recommended a 2.0% increase in rates for this upcoming year.

Recommendation: No changes to electric rates for the upcoming year. This would be the 4th year in a row that the City has felt it was able to forgo the recommended rate increase for the electric utility. Previous rate recommendations were 1.5% for 2020, 1.5% for 2021, 2.0% for 2022 and 2.0% for 2023 and none of the increases were recommended for implementation.

Water Utility

As discussed during the budget process, the City’s Water Fund is currently undertaking a significant amount of capital projects that were identified both several years ago and during the capital planning process. The adopted budget projects \$17.5 million in revenues and \$20.8 million in expenditures, utilizing \$3.2 million of the Water Fund’s projected net current assets of \$4.5 million. Some of these current projects for next year include:

- Completion of the Well #7 to Well #13 Interconnection Project (\$5.4 million; almost complete)
- Design of the expansion of Well #8 for needed pumping capacity (\$1.3 million; in planning)

- Various watermain replacement projects (\$2.2 million; in planning)

The Water Fund's budget for next year removed about \$2.6 million in capital projects due to a lack of funds and capacity to repay additional loans/bonds in addition to what is already being incurred and previously committed, as the debt service coverage ratio for the Water Fund has consistently been tracking below the 1.0 recommended level.

In addition, there are a number of additional capital projects in the Water Fund that will require funding in the future. Some of these include:

- Construction of the expansion of Well #8 (\$13.0 million, IEPA loan, in-planning)
- Significant watermain replacement projects (\$8.0+ million next several years)
- Replacement of water metering infrastructure (\$3-5 million, in-planning)
- Replacement of lead water lines (\$2-3 Million/yr. estimated)

Most of these capital projects will require additional discussion and analysis of funding options in the future. Projects will be further refined as part of the update of the water and sewer utility master plan this upcoming year.

Recommendation: The prior rate study recommended four (4) consecutive 10.5% rate increases beginning in 2020. The actual water rate increases implemented since 2020 were 9.0% for 2020, 9.0% for 2021, and 12.0% for 2022. 12.0% was implemented last year to make up for one of the years in 2020 and 2021 when less than the recommended amount was approved. 12.0% is recommended again for 2023 in order to fully implement the recommended rate increases. This would generate approximately \$800,000 in needed, additional revenue for capital projects and debt repayment.

Wastewater Utility

The City's Wastewater Fund's budget was approved with revenues of \$25.6 million and expenditures of \$30.2 million, utilizing about \$4.6 million of the Wastewater Funds net current assets. As with the Water utility, the Wastewater utility is also undergoing a significant number of capital projects to improve the capacity and capability of the system. As previously discussed, some of these ongoing projects the City committed to funding include:

- Expansion of the west-side treatment facility (\$19.0 million / IEPA Loan; almost complete)
- Replacement of the Riverside Lift Station (\$17.0 million / IEPA loan; in-progress)
- Eastern Sewer Trunk Main Improvements (\$18.0 million estimate Phase II)

These projects will necessitate additional revenues to repay the additional debt service on the IEPA loans. Total annual debt service is increasing next year from \$3.6 million annually to \$4.2 million annually. Additional revenues are needed in order to bring the City closer in line with the recommended 1.0 debt service coverage level.

Recommendation: The prior rate study recommended four (4) consecutive 5.0% rate increases beginning in 2020. The actual sewer rate increases implemented since 2020 were 5% for 2020, 2.0% for 2021 and 5.0% for 2022. A rate increase of 6% is recommended for next year which would generate about \$550,000 in additional revenue for debt repayment on capital projects. This is less than the 8% originally discussed during the budget process as the targeted use of one-time revenues

last year offset some of the costs of the Phase I eastern sanitary sewer intercept project. In addition, the City's monthly EPA mandate fee of \$2.75 per month would remain the same next year.

Summary

The following summarizes the recommended rate increases effective for usage on and after May 1, 2023:

Electric: 0%

Water: 12%

Sewer: 6%

As previously stated, these changes would result in an approximate 4.7% increase to the typical monthly utility bill, increasing from \$262 to \$274 dollars, or about \$12 per month.

During and after the budget process, staff spent time analyzing rate increases necessary to continue to improve the ability of the City to meet its capital/loan obligation commitments resulting from utility's operating and capital needs, while acknowledging the overall impact to customers. As previously discussed, most of the capital projects which require funding involve critical capacity requirements or the replacement of outdated infrastructure. The cost of many of these improvements has increased due to inflation, supply chain issues and lack of available contractors and suppliers. Consideration of smaller increases would result in larger rate increases in future years.

It is also important that the City remain committed to its loan repayment and debt coverage obligations that it made when applying for IEPA loans for some of the above capital projects. Implementing necessary rate changes was also outlined as a goal in the City's recently adopted strategic plan which stated that the City should, "Evaluate and implement utility rates that provide the resources necessary to fund improvements to the City's water, sewer and electric systems"

Attachments (please list):

Ordinance Amending Title 13, "Public Utilities, Chapter 13.16 "Water" of the St. Charles Municipal Code to Allow for Changes in the Rate Structure for the Water Utility

Recommendation/Suggested Action (briefly explain):

Seeking Discussion and Approval of an Ordinance Amending Title 13, "Public Utilities, Chapter 13.16 "Water" of the St. Charles Municipal Code to Allow for Changes in the Rate Structure for the Water Utility

City of St. Charles, Illinois
Ordinance No. 2023-M-_____

**An Ordinance Amending Title 13 “Public Utilities”, Chapter 13.16, “Water”,
of the St. Charles Municipal Code**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ST. CHARLES,
KANE AND DUPAGE COUNTIES, ILLINOIS, as follows:

Section 1. That Title 13 “Public Utilities”, Chapter 13.16 “Water”, Section 13.16.190 “Net Charges for Property with Buildings Connected to System”, of the St. Charles Municipal Code, is hereby deleted in its entirety and in lieu thereof the following language shall be substituted:

“13.16.190 Net Charges for Property with Buildings Connected to System

**All property upon which any building has been or may be hereafter erected
having a connection with the water system shall pay the following charges:**

**1. Customer Charge. The following customer charge is for all general service
water customers:**

Customer Charge

<u>Meter Size</u>	<u>Per Month</u>
3/4” and under	\$ 13.71
1”	\$ 17.66
1-1/4”	\$ 21.46
1-1/2”	\$ 24.71
2”	\$ 33.35
3”	\$ 53.01
4”	\$ 80.90
7-1/2”	\$ 218.06

2. Water Charge. The following water rates apply to all customers:

**Base Water Rate – Five dollars and seventy-five cents (\$5.75) per 1000
gallons.**

***Excess Seasonal Water Rate – Nine dollars and eighty-two cents (\$9.82) per
1000 gallons.**

***Excess Seasonal Water Rate applies to water use that is billed to the customer starting in the month of June and the next four succeeding months.**

The excess seasonal water rate applies to water used during the above period which is greater than 130 percent of the monthly average of water used during the winter quarter and which is greater than 6,500 gallons per month usage. All other water is billed at the base rate. New customers who have no history of water consumption during the winter quarter will be billed on the basis of actual consumption at the base rate until a winter average is determined.

Section 2. That this Ordinance shall be in full force and effect ten (10) days from and after its passage, approval and publication in pamphlet form as provided by law; provided, however, that the rates set forth herein shall be effective for the first billing period subsequent to June 1, 2023.

Section 3. That after the adoption and approval hereof this Ordinance shall (i) be printed or published in book or pamphlet form, published by the authority of the Council, or (ii) within thirty (30) days after the adoption and approval hereof, be published in a newspaper published in and with a general circulation within the City of St. Charles.

PRESENTED to the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, this _____ day of May, 2023.

PASSED by the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, this _____ day of May, 2023.

APPROVED by the Mayor of the City of St. Charles, Kane and DuPage Counties, Illinois, this _____ day of May, 2023.

Lora Vitek, Mayor

ATTEST:

City Clerk

COUNCIL VOTE:

Ayes: _____

Nays: _____

Absent: _____