



Legislation Text

File #: 17-902, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the first reading and pass the Ordinance amending Title 8, Chapter 2, Article C, Section 3, and Section 5 of the Municipal Code - Water User Charges, Wastewater Service User Charges and Wastewater Quality Surcharges. (Requires six positive votes)

DEPARTMENT: Water Utilities

SUBMITTED BY: Jim Holzapfel, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Naperville's Water Utility periodically conducts a cost of service rate study to ensure the rates and fees charged to its customers recover the costs associated with providing water and wastewater utility services to the community and to fairly distribute the charges and fees amongst the various customer classes.

In April 2017, staff completed a cost of service rate study. The outcomes of the rate study intended to:

- Ensure the continued funding of operations
- Increase the funding of the capital improvement program for the replacement of critical, aging water and sanitary sewer infrastructure
- Implement a graduated phosphorous surcharge and direct the repayment of the loan to the Electric Utility to fund 50% of the improvements to the Springbrook Water Reclamation Center (estimated at \$50 million).

Through negotiations with the IEPA, the IEPA will allow the City up to 11 years from date of permit issuance to complete the phosphorus removal improvements with construction commencing approximately 8 years from the date of permit issuance. As of now, the IEPA has not issued the City of Naperville's NPDES permit.

In April of 2017, City Council approved a new five-year utility rate schedule to fund the previously noted goals. The new rates went into effect on May 1, 2017, with annual increases on January 1 of each year from 2018 to 2021.

DISCUSSION:

Through budget monitoring and the preparation of the 2018 budgets, staff observed the utility's actual revenues and the expenses differed significantly from the rate study's revenue and expenditure

projections.

After further review, staff found three significant errors in the water and sewer rate model. Due to the errors, the rates approved in April 2017 underfund the utility operations by \$3 million annually and are insufficient to maintain current operations.

Through the 2018 Budget Workshops with City Council, staff presented alternative rate options. At the November 27th workshop, City Council provided direction to prepare a structurally balanced rate schedule where utility rates fund the operations and the capital improvement budget beginning in 2018, fund the utility's capital replacement budget and save 50% of the cost of the anticipated improvements to the treatment works to remove phosphorous.

The proposed rate schedule is consistent with City Council direction and is structurally balanced, funds utility operations and the increased capital budget. The proposed rate schedule also retains the phosphorous surcharge at the same level as approved in April 2017 and directs the revenues from the surcharge and the loan repayment from the Electric Utility to fund 50% of the treatment improvements to remove phosphorous.

Under the proposed rates the average residential customer (using 5,610 gallons, 750 cubic feet) monthly water and sanitary sewer utility bill are as follows:

Year	Average Monthly Utility Bill under Previously Approved Rates	Average Monthly Utility Bill under Proposed Rates	Change to Monthly Utility Bill
2016	\$65.07	\$65.07	NA
2017	\$67.59	\$67.59	NA
2018	\$70.18	\$75.12	\$4.94
2019	\$73.14	\$78.22	\$5.08
2020	\$75.36	\$80.66	\$5.00
2021	\$77.63	\$82.14	\$4.51

To prevent the previously approved rate change occurring on January 1, 2018, and the rates proposed herein taking effect February 1, 2018, (two rate changes in two months), staff requests City Council waive the first reading of the Ordinance and approve the proposed rates effective January 1, 2018.

FISCAL IMPACT:

The proposed rate increases will correct the February 2017 rate model and result in the utility having a structurally balanced budget from 2018-2021. Consistent with the original rate study, the utility is projected to save \$19 million for phosphorus improvements by the end of 2021 from the phosphorus surcharge and electric loan repayment.