



Rochelle Municipal Utilities

Water/Water Reclamation

To: David Plyman

From: Kathy Cooper

Re: Rate Studies – Water Division

Date: April 3, 2014

Water usage in the community has grown from an average daily pumpage of 1.8 million gallons in 2005 to 2.9 million gallons per day in 2013. This increase has driven the need for increasing the capacity of the system. In 2012, the Council made the decision to move forward with the construction of a new well and tower to provide adequate capacity in the system. This will require a loan, and the decision was made to apply for an IEPA State Revolving Loan. The project plan for a loan from the IEPA has been approved, and the new well is now being drilled. This debt requires an adjustment to the Water Division rate structure, and a rate study was undertaken.

The first task of the Water Division Rate Study was to develop a rate structure that mirrored the Water Reclamation structure. The current rate structure for the Water Division consists of a fixed and usage cost and has no capital recovery component or money set aside for equipment replacement. Matt Hansen of Willett Hofmann and I reviewed the past years' budgets and performed an analysis to:

1. Evaluate the current revenues and expenses
2. Develop a budget based upon the needs of the division
3. Develop a debt service schedule to pay for the planned improvements.
4. Develop an equipment replacement fund

The Water and Water Rec Divisions are one fund, and another goal of the report is to provide a new rate structure that has minimum impact upon the customers for water and sewer usage. We also compared rates with surrounding communities to verify that the rates are comparable. We are proposing that the new rates be phased in over three years to coincide with the loan payment schedule.

The current tiered system of rates, where the large industrial users who use more than 100,000 cubic feet per will be maintained. Industrial users pay the first tier rates for the first 100,000 cubic feet, and the lower, second tier rate applies to all usage over 100,000 cubic feet per month. Industrial customers were contacted, and the proposed rates were discussed with them.

One significant change for customers is that the fixed charge is no longer tied to the meter size. The current fixed charge ranges from \$9.95 to \$474.77 per month. This has the most significant impact upon the commercial customers.

The current and proposed rates schedule for residential and commercial customers is:

	Current	2014/15	2015/16	2016/17
Fixed	\$9.90	\$9.95	\$10.15	\$10.45
Basic User	\$1.94	\$1.44	\$1.49	\$1.53
Equipment Repl.	\$0.00	\$0.05	\$0.05	\$0.07
Non-Debt Projects	\$0.00	\$0.92	\$0.92	\$0.92
Capital Recovery	\$0.00	\$0.00	\$0.14	\$0.29
TOTAL	\$1.94	\$2.41	\$2.60	\$2.81

The current Fixed Charge for residential customers ranges from \$9.90 to \$270.00 per month.

The current and proposed rates schedule for industrial customers is:

	Current		2014/15		2015/16		2016/17	
	1st Tier	2nd Tier	1st Tier	2nd Tier	1st Tier	2nd Tier	1st Tier	2nd Tier
Fixed	\$474.77		\$9.95		\$10.15		\$10.45	
Basic User	\$1.94	\$0.78	\$1.44	\$0.39	\$1.49	\$0.41	\$1.53	\$0.42
Equipment Repl.	\$0.00	\$0.00	\$0.05	\$0.05	\$0.05	\$0.05	\$0.07	\$0.07
Non-Debt Projects	\$0.00	\$0.00	\$0.92	\$0.24	\$0.92	\$0.24	\$0.92	\$0.24
Capital Recovery	\$0.00	\$0.00	\$0.00	\$0.15	\$0.14	\$0.18	\$0.29	\$0.23
TOTAL	\$1.94	\$0.78	\$2.41	\$0.83	\$2.60	\$0.88	\$2.81	\$0.96

Fixed Charge: This covers the expense for administrative services provided by city staff, customer accounting, and transportation expenses.

User Charge: This covers personnel, power, chemicals, and the materials and supplies needed to run the division, and the transfer to the General Fund.

Equipment Replacement: These funds are set aside on an annual basis to pay for the well pumps, chemical feed equipment, pump VFD's and SCADA, and the standby generators.

Non-debt Funded Projects: These funds are for the smaller projects that do not require bond financing.

Capital Recovery: These funds pay for the bond and loan payments of larger projects.

The report was presented to the joint meeting of the Public Works Committee and the Utility Advisory Board on March 27, 2014. The recommendation to the Council from the Utility Advisory Board was to accept the recommendation for the new rate structure. All Council members have been provided a copy of the report.

I recommend approval of the rate report and the new rate structure. Please put this on the April 14, 2014 Council agenda so that the new rates can be in place by May 1, 2014.