

CITY OF JOLIET, ILLINOIS

WATER & SEWER RATE STUDY

BRIEFING

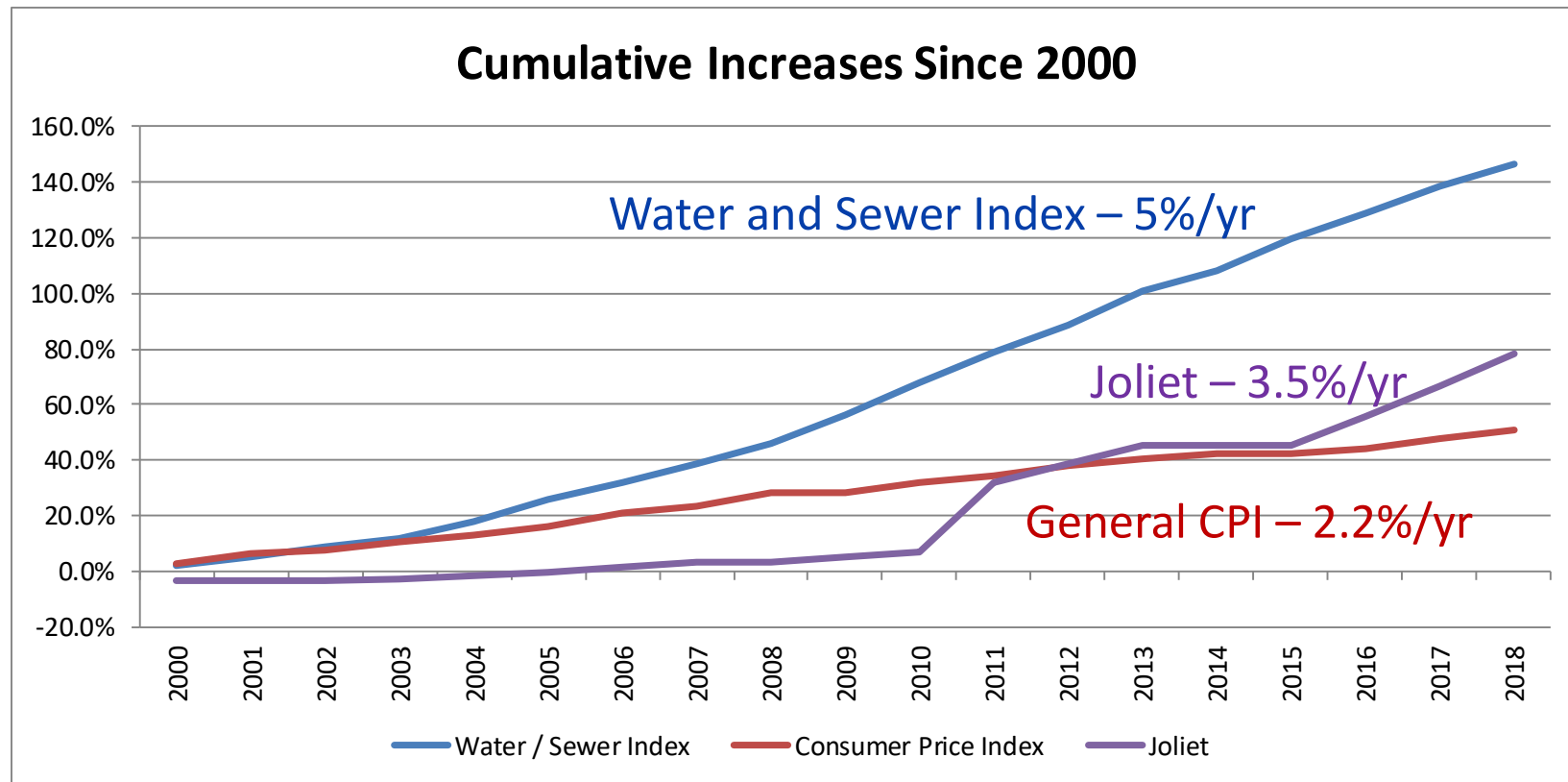
SEPTEMBER 3, 2019



Rate study background

- ▶ Comprehensive analysis in 2015
- ▶ Refreshed study in 2016
- ▶ Council adopted three 7% per year increases for both water and sewer (2016, 2017, 2018)
- ▶ Plan included additional increases in subsequent years
- ▶ Committed to following up after the three-year plan to refresh study with latest information

Trends in industry rate increases compared to CPI and Joliet

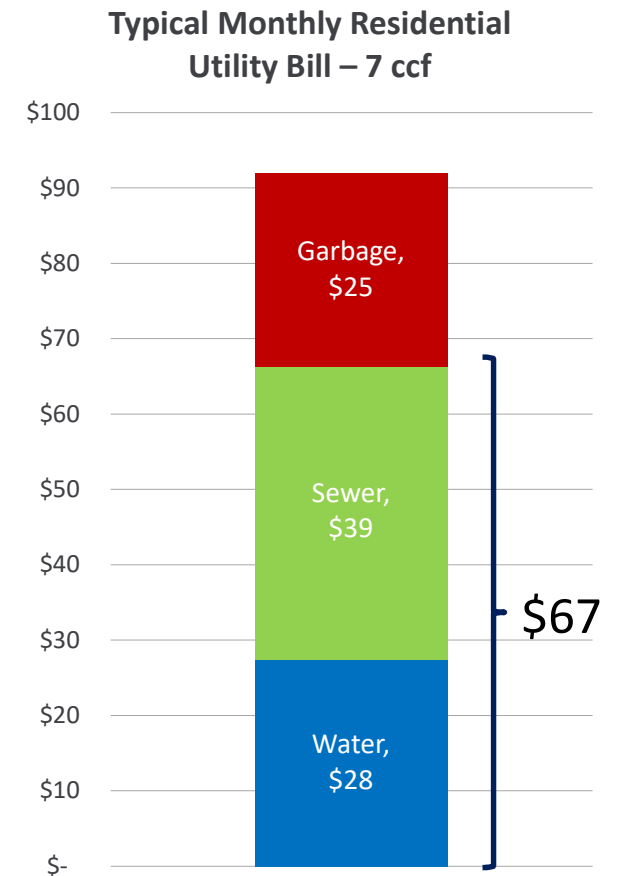


Source: Bureau of Labor Statistics, Consumer Price Index & Water & Sewer Maintenance Series

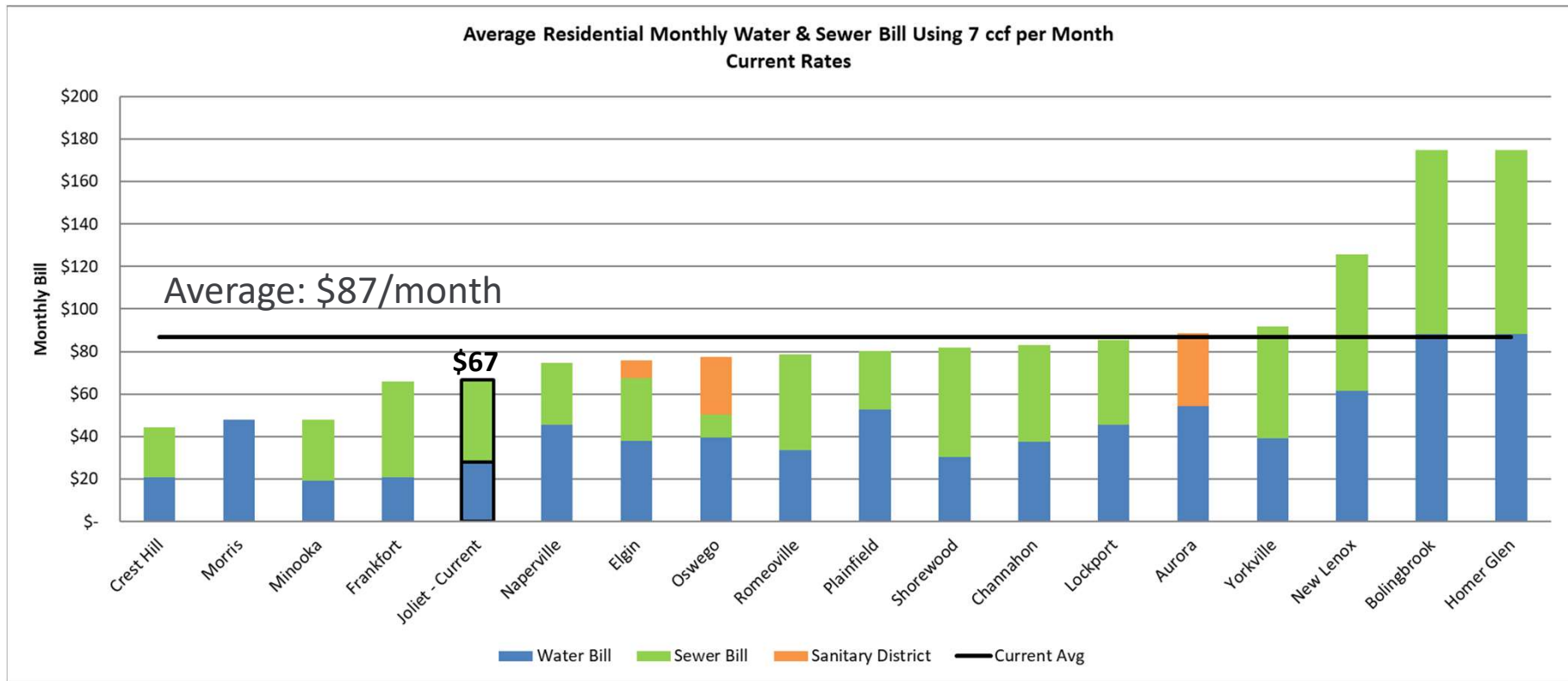
- ▶ The average industry increase has outpaced inflation by more than 2x
- ▶ The plan adopted in 2016 was a necessary first step in funding critical improvements

Water and Sewer Enterprise Fund

- ▶ Self-funded, meaning rates and fees pay for services provided
- ▶ No taxes or other funding sources
- ▶ Projects paid with cash or debt
- ▶ Does not include garbage utility, although utility bills collect garbage fees



Joliet's rates remain competitive after recent increases



- ▶ Among other Illinois communities, Joliet's existing utility rates remain competitively positioned

(a) Communities with combined water and sewer rates have a solid blue bar.

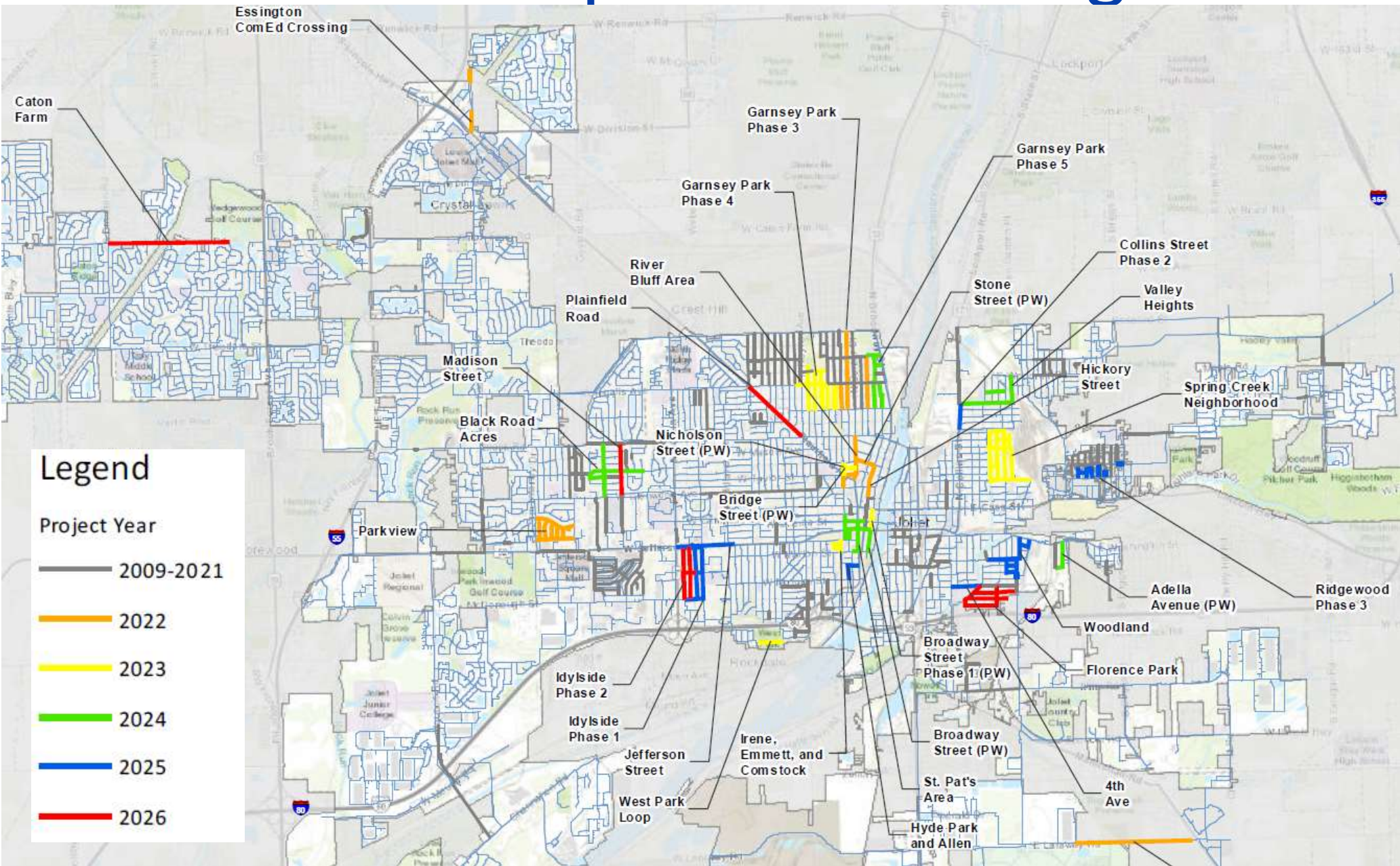
Factors contributing to rising utility rates

- ▶ Inflation on operating and capital costs
- ▶ Increasing regulatory requirements / consent orders
- ▶ Aging facilities require renewal and replacement

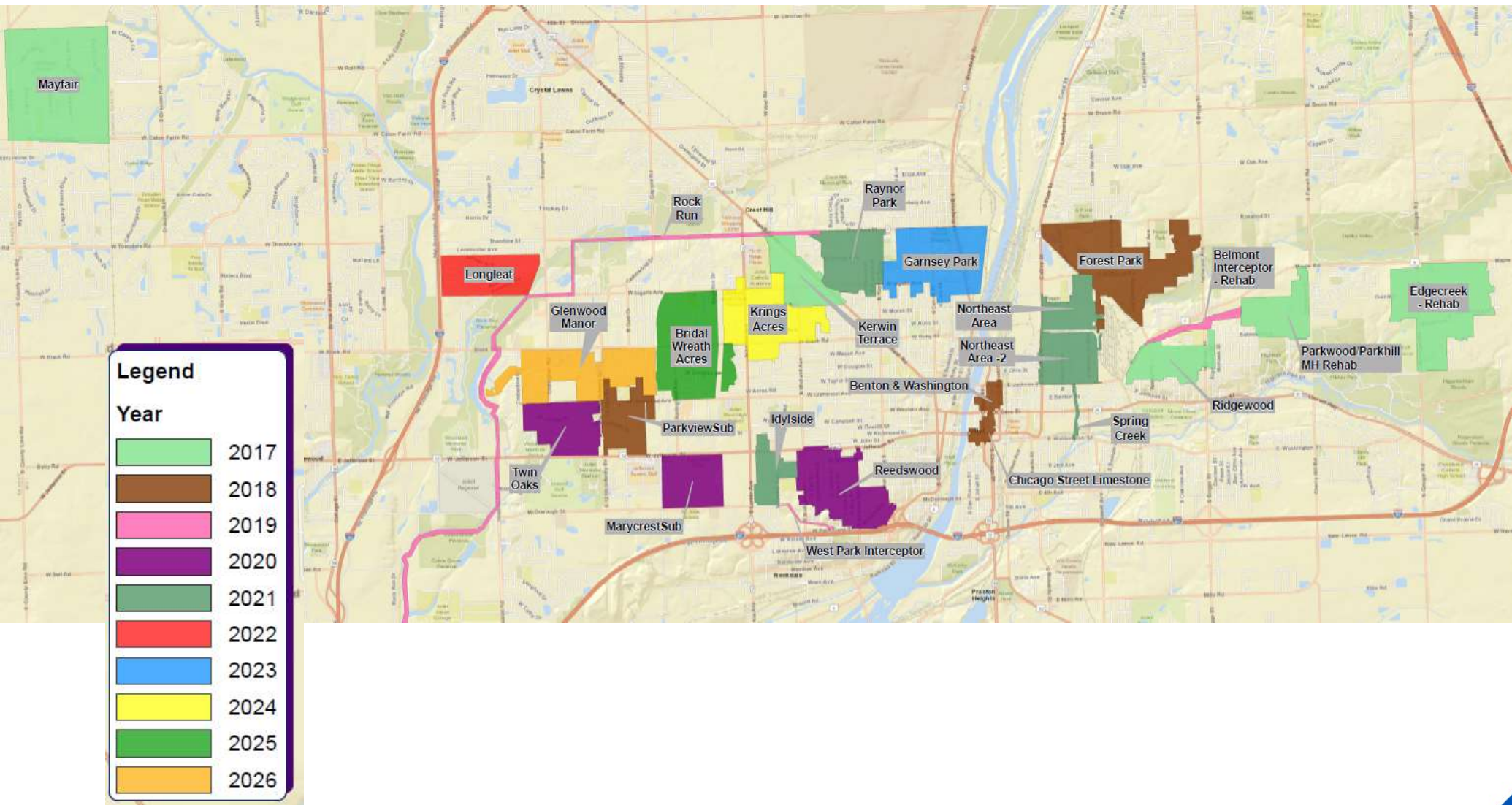
Joliet's current financial position

- ▶ Several large projects mandated by IEPA are underway, and water supply and treatment project is on the horizon
 - Long Term Control Plan to Reduce Combined Sewer Overflows - \$82 million
 - Phosphorus Removal at WWTPs - \$41 million
- ▶ Renewal and replacement transitioning to cash funding by 2022
 - 1% annual goal for water and sewer systems
- ▶ Revenue increases are
 - Needed to sustain reserves and sustain ability to issue new debt and loans
 - Higher on the water system than the sewer system
- ▶ Where possible, recommend adjusting rates gradually to mitigate rate shock

Water Main Replacement Program



Sewer Main Rehabilitation Program



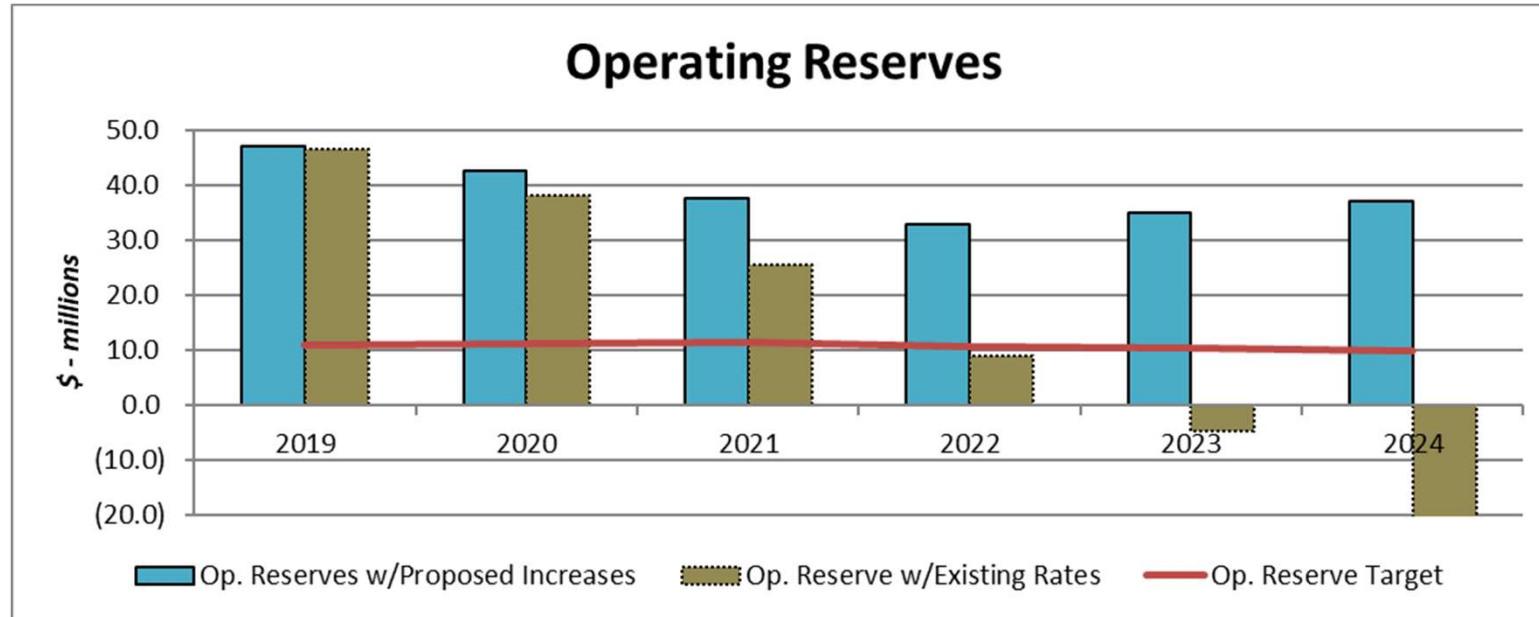
Options for overall rate adjustments

- ▶ Water needs are higher than sewer
- ▶ Increases presented here are combined
- ▶ Alternative 1 funds minimum needed
- ▶ By 2024, Alternative 2 produces additional \$9M in reserves for Water Replacement Fund

Total Utility Rate Increase		
	Alt. 1	Alt. 2
2019	5.3%	6.1%
2020	5.4%	6.2%
2021	5.4%	6.4%
2022	5.5%	6.5%
2023	5.6%	6.6%
2024	5.6%	6.8%

- ▶ Management recommends adopting first three years of Alternative 2

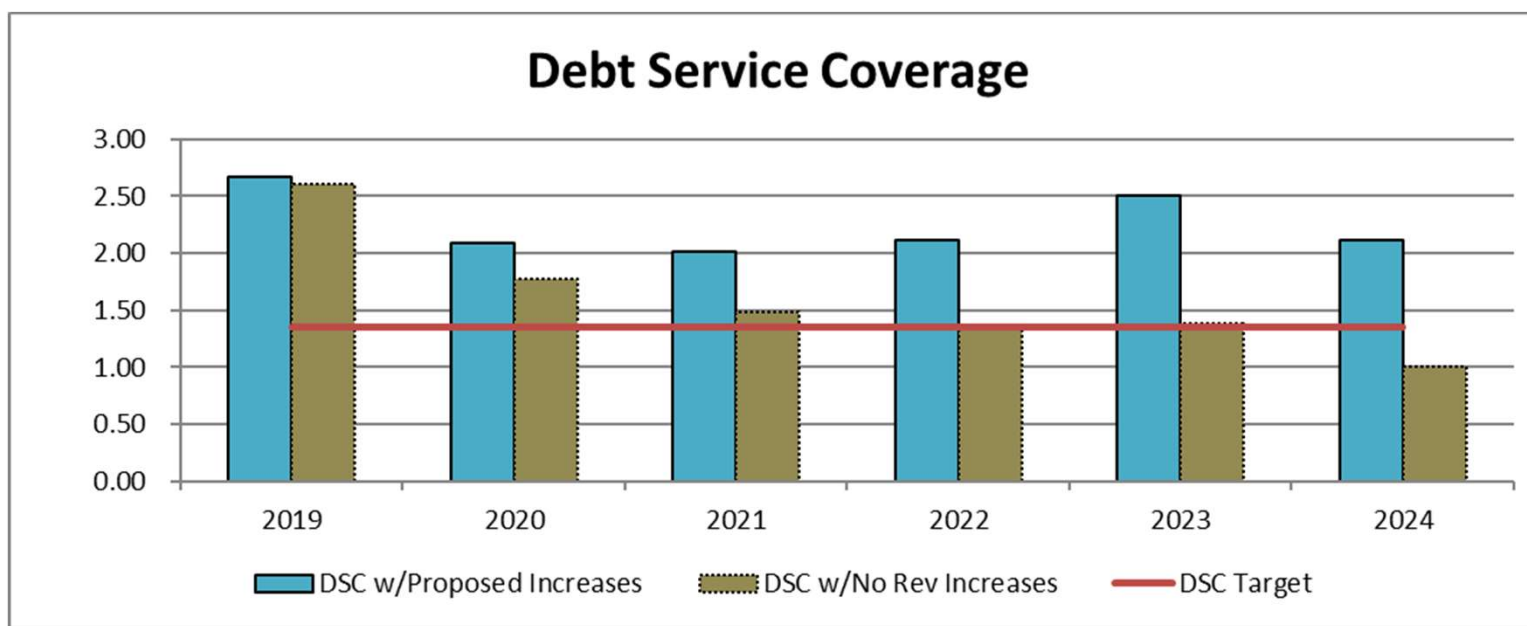
Alternative 2 sustains reserves



- ▶ Proposed increases meet financial performance targets
 - 90 Days O&M plus debt service reserve requirement minimum
 - Amount above minimum operating target funds capital projects

- ▶ Without revenue increases
 - All operating and capital reserves will be depleted in 2023

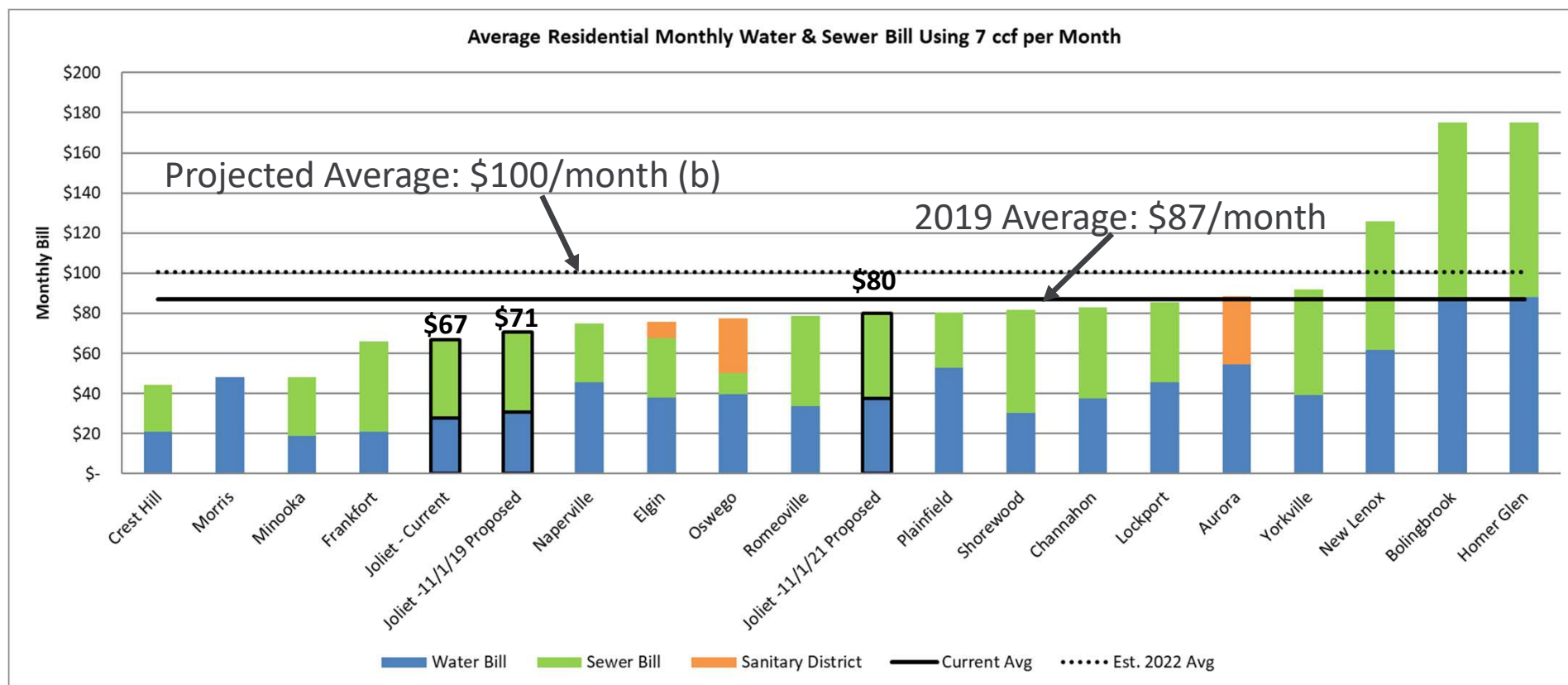
Alternative 2 maintains total debt service coverage



- ▶ Proposed increases meet financial performance targets
 - 1.35x Debt Service Coverage (DSC) minimum, consistent with existing revenue bond covenants

- ▶ Without revenue increases
 - Debt Service Coverage falls below the minimum target

Under Alternative 2, regional residential typical bills remain competitive

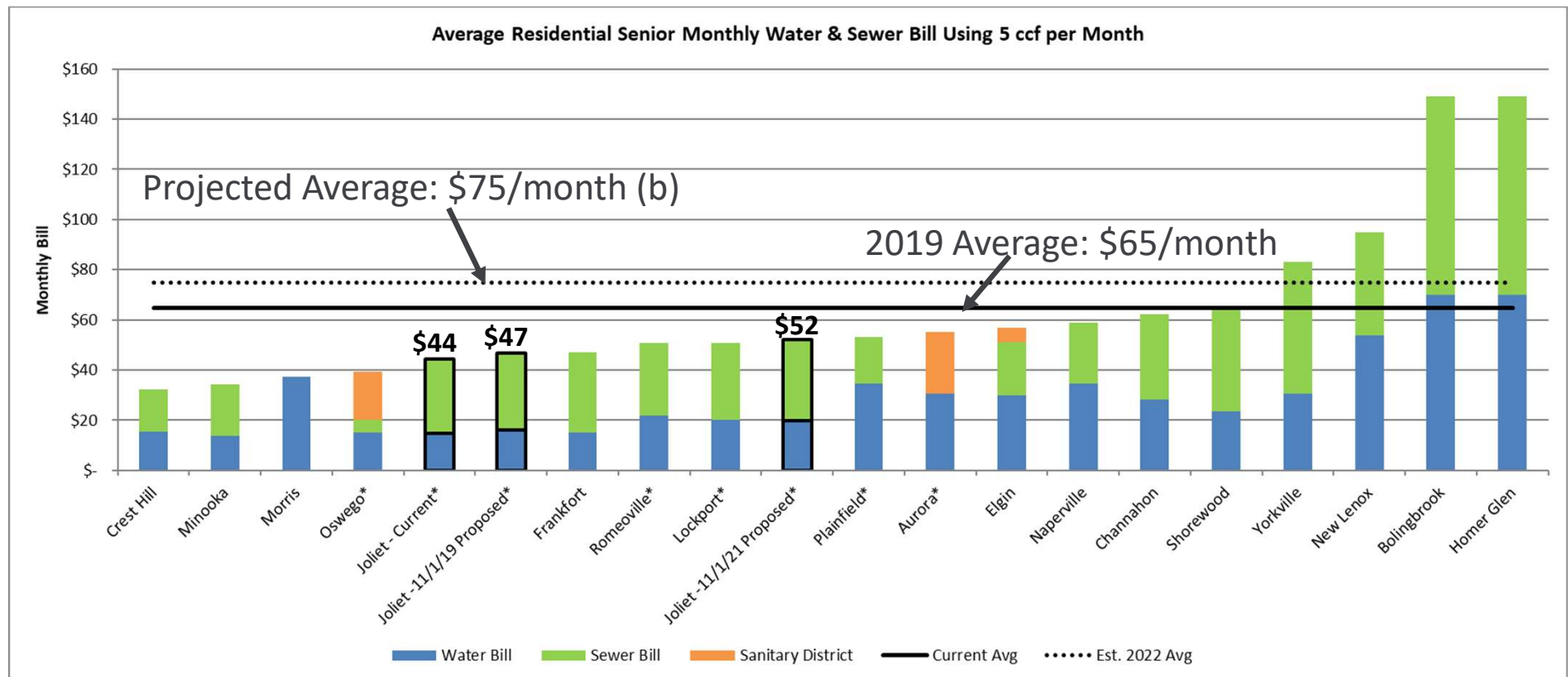


► Proposed adjustments expected to maintain Joliet’s mid-range competitive position

(a) Communities with combined water and sewer rates have a solid blue bar.

(b) Assumes 5% industry average increase/year for 3 years; except for Joliet 2019 and 2021, community bars reflect current rates.

Under Alternative 2, regional senior residential typical bills also remain competitive



▶ Proposed adjustments expected to maintain Joliet’s mid-range competitive position

(a) Communities with combined water and sewer rates have a solid blue bar.

(b) Assumes 5% industry average increase/year for 3 years; except for Joliet 2019 and 2021, community bars reflect current rates.

* indicates communities with discounted senior rates

QUESTIONS?

BURNS  MCDONNELL SM