



Water and Sewer Rate Study Briefing



City of Joliet, Illinois

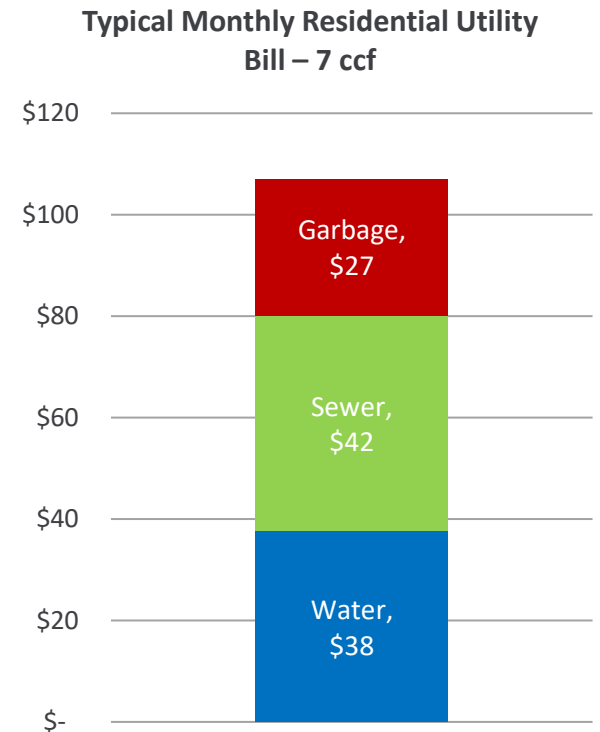
June 20, 2022

Agenda

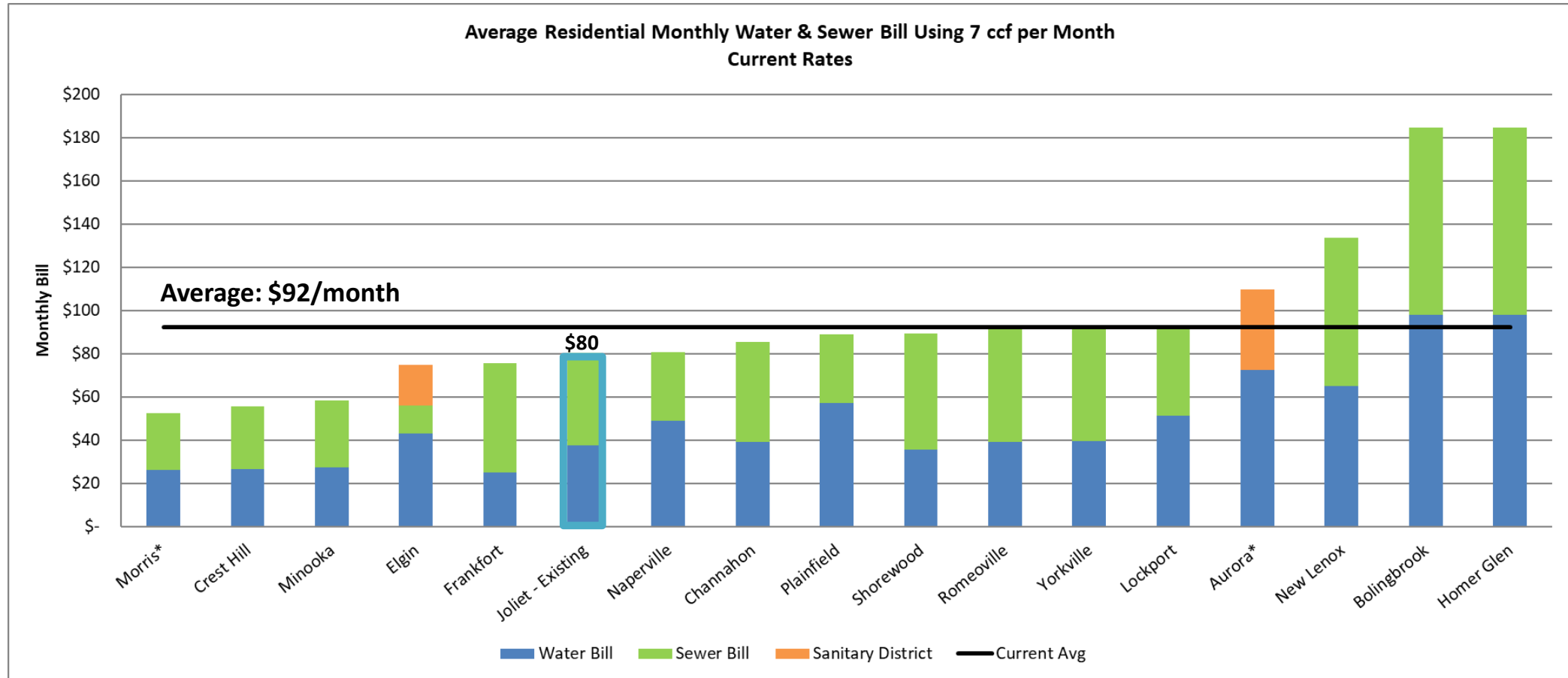
- ▶ Industry trends and current Joliet rate competitiveness
- ▶ 2022 rate study goals and issues
- ▶ Proposed approach for future rates

Joliet water billing basics

- ▶ Billings for water, wastewater, and garbage collection services come to each customer on a single bill each month.
- ▶ Water and wastewater services in Joliet are funded solely through revenues collected from utility bills. Property taxes are not used.
- ▶ Billings for water and wastewater services are based on customer type and the amount of water used by the customer each month.
- ▶ Billing for garbage collection services is also included on the utility bill at a flat rate daily charge.

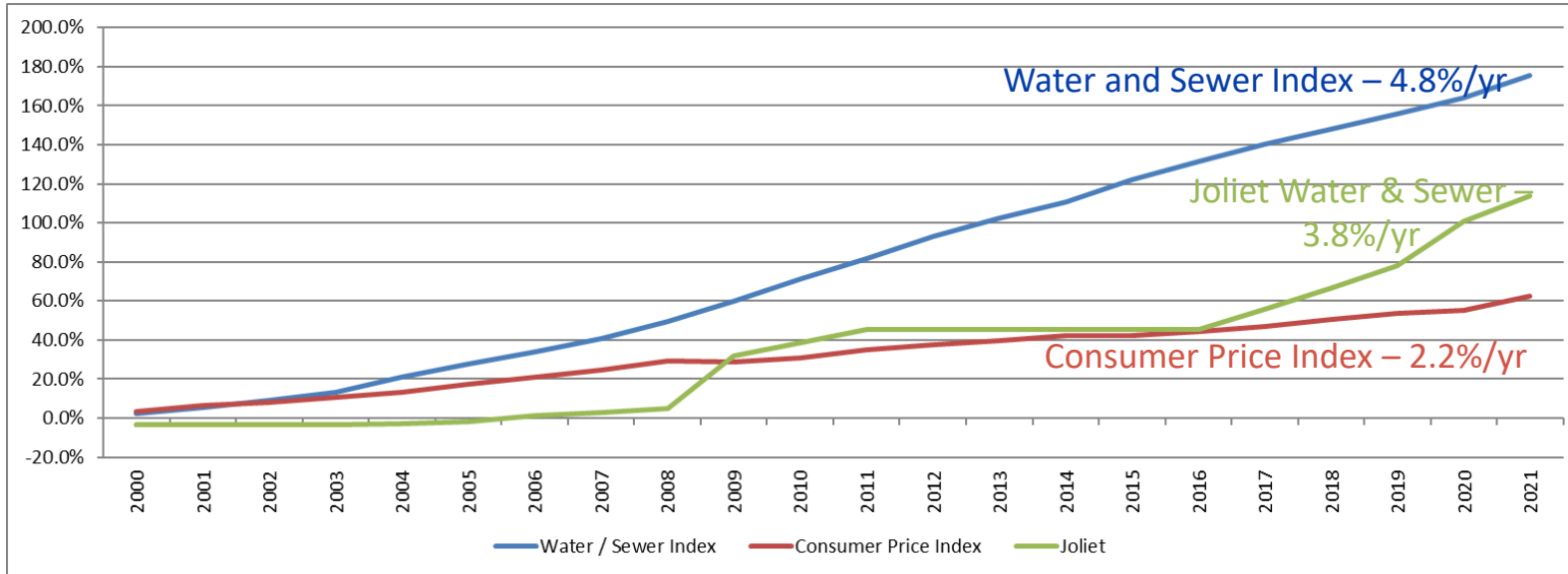


Current regional rate comparison



Trends in water and sewer rates

Cumulative Increase Since 2000



- ▶ Since 2000, water and sewer rates are increasing almost 5% per year
- ▶ In 2015 Joliet began performing financial plan and rate design studies every 3 years
- ▶ Despite the recent acceleration in rate increases, Joliet residential bills remain competitive

2019 Projected rate study increases

- ▶ In 2019, a 3-year plan was adopted
- ▶ Begin to prepare for AWSP
- ▶ Plan was designed to:
 - Improve funding for other non-AWSP needs
 - Mitigate rate shock through levelized rate increase plan
 - Stabilize rates by achieving stronger reserves and debt service coverage
 - Re-evaluate as more data became available

Total Utility Rate Increase			
	Water	Sewer	Combined
2019	10.5%	3.0%	6.1%
2020	10.5%	3.0%	6.2%
2021	10.5%	3.0%	6.4%
2022	10.5%	3.0%	6.5%
2023	10.5%	3.0%	6.6%
2024	10.5%	3.0%	6.8%

Adopted

Projected

2022 Rate study objectives

- ▶ This is a more comprehensive rate study
- ▶ Update financial plans for current conditions and costs
- ▶ Perform a much deeper dive into potential rate structure changes with emphasis on equitability and affordability
 - Consider monthly service charges that increase by meter size
 - Evaluate public fire protection cost recovery
 - Review volume block structure
- ▶ Review miscellaneous fees and connection charges
 - Funding coming from these charges will reduce what is needed from user fees

<u>Residential Owner Rates</u>	<u>Resident</u>
Water Daily Charge (\$/month)	\$ 6.83
Water Volume Charge (\$/Ccf)	
First 2 Ccf	\$ 1.81
Over 2 Ccf	\$ 5.43
Sewer Daily Charge (\$/month)	\$ 5.53
Sewer Separation Fee (\$/month)	\$ 8.00
Sewer Volume Charge (\$/Ccf)	\$ 4.14

Notes

Note: Summarized to show Residential Owner only
Ccf = 100 Cubic Feet = 748 gallons

2022 Rates by class

<u>Owner (Inside City) Rates</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Senior</u>	<u>Multi-Family</u>	<u>MF Senior</u>
Water Daily Charge (\$/month)	\$ 6.83	\$ 6.83	\$ 6.83	\$ 6.12	\$ 6.83	\$ 6.12
Water Volume Charge (\$/Ccf)						
First 2 Ccf	\$ 1.81	\$ 2.00	\$ 2.00	\$ 1.25	\$ 2.00	\$ 1.45
Over 2 Ccf	\$ 5.43	\$ 6.04	\$ 6.04	\$ 3.72	\$ 6.04	\$ 4.38
Sewer Daily Charge (\$/month)	\$ 5.53	\$ 5.53	\$ 5.53	\$ 4.95	\$ 5.53	\$ 4.95
Sewer Separation Fee (\$/month)	\$ 8.00	Varies [1]	Varies [1]	\$ 8.00	Varies [2]	Varies [2]
Sewer Volume Charge (\$/Ccf)	\$ 4.14	\$ 4.14	\$ 4.14	\$ 3.90	\$ 4.14	\$ 3.90

Notes

[1] Fixed charge that increases based on water consumption. Minimum is \$8.12/month.

[2] Fixed charge that decreases based on number of units. Maximum charge per unit is \$7.75/month.

Ccf = 100 Cubic Feet = 748 gallons

2022 Rate study issues and challenges

- ▶ Customer usage data proving difficult to obtain
 - Cannot reliably change rate structure without a firm understanding of how all customers are using the system
- ▶ Updated cost for alternative water source program
- ▶ Financial markets and economic conditions are volatile, increasing uncertainty
- ▶ Important to continue adjusting rates
 - Debt has been issued and the projects are underway. Costs for both utilities will rise.
 - Current trends in inflation and interest rates create additional risk to manage
 - Rate action should be taken to avoid higher rate increases later

Proposed approach for next rate increase

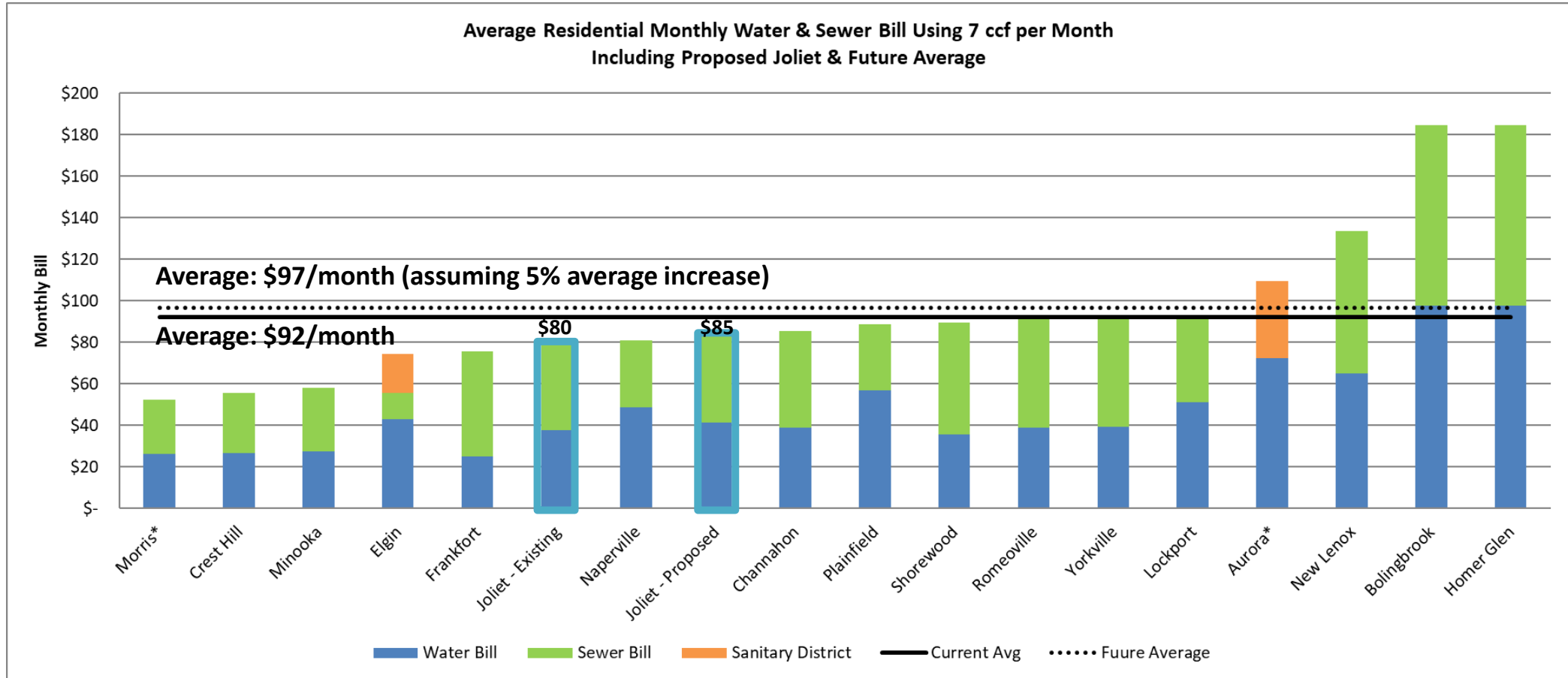
- ▶ Adopt rates previously forecasted in the 2019 Study for 2022, to be effective November 1
- ▶ For the 2022 Rate Study
 - Complete the evaluation of miscellaneous fees in 2022
 - Deliver financial plan and rate recommendations and connection fees in 2023 for the next multi-year period

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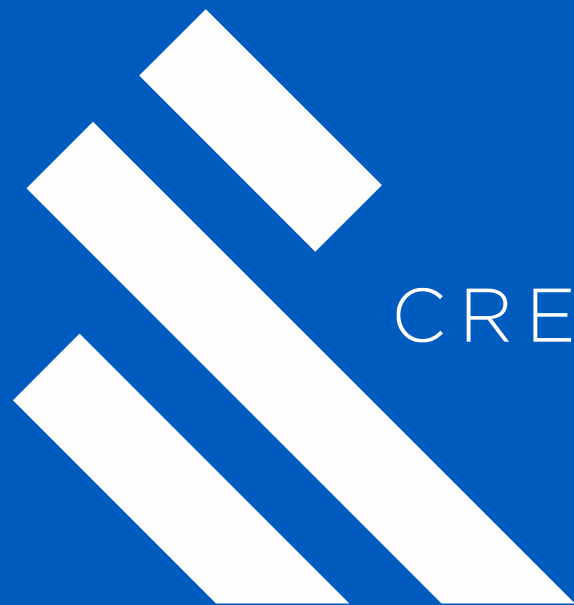
Projected

Regional rate comparison updated with proposed 2022 rates



Summary

- ▶ Propose 2022 increase of 10.5% water and 3.0% sewer
 - Enables continued progress toward funding needs
 - Joliet residential bills anticipated to remain on the lower half of the survey
- ▶ Propose a 2022 rate ordinance on Council agenda July 19
 - Committee meetings June 20 and 21
 - Present to full Council July 5
- ▶ Miscellaneous fees will be evaluated in 2022
- ▶ Initiate the connection fee and user fee portions of the rate study later in 2022 as data becomes available
- ▶ Present findings to Council in 2023 with proposed multi-year rate plan



CREATE AMAZING.