

# Water Fund Update



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# Water Fund Summary

There are several factors that are placing the financial burden on the water fund, all of which are related to the distribution system:

- The cost of water main and lead service line replacement must be borne by the Evanston retail customers.
- The need to replace the aging water mains.
- The need to replace lead service lines as part of the water main projects.
- The need to replace all 10,000+ lead service lines between 2027 and 2047.
- The increased cost of water main construction.

# Water Fund Goals

The financial goals of the water fund are the following:

1. Maintain a minimum cash balance of \$5,800,000, which is based on the adopted budget fund policy for the Water Fund (a minimum of 16.6% of expenses shall be maintained as a reserve; in addition, a sufficient reserve shall be maintained to meet debt requirements. A portion of the fund reserve shall be used to fund depreciation and capital improvement needs).
2. Keep debt service expenses associated with the distribution system to less than 25% of the operating capital.
3. Maintain the water treatment plant in good operating condition.
4. Replace or rehabilitate approximately 2% (3.2 miles) of the water distribution system annually.
5. Replace approximately 500 lead service lines each year beginning in 2027.

# Water Fund Summary

Year	Bond Amount	LSLR Proposed Water Rate Increase	Previously Scheduled Rate Increases	Total Rate Increase	%Debt to Revenue (Dist. System)
2024	\$18.1M	13.5%	4.0% <sup>1</sup>	17.5%	28.8%
2025	\$13.5M	13.5%	9.8% <sup>2</sup>	23.3%	41.4%
2026	\$19.8M	13.5%	0.0%	13.5%	40.6%
2027	\$21.4M	13.5%	0.0%	13.5%	39.1%
2028	\$22.1M	13.5%	0.0%	13.5%	35.4%
2029	\$17.3M	13.5%	0.0%	13.5%	30.5%
2030	\$17.6M	3.5%	0.0%	3.5%	29.4%
2031	\$18.9M	3.5%	0.0%	3.5%	27.4%
2032	\$20.2M	3.5%	0.0%	3.5%	26.0%
2033	\$21.5M	3.5%	0.0%	3.5%	24.0%
2034	\$23.2M	3.5%	0.0%	3.5%	22.5%

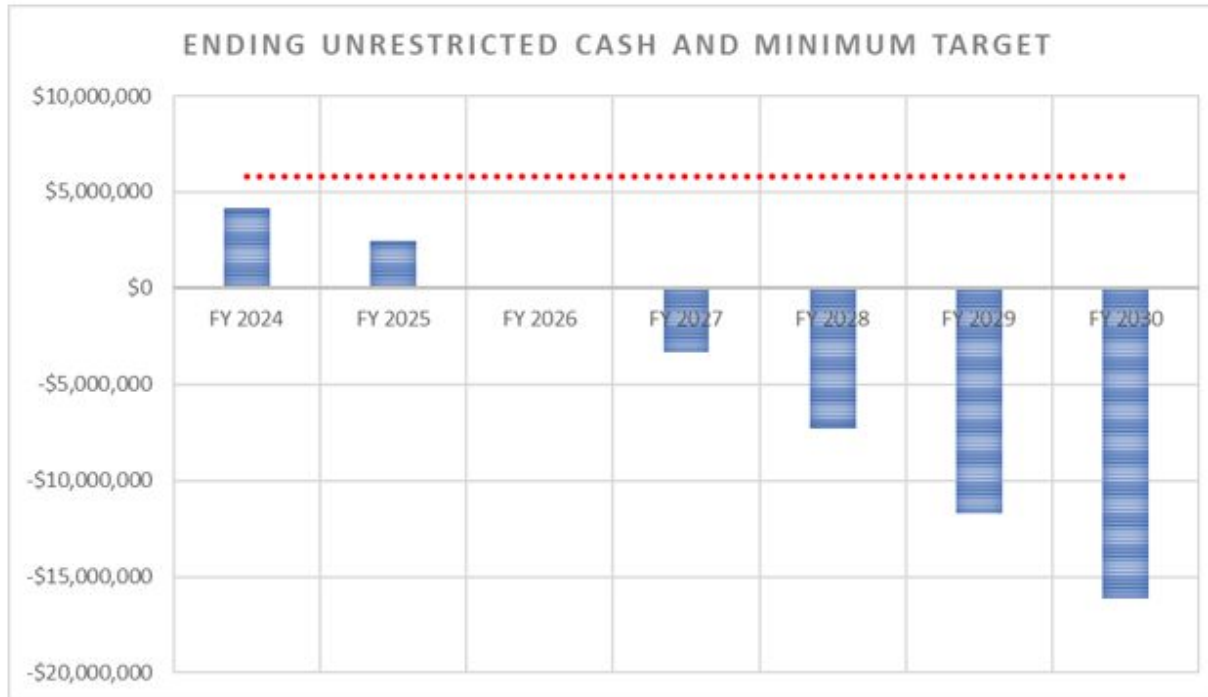
**NOTES:**

1. Rate increase was previously approved for LSLR Workforce Development
2. Part of this rate increase (9.8%) is offset by an equivalent decrease in the sewer rate, resulting in zero impact on the overall utility bill for this portion of the water rate increase.

# Water Fund Update

- It should be noted that future rate increases are anticipated to follow the same amounts proposed in 2024 and will continue to be re-evaluated annually.
- Both the water and sewer fund cost-of-service models were updated and reviewed to reevaluate the proposed 2025 rate increases.
  - Scenario #1 - **Scenario #1- 0% rate increase and Full (\$4.1M)Transfer to General Fund (not recommended)**
  - Scenario #2 - **Scenario #2- 23.3% rate increase and Full (\$4.1M)Transfer to General Fund/13.5% sewer decrease (recommended)**
  - Scenario #3 - **Scenario #3- 10.54% rate increase (Net Zero) and \$2M General Fund Transfer Credit/13.5% sewer decrease (not recommended)**

# Water Fund Update - Scenario #1



**Scenario #1- 0% rate increase and Full (\$4.1M) Transfer to General Fund**

# Water Fund Update - Scenario #2

- The anticipated 23.3% water rate increase remains necessary. However, the sewer rate reduction can be increased from 9.8% anticipated last year to 13.5%, which offsets a greater part of the water rate increase.
- This results in a net increase to the combined water and sewer rate of 7.15%, as shown in the table below.
- This rate adjustment reflects a continuation of annual transfers from the Water Fund to the General Fund of \$4,129,000.
- Community members who qualify for the affordable water and sewer rate (606 participants - owners 243; renters 363) will not be impacted by the proposed utility rate increase summarized below. The affordable rate will be reviewed every three years to ensure that the rate remains affordable.

# Water Fund Projection



**Scenario #2- 23.3% rate increase and Full (\$4.1M) Transfer to General Fund**



# Water Fund Summary - Scenario #2

Year	Proposed Water Rate Increase	Water Rate (per ccf) (per kgal)	Sewer Rate Decrease	Sewer Rate (per ccf) (per kgal)	Total Rate (per ccf) (per kgal)	Total Rate Increase	Avg Annual Bill	Bi-Monthly Bill	Annual Increase
2024		\$3.91 \$5.23		\$3.08 \$4.12	\$6.99 \$9.35		\$838.80	\$139.80	
2025	23.3%	\$4.83 \$6.46	-13.50%	\$2.66 \$3.56	\$7.49 \$10.02	7.15%	\$898.80	\$149.80	\$60.00

# Water Fund Update - Scenario #3

- A \$2,000,000 reduction of the annual transfer in 2025 and beyond would allow the proposed water rate to decrease to 10.54%, which would be completely offset by the sewer rate decrease of 13.5%, resulting in a net zero change in the typical residential combined water and sewer utility bill.
- Community members who qualify for the affordable water and sewer rate (606 participants - owners 243; renters 363) will not be impacted by the utility rate increase summarized below. The affordable rate will be reviewed every three years to ensure that the rate remains affordable.

This scenario is not being recommended.

# Water Fund Projection



**Scenario #3- 10.54% rate increase (Net Zero) and \$2M General Fund Transfer Credit**

	2023 rate per 1,000 Gallons				
Community	Water	Sewer	Combined Water & Sewer	Taxes/Fees	Total with Taxes/Fees
Deerfield	\$7.90	\$5.11	\$13.00	\$2.45	\$15.45
Lincolnshire	\$7.53	\$7.15	\$14.68	NA	\$14.68
Schaumburg	\$11.12	\$2.31	\$13.43	NA	\$13.43
Oak Park	\$10.30	\$2.25	\$13.25	NA	\$13.25
Buffalo Grove	\$6.12	\$6.06	\$12.18	NA	\$12.18
Northfield	\$12.15	Included in water	\$12.15	NA	\$12.15
Morton Grove	\$10.81	\$1.15	\$11.96	NA	\$11.96
Chicago	\$4.33	\$4.33	\$8.66	\$2.51	\$11.17
Lincolnwood	\$6.00	\$1.03	\$7.03	\$3.50	\$10.53
Niles	\$9.32	\$0.87	\$10.19	NA	\$10.19
Des Plaines	\$7.32	\$1.22	\$8.54	\$1.20	\$9.74
Park Ridge	\$8.11	\$1.51	\$9.62	NA	\$9.62
Arlington Heights	\$7.64	\$1.97	\$9.61	NA	\$9.61
Wilmette	\$3.68	\$5.88	\$9.56	NA	\$9.56
Evanston (proposed)	\$5.23	\$4.12	\$9.35	NA	\$9.35
Winnetka	\$6.19	\$2.52	\$8.71	NA	\$8.71
Wheeling	\$6.89	\$1.71	\$8.60	NA	\$8.60
Glenview	\$7.08	\$1.45	\$8.53	NA	\$8.53
Kenilworth	\$7.23	\$1.00	\$8.23	NA	\$8.23
Glencoe	\$8.15	NA	\$8.15	NA	\$8.15
Northbrook	\$5.88	\$2.26	\$8.14	NA	\$8.14
Skokie	\$7.69	Included with water charge	\$7.69	NA	\$7.69
Golf	\$6.52	\$0.00	\$6.52	NA	\$6.52
Palatine	\$5.05	\$1.35	\$6.40	NA	\$6.40
Evanston Proposed Affordable rate	\$2.79	\$2.59	\$5.39	NA	\$5.39