



September 9, 2025

WATER AND SEWER RATE STUDY

INITIAL RESULTS PRESENTATION

VILLAGE OF OAK PARK FINANCE COMMITTEE



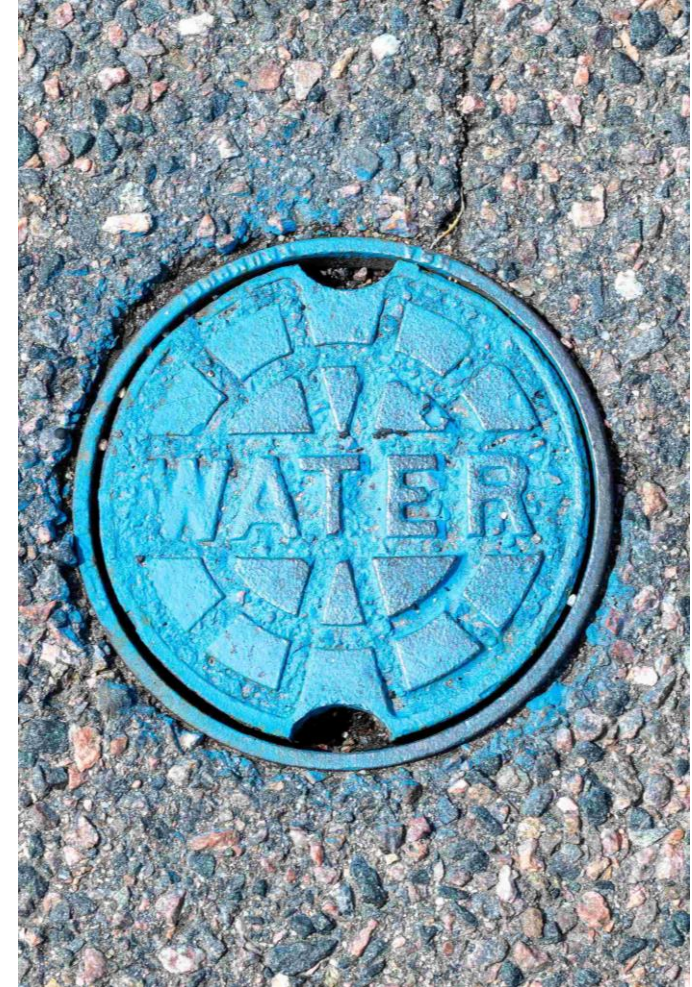
AGENDA

- Background and Scope of Work
- Current Financial and Operational Data
- FY 2026 Rate Recommendation
- Customer Bill Impact
- Rate Structure Alternatives
- Next Steps

BACKGROUND AND SCOPE OF WORK

WATER AND SEWER UTILITIES BACKGROUND

- Water supply 100% comprised of wholesale water purchases from Chicago.
- Four underground reservoirs totaling 12.5 million gallons of capacity.
- Three pumping stations.
- 110 miles of distribution mains providing water to approximately 12,500 customer accounts.
- Wastewater is conveyed to the Metropolitan Water Reclamation District of Greater Chicago (MWRDGC) for treatment.



STUDY SCOPE OF WORK

Task 1: Evaluate the Existing Information

- Meet with Village Staff to review identified study goals and needs.
- Review the current financial and operating information and previous rate studies prepared in 2014 and 2019.
- Review the Village's current rate methodology and billing format.
- Evaluate rate structure alternatives and billing formats considering current industry practice and Village input.
- Review the Village's Lead Service Line Replacement Plan.

Task 2: Initial Report and Presentation

- Based on findings, prepare a report that outlines current financial and operating information, rate methodology and billing format.
- Describe the rationale for other rate design methodologies.
- Provide preliminary rate structure, rate methodology, and billing format recommendations.
- Prepare and present a summary presentation to the Village.
- Collect feedback from the Village to inform the development of the rate model alternatives and proposed water & sewer rates.

CURRENT FINANCIAL AND OPERATIONAL DATA

OPERATING COSTS

	FY 2025 Budget	FY 2026 Budget	Change \$	Change %
Water Base Program	\$546,304	\$561,178	\$14,874	2.7%
Water Supply	\$8,938,210	\$9,339,948	\$401,738	4.5%
Water Distribution	\$1,324,272	\$1,362,621	\$38,349	2.9%
Sewer Base Program	\$184,209	\$190,252	\$6,043	3.3%
Sewer Collection	\$1,218,084	\$1,251,399	\$33,315	2.7%
Total Operating Costs	\$12,211,079	\$12,705,397	\$494,319	4.0%

- Key operating cost drivers are personnel and water purchases.
- Estimated increases in City of Chicago water are 5.0% per year.

EXISTING
DEBT
SERVICE

	FY 2025 Budget	FY 2026 Budget	Change \$	Change %
Series 2012A	\$180,919	\$74,975	(\$105,944)	(58.6%)
Series 2020B	\$463,915	-	(\$463,915)	(100.0%)
Total Debt Service	\$644,834	\$74,975	(\$569,859)	(88.4%)

- Series 2012A paid off in FY 2026.



CAPITAL IMPROVEMENT PLAN

	FY 2025 Budget	FY 2026 Budget	Change \$	Change %
Water Capital	\$3,236,500	\$5,208,500	\$1,972,000	60.9%
Sewer Capital	\$4,380,500	\$4,991,000	\$610,500	13.9%
Total Capital	\$7,617,000	\$10,199,500	\$2,582,500	33.9%

- Increase driven by water and sewer main improvements.
- Study includes no new debt to fund capital projects.
- **Does not include long-term Lead Service Line Replacement Program.**

TOTAL REVENUE REQUIREMENT (REV. REQ.)

	FY 2025 Budget	FY 2026 Budget	Change \$	Change %
Operating Expenses	\$12,211,079	\$12,705,397	\$494,319	4.0%
Existing Debt Service	\$644,834	\$74,975	(\$569,859)	(88.4%)
Cash Funded Capital	\$7,617,000	\$10,199,500	\$2,582,500	33.9%
Total Revenue Requirement	\$20,472,912	\$22,979,872	\$2,506,960	12.2%
Less: Non-Rate Revenue	(\$250,000)	(\$250,000)	\$0	0.0%
Net Revenue Requirement	\$20,222,912	\$22,729,872	\$2,506,960	12.4%

- Non-Rate Revenues include sale of new meters and penalties.
- Rates should meet the Net Revenue Requirement without reliance on other Village revenues.

CUSTOMERS, USAGE, AND RATES

Estimated FY 2025	Billing Determinates	Rate	Unit
Connections (Meter Size)			
1" or Under	11,488	\$6.00	Monthly
1 ½" – 3"	1,138	\$12.00	Monthly
4" or Larger	28	\$18.00	Monthly
Total Connections	12,654		
Billable Water Usage	1,348,419	\$11.37	per kgal
Billable Sewer Usage	1,344,995	\$3.26	per kgal

- A vast majority of the Village's customers are residential customers with a 1" or smaller meter.
- **Study assumes water loss of 21%.**
- No growth in customers or billable usage included in study.

FY 2026 RATE RECOMMENDATION

RECOMMENDED MINIMUM FUND BALANCE

	FY 2025	FY 2026	Note
Annual O&M	\$12,211,079	\$12,705,397	A
Daily O&M	\$33,455	\$34,809	$B = A / 365$
Minimum Days Recommended	90	90	C
Recommended Minimum Fund Balance	\$3,010,951	\$3,132,838	B x C
Target Days Recommended	180	180	D
Recommended Target Fund Balance	\$6,021,902	\$6,265,675	B x D

- Non-Rate Revenues include sale of new meters and penalties.
- Rates are set to meet the Net Revenue Requirement without reliance on other Village revenues.

FY 2026 AT FY 2025 RATES

	FY 2025	FY 2026
Beginning of Year Fund Balance	\$8,827,878	\$9,318,229
Revenues	\$20,963,264	\$20,963,264
Expenses	\$20,472,912	\$22,979,872
Increase / (Decrease) in Fund Balance	\$490,351	(\$2,016,609)
End of Year Fund Balance	\$9,318,229	\$7,301,621
Recommended Target Fund Balance	\$6,021,902	\$6,265,675
Over / (Under) Target	\$3,296,328	\$1,035,945

- No rate increase scenario.
- Full funding of operations, debt service, and planned CIP.

CASH FLOW NEUTRAL RATE INCREASE

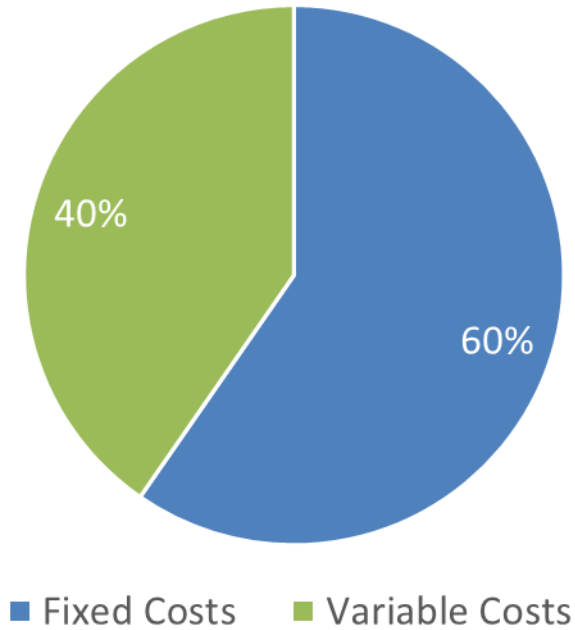
	FY 2026
Beginning of Year Fund Balance	\$9,318,229
Rate Increase effective January 1, 2026	9.4%
Revenues	\$22,982,763
Expenses	\$22,979,872
Increase / (Decrease) in Fund Balance	\$2,891
End of Year Fund Balance	\$9,321,120
Recommended Target Fund Balance	\$6,265,675
Over / (Under) Target	\$3,055,445

- Across the board 9.4% increase in Service Charge and water and sewer usage rates.
- Maintain neutral cash flow.

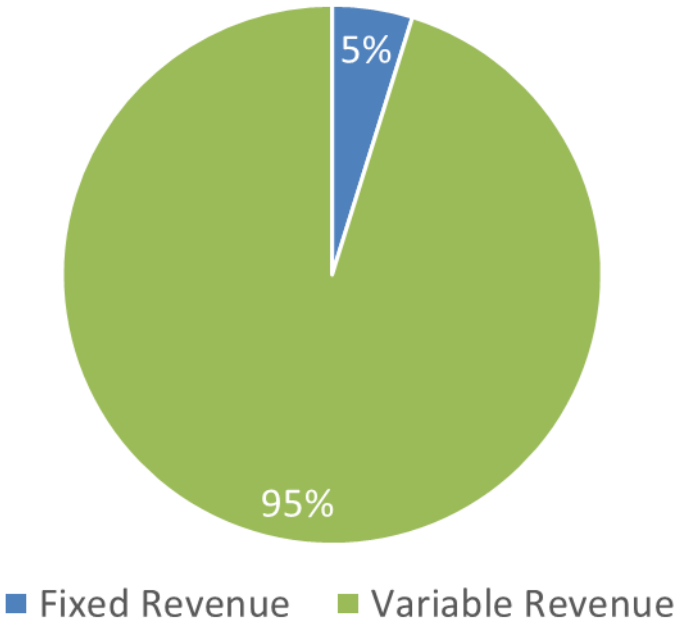
FIXED
REVENUE
RECOVERY

	FY 2025	Note
Fixed Monthly Service Charge Revenue	\$997,056	A
Variable Water and Sewer Rate Revenue	\$19,716,208	B
Total Revenue	\$20,713,264	C = A + B
Fixed Revenue Recovery Percentage	4.8%	A / C

Cost Structure



Revenue Structure



FY 2026 RECOMMENDATION

(effective January 1, 2026)	FY 2026
Service Charge Increase	100.0%
Water Usage Rate Increase	5.0%
Sewer Usage Rate Increase	5.0%

Key Performance Indicators:

Overall Rate Revenue Increase (\$)	\$1,982,866
Overall Rate Revenue Increase (%)	9.6%

System Cash Flow	(\$33,742)
End of Year Fund Balance	\$9,284,487
Recommended Target Fund Balance	\$6,265,675
Over / (Under) Target	\$3,018,812
Fixed Revenue Recovery Percentage	8.8%

- Strategically increase fixed revenues via higher Service Charge.
- 5% to volumetric rates.
- Increase rate revenues approximately 9.6%.
- Increase fixed cost recovery to 8.8% from 4.8%.
- \$33,000 of Water and Sewer Fund Balance used to support CIP.
- Maintain \$3.0 million above recommended Fund Balance Target.

CUSTOMER IMPACTS

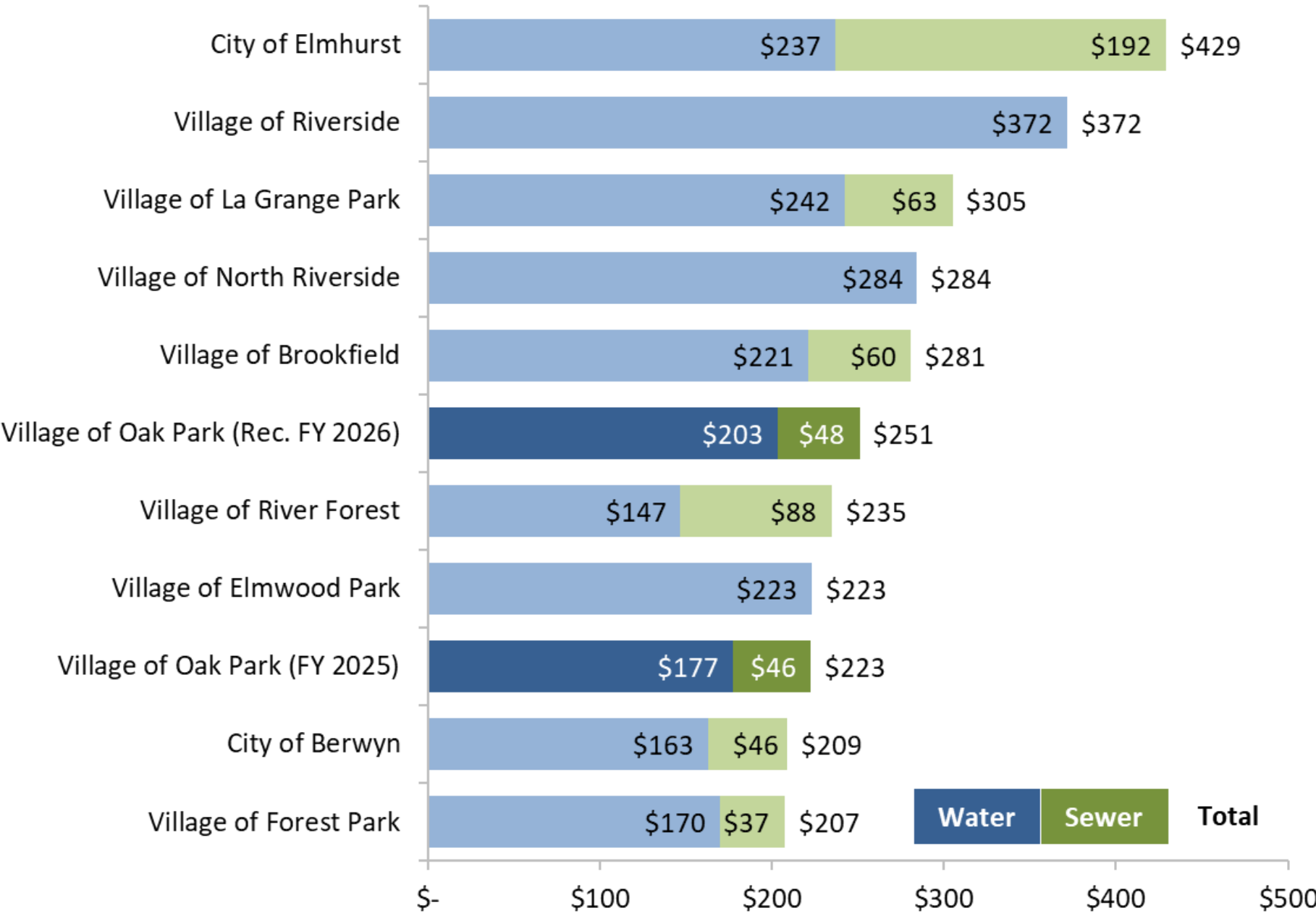
	Current FY 2025	Recommended FY 2026
<u>Monthly Service Charge</u>		
1" or Under	\$6.00	\$12.00
1 ½" – 3"	\$12.00	\$24.00
4" or Larger	\$18.00	\$36.00
Water Rate (per Kgal)	\$11.37	\$11.94
Sewer Rate (per Kgal)	\$3.26	\$3.42

- Average Residential:
 - Less than 1" Meter, 14 kgal/qr.
- Average Commercial:
 - Less than 1" Meter, 72 kgal/qr.

Average Residential	FY 2025	FY 2026
Service Charge	\$6.00	\$12.00
Water Usage Charge	\$53.06	\$55.71
Sewer Usage Charge	\$15.21	\$15.97
Total Monthly Cost	\$74.27	\$83.69
\$ Change		\$9.41
% Change		12.7%
Average Commercial	FY 2025	FY 2026
Service Charge	\$18.00	\$36.00
Water Usage Charge	\$818.64	\$859.57
Sewer Usage Charge	\$234.72	\$246.46
Total Monthly Cost	\$1,071.36	\$1,142.03
\$ Change		\$70.67
% Change		6.6%

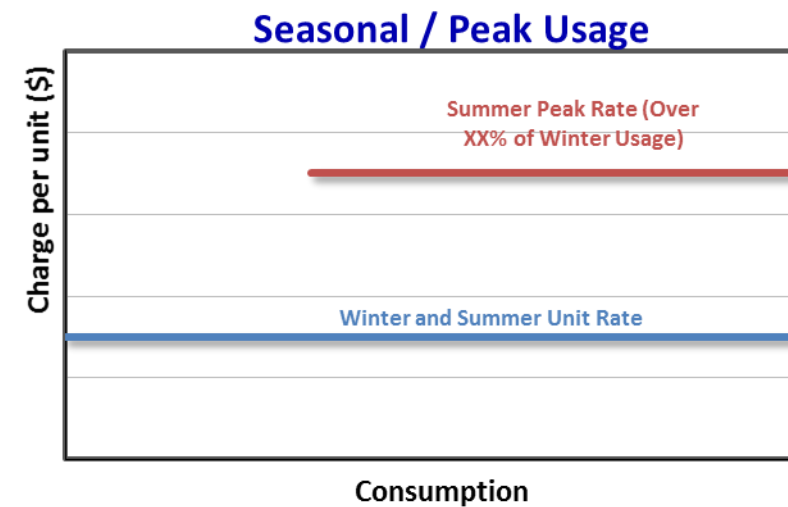
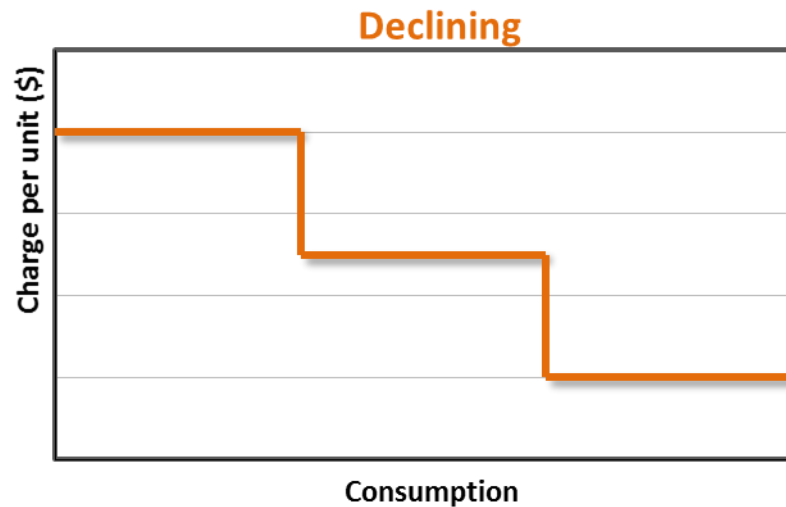
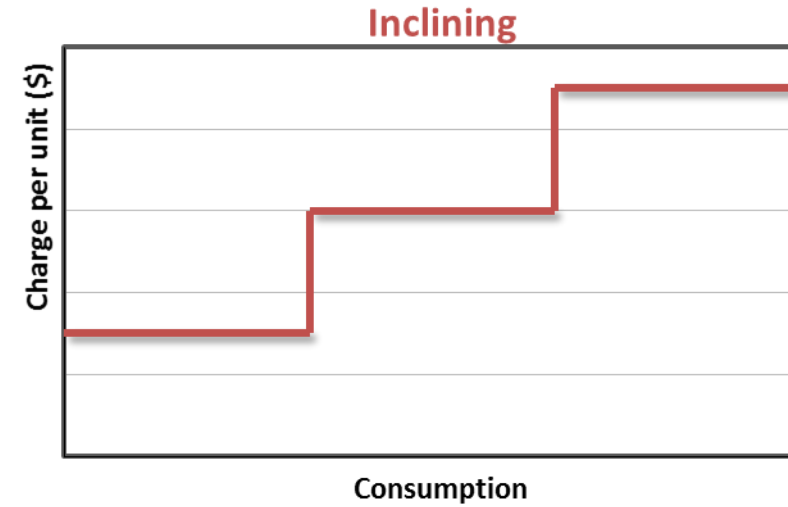
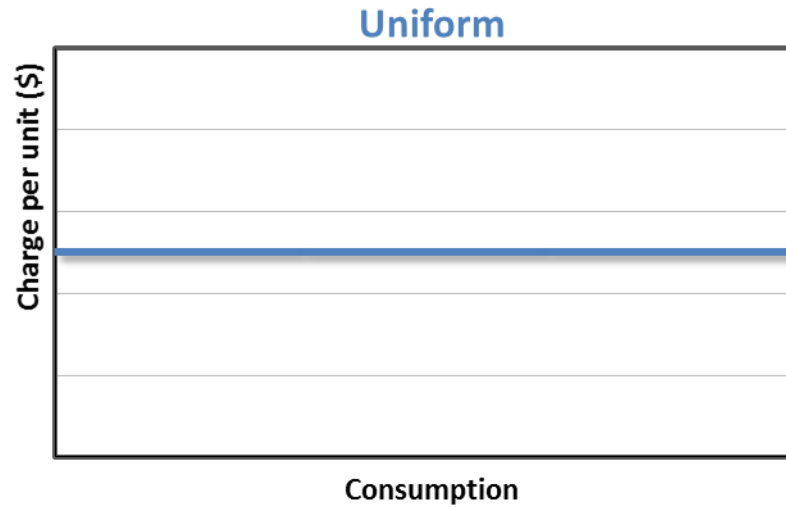
COMPETITIVE POSITION

Average Residential Customer Quarterly Bill
1” or Less
14 kgal per Quarter



RATE STRUCTURE ALTERNATIVES

VARIABLE USAGE RATE DESIGN



SAMPLE USAGE PROFILE ANALYSIS

Meter Size	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"
Average Monthly Usage	5,000	5,000	6,000	22,000	41,000	114,000	99,000	581,000
Percent of Customers	37%	37%	21%	3%	2%	0.2%	0.1%	0.04%
Residential	96%	96%	93%	20%	0%	0%	0%	0%
Commercial	4%	4%	7%	80%	100%	100%	100%	100%

97% of accounts and 100% of Residential accounts

Usage Tier	Residential	Bills	% of Bills	Cumulative % of Bills
Tier 1	5,000	52,740	57%	57%
Tier 2	20,000	38,144	41%	98%
Tier 3	Over 20,000	1,595	2%	100%
Total		92,479	100%	

Commercial	Bills	% of Bills	Cumulative % of Bills
5,000	3,296	41%	41%
20,000	1,913	24%	64%
Over 20,000	2,894	36%	100%
Total	8,103	100%	

From presentation to the Village of Glen Ellyn Finance Commission, February 2023.

Rate Structure	Advantages	Disadvantages
Uniform Rate	<ul style="list-style-type: none"> • Simple to design, explain, and administer • Customers pay proportionally to usage, supporting fairness • Provides steady marginal price that encourages conservation at all levels • Aligns reasonably well with cost-of-service principles 	<ul style="list-style-type: none"> • Conservation incentives are weaker than inclining block rates • Provides no stronger signal to curb discretionary or peak usage • May not fully recover capacity-related costs from high-volume users
Inclining Block Rate	<ul style="list-style-type: none"> • Strong conservation signal by raising marginal price at higher usage levels • Protects affordability by keeping basic usage at lower cost • Helps recover costs from high users who drive peak demand • Aligns with policy objectives in water-scarce regions 	<ul style="list-style-type: none"> • More complex to design and administer • May unintentionally penalize large households • Revenue can be volatile if customers conserve more than expected • Cost-of-service justification must be stronger to demonstrate equity
Declining Block Rate	<ul style="list-style-type: none"> • Encourages and retains large-volume customers, supporting economic development • Provides stable and predictable revenues from industrial/commercial/ag customers • Simple to administer once established 	<ul style="list-style-type: none"> • Sends a negative conservation signal by making additional use cheaper • Small or low-income customers pay higher per-unit costs • Misaligned with cost causation since large users often drive infrastructure needs • Increasingly disfavored by regulators and industry best practices
Seasonal Rate	<ul style="list-style-type: none"> • Targets peak demand, encouraging conservation during high-stress periods • Aligns with capacity cost recovery by charging more when infrastructure is most strained • Improves long-term sustainability and can defer capital investment • Viewed favorably by regulators as a proactive management tool 	<ul style="list-style-type: none"> • Customers may not understand or accept seasonal surcharges • Can create equity issues for households or businesses with unavoidable high seasonal use • Billing and communication more complex • Revenue risk from atypical weather (wet summers or drought conditions)
Minimum Charge with Included Usage	<ul style="list-style-type: none"> • Provides stable baseline revenue to cover fixed costs (meters, billing, infrastructure) • Offers predictable bills for customers • Reduces administrative costs of very small accounts with negligible charges • Ensures all customers contribute a minimum payment to the system 	<ul style="list-style-type: none"> • Weakens conservation incentives since “included” water feels free to customers • Disproportionately impacts low-use or low-income customers, who pay more per unit • Creates equity and fairness concerns • Misaligned with industry best practices, which recommend fixed charges cover only customer costs without bundled usage • Hard to justify under cost-of-service principles

NEXT STEPS

NEXT STEPS

Task 3: Develop Rate Model Alternatives and Propose Water & Sewer Rates

- Develop rate model alternatives and calculate proposed water and sewer rates for the **five-year period beginning with fiscal year 2026.**
- Evaluate the impact of proposed rates on customer classes and compare proposed rates and fees to rate data for similar utilities in this region.
- Explore policy level strategies including but not limited to:
 - multi-year schedule of rate changes,
 - non-rate revenue enhancements,
 - deferring or accelerating capital, or
 - debt retirement and/or new debt
- Meet with Village staff to review rate model alternatives and proposed water & sewer rates.

Task 4: Prepare Final Report and Presentation

- Prepare report that outlines the proposed water & sewer rates and summarizes rate model alternatives, operational and policy level strategies, and potential impacts on customer classes.
- Work with Village staff to prepare and present a summary presentation to the Village Board.

Key Topics:

- Lead Service Line Replacement Plan funding
- Long-term water loss impact analysis
- Capital plan funding – is 100% PAYGO the right approach?
- Affordability / Rate Design



THANK YOU!

NEWGEN STRATEGIES AND SOLUTIONS
900 BESTGATE ROAD, SUITE 402
ANNAPOLIS, MD 21401

ERIC CALLOCCHIA, PARTNER
ECALLOCCHIA@NEWGENSTRATEGIES.NET