



AGENDA

Finance Committee
Special Meeting
Village Hall

1900 Hassell Road, Hoffman Estates, IL 60169

October 14, 2024

Council Chambers

**Immediately Following General
Administration & Personnel
Committee**

1. **CALL TO ORDER/ROLL CALL**

2. **PUBLIC COMMENT**

3. **NEW BUSINESS**

A. Presentation by Baxter & Woodman of the 5-year Water & Sewer Rate Study and the 5-year Stormwater Rate Study.

4. **ADJOURNMENT**

Further details and information can be found in the agenda packet attached hereto and incorporated herein and can also be viewed online at www.hoffmanestates.org and/or in person in the Village Clerk's office. The Village of Hoffman Estates complies with the Americans with Disabilities Act (ADA). For accessibility assistance, call the ADA Coordinator at 847/882-9100.



AGENDA ITEM REPORT

Finance Committee
October 14, 2024
ITEM 3A

REQUEST: Presentation by Baxter & Woodman of the 5-year Water & Sewer Rate Study and the 5-year Stormwater Rate Study.

FROM: Rachel Musiala, Finance Director

ITEM TYPE: Discussion - Committee

REQUEST SUMMARY

The Village has established the responsible practice of conducting rate studies every five years since 1999 and planned rate increases have occurred regularly since then to meet operating and capital needs of the water and sewer operations of the Village. As you may recall, the last Water Rate study was completed in July, 2019 by Clark Deitz, Inc with a recommendation of rate increases between 3.5% and 4.0% for each of the next five years, starting January 1, 2020. This recommendation was approved by the Finance Committee and Village Board and implemented. The last scheduled rate increase under that study occurred on January 1, 2024.

In July, 2024, the Village entered into a contract with Baxter & Woodman to perform a Water & Sewer Rate Study to take a comprehensive look at water and sewer needs, including capital projects and debt funding. Additionally, the Village also contracted with Baxter & Woodman to do a Stormwater Rate Study, since those rates have not been reevaluated since their inception in 2013.

Mark Siefert, project manager from Baxter & Woodman will be presenting the results from their studies. Staff is looking for direction after the presentation in terms of rate increases and an ordinance will be brought back to the Finance Committee based on that recommendation.

FINANCIAL IMPACT

The rate increases chosen by the Finance Committee will determine the financial impact on the Water & Sewer Fund as well as the Stormwater Fund.

RECOMMENDATION

For discussion purposes. Based on that discussion, a rate ordinance will be brought before the Finance Committee at a future meeting.

ATTACHMENTS

1. HOFFE W-S-S Presentation 9-16-24

Village of Hoffman Estates Water, Sewer, and Storm Rate Study

September 23, 2024

Mark Siefert, MPA

Lucas Komara

Carolyn Grieves, PE

Overview

1. Rate Study Overview Recap
2. Study Assumptions
3. Capital Projects List
4. Preliminary Rate Study Scenarios
 - Rate Scenario Comparisons
 - Rate Impacts and Sample Bills
5. Neighboring Sample Bill Comparison

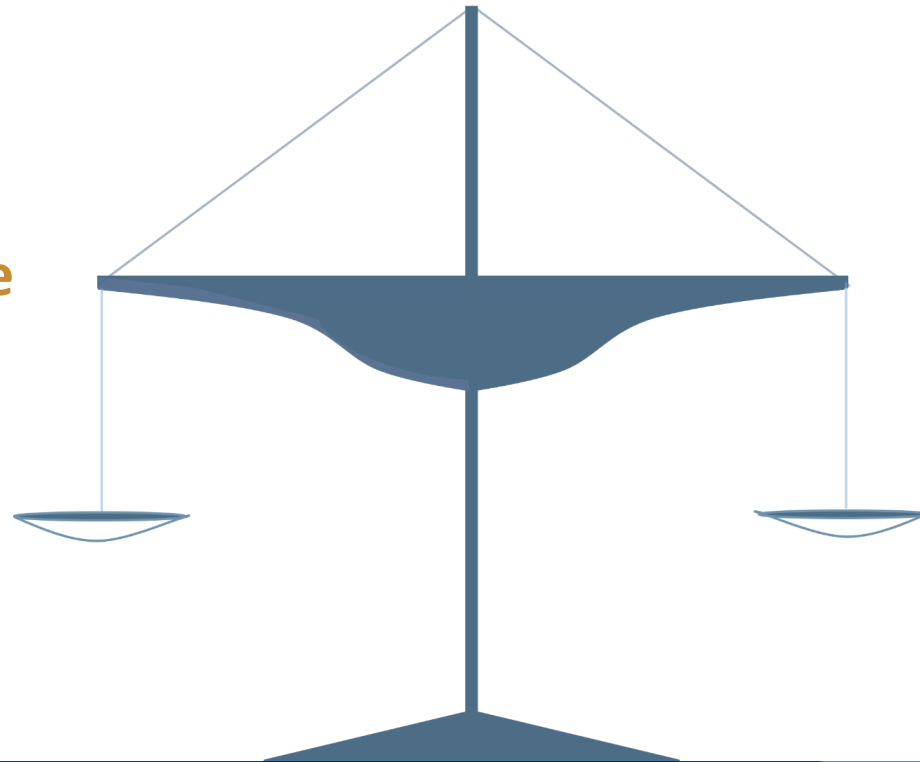


Revenue Requirements vs. Customer Impacts

- Review the fully funded Revenue Requirements against proposed rate increases and impact to sample customer bills under the Village's current rate structure:

Needs:

Address Aging Infrastructure
Build Financial Reserves
Funding Capital Needs



Impacts:

Monitor Rate Increases

Study Assumptions

- 1. The 5-year capital plan for the Village budget is \$56,972,100**
 - ✓ Water Capital \$32,907,100
 - ✓ Sewer Capital \$18,050,000
 - ✓ Storm Capital \$6,015,000
- 2. Population and water usage projections to remain consistent throughout the projected time**
 - ✓ Expenses are increased annually by 3%.
- 3. Rate increases scheduled to begin May 2025.**



Capital Projects List

Water Main Replacements

South and West Zone Backup Water Supplies

Water Storage Replacement or Rehabilitation

Tollway Utility Crossings

Abbey Wood Pump Station Improvements

Hydrant Purchase

Water Meter Purchase

Valve Purchase and Assessment/Exercising

Sewer Televising Equipment and Software

County Projects

Village Hall Site Improvements

Fleet Maintenance Site Improvements

Dump Truck Replacements

Other Heavy Duty Vehicle Replacements

Public Works Equipment Replacements

Public Works Pickup Truck Replacements

Specialized Public Works Vehicle Repairs

Lift Station Replacement or Rehabilitation

Sanitary Sewer Improvements

Annual Drainage Improvements

Street Projects

Televising

Storm Engineering

Storm Construction Oversight



Capital Projects List

Water Main Replacements

South and West Zone Backup Water Supplies

Water Storage Replacement or Rehabilitation (Tower 1)

Tollway Utility Crossings

Abbey Wood Pump Station Improvements

Hydrant Purchase

Water Meter Purchase

Valve Purchase and Assessment/Exercising

Sewer Televising Equipment and Software

County Projects

Village Hall Site Improvements

Fleet Maintenance Site Improvements

Dump Truck Replacements

Other Heavy Duty Vehicle Replacements

Public Works Equipment Replacements

Public Works Pickup Truck Replacements

Specialized Public Works Vehicle Repairs

Lift Station Replacement or Rehabilitation

Sanitary Sewer Improvements

Annual Drainage Improvements

Street Projects

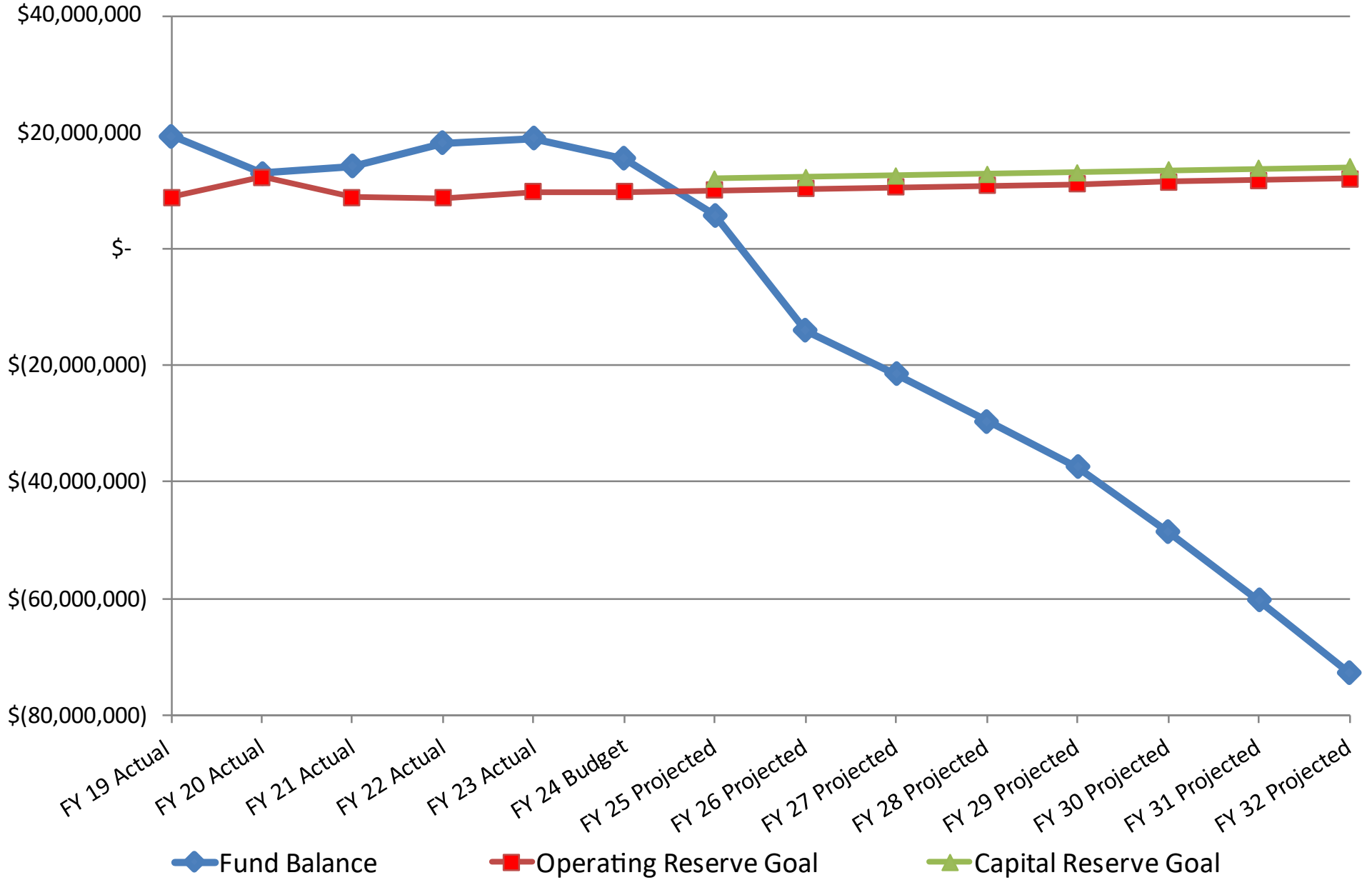
Televising

Storm Engineering

Storm Construction Oversight



Village of Hoffman Estates - Water and Sewer Rate Study
Water and Sewer Fund Cash Flow Projection
Scenario 0: Baseline Scenario





Village's Existing Rate Structure

Volumetric Fee

- Measured per 1000 gallons

Line Fee

- Based on Meter Size
 - ✓ 5/8" – 12"

Stormwater Utility Fee

- Residential Tiered System
 - ✓ 0-7,500 SF
 - ✓ 7,500 – 12,500 SF
 - ✓ 12,501+ SF
- Commercial
 - ✓ Impervious Area

Rate Scenarios/Structures Summary

Scenario 1

- Full Capital Improvement Plan
- \$56 Million in Capital Projects
- Rate increases ending after FY26

Scenario 2

- Reduced Capital Improvement Plan
- \$33.5 Million in Capital Projects
- Consistent rate increases year over year

Scenario 3

- Full Capital Improvement Plan
- \$12 Million in Loan/Bond
- \$2 Million in Transfers from General Fund to supplement storm capital

Draft Scenario 1: Full CIP Scenario

■ Year 1

Water → 15% Increase
(\$12.74 to \$14.65) to Volumetric Rate (per 1,000 gals).

Sewer → 15% Increase
(\$1.83 to \$2.10) to Volumetric Rate (per 1,000 gals).

Storm → \$5/\$10/\$15 increase.
(\$5 tier 1, \$10 tier 2, \$15 tier 3).

\$8 increase (\$2 to \$10) to Impervious Area Fee.

Line Fee → \$18 increase to 5/8" Meter and increases per meter size.

■ Year 2

Water → 12% increase
(\$14.65 to \$16.41) to Volumetric Rate (per 1,000 gals).

Sewer → 12% increase
(\$2.10 to \$2.36) to Volumetric Rate (per 1,000 gals).

Storm → No increase

Line Fee → \$10 increase to 5/8" Meter and increases per meter size.

No further increases needed for the years FY27-FY32.

Draft Scenario 1: Full CIP Scenario

Scenario 1A - Rates and Charges	FY24	FY25	FY26	FY27	FY28	FY29
Residential Water Volumetric Rate (per 1,000 gal)	\$ 12.74	\$ 14.65	\$ 16.41	\$ 16.41	\$ 16.41	\$ 16.41
Line Fee - 5/8-inch Meter	\$ 6.73	\$ 24.73	\$ 34.73	\$ 34.73	\$ 34.73	\$ 34.73
Line Fee - 3/4-inch Meter	\$ 7.08	\$ 26.02	\$ 36.54	\$ 36.54	\$ 36.54	\$ 36.54
Line Fee - 1-inch Meter	\$ 8.50	\$ 31.23	\$ 43.86	\$ 43.86	\$ 43.86	\$ 43.86
Line Fee - 1.5-inch Meter	\$ 12.04	\$ 44.24	\$ 62.13	\$ 62.13	\$ 62.13	\$ 62.13
Line Fee - 2-inch Meter	\$ 16.29	\$ 59.86	\$ 84.06	\$ 84.06	\$ 84.06	\$ 84.06
Line Fee - 3-inch Meter	\$ 29.75	\$ 109.32	\$ 153.52	\$ 153.52	\$ 153.52	\$ 153.52
Line Fee - 4-inch Meter	\$ 47.45	\$ 174.36	\$ 244.86	\$ 244.86	\$ 244.86	\$ 244.86
Line Fee - 6-inch Meter	\$ 104.11	\$ 382.56	\$ 537.26	\$ 537.26	\$ 537.26	\$ 537.26
Residential Sewer Volumetric Rate	\$ 1.83	\$ 2.10	\$ 2.36	\$ 2.36	\$ 2.36	\$ 2.36
Stormwater Utility Fee - 0 to 7,500 SF	\$ 1.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50
Stormwater Utility Fee - 7,501 to 12,500 SF	\$ 2.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00
Stormwater Utility Fee - 12,501+ SF	\$ 2.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50
Full Impervious Area Fee	\$ 2.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00

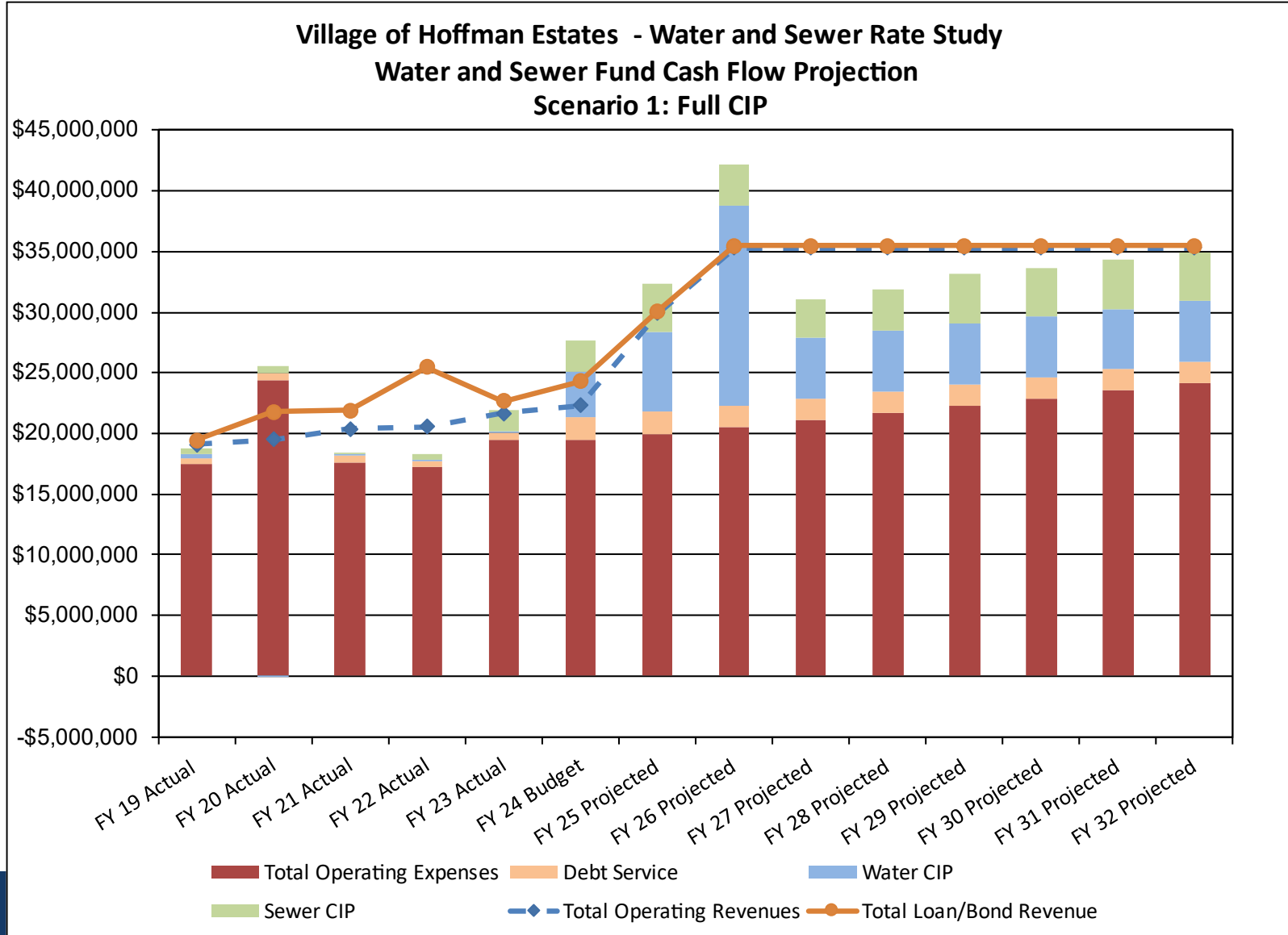
Draft Scenario 1: Full CIP Scenario

Village of Hoffman Estates - Water and Sewer Rate Study
 Water and Sewer Fund Cash Flow Projection
 Scenario 1: Full CIP



- Capital Reserve Goal added in 2025
- Large spike in 2027 due to heavy upfront rate increases to fund the current CIP plan

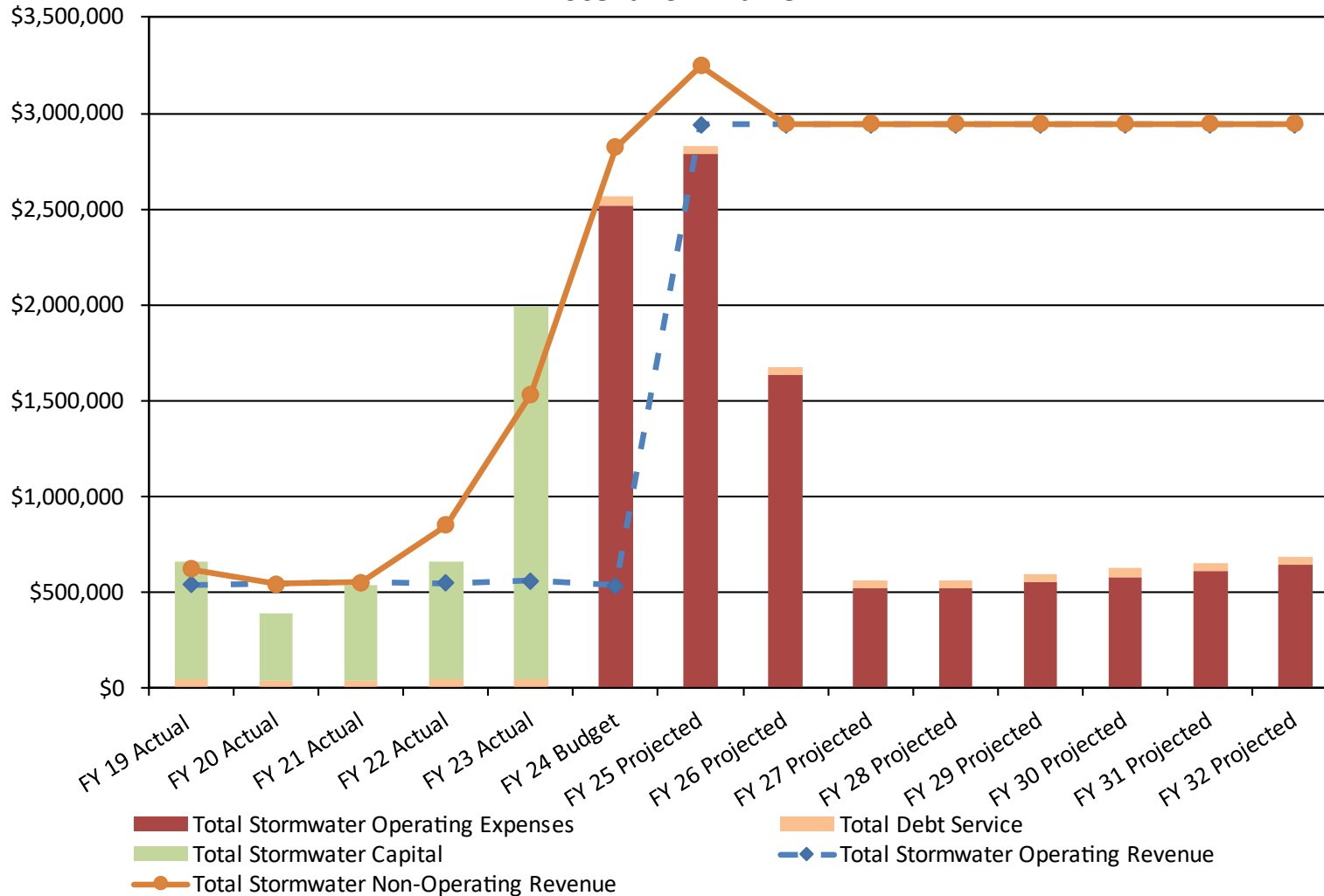
Draft Scenario 1: Full CIP Scenario



Additional projects to be added with creation of new Capital Improvement Plan.

Draft Scenario 1: Full CIP Scenario

Village of Hoffman Estates - Water and Sewer Rate Study
 Stormwater Fund Cash Flow Projection
 Scenario 1: Full CIP



■ **Additional projects/capital to be added as Storm Infrastructure continues to age.**

Rate Scenarios/Structures Summary

Scenario 1

- Full Capital Improvement Plan
- \$56 Million in Capital Projects
- Rate increases ending after FY26

Scenario 2

- Reduced Capital Improvement Plan
- \$33.5 Million in Capital Projects
- Consistent rate increases year over year

Scenario 3

- Full Capital Improvement Plan
- \$12 Million in Loan/Bond
- \$2 Million in Transfers from General Fund to supplement storm capital

Draft Scenario 2: Reduced CIP Scenario

■ Year 1

Water → Yearly 4% increase
(\$12.74 to \$13.25) to Volumetric Rate.

Sewer → Yearly 4% increase
(\$1.83 to \$1.90) to Volumetric Rate.

Storm → Yearly \$0.50 increase to all tiers.

\$3 increase to Impervious Area Fee.

Line Fee → Yearly \$0.50 increase to 5/8”
Meter and increases per meter size.

■ Year 2

Water → Yearly 4% increase
(\$13.25 to \$13.78) to Volumetric Rate.

Sewer → Yearly 4% increase
(\$1.90 to \$1.98) to Volumetric Rate.

Storm → Yearly \$0.50 increase to all tiers.
Stops in FY 28.

No increase to Impervious Area Fee.

Line Fee → Yearly \$0.50 increase to 5/8”
Meter and increases per meter size.

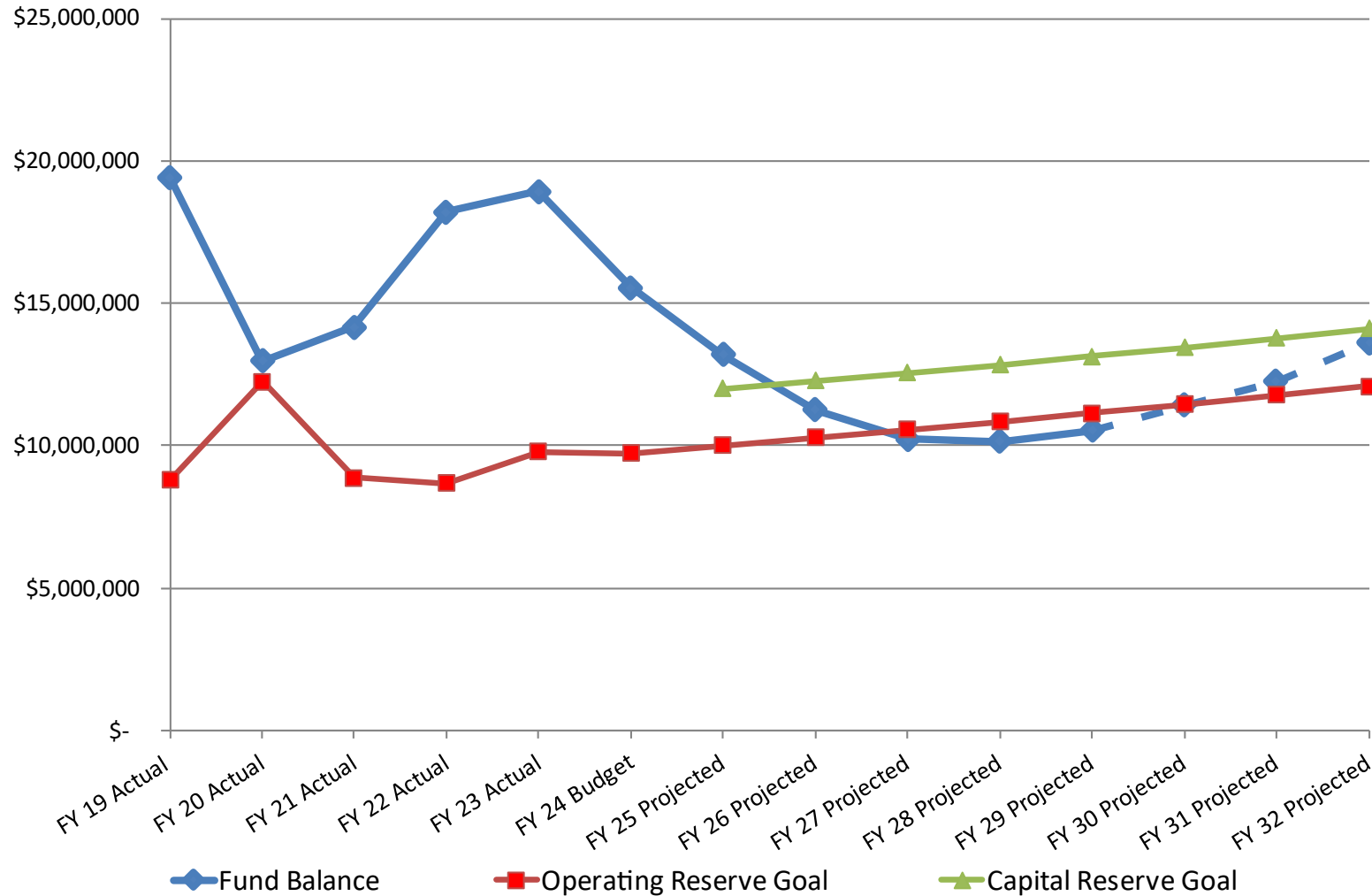
Yearly increases continue through the years FY27-FY32.

Draft Scenario 2: Reduced CIP Scenario

Scenario 2 - Rates and Charges	FY24	FY25	FY26	FY27	FY28	FY29
Residential Water Volumetric Rate (per 1,000 gal)	\$ 12.74	\$ 13.25	\$ 13.78	\$ 14.33	\$ 14.90	\$ 15.50
Line Fee - 5/8-inch Meter	\$ 6.73	\$ 7.23	\$ 7.73	\$ 8.23	\$ 8.73	\$ 9.23
Line Fee - 3/4-inch Meter	\$ 7.08	\$ 7.61	\$ 8.13	\$ 8.66	\$ 9.18	\$ 9.71
Line Fee - 1-inch Meter	\$ 8.50	\$ 9.13	\$ 9.76	\$ 10.39	\$ 11.03	\$ 11.66
Line Fee - 1.5-inch Meter	\$ 12.04	\$ 12.93	\$ 13.83	\$ 14.72	\$ 15.62	\$ 16.51
Line Fee - 2-inch Meter	\$ 16.29	\$ 17.50	\$ 18.71	\$ 19.92	\$ 21.13	\$ 22.34
Line Fee - 3-inch Meter	\$ 29.75	\$ 31.96	\$ 34.17	\$ 36.38	\$ 38.59	\$ 40.80
Line Fee - 4-inch Meter	\$ 47.45	\$ 50.98	\$ 54.50	\$ 58.03	\$ 61.55	\$ 65.08
Line Fee - 6-inch Meter	\$ 104.11	\$ 111.84	\$ 119.58	\$ 127.31	\$ 135.05	\$ 142.78
Residential Sewer Volumetric Rate	\$ 1.83	\$ 1.90	\$ 1.98	\$ 2.06	\$ 2.14	\$ 2.23
Stormwater Utility Fee - 0 to 7,500 SF	\$ 1.50	\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.00	\$ 3.00
Stormwater Utility Fee - 7,501 to 12,500 SF	\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.50	\$ 3.50	\$ 3.50
Stormwater Utility Fee - 12,501+ SF	\$ 2.50	\$ 3.00	\$ 3.50	\$ 4.00	\$ 4.00	\$ 4.00
Full Impervious Area Fee	\$ 2.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00

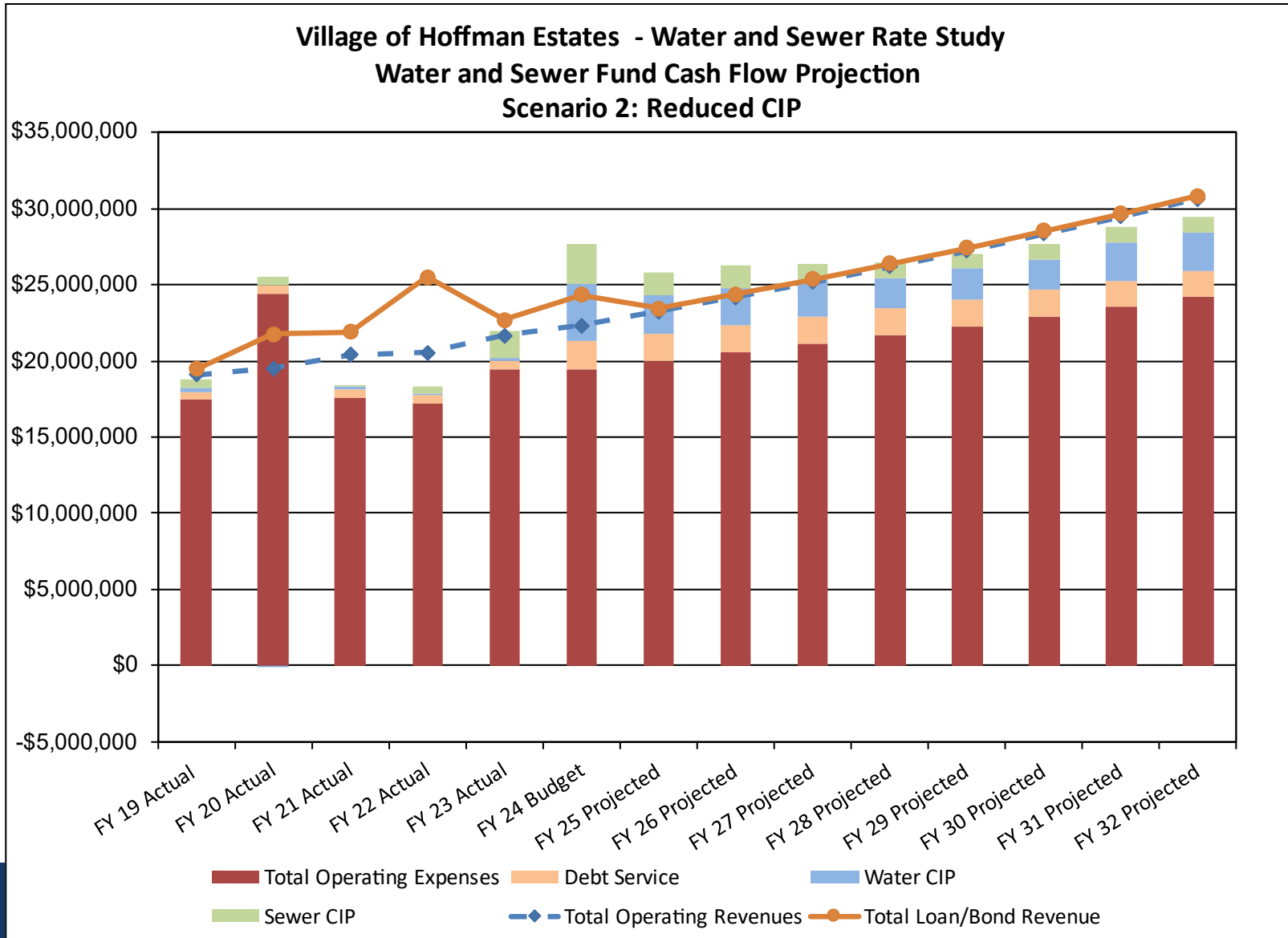
Draft Scenario 2: Reduced CIP Scenario

Village of Hoffman Estates - Water and Sewer Rate Study
 Water and Sewer Fund Cash Flow Projection
 Scenario 2: Reduced CIP



- Capital Reserve Goal added in 2025
- Fund balance falls slightly below Operating Reserve Goal in FY 27 – FY 29

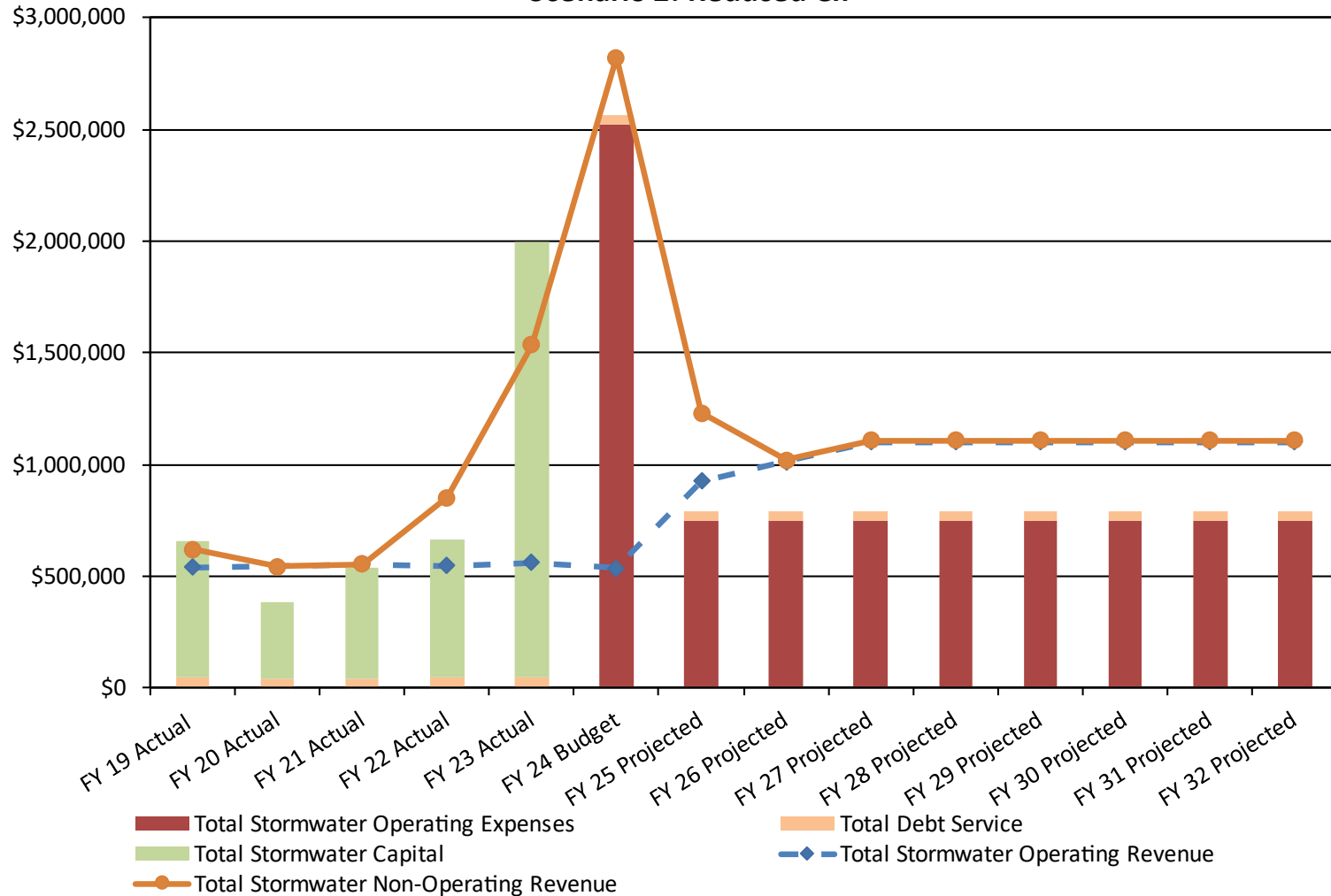
Draft Scenario 2: Reduced CIP Scenario



- Assigned yearly reduced CIP allowances to simulate a scenario with less CIP spending
- Provides more gradual rate increases to customers

Draft Scenario 2: Reduced CIP Scenario

Village of Hoffman Estates - Water and Sewer Rate Study
 Stormwater Fund Cash Flow Projection
 Scenario 2: Reduced CIP



Additional projects/capital to be added as Storm Infrastructure continues to age.

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Scenario 2

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Scenario 3

- Full Capital Improvement Plan
- \$12 Million in Loan/Bond
- \$2 Million in Transfers from General Fund to supplement storm capital

Draft Scenario 3: Loan Funded CIP

■ Year 1

Water, Volumetric → 6% increase

Sewer, Volumetric → 6% increase

Storm, Residential → \$2/\$4/\$6 increase to storm tiers.

\$4 increase to Impervious Area Fee.

Line Fee → \$5 increase to 5/8" meter and increases per meter size.

■ Year 2 & 3

Water, Volumetric → 6% increase

Sewer, Volumetric → 6% increase

Storm → No increase

Line Fee → \$4 increase to 5/8" meter and increases per meter size.

Draft Scenario 3: Loan Funded CIP

■ Year 4

Water, Volumetric → 5% increase

Sewer, Volumetric → 4% increase

Storm → No increase

Line Fee → \$3 increase to 5/8" meter and increases per meter size.

■ Year 5+

Water, Volumetric → 4% increase

Sewer, Volumetric → 4% increase

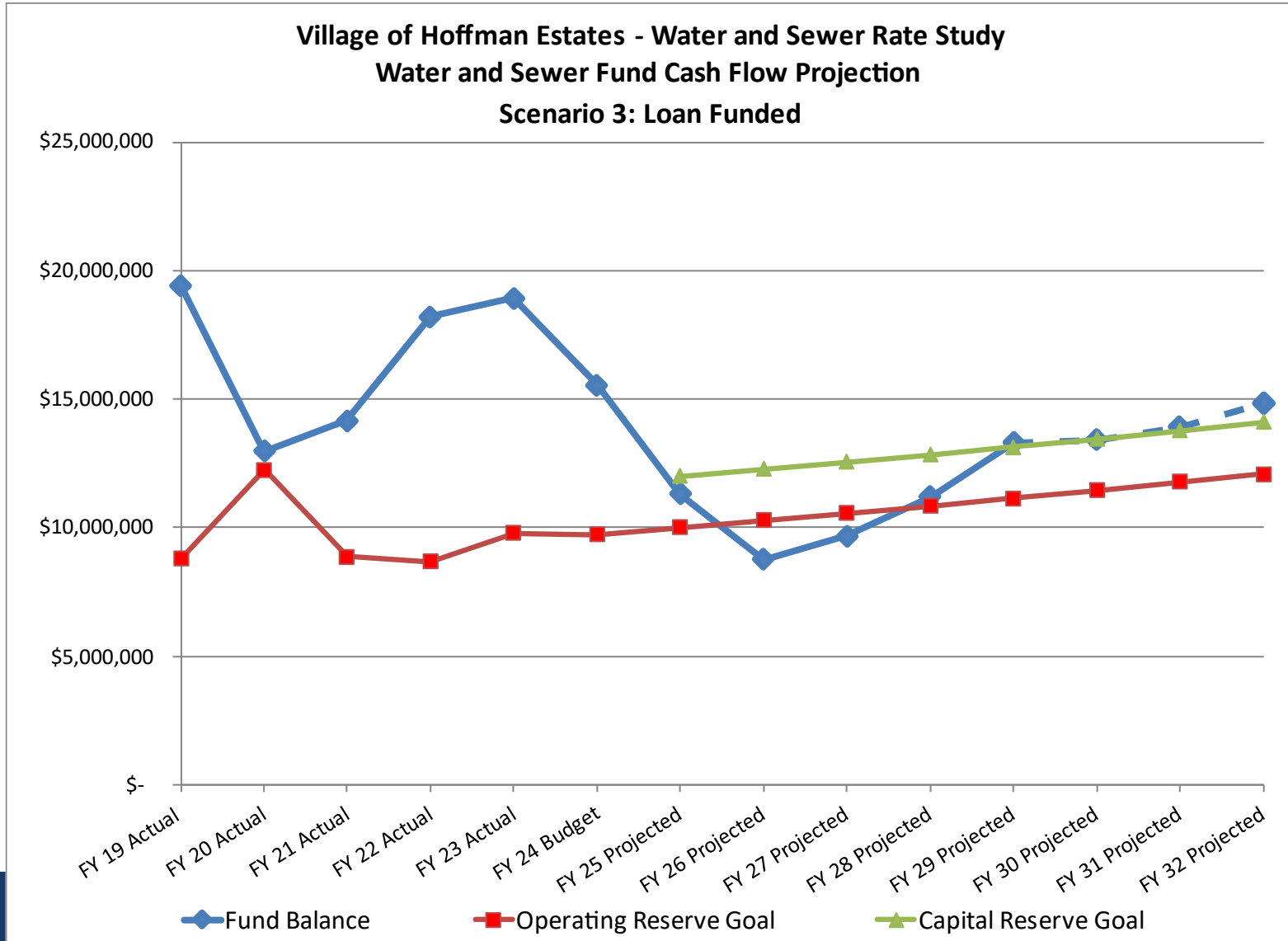
Storm → No increase

Line Fee → \$3 increase to 5/8" meter and increases per meter size. (No increase after this year)

Draft Scenario 3: Loan Funded CIP

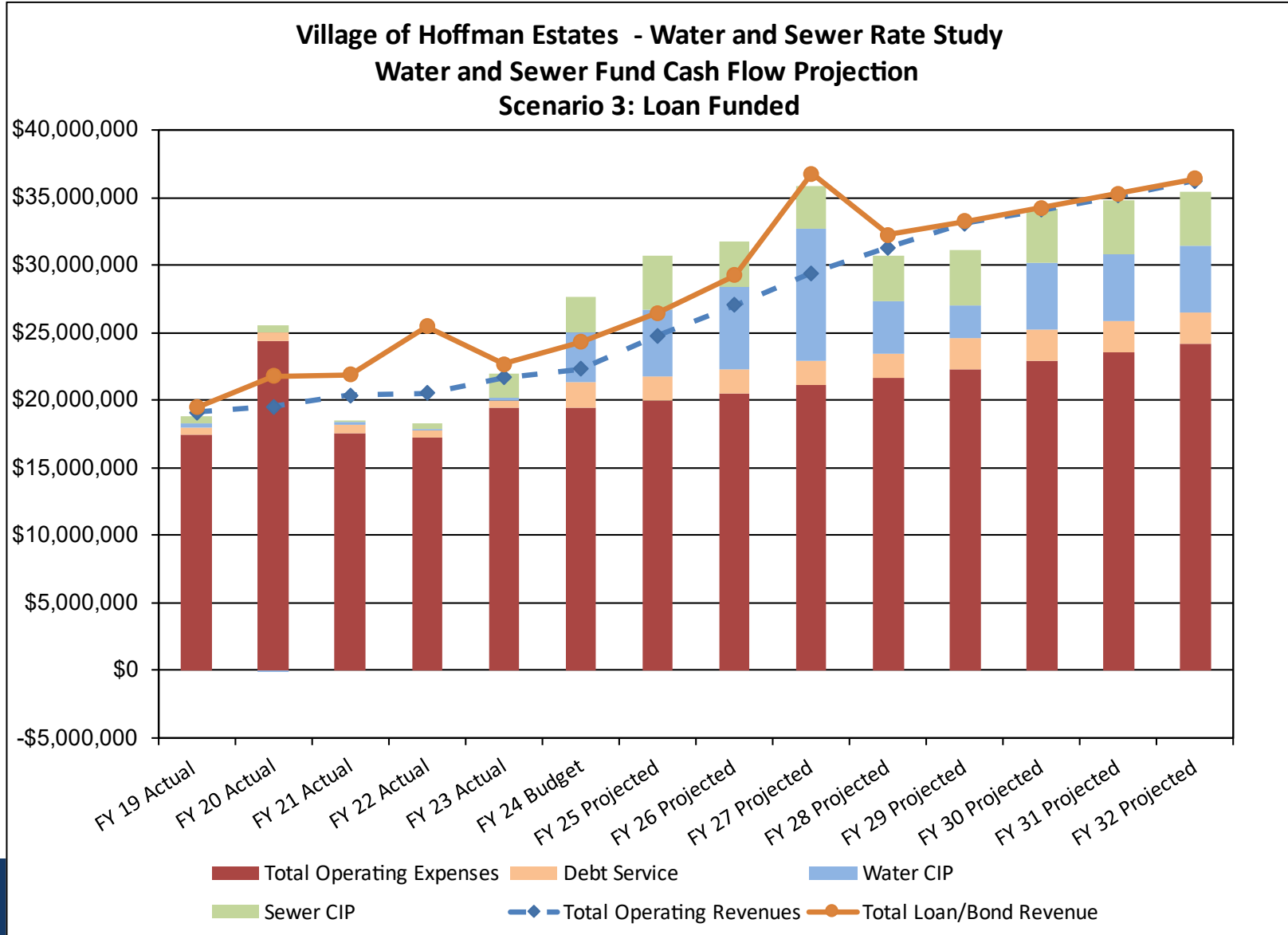
Scenario 3 - Rates and Charges	FY24	FY25	FY26	FY27	FY28	FY29
Residential Water Volumetric Rate (per 1,000 gal)	\$ 12.74	\$ 13.50	\$ 14.31	\$ 15.17	\$ 15.93	\$ 16.57
Line Fee - 5/8-inch Meter	\$ 6.73	\$ 11.73	\$ 15.73	\$ 19.73	\$ 22.73	\$ 25.73
Line Fee - 3/4-inch Meter	\$ 7.08	\$ 12.34	\$ 16.55	\$ 20.76	\$ 23.91	\$ 27.07
Line Fee - 1-inch Meter	\$ 8.50	\$ 14.82	\$ 19.87	\$ 24.92	\$ 28.71	\$ 32.50
Line Fee - 1.5-inch Meter	\$ 12.04	\$ 20.99	\$ 28.14	\$ 35.30	\$ 40.66	\$ 46.03
Line Fee - 2-inch Meter	\$ 16.29	\$ 28.39	\$ 38.07	\$ 47.76	\$ 55.02	\$ 62.28
Line Fee - 3-inch Meter	\$ 29.75	\$ 51.85	\$ 69.53	\$ 87.22	\$ 100.48	\$ 113.74
Line Fee - 4-inch Meter	\$ 47.45	\$ 82.70	\$ 110.90	\$ 139.11	\$ 160.26	\$ 181.41
Line Fee - 6-inch Meter	\$ 104.11	\$ 181.46	\$ 243.34	\$ 305.21	\$ 351.62	\$ 398.03
Residential Sewer Volumetric Rate	\$ 1.83	\$ 1.94	\$ 2.06	\$ 2.18	\$ 2.27	\$ 2.36
Stormwater Utility Fee - 0 to 7,500 SF	\$ 1.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
Stormwater Utility Fee - 7,501 to 12,500 SF	\$ 2.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Stormwater Utility Fee - 12,501+ SF	\$ 2.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50
Full Impervious Area Fee	\$ 2.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00

Draft Scenario 3: Loan Funded CIP



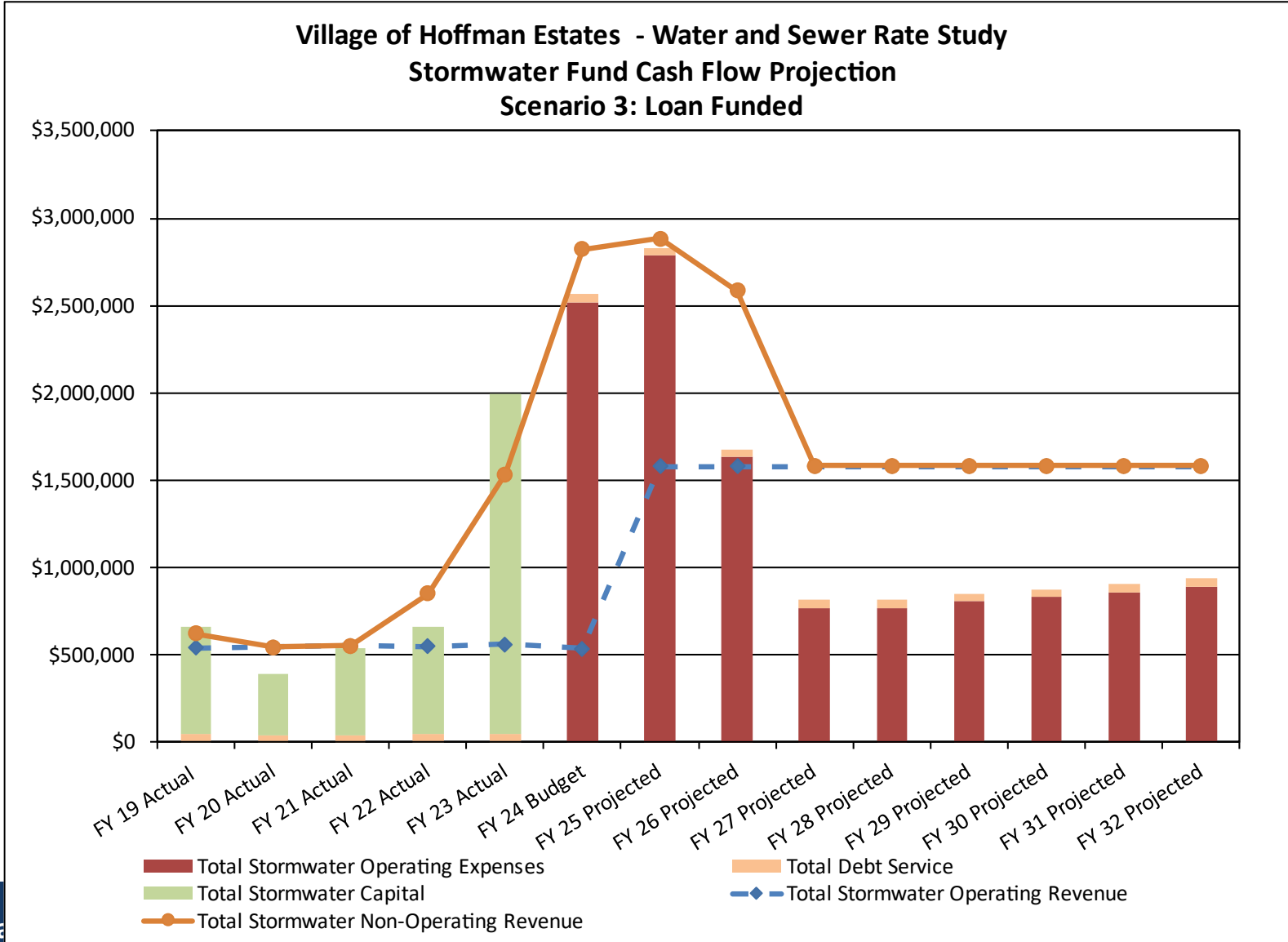
- **Capital Reserve Goal added in 2025**
- **Fund balance falls slightly below Operating Reserve Goal in FY26 – FY28**

Draft Scenario 3: Loan Funded CIP



**\$12 Million
 Loan/Bond to fund
 Capital Improvement
 Projects**

Draft Scenario 3: Loan Funded CIP



Rate Scenario Comparison – 2025 Sample Bills

	2024	Scenario 1	Scenario 2	Scenario 3
	Existing Rates	Fully Funded CIP	Reduced CIP	Partially Loan Funded CIP
Residential User (5 kgals, 3/4" Meter) – Tier 1 Storm	\$81.43	\$116.29	\$85.37	\$93.06
Residential User (5 kgals, 3/4" Meter) – Tier 2 Storm	\$81.93	\$121.79	\$85.87	\$95.56
Residential User (5 kgals, 3/4" Meter) – Tier 3 Storm	\$82.43	\$127.29	\$86.37	\$98.06
Commercial User (45 kgals, 2" Meter)	\$711.94	\$1,017.97	\$799.38	\$843.38

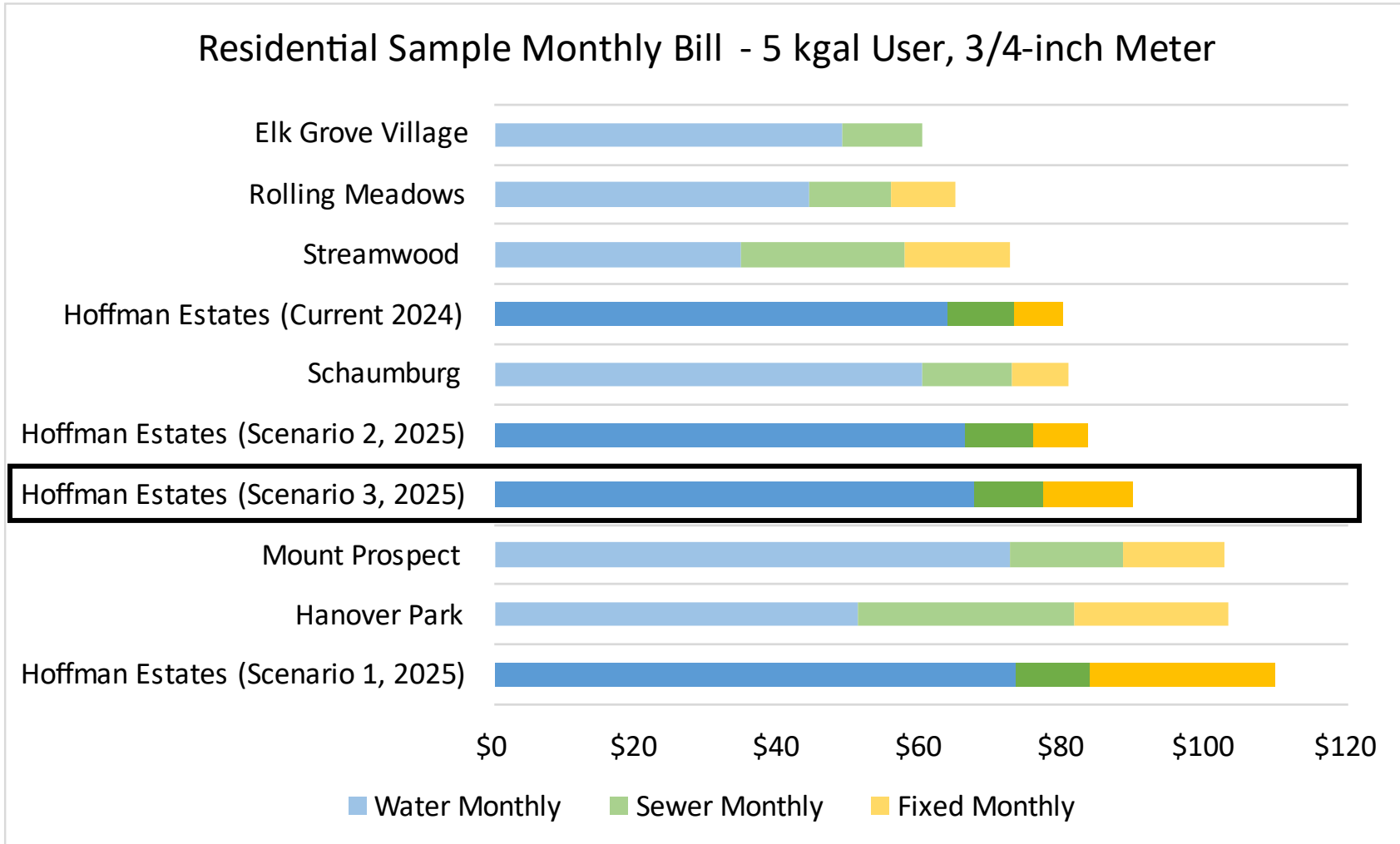
Rate Scenario Comparison – 2028 Sample Bills

	Scenario 1	Scenario 2	Scenario 3
	Fully Funded CIP	Reduced CIP	Partially Loan Funded CIP
Residential User (5 kgals, 3/4" Meter) – Tier 1 Storm	\$136.87 (\$17.51 increase/yr)	\$97.41 (\$3.01 increase/yr)	\$118.41 (\$6.41 increase/yr)
Residential User (5 kgals, 3/4" Meter) – Tier 2 Storm	\$142.37 (\$17.51 increase/yr)	\$97.91 (\$3.01 increase/yr)	\$120.91 (\$6.41 increase/yr)
Residential User (5 kgals, 3/4" Meter) – Tier 3 Storm	\$147.87 (\$17.51 increase/yr)	\$98.41 (\$3.01 increase/yr)	\$123.41 (\$6.41 increase/yr)
Commercial User (45 kgals, 2" Meter)	\$1,141.06 (\$124.70 increase/yr)	\$888.15 (\$22.19 increase/yr)	\$993.97 (\$36.55 increase/yr)

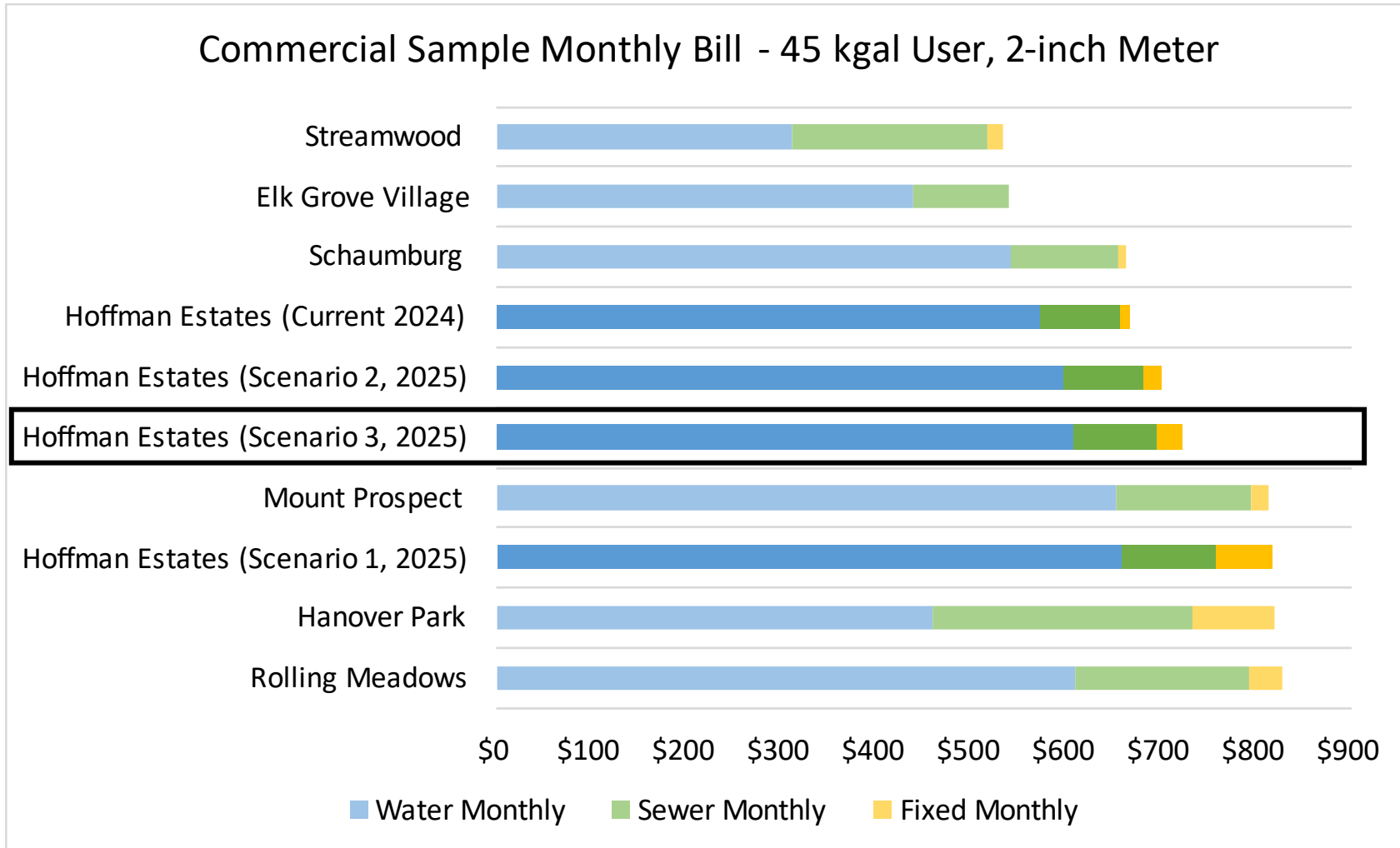
Neighboring Sample Bill Comparisons

- Hoffman Estates Comparison utilizes sample bills from Scenarios 1, 2, and 3
- Comparisons show 2024 rates as well as projected 2025 rates
- All presented communities purchase water through NSM-JAWA
- Not inclusive of planned increases for neighboring communities

Residential Sample Bill Comparison (2024-2025)



Commercial Sample Bill Comparison (2024-2025)



Summary and Conclusion

- Each subsequent scenario was developed to evaluate the impacts of differing capital plans.
- The goal of each scenario was to meet the revenue requirements of the Village while balancing the impact across its diverse customer base.
- Due to the number of assumptions and factors that could still change, it is strongly recommended that these rates be revisited on an annual basis.
- Village Board action requested:
 - *Select preferred scenario and direct staff to bring back an ordinance for adoption.*

Questions?

