

Water and Sewer Fund Presentation

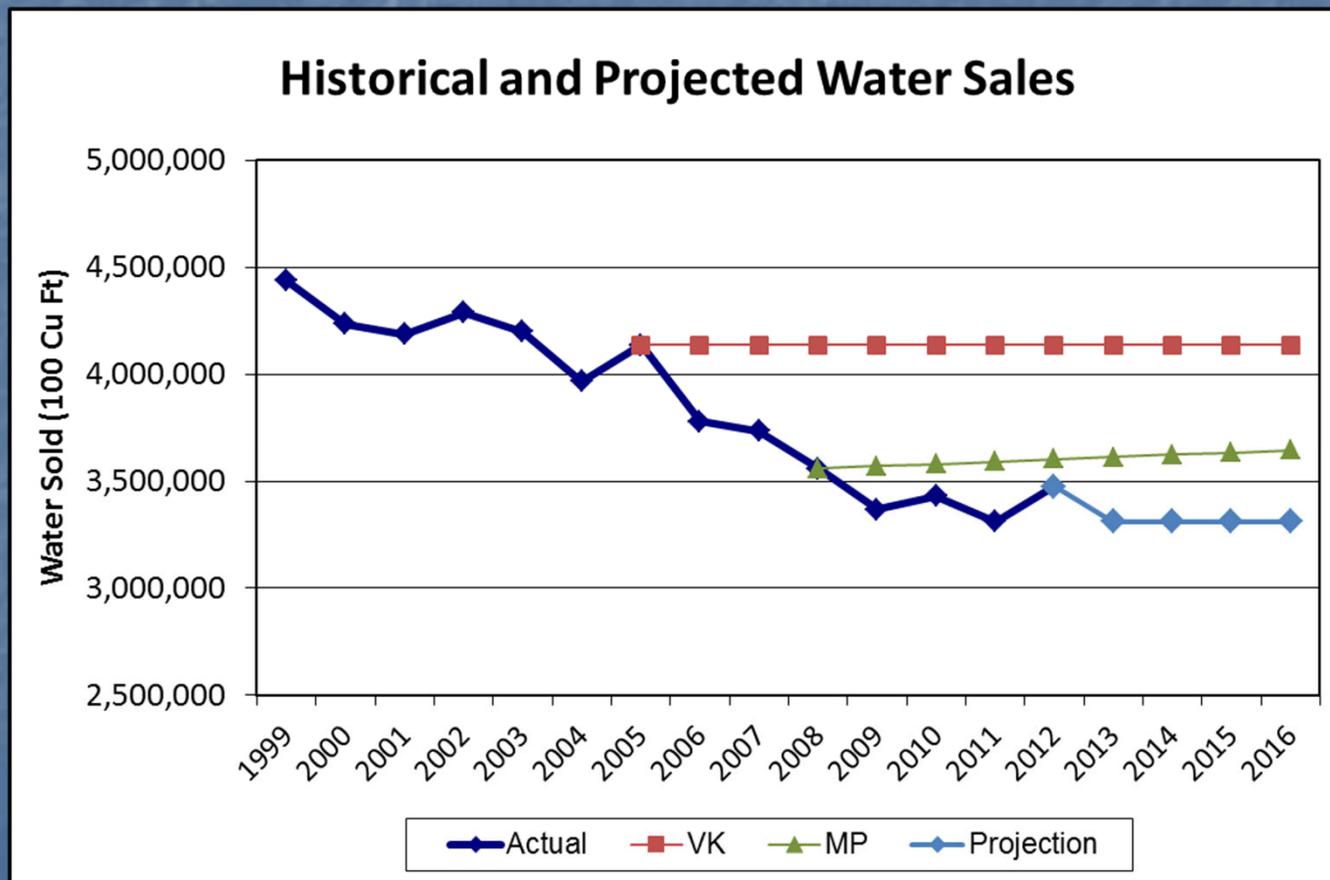
Evanston City Council

July 22, 2013

Agenda

- Sewer Fund
- Water Fund
- Wholesale Water Customers

Evanston Water Consumption

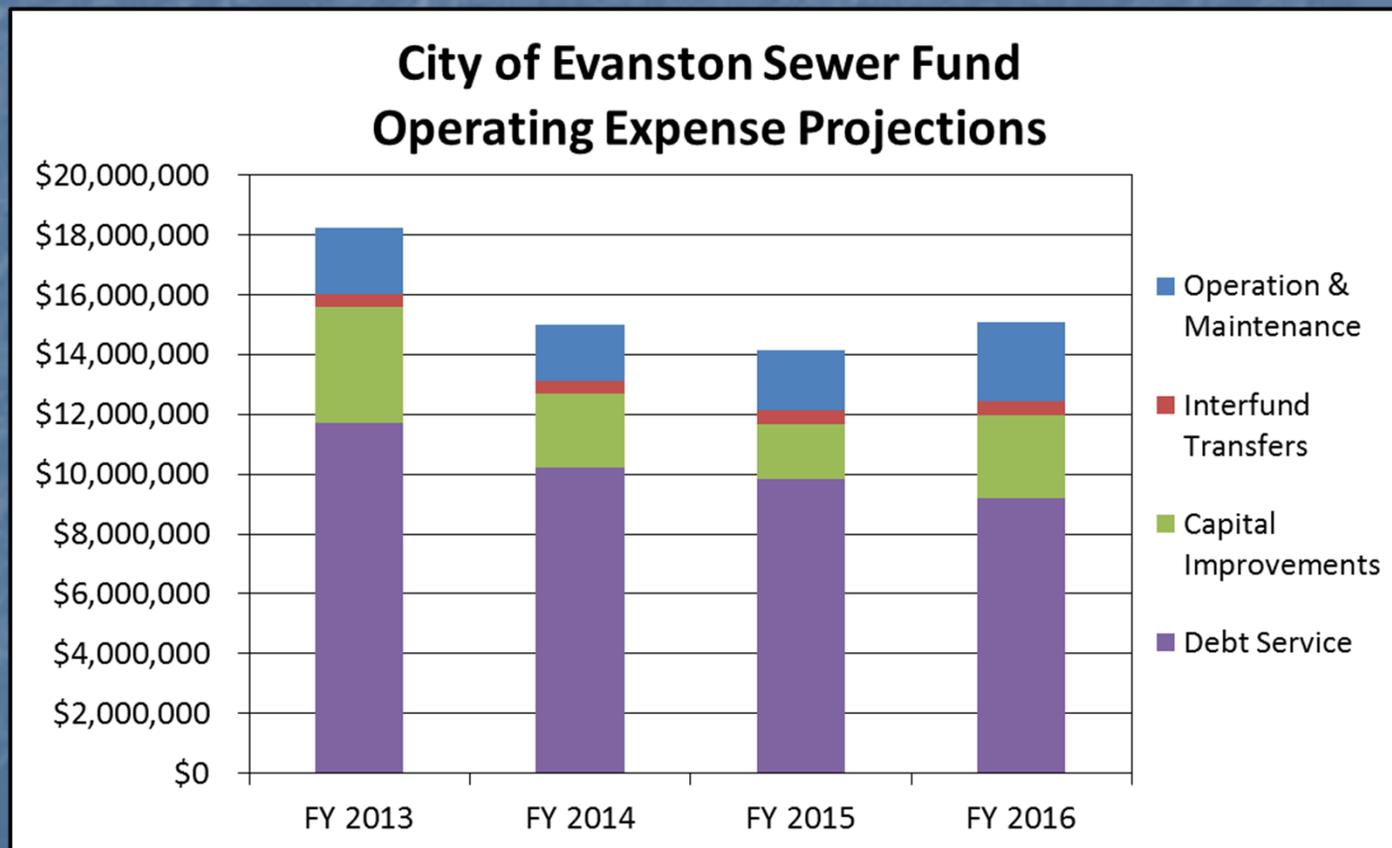


Sewer Fund

Sewer Rate

- Sewer rate has been \$3.94/100 cu ft (\$5.27/1,000 gal) since 2004.
- Average single family residence pays \$454/year.
- \$17M in GO Bonds approved for 2010-2013.
- Tax-exempt customers pay \$4.53/100 cu ft for usage over 10,000 cu ft in any billing period.

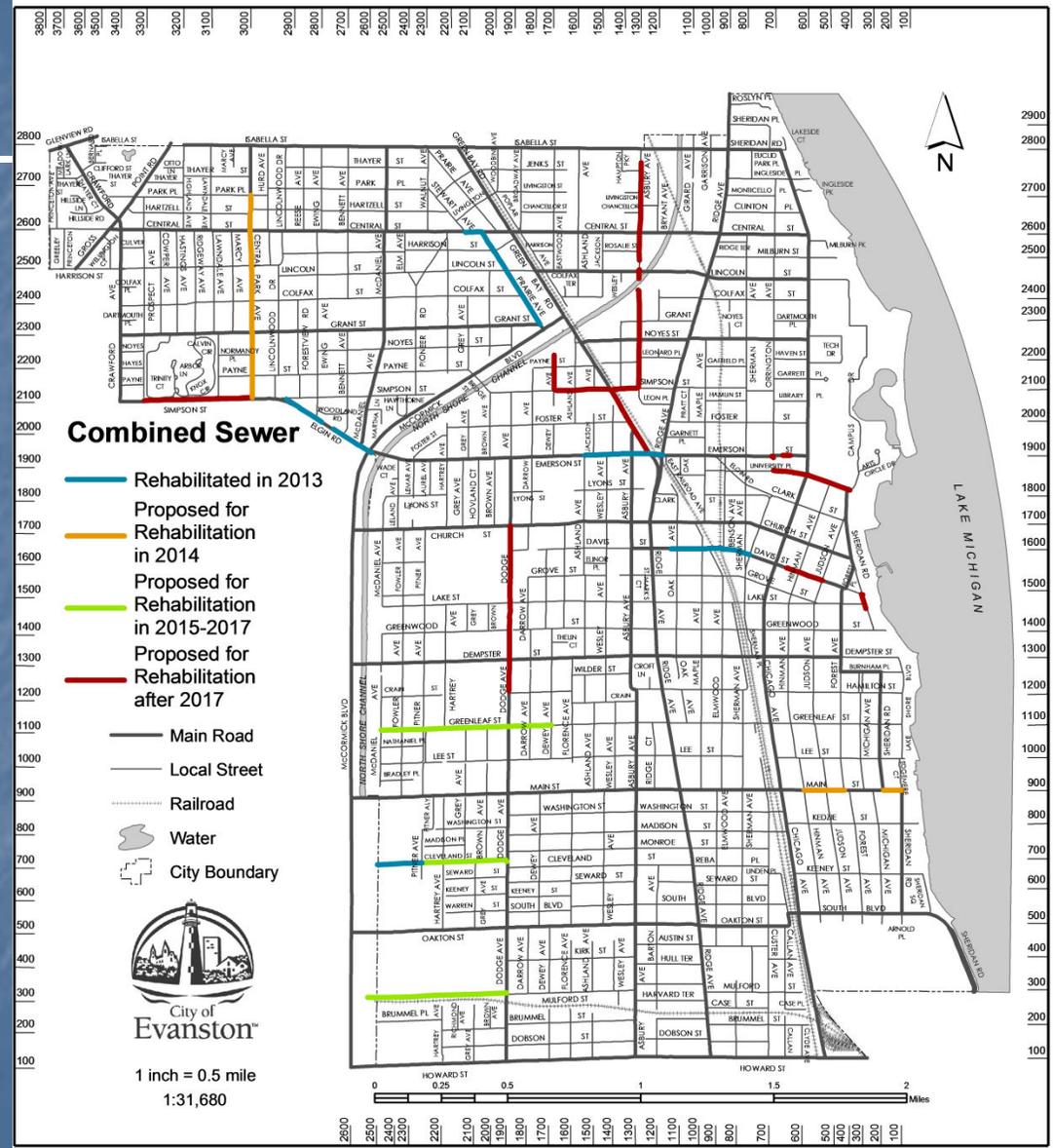
Sewer Fund Expense Projections



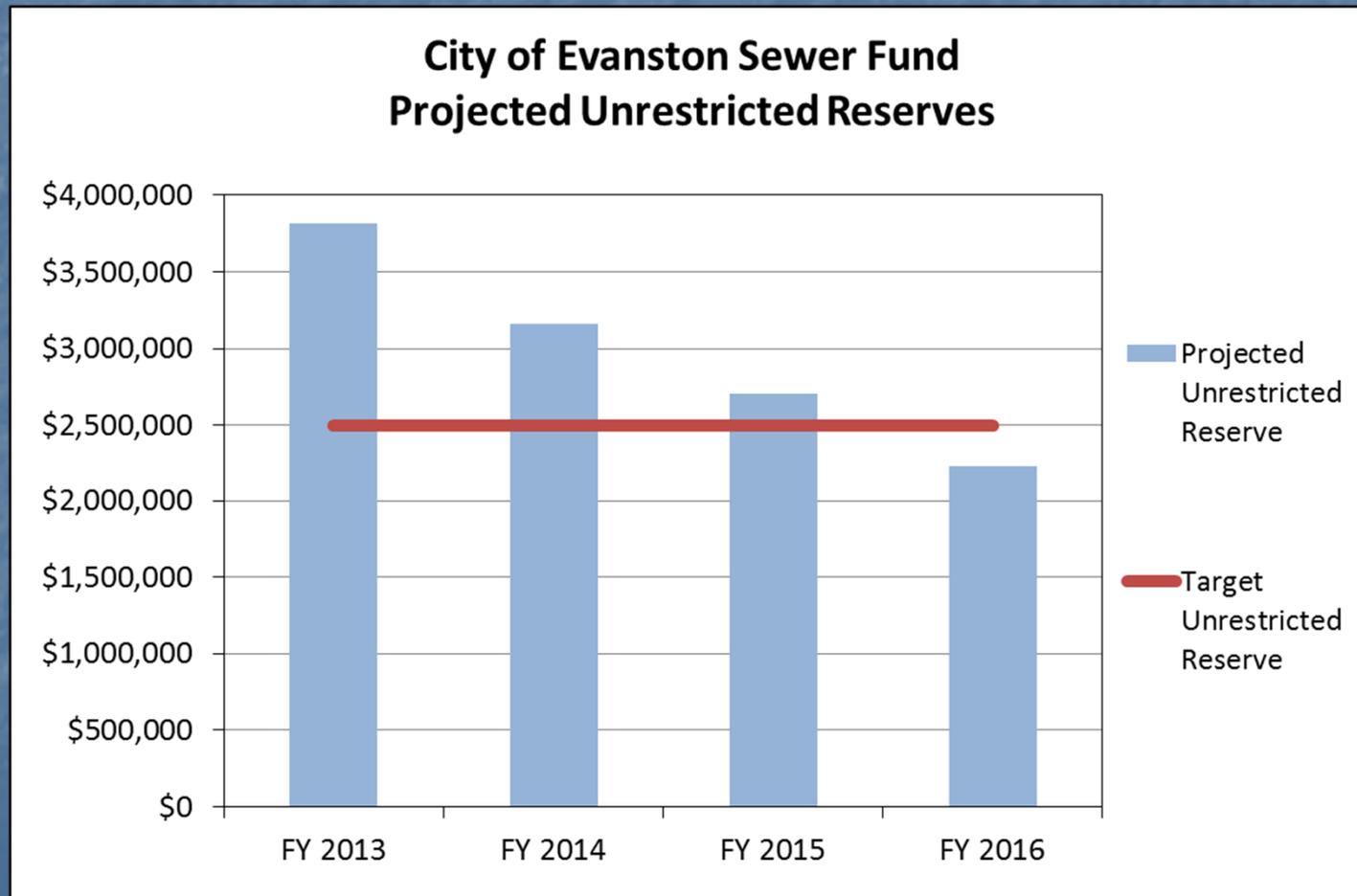
Large Diameter Sewer Rehab

- IEPA low interest loan funding:
 - \$3.6M in 2013 to line 1.6 miles
 - \$5.4M in 2014-2017 to line 2.5 miles
- 3.1 miles remaining after 2017 at an estimated cost of \$8.8 million

City of Evanston Large Diameter Combined Sewer (36" and above) 7.2 Miles of Sewer Over 100 Years Old



Sewer Fund Cash Flow Projections

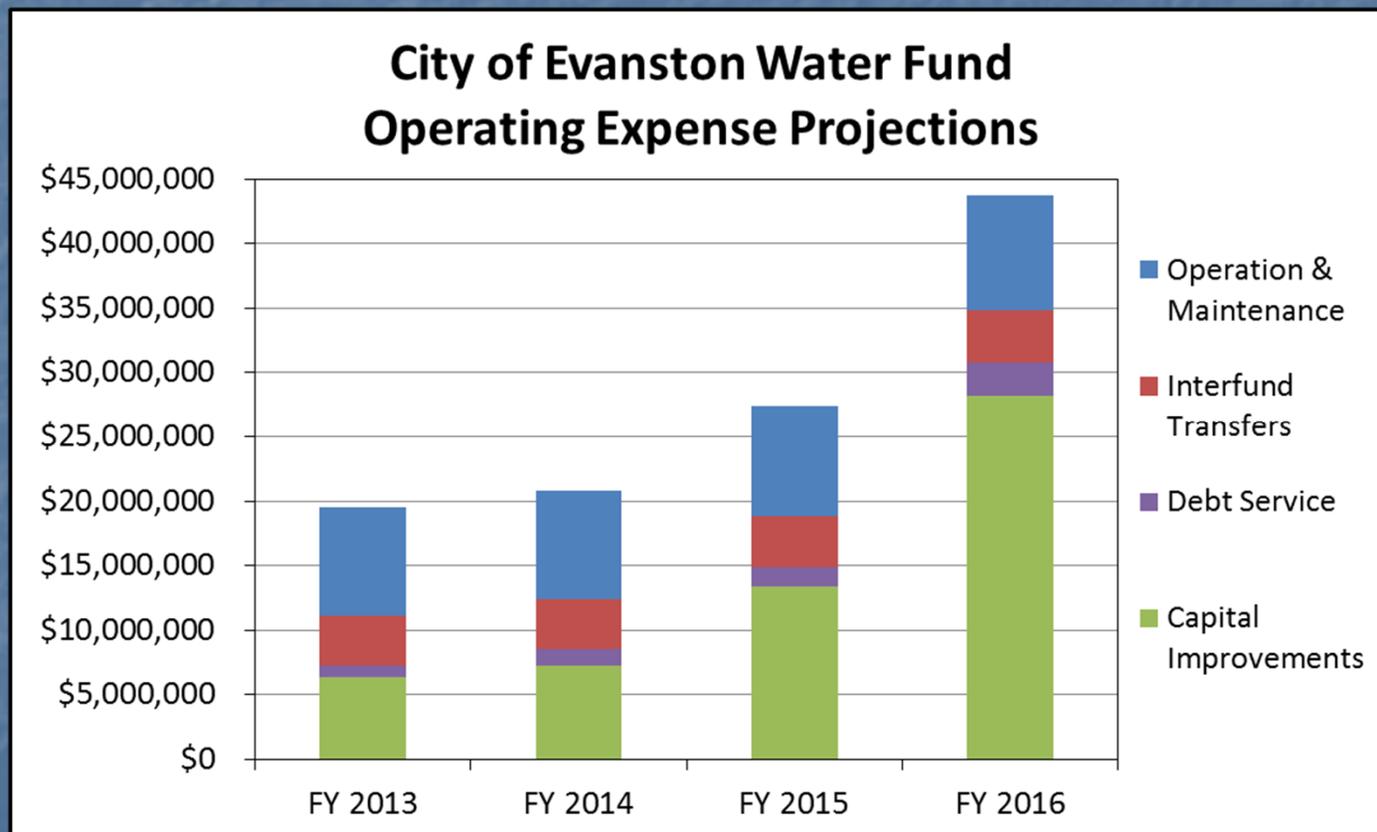


Water Fund

Water Rate

- As of July 1, 2013, the water rate is \$1.80/100 cu ft (\$2.41/1,000 gal).
- Additional bi-monthly minimum charge for first 500 cu ft (varies by meter size).
- Average single family residence pays \$192/year.

Water Fund Expense Projections

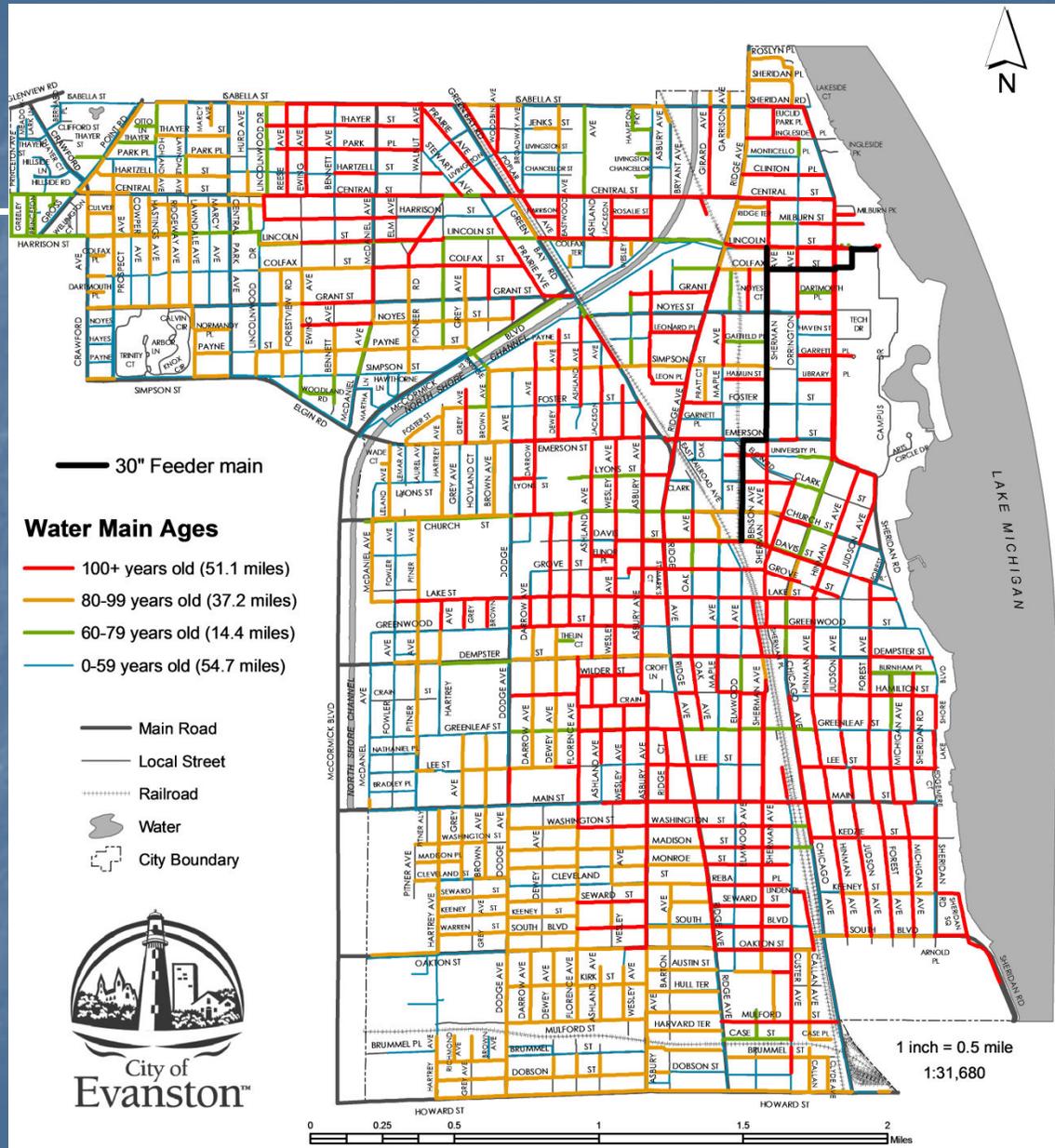


Water Capital Program Summary

- Water Treatment Plant improvements:
 - NWC pays ~59% of improvement costs as the assets are depreciated.
 - 14 MG Reservoir = \$26.1M
 - Plant Reliability Improvements = \$3.0M
 - Intake Improvements = \$2.0M
- Other major projects not paid for by NWC:
 - Standpipe Painting & Repair = \$2.7M
 - Meter Reading System = \$2.4M

Water Main Replacement

- 51 miles of water main >100 years old
- 30" feeder main is almost 80 years old.



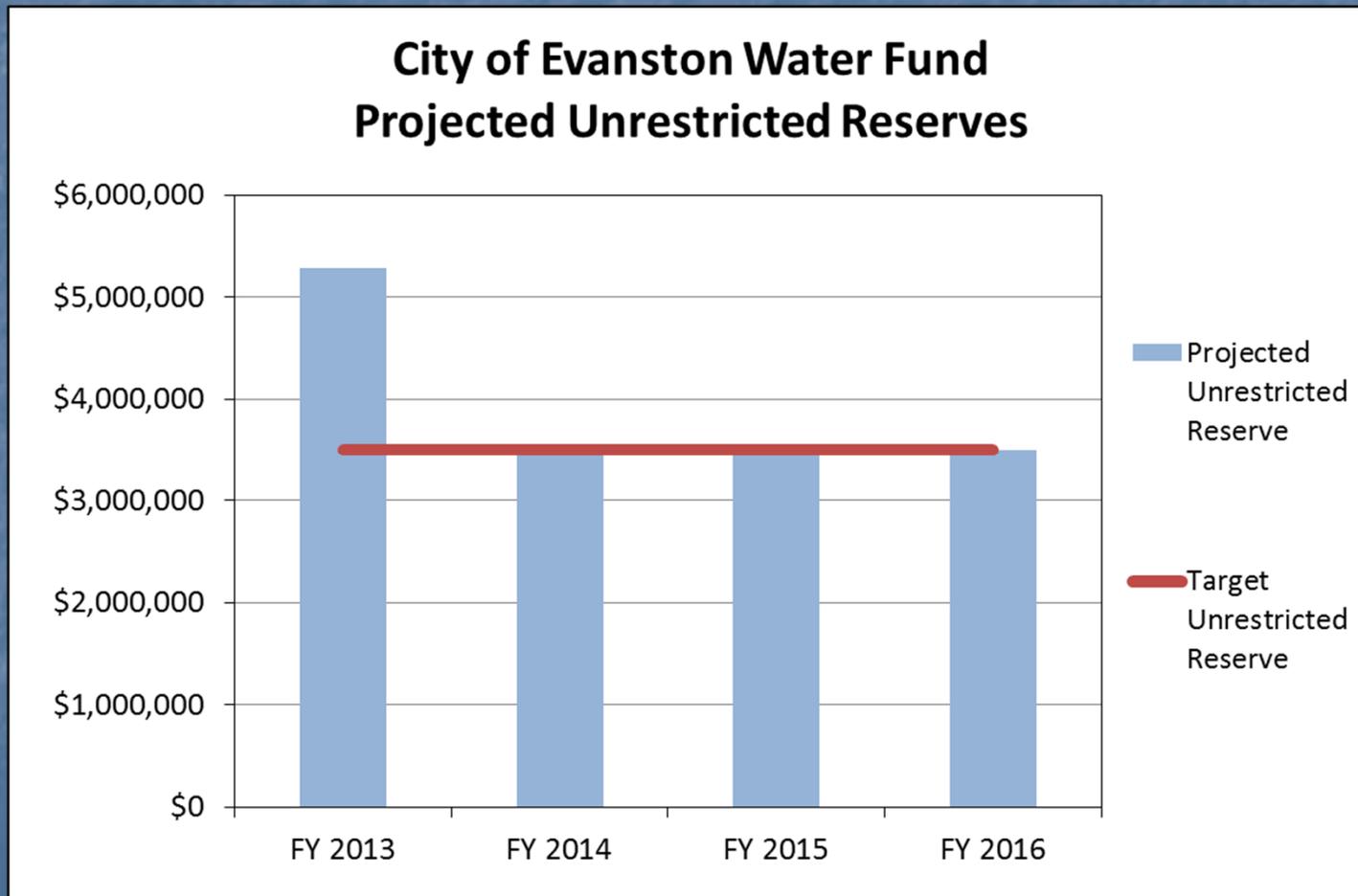
Water Fund Five-Year CIP

Fiscal Year	Water Plant Capital Program	Distribution System Capital Program	Total Capital Spending
2013	\$3,305,000	\$3,100,000	\$6,405,000
2014	\$4,050,000	\$3,190,000	\$7,240,000
2015	\$6,250,000	\$7,090,000	\$13,340,000
2016	\$21,440,000	\$6,800,000	\$28,240,000
2017	\$7,725,000	\$3,490,000	\$11,215,000
2018	\$3,000,000	\$3,590,000	\$6,590,000
5-Yr Total	\$42,465,000	\$24,160,000	\$66,625,000

Water Rate Projections

	FY 2013	FY 2014	FY 2015	FY 2016
Annual Water Rate Increase	3%	10%	10%	10%
Water Rate per 100 cu ft	\$1.80	\$1.98	\$2.18	\$2.40
Water Rate per 1,000 gallons	\$2.41	\$2.65	\$2.91	\$3.21
Average Resident Annual Water Cost	\$192	\$211	\$232	\$255
Annual Cost Increase	\$6	\$19	\$21	\$23

Water Fund Cash Flow Projections



Water and Sewer Fund Summary

Rate Projections

	FY 2013	FY 2014	FY 2015	FY 2016
Annual Water Bill for Avg. Residential Use	\$192	\$211	\$232	\$255
Annual Sewer Bill for Avg. Residential Use	\$454	\$454	\$454	\$454
Combined Annual Water & Sewer Bill	\$645	\$665	\$686	\$709
Increase in Annual Water & Sewer Bill	\$6	\$20	\$21	\$23
% Increase in Annual Water & Sewer Bill	1%	3%	3%	3%

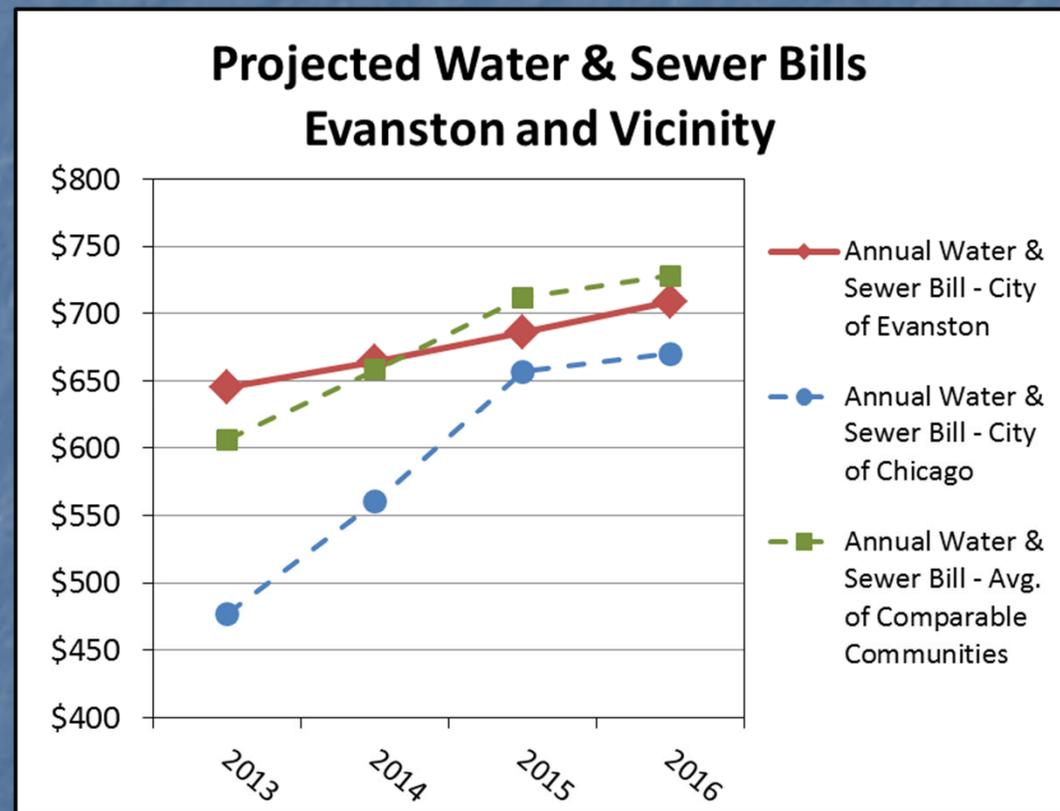
Regional Cost Comparison

- Survey includes communities using Lake Michigan water and part of MWRD.
- Most of these communities do not have relief sewers like Evanston (lower sewer rates but also more flooding).
- Regional average is \$608 per year for single family resident.
- Chicago's water/sewer rates will increase 15% in 2014 and 2015.

Community	Annual Water & Sewer Cost
Buffalo Grove	\$371
Skokie	\$374
Palatine	\$399
Northbrook	\$420
Chicago	\$477
Arlington Heights	\$487
Wheeling	\$567
Niles	\$574
Glenview	\$624
Lincolnwood	\$643
<i>Evanston</i>	<i>\$645</i>
Des Plaines	\$677
Wilmette	\$682
Park Ridge	\$710
Oak Park	\$750
Morton Grove	\$758
Schaumburg	\$774
Deerfield	\$791
Lincolnshire	\$826

Regional Cost Projections

- Assumptions:
 - Communities buying water from Chicago pass on the 15% water rate increases in 2014 and 2015.
 - Otherwise 2% annual water and sewer rates are assumed for all communities (CPI only).



Future Challenges

- An average of \$5M per year in water bonds is needed for the next 20 years to help pay for capital improvements, while slowly increasing the water rate to become self-sufficient.
- Perform a capital funding study in 2014 to evaluate long-term funding options for water improvements.
- Aging of Water Plant infrastructure and equipment.

Future Uncertainties

- Additional revenue from new wholesale customers could significantly reduce borrowing needs for future CIP.
- Future water consumption trends.
- Negotiation of a new Water Supply Agreement with Skokie.
- Re-Open Water Supply Agreement with the Northwest Water Commission.

Wholesale Water Customers

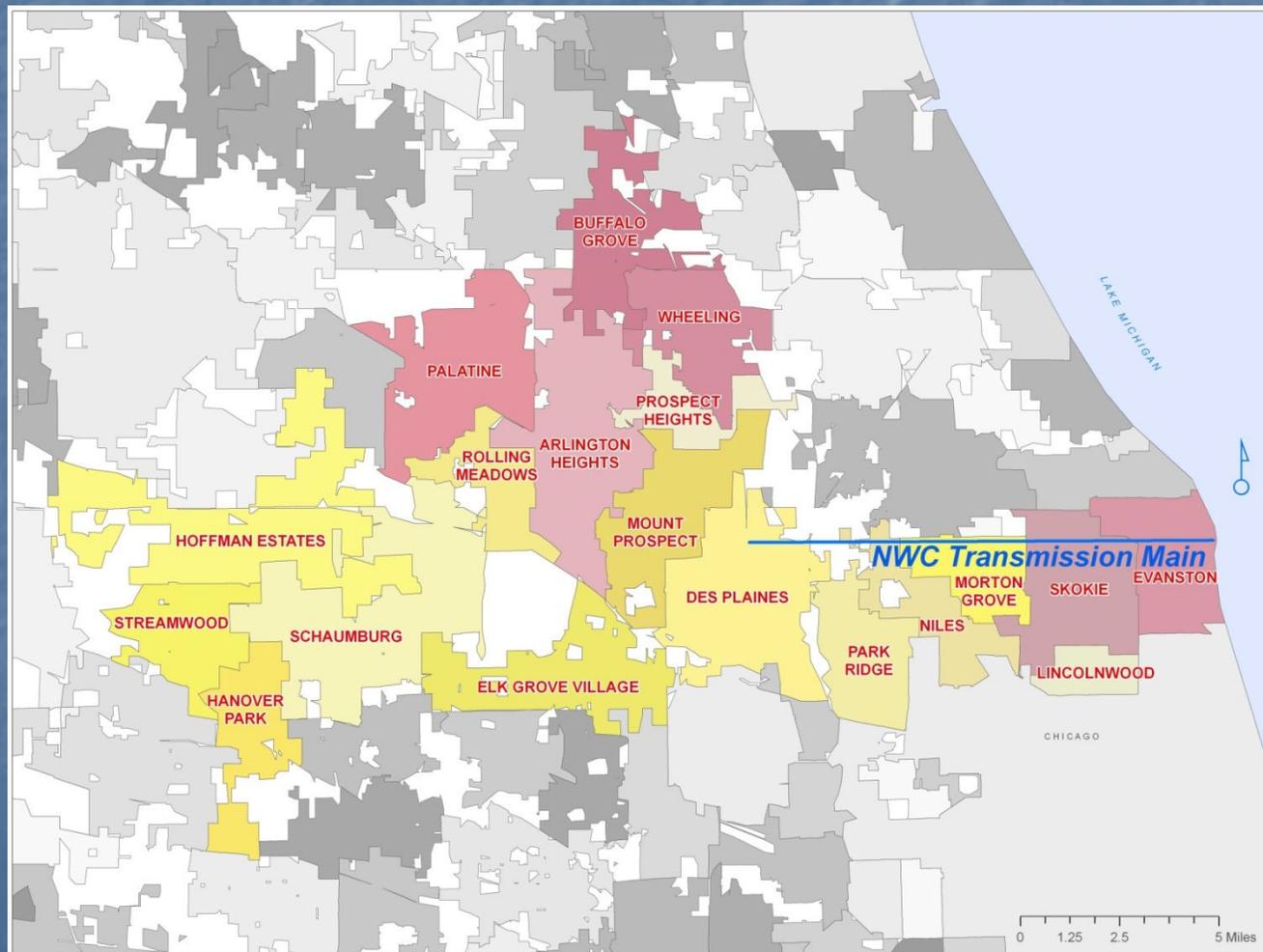
Existing Wholesale Water Customers

- Village of Skokie
 - Became a wholesale customer in 1944
 - Latest agreement signed in 1997
 - 20-yr term (expires in 2017)
 - Currently paying \$0.98/1,000 gal
- Northwest Water Commission
 - Became a wholesale customer in 1985
 - Latest agreement expires in 2030 +/- 5 years
 - Currently paying on average \$0.60/1,000 gal

Engineering and Financial Analysis

- Transmission main feasibility study conducted in coordination with 5 potential wholesale customers and the Northwest Water Commission:
 - Lincolnwood
 - Niles
 - Park Ridge
 - Des Plaines
 - North Suburban Municipal Joint Action Water Agency
- Regional transmission main is technically and financially feasible for all but Lincolnwood.

Potential New Wholesale Customers



Outlook

- Lincolnwood:
 - No modifications needed at the Water Plant or in the distribution system.
 - A dedicated transmission main would be constructed from Evanston's South Standpipe.
 - City has submitted a proposal to Lincolnwood and has begun contract negotiations.
 - Would take about one year to design, permit, and construct the transmission main.

Outlook

- Niles, Park Ridge, and Des Plaines:
 - Possible additions to the Northwest Water Commission or could construct their own main.
 - Morton Grove could also potentially be served by a new pipeline to these communities.
 - Would have to increase water treatment capacity from 108 mgd to 132 mgd to serve all of these communities.
 - City has submitted a proposal to these communities and offered to begin contract negotiations.

Outlook

- **NWC and NSMJAWA:**
 - Addition of NSMJAWA would likely mean the addition of the other communities as well, since it would decrease their cost for a new transmission main.
 - NWC would also benefit from a lower cost to construct a redundant transmission main.
 - Would require a major water plant expansion from 108 mgd to 214 mgd.
 - City has submitted a proposal to NSMJAWA and offered to begin contract negotiations, though their contract with Chicago extends 10 more years.

Summary

■ Current Operations:

- Substantial Capital needed that is not supported without debt issuance and debt issuance has interest costs on top of capital costs.
- Separation of Water Operating and Water Capital revenues could create a flow of funds without interest

■ Expanded Operations:

- Substantial Capital needed depending on the option.
- Capital and Operating costs completely covered by new revenues.

Utilities Department Update

QUESTIONS