

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
JANUARY 23, 2007 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Potential Reduction of DuPage Water Commission Rates	<input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Motion <input type="checkbox"/> Discussion Only	David Fieldman Deputy Village Manager

SYNOPSIS

A resolution of support has been prepared to indicate the Village of Downers Grove support for a wholesale water rate reduction by the DuPage Water Commission.

STRATEGIC PLAN ALIGNMENT

The Strategic Plan for 2006-2021 identified a primary business of the Village is to *Provide Water*.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval on the February 6, 2007 consent agenda.

BACKGROUND

The Village is a charter member of the DuPage Water Commission and purchases potable water from the Commission at a wholesale rate and in turn the Village re-sells the water to the customers of the Village's water system. The DuPage Water Commission is currently scheduled to consider a reduction in the wholesale rate on February 8, 2007.

The resolution of support is appropriate to indicate to the DuPage Water Commission that the Village recommends a wholesale rate reduction. Subject to such a reduction by the Commission, staff will present Council with an ordinance to pass along these savings to Village water customers. At this time, staff is unable to provide Council with financial details of the level of a rate reduction that can be passed along to Village customers as we are still awaiting action by the Water Commission to establish the amount of the wholesale rate reduction.

In 2006, the Village purchased 2,177,698,000 gallons from the DuPage Water Commission, which is about 181,474,833 gallons per month (just under 5.97 million gallons per day). The monthly purchase of water during the past two years has ranged from a low of about 148.3 million gallons to a high of about 218.7 million gallons. The consumption of water is impacted by drought conditions or the lack therefore.

The Village of Downers Grove sells water to Village customers based on a unit of 750 gallons. The average single-family customer uses 8.7 units per month (about 6,525 gallons). The current charge per unit is \$2.72 and there is a minimum charge per two-month bill of two units, or \$5.60. Using the \$2.72 charge per unit, the average monthly cost of water is about \$23.66 per single-family customer. In addition the Village also sells water to non-resident customers at a rate of \$3.17 per 1000 gallons (\$6.34 minimum).

The DuPage Water Commission previously adjusted their wholesale water rate to municipalities effective May 1, 2005. The adjustment reduced the rate from \$1.43 per 1000 gallons of water purchased to \$1.23

per 1000 gallons of water purchased. In addition the fixed charge paid by the Village for system debt service also adjusted on May 1, 2005 and were increased from \$42,216 per month to \$42,982 per month. The Village realized approximately \$427,600 in annual savings. The Village subsequently amended water rates for customers in June of 2005 after determining that a rate reduction could be implemented by returning about one-half of this annual savings, about \$212,500 to Downers Grove customers. The other portion of the cost reduction was directed to cover costs specific capital water projects as well as the development of a computer model of the Village's water distribution system. As you are aware, the Village is responsible for the costs of maintaining the water distribution system within the Village and customer rates include changes for these ongoing costs.

In 2005, the \$0.20 per 1000-gallon rate reduction from the DuPage Water Commission equated to \$0.15 per 750 gallons, as stated above this is the Village's "Unit" for water sales. Therefore, the average single-family customer realized a monthly decrease of \$1.30 after the 2005 rate reduction.

ATTACHMENTS

Resolution

RESOLUTION NO. _____

A RESOLUTION SUPPORTING RECENT ACTIONS BY THE DUPAGE WATER COMMISSION AND URGING THE COMMISSION TO IMPLEMENT THE RECENT ACTIONS BY PASSING A BUDGET THAT INCLUDES A WATER RATE REDUCTION

WHEREAS, the DuPage Water Commission (the “Commission”) is a water commission formed and existing pursuant to the Water Commission Act of 1985, 70 ILCS 3720/0.01 *et seq.*, and Division 135 of Article 11 of the Illinois Municipal Code, 65 ILCS 5/11-135-1 *et seq.*, for the purpose of securing an adequate source and supply of water for its customers; and

WHEREAS, the Commission is empowered under the law to finance, construct, acquire and operate a water supply system to serve municipalities in its territory; and

WHEREAS, the Commission’s territory consists of over 300 square miles and encompasses a population of approximately 857,497 including twenty-five charter member municipalities, which includes the Village of Downers Grove; and

WHEREAS, on April 2, 2002, the Mayor and Village Council of the Village of Downers Grove adopted Resolution No. 2002-33, supporting the DuPage Water Commission’s intention to approve a Five-Year Capital Improvement Plan and Annual Management Budget, which also proposed a wholesale water rate reduction; and

WHEREAS, the DuPage Water Commission’s annual budget document includes long-range financial plan (the “Plan”) forecast to FY 20-21 indicates excessive unrestricted cash balances; and

WHEREAS, the Commission is in the process of approving a Five Year Capital Improvement Plan and Annual Management Budget, which proposes a wholesale water rate reduction; and

WHEREAS, it is fiscally prudent to reduce the unrestricted cash balance surplus through a wholesale rate reduction, which will directly impact the fiscal health of the Commission’s customers; and

WHEREAS, at the Water Commission meeting on December 14, 2006, the Commission approved several motions to direct the Commission’s fiscal policies in a fiscally prudent manner; and

WHEREAS, the Village of Downers Grove supports the actions of the Water Commission on December 14, 2006, and urges the Commission to implement the actions through approval of the Fiscal Year 2007-2008 Budget, its 5-Year Capital Improvement Budget and long-range financial plan, including the implementation of a significant reduction in the current wholesale water rate;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND VILLAGE COUNCIL OF THE VILLAGE OF DOWNERS GROVE, in DUPAGE COUNTY, ILLINOIS, that:

Section 1. The recitals set forth above shall be and are hereby incorporated as if said recitals were fully set forth within this Section.

Section 2. The Corporate Authorities of the Village of Downers Grove express support for a significant reduction in the Water Commission wholesale water rate.

Section 3. The Corporate Authorities of the Village of Downers Grove express support for a significant reduction in the unrestricted cash balance for all Water Commission funds to a level that is fiscally prudent and reflective of the Commission's limited purpose of operating a water supply system for its customers; and

Section 4. The Corporate Authorities of the Village of Downers Grove direct the Village Clerk to enter this Resolution into the Record of the Council and to pursue decisions consistent herewith.

Section 5. The Village Clerk is directed to immediately forward a certified copy of this Resolution to Louis Rathje, Chairman of the Commission as well as all the Commission members.

Section 6. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

Section 7. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____
Village Clerk