

City of Prospect Heights

Sewer Rate Study Results

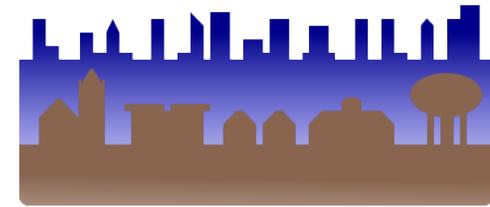
Presentation to the City Council

December 12, 2016

Presented by:

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MFSG LLC



Municipal & Financial Services Group



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Municipal and Financial Services Group, LLC



- Specialized Financial and Management Consulting Practice
 - Focus on municipal and environmental infrastructure with stress on the efficient delivery of public sector services
 - Origins in “Big Eight” CPA firms, established as an independent firm in 2001
 - Registered WBE / Small Business located in Annapolis, MD
- Nationwide Client Base and Illinois Experience
 - Water/Sewer/Stormwater clients:
 - Batavia, Downers Grove, Effingham, Geneva, Glenview, Libertyville, Lombard, Moline, Morton Grove, Orland Park, Park Ridge, Skokie, South Elgin, Urbana Champaign Sanitary District

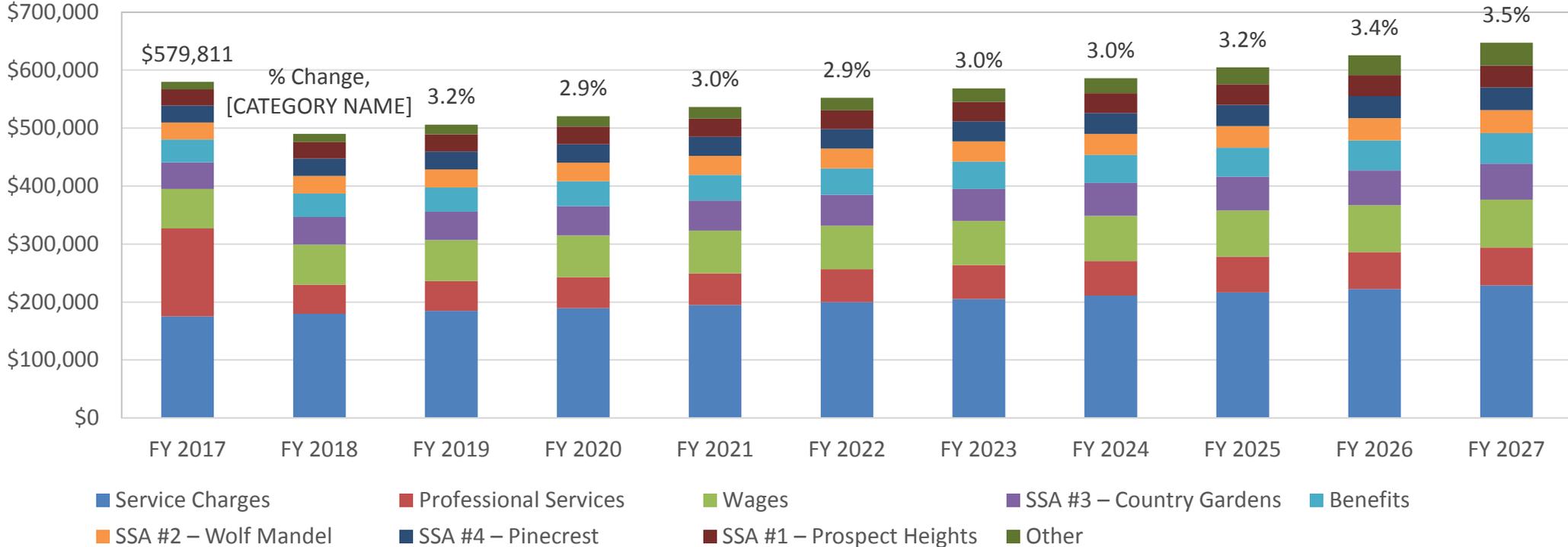


Rate Study Goals and Objectives



- Rate Study Goals/Objectives:
 - Project future operating and capital expenses needed to operate the City's sewer system
 - Establish rates that will generate revenues sufficient to cover operating, capital, and reserve expenses
 - Operating/Capital: Ensure compliance with all federal and state regulations
 - Reserves: Maintain a minimum level of cash reserves
 - Consolidate the City's main system and four Special Service Areas in one unified rate structure
- Major Considerations:
 - Initial operating costs and future cost increases (about 3.0% per year)
 - Major capital improvements needed over the next five to ten years
 - Maintaining 15% of sewer operating expenses in a operating reserve

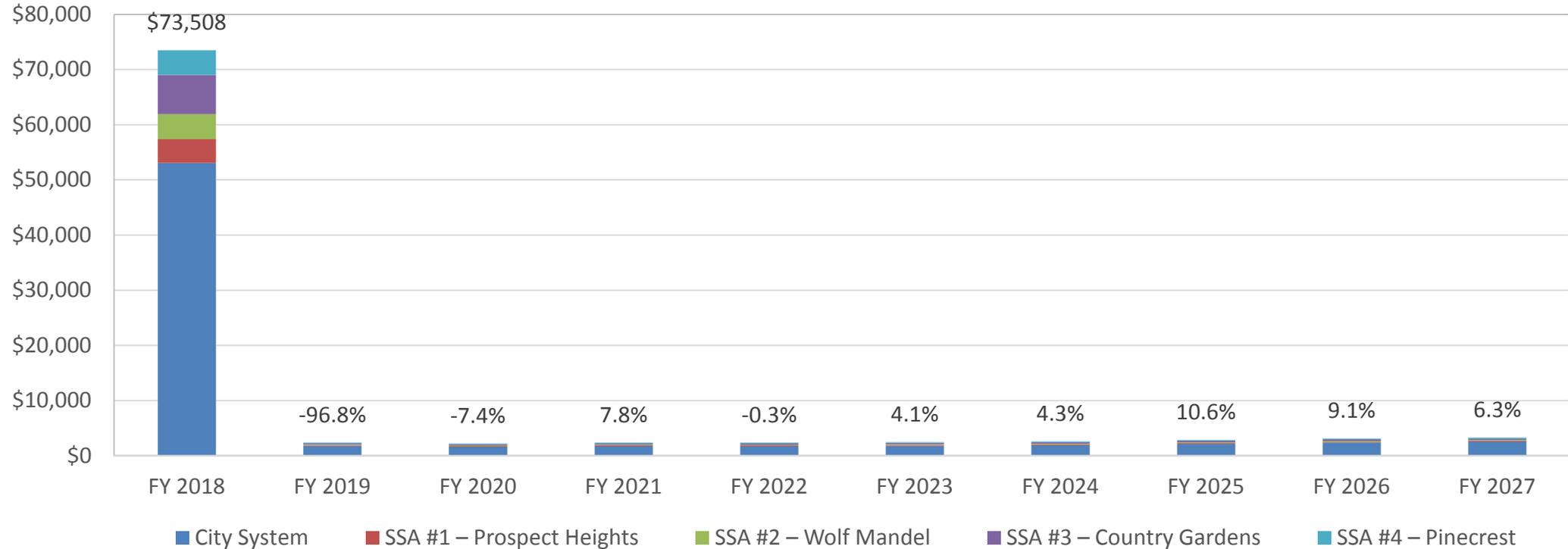
Operating Cost Summary



- Decrease in FY 2018 is due to reduction in Professional Services
- Major expenses:
 - Service Charges: General Fund support including City Administrator, Assistant City Administrator, Finance Director, and Building and Zoning Director, Public Works.
 - Wages/Benefits: One maintenance worker and 25% of Admin. Asst. & Sr. Financial Analyst



Operating Reserve Summary



- FY 2018 establishes the reserve at 15% of annual operating expenses
- Annual contributions maintain the reserve at 15% as expenses increase
- GASB 54 Compliance – Established municipal funds must maintain a certain level of reserves based on the size of the fund’s budget.
 - General Fund (15%), Water Fund (25%), Garbage Fund (20%)

Existing Debt Summary



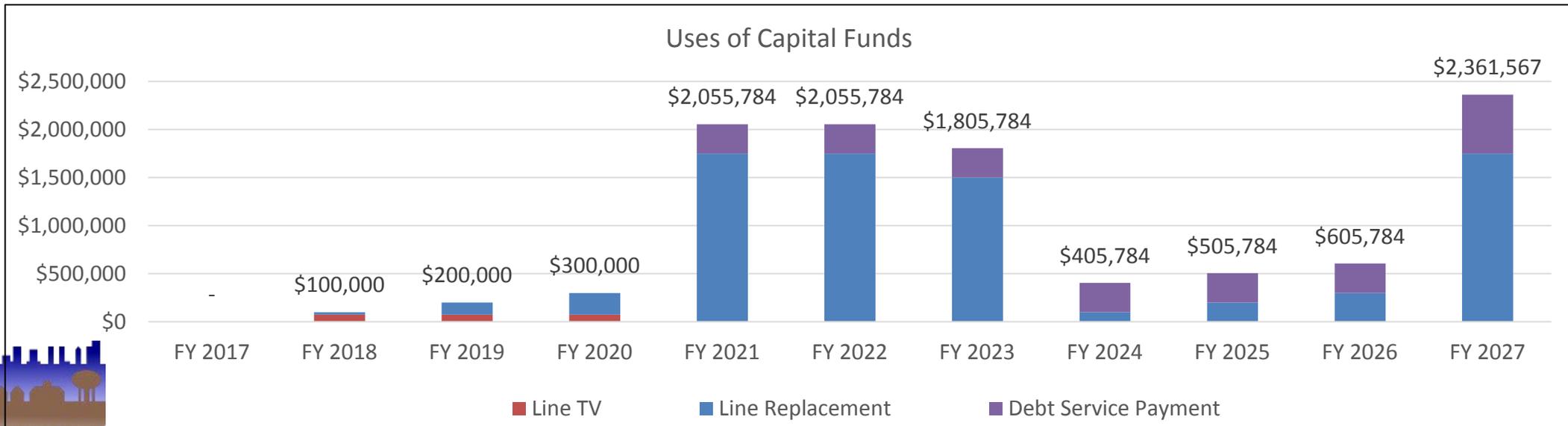
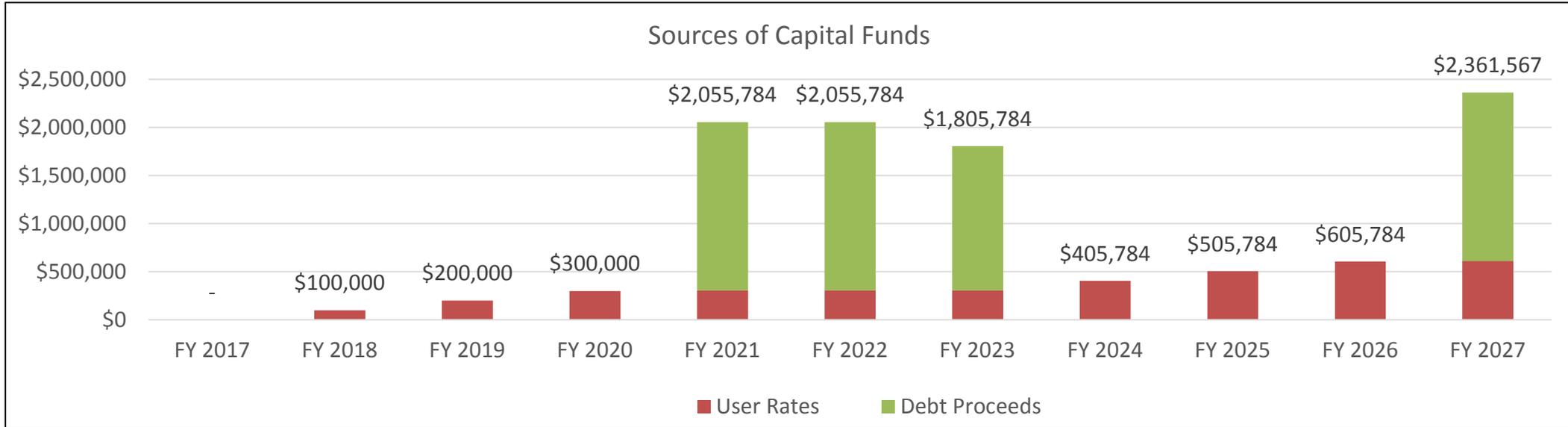
- The City's sewer system does not currently maintain any debt service payments.

Capital Improvement Plan Summary



- Asset summary:
 - Replacement cost approximately \$53,000,000 (44.7 miles of pipe, one pump station)
 - Earliest install dates estimated to be 1950's and 1960's
- Years 1 – 3:
 - Televis 100% of the system to determine actual condition of pipes
 - Begin incremental increases in funding asset replacement
- Years 4 – 6:
 - Issue \$5.0 million in debt to fund aggressive replacement of assets in worst condition
- Years 7 – 10
 - Continue increasing rate revenues to augment asset replacement
 - Assess the need for an additional \$5.0 million based on condition of collection system

Capital Improvement Plan Summary



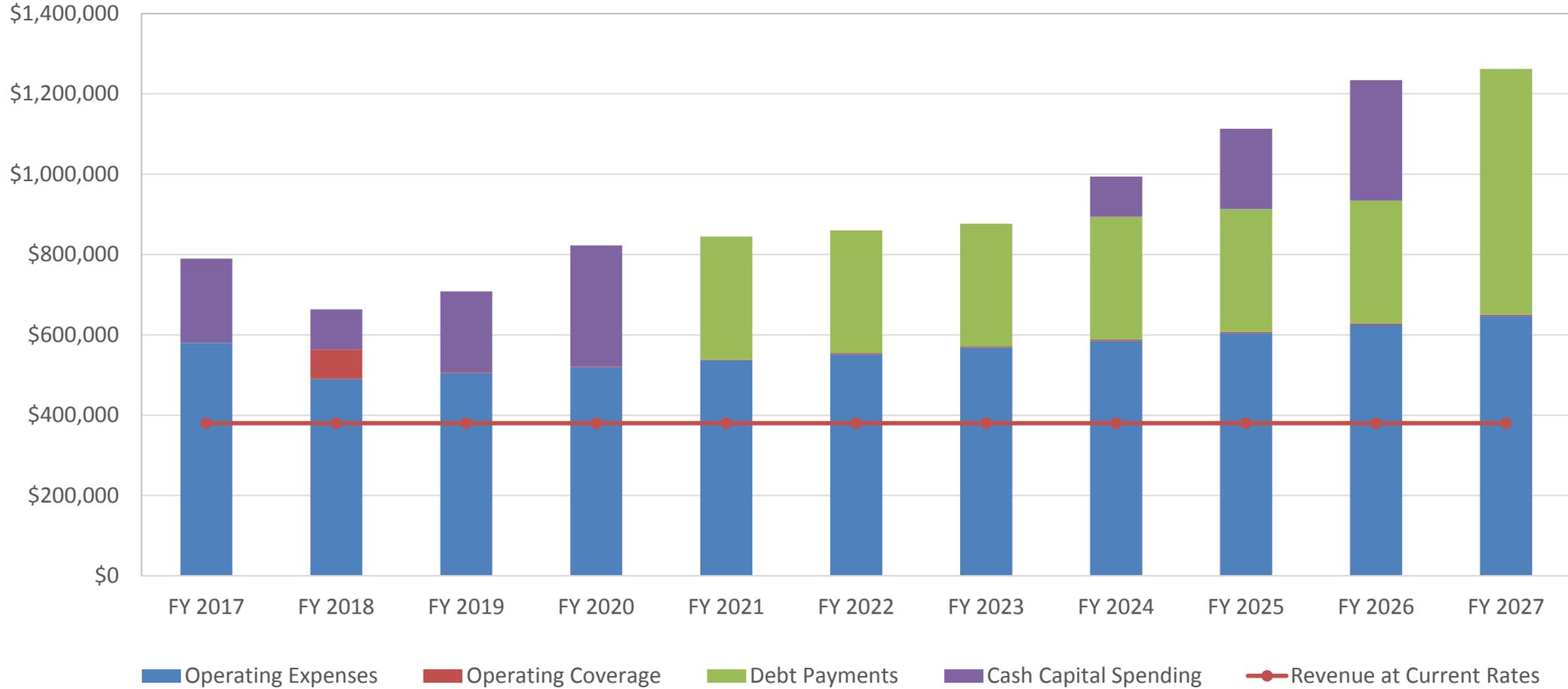
Current Customer Accounts and Rates

Customer Class	Accounts	Monthly Rate
Residential	2,731	\$6.50
Commercial	431	\$8.00
Multi Units (Base)	8	\$16.00
Multi Units (Additional)	42	\$2.00
SSA #1 – Prospect Heights	98	*
SSA #2 – Wolf Mandel	72	*
SSA #3 – Country Gardens	292	*
SSA #4 – Pinecrest	75	*
Total Accounts	3,749	

* Special Service Areas are now charged based on property value assessment.

- The study assumes
 - No increase in the number of sewer accounts served by the City.
 - A 93% bill collection rate

Projected System Expenses and Current Revenues



Recommended Monthly Rates

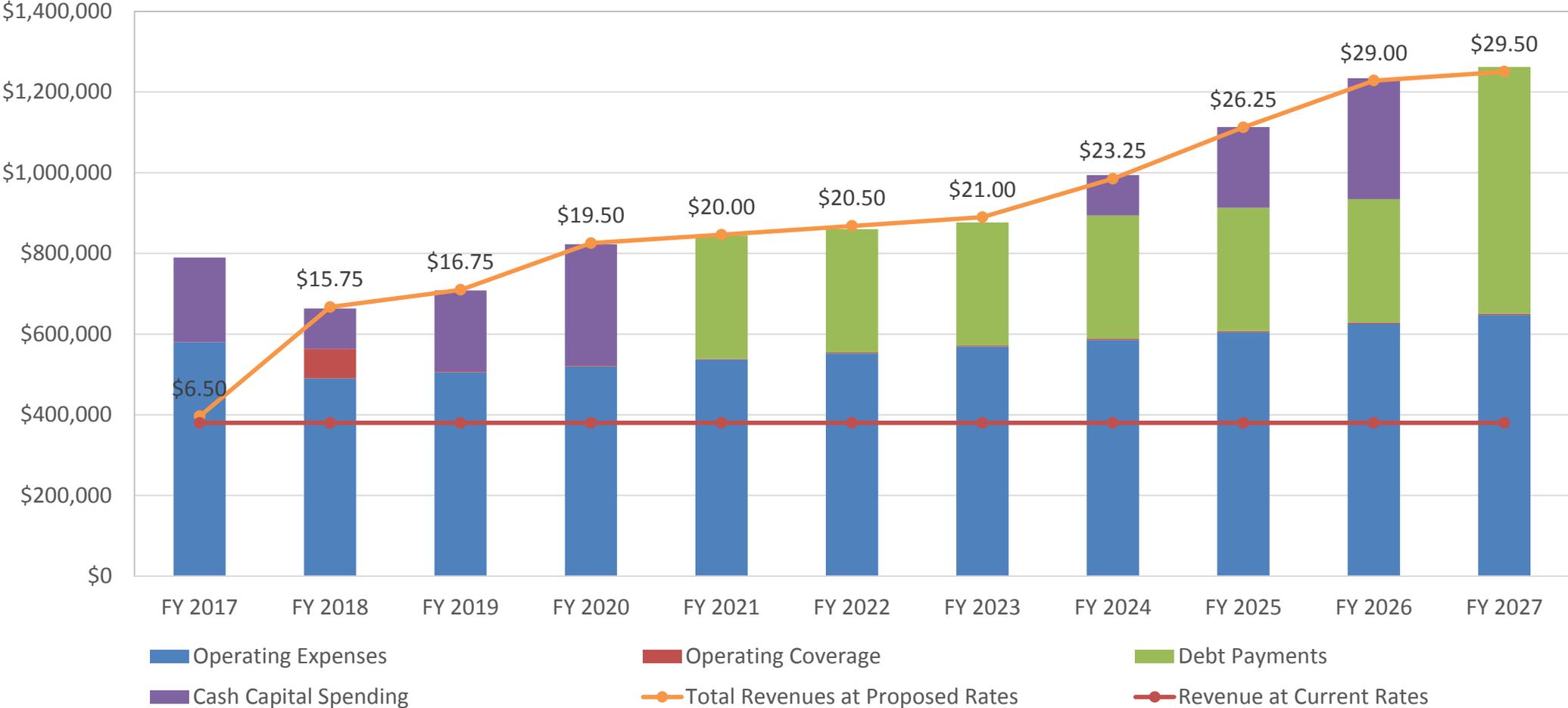


Customer Class	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Residential	\$6.50	\$15.75	\$16.75	\$19.50	\$20.00	\$20.50	\$21.00	\$23.25	\$26.25	\$29.00	\$29.50
Commercial	\$8.00	\$19.25	\$20.50	\$23.75	\$24.25	\$25.00	\$25.75	\$28.50	\$32.25	\$35.50	\$36.25
Multi Units (Base)	\$16.00	\$38.50	\$40.75	\$47.25	\$48.25	\$49.75	\$51.25	\$57.00	\$64.50	\$71.00	\$72.50
Multi Units (Additional)	\$2.00	\$4.75	\$5.00	\$5.75	\$5.75	\$6.00	\$6.25	\$7.00	\$8.00	\$8.75	\$9.00
SSA #1 – Prospect Heights	*	\$15.75	\$16.75	\$19.50	\$20.00	\$20.50	\$21.00	\$23.25	\$26.25	\$29.00	\$29.50
SSA #2 – Wolf Mandel	*	\$15.75	\$16.75	\$19.50	\$20.00	\$20.50	\$21.00	\$23.25	\$26.25	\$29.00	\$29.50
SSA #3 – Country Gardens	*	\$15.75	\$16.75	\$19.50	\$20.00	\$20.50	\$21.00	\$23.25	\$26.25	\$29.00	\$29.50
SSA #4 – Pinecrest	*	\$15.75	\$16.75	\$19.50	\$20.00	\$20.50	\$21.00	\$23.25	\$26.25	\$29.00	\$29.50

* Special Service Areas charged based on property value assessment.



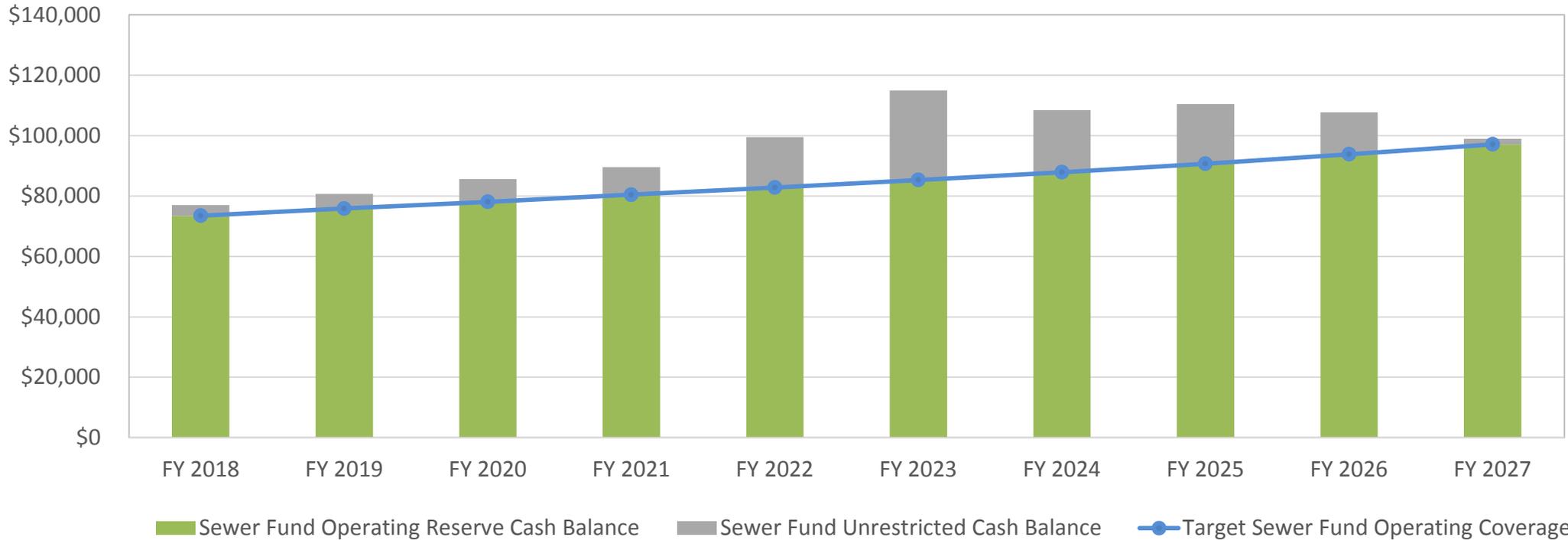
Projected System Expenses and Proposed Revenues



Data labels represent the monthly cost for a residential customer



Projected End of Year Cash Balances



(monthly)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Residential Bill	\$15.75	\$16.75	\$19.50	\$20.00	\$20.50	\$21.00	\$23.25	\$26.25	\$29.00	\$29.50
\$ Change	\$9.25	\$1.00	\$2.75	\$0.50	\$0.50	\$0.50	\$2.25	\$3.00	\$2.75	\$0.50

- Target for 15% operating reserve increases as operating costs increase

Thank you

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