

2011 Village of Wauconda Water and Sewer Rate Increase

The Village's water and sewer system operates without any support from tax dollars. The only revenue it receives is generated from water and sewer billing. By ordinance, the Village of Wauconda increases water and sewer rates 4% each year. Beginning in 2007, the Village recognized that unless it increased its rates as was recommended in 2005 by a financial consultant, the Village would not be able to support water and sewer services. The expenses required to operate the system are currently slightly greater than the revenues received, even though some expenses have been deferred. However, after three consecutive years of 10% rate increases, the Village has dropped the rate increase back to 4% for 2011. Please read this informational bulletin to gain an understanding of the reasoning behind this rate increase.

FAQ's

What has caused the increased expenses?

There are two main reasons that expenses have increased:

1.) **Village infrastructure** was left to deteriorate over many years. In 2006, the Village obtained a \$5 million dollar bond/loan that allowed for critical infrastructure repairs to be made to sewer and water system. The Village must repay this loan at a rate of \$360,000.00 per year through the year 2026.

2.) **Operating expenses** have increased dramatically, especially since 2007. These expenses include laboratory testing, engineering, treatment chemicals, electricity, natural gas, fuel, and sludge hauling. For example, electric and natural gas costs have increased 250% and treatment chemicals have increased 90%.

Why isn't my current property tax enough to cover water and sewer operations?

Water and sewer services are not paid for through property taxes. Instead, current Village ordinance and government accounting board standards require that these services be operated within an "Enterprise Fund" system. Simply stated, an enterprise fund is a self-supporting fund whose function is to solely support a specific operation. Therefore, only funds received through water and sewer billing are used to pay for operating the system, repairing and maintaining the equipment, and replacing aging facilities and equipment. Billing revenues for water and sewer service must support our expenses.

How much will this rate increase cost me?

Water usage varies greatly among residential users. A minimal user (6,000 gallons or less per quarter) will see an increase of \$0.81 per month. An average family user (18,000 gallons per quarter) would see an increase of \$2.57 per month.

How did we get to this point?

In 2005, a financial consultant recommended that the Village implement a 10% annual rate increase to meet future water and sewer operating expenses. At that time, the Board chose to approve only a 4% annual rate increase to soften the impact on its customers. This increase was not sufficient enough to close the gap between revenue and expenses. As such, in 2008, the Board approved a series of three annual rate increases of 10% each. We have now returned to the standard 4% rate increase.

What has the Village already done to cut expenses?

Since 2007, the Public Works Department has cut staff, deferred critical infrastructure maintenance and removed many improvement items from the budget. By instituting these difficult reductions, we have been able to keep our expenses from increasing.

If rates increase now, won't we have a surplus in a few years?

Maybe. Much of it depends on whether or not uncontrollable operating costs such as emergency repairs, electricity, and natural gas increase. Any future surplus revenues will be used to fund some of the items described above and also large capital improvement projects for the water and sewer system. For example, the replacement of the 26-year-old wastewater treatment plant trickle towers is long overdue and will need to be addressed in the next few years. The estimated cost for this project alone is \$6 million.