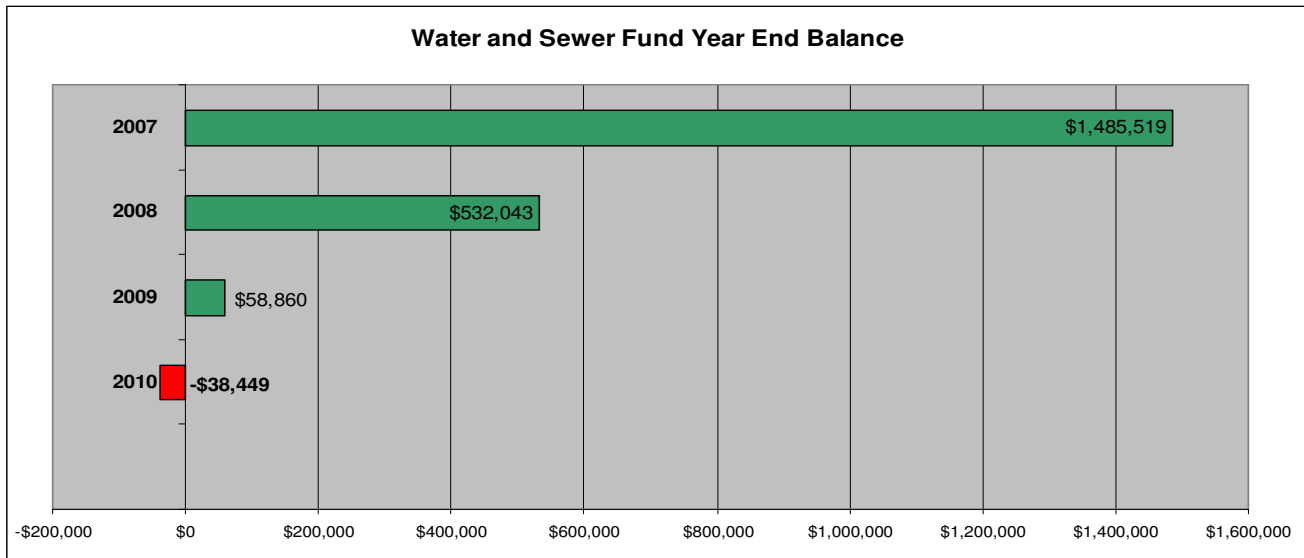


## Village of Wauconda Water and Sewer Rate Increase

The Village's water and sewer system operates without any support from tax dollars. The only revenue it receives is from water and sewer billing to our customers. By ordinance, the Village of Wauconda increases water and sewer rates 4% each year. The expenses required to operate the system are currently greater than the revenue received. As a result, our water and sewer fund balance has been depleted. In order to meet our operating expenses, this year's rate has been increased by an additional 6%, representing a total rate increase of 10%. Please read this informational bulletin to gain an understanding of the reasoning behind this rate increase.



The chart above shows our fund balance over the past three years. By 2010 those reserves will be depleted. In 2009, the Village will receive one time sewer connection fees of \$400,000 for the extension of sewer services to unincorporated subdivisions in the Wauconda area. These one time fees will help by offsetting a deficit in the water and sewer fund for the year ending in 2010. These fees will allow us to continue operations this year with a small deficit (-\$38,449), but in the future, the deficit will continue to grow in larger increments.

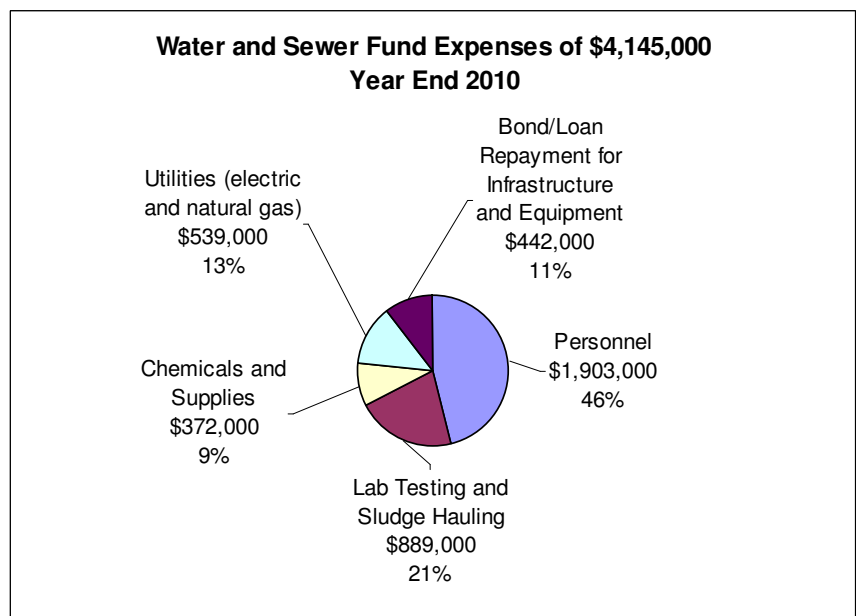
### FAQ's

#### **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 that allowed for critical infrastructure repairs to be made to sewer and water system. This bond must be repaid over the next 20 years.

2.) **Operating expenses** have increased dramatically 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 through property taxes. Instead, the Environmental Protection Agency (EPA) and current government accounting board standards require municipalities to operate these services 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.

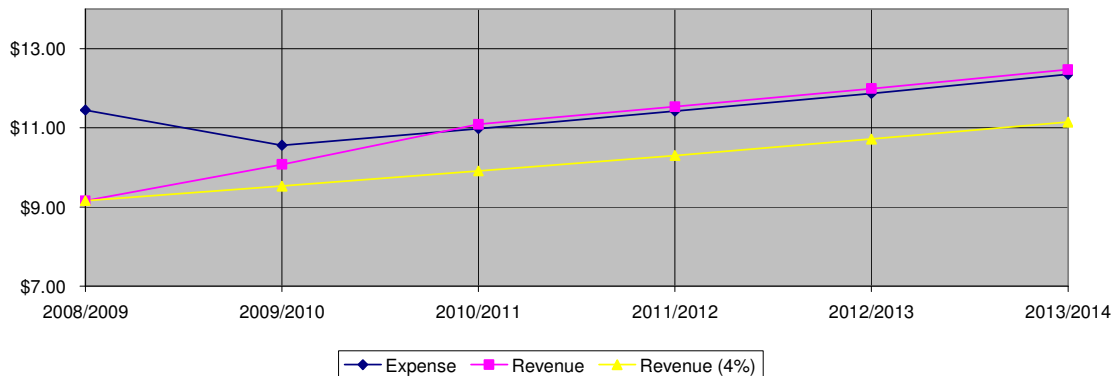
**How much will this rate increase cost me?**

Water usage varies greatly among residential users. A minimal user (2,000 gallons/month) will see an increase of \$1.67/month. An average family user (6,000 gallons/month) would see an increase of \$5.33 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. Instead, the Board chose to approve 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 and a fund deficit now exists. If not addressed, the deficit will continue to grow and jeopardize the reliability of our community's water/sewer services. The chart below illustrates the rate at which revenues would have increased with the standard 4% rate increase (represented by the yellow line). The blue line represents water and sewer expenses for every 1,000 gallons of water/sewer sold. The pink line represents a 10% increase in July 2009 and 2010, transitioning back to a 4% increase thereafter. At that point, revenues will cover expenses.

Water / Sewer Enterprise Fund - Revenue / Expense Comparison by Fiscal Year



| Fiscal Year   | July 2008 | July 2009 | July 2010 | July 2011 | July 2012 | July 2013 |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Expense       | \$11.45   | \$10.56   | \$10.98   | \$11.42   | \$11.87   | \$12.35   |
| Revenue (10%) | \$9.16    | \$10.08   | \$11.09   |           |           |           |
| Revenue (4%)  |           |           |           | \$11.53   | \$11.99   | \$12.47   |

Rates per 1,000 gallons

**Has the Village already worked to decrease expenses?**

In 2008/2009 the Public Works Department cut expenses in the water and sewer system and, this fiscal year (2009/2010), overall expenses in the water and sewer fund were further reduced by an additional 9% in an effort to reduce the deficit. In addition to these reductions, there are important items that were not included in this year's budget. Some of these items are the inspection and cleaning of Water Tower #3 (\$13,000), scheduled maintenance on Well #3 (\$50,000), scheduled fire hydrant replacement program (\$40,000), a leak detection survey for the water system (\$10,000), planned fire hydrant painting (\$28,000), smoke testing equipment for the sewer collection system (\$10,000), Dato Lane lift station upgrade (\$125,000), and load testing of generators (\$15,000).

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

Any future surplus revenues will be used to fund large capital improvement projects for the water and sewer system. For example, the replacement of the 25-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.