

VILLAGE OF
HOBART
GREATNESS IS GROWING
MEMORANDUM

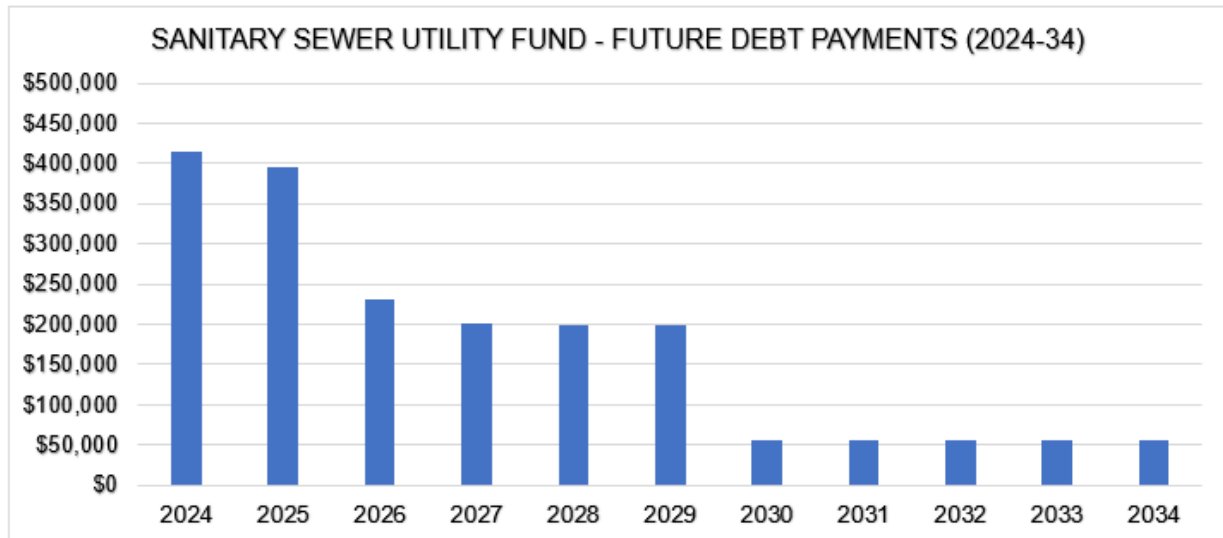
TO: Village Board
FROM: Aaron Kramer, Village Administrator
RE: 2024 Sewer Rates
DATE: April 3rd 2024

BACKGROUND

The Village uses a formula to determine if an adjustment is needed in the sewer rates for the Village. Staff reviews the formula each year, and makes adjustments which we believe will provide a more accurate rate determination based on the rates of the Green Bay Metropolitan Sewage District (GBMSD), our current Sewer Utility (“the Utility”) annual operational costs and debt service, and projected volume for the coming budget year. At the same time, we aim to maintain a healthy cash reserve to keep the system financially self-sufficient. One important factor, at the start of our rate determination is to recall that the Utility experienced serious financial issues in 2016 and 2017, resulting in a transfer of more than \$200,000 from the General Fund Reserves to the Sewer Fund to maintain its solvency. That transfer, or “loan”, will be paid back to the General Fund, per Resolution 2018-03, in its entirety with one final payment in 2024 (\$19,739.14).

SEWER FUND DEBT

The current indebtedness of the Utility is displayed below. As you can see, debt payments remain relatively stable for the next two years, before a more significant decrease is projected in 2026. The majority of the Utility’s debt is to be paid off by the end of the decade.



Existing Sanitary Sewer Utility Debt

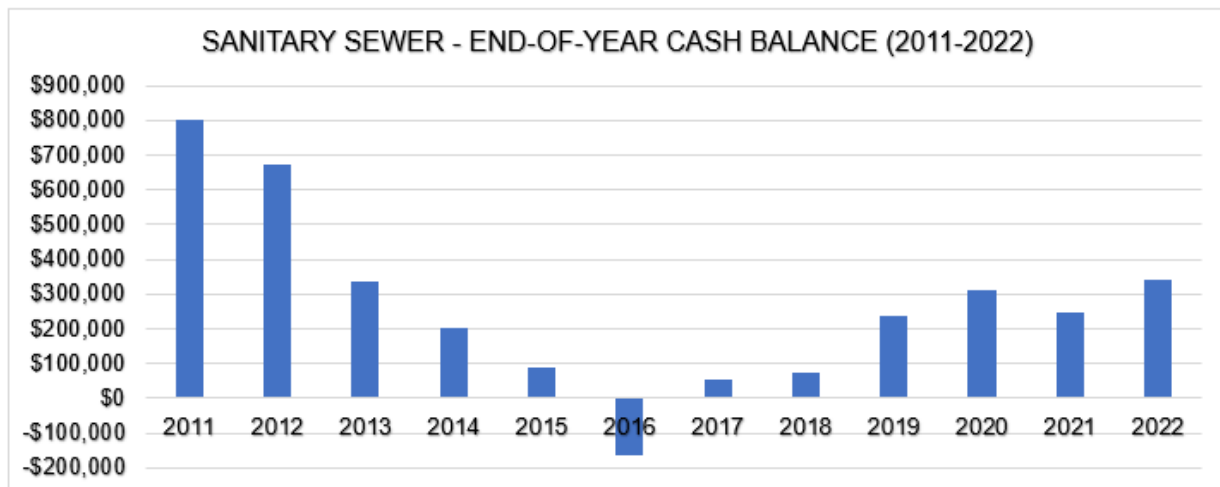
Debt Issue	Issuance	Interest Rate	Final Year of Payments	Debt Remaining (as of January 1 st 2024)
Duck Creek Interceptor	2005	4.30%	2025	\$321,388.08
Dutchman Creek Interceptor (\$895,539.33)	3-1-22	2.70%	3-1-41	1,025,967.60
G.O. Promissory Note, Series 2021A (\$4,425,000)	5-11-21	2.000%	3-1-26	123,100.00
G.O. Note, 2022 (\$8,460,000)	4-27-22	2.750-3.000%	3-1-32	853,543.75
TOTAL				\$2,323,999.43

FUND CASH BALANCE

Another measure of the Utility's financial condition is the cash balance of the Fund.

CASH BALANCE AT END OF FISCAL YEAR – SANITARY SEWER

YEAR	Cash Balance	YEAR	Cash Balance	YEAR	Cash Balance
2022	\$341,305	2018	76,456	2014	200,574
2021	\$244,892	2017	53,695	2013	335,460
2020	\$312,161	2016	(\$163,688)	2012	673,230
2019	239,470	2015	88,754	2011	802,950



RATE FORMULA

The following formula is being utilized to determine the proposed rate change for 2024.

EXPENDITURES

- GBMSD rate increase, which shows we need to include a 6.5 percent rate increase.
- The second component is our day-to-day operations.
- The third component is the annual debt service, which shows a decrease.
- The fourth and fifth components are the annual sewer projects unique to our Utility - independent of the GBMSD's capital projects (no major projects are planned for 2024), and the continuing increase of our reserve (Contingency) fund.

GBMSD	Green Bay Metropolitan Sewer District Expenditure			
	2023	Actual GBMSD Expenditures (003-00-62000-080)	\$ 947,155.06	
	2024	GBMSD Rate Change	6.50%	
	2024	Change in GBMSD Expenditure		\$ 61,551.59
OPERATIONS	Sanitary Sewer Operating/Maintenance Budget Expenditure Increase			
	2024	Sanitary Sewer Fund 003 Budget	\$ 1,174,674.88	
	Less: 2023	Sanitary Sewer Fund 003 Budget	\$ 1,033,955.21	
	Less:	Budgeted Increase in GBMSD Expenses	\$ -	
	2024	Budget Dollar Increase		\$ 140,719.67
DEBT SERVICE	Sanitary Sewer Debt Service:			
	2024	Sanitary Sewer Debt Service	\$ 414,829.74	
	Plus: 2024	Transfer to General Fund	\$ 19,739.14	
	Less: 2023	Sanitary Sewer Debt Service	\$ 546,865.43	
	Less: 2023	Transfer to General Fund	\$ 40,000.00	
				\$ (152,296.55)
OTHER	Capital Projects (Not Paid from Cash Reserves)			
	2024	Sanitary Sewer Capital Projects	\$ -	
	Contingency			
	2024	Sanitary Sewer Contingency	\$ 193,500.00	

REVENUES

We are projecting a 12.39 percent increase in our billing volume, which is based on recent historical trends:

REVENUE INCREASE	<u>Public Charges for Service Budget Increase</u>			
		2024	Public Charges for Service	\$ 1,761,500.00
	Less:	2023	Public Charges for Service	\$ 1,516,483.33
				\$ 245,016.67
	<u>Interest on Accounts Budget Increase</u>			
		2024	Interest on Accounts	\$ 1,750.00
	Less:	2023	Interest on Accounts	\$ 1,750.00
				\$ -
	<u>Intergovernmental Charges for Services Budget Increase</u>			
		2024	Intergovernmental Charges for Services	\$ 17,500.00
Less:	2023	Intergovernmental Charges for Services	\$ 19,000.00	
			\$ (1,500.00)	
USAGE VOLUME INCREASE	<u>Sewer Volume Billings</u>			
		2023	Sewer Volume Billings (gallons):	
			Residential	91,224,907
			Commercial	8,106,642
			Industrial	0
			Public Authority	296,123
			Multi-Family	32,506,055
				132,133,727
		2023	Airport Sewer Volume Billings (gallons):	
			1st Quarter	9,582,000
			2nd Quarter	9,170,000
			3rd Quarter	0
			4th Quarter	460,000
				19,212,000
		2023	Total Sewer Volume Billings (gallons):	151,345,727
		2024	Projected Volume Billings Increase (Percentage)	12.39%
	2024	Projected Volume Billings (gallons):	167,717,096	

TOTAL IMPACT

Adding all of the components together, we have determined the sewer rate for 2024 should be set at \$8.14 per 1,000 gallons, no change over the current rate.

Additional Funding Needed		
	Total Expenditure Increase:	\$ 49,974.71
Plus:	Capital Projects	\$ -
Plus:	Contingency	\$ 193,500.00
Less:	Total Revenue Increase	\$ 243,516.67
		\$ (41.96)
Additional Revenue Collections Rate (per 1000 gallons)		
	Additional Funding Needed	\$ (41.96)
Divided By:	Volume Billings Increase (Thousand Gallons)	167,717
		\$ (0.00)
Adjusted Sewer Rate		
2023	Sewer Rate	8.14
	Additional Revenue Collection Rate	\$ (0.00)
2024	TOTAL ADJUSTED SEWER RATE	\$ 8.14

RECOMMENDED MOTION

Staff is proposing the following motion for the Board to discuss and take action on:

- *To establish a public hearing on May 7th to implement the 2024 Sewer Volume Rates, which is proposed to remain the same as the 2023 Sewer Volume Rates*