

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: May 13, 2025

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Finance Director

Topic: Change Order - Water Rate Study

PURPOSE

On May 28, 2024, the Board of Trustees accepted a proposal from Burns & McDonnell of Chicago, IL for professional services to conduct a comprehensive water rate study. Significant work has been put forth by staff and Burns & McDonnell over the past year. Additional work is required to complete and present the final water rate study in the coming months. Staff is requesting the Village Board approve a change order in the amount of \$23,500.

PROCESS

The Water Rate Study

The purpose of a water rate study is to determine whether the charges to customers for water and sewer services are sufficient to cover the ongoing cost of operations and maintenance, upcoming needed replacements, debt service, and necessary capital improvements. A water rate study utilizes historical and present data, future capital needs, the Public Works budget, and other key pieces of information to determine the rate requirements to successfully operate, maintain, and sustain the Village's water utility service. The objective of the study is to identify a rate plan that will adequately fund water operations, debt service, system improvements, and capital costs all while working to ensure that the rates and potential increases are not injurious to our customers.

The rate study will be based on a comprehensive review of Homewood's water funds and budgets, customer classes, current usage data, future planned growth, capital plan, lead service line replacements, water main replacements, and any other information deemed necessary.

Over the past year, Burns & McDonnell has completed the Financial Plan Development task included in the original scope of work.

Financial Plan Development

A 20-year financial plan forecasts the water utility's future operating and capital costs for comparison to revenues under existing rates. Future capital improvements include lead service

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lines, water main replacements, as well as all other capital improvements the Village has identified. Funding strategies for the Lead Service Line Replacement (LSLR) program were reviewed including reliance on Illinois Environmental Protection Agency (IEPA) loans or a combination of IEPA loans and other sources such as bonds or cash funding from future rates.

As the Village's capital plan became more concrete, additional clarification was gained regarding the LSLR program, and Village staff began evaluating various funding options. This prompted a necessary revision of the financial plan to establish a solid baseline for presentation. This financial plan was presented at the April 22, 2025 Board of Trustees meeting.

Under the proposed change order, Burns & McDonnell will develop several rate designs that will allow the Village to meet its ongoing operations and maintenance costs and capital needs. The rate designs are expected to be presented to the Board in June.

Rate Design

Rate design is the process of creating the rate structure that will be used to recover ongoing operating and capital costs of the water system. Key components of rate design include:

- Customer classes (residential, commercial, industrial)
- Rate Structure Types
 - Uniform rates (same price per unit of water regardless of usage)
 - Tiered rates (higher prices per unit as usage increases)
- Fixed vs. Variable Charges

OUTCOME

Upon approval of the change order, Burns & McDonnell will be able to provide the Village with a complete draft and final report this summer.

FINANCIAL IMPACT

- **Funding Source:** Water/Sewer Fund – Contractual Services
- **Budgeted Amount:** \$75,000
- **Cost:** \$23,500

LEGAL REVIEW

Not Required

RECOMMENDED BOARD ACTION

Approve a change order of \$23,500 to the water/sewer fund for professional services to complete the Village's comprehensive water rate study.

ATTACHMENT(S)

Burns & McDonnell Proposed Water Rate Study Change Order