

Valparaiso City Utilities

Damon Run Sewer Rate Adjustment Proposal

October 22, 2024

Presented to the Valparaiso City Utilities Board of Directors

Resolution #2024-06

October 22, 2024

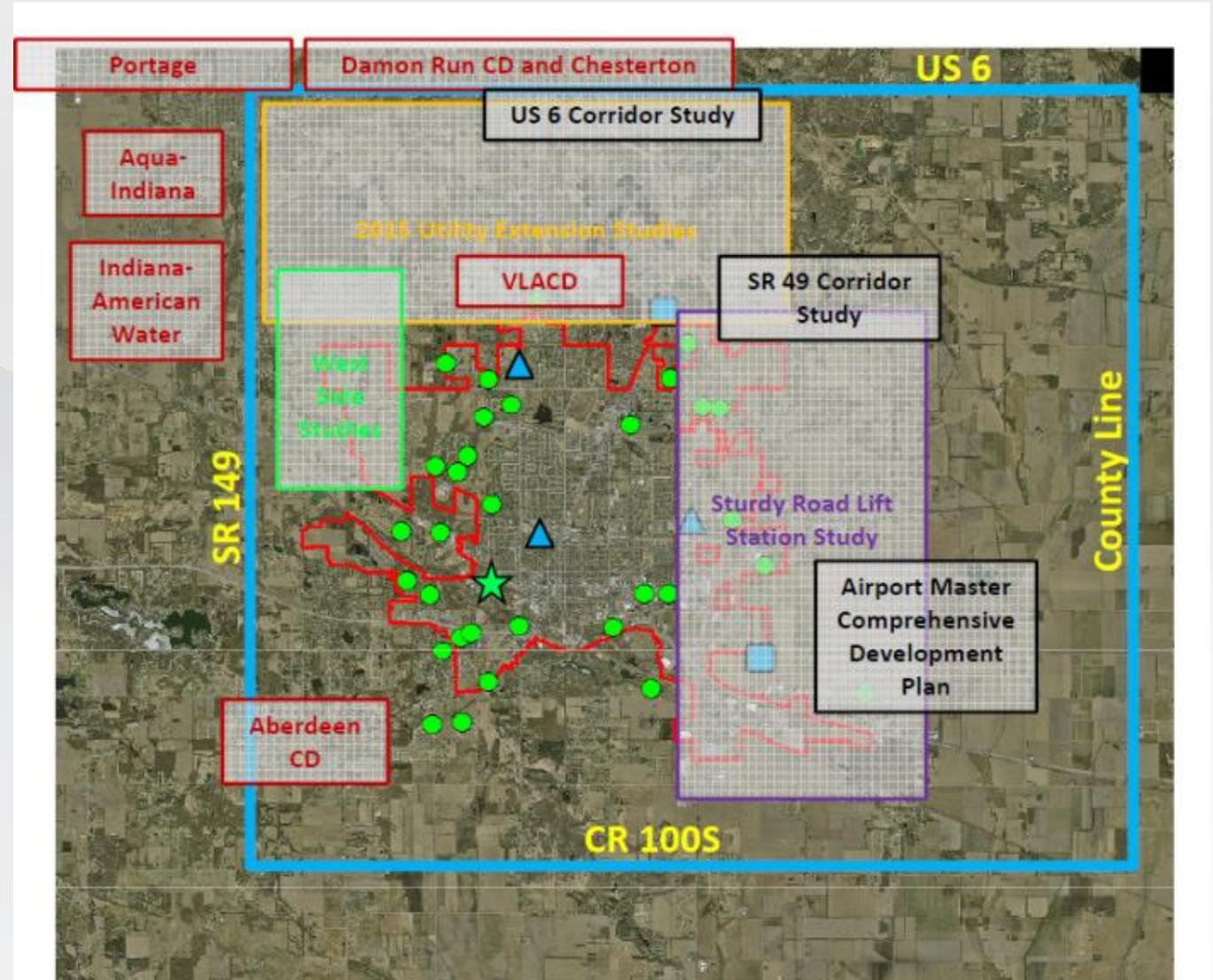
Summary of Proposed Amendment of Sewer Rates and Charges of the the City of Portage

	Rate Increases By Year			
	09/1/2024	1/1/2025	1/1/2026	1/1/2027
Portage - Damon Run Rates				
Increase %	34%	8%	7%	3%
Cumulative Increase %	34%	45%	55%	59%

Public Hearing August 6, 2024

Valparaiso City Utilities Growth Plan

The City of Valparaiso has conducted many land planning and economic development studies to determine the growth of lands adjacent to Valparaiso City Limits. These studies typically identify the need for water and sewer infrastructure to serve these lands and attract future development. The VCU Utilities Master Plan will consolidate many of these studies, identify the gaps, evaluate current capacity and the capital needs to provide utility services to these planning areas.



DAMON RUN CONSERVANCY DISTRICT



ANNEXED CUSTOMERS 521 ACRES

- 1 - EAGLE RIDGE - 1/26/06
- 2 - MALLARDS POINTE - 1/25/08
- 3 - TIMBERLAND - 1/26/04
- 4 - TIMBERLAND FARMS - WEST - 12/8/08
- 5 - TIMBERLAND FARMS - EAST - 12/8/08
- 6 - ST. ANDREWS - 6/11/07
- 7 - PET HAVEN - 6/11/07
- 8 - LUKE OIL - 6/11/07
- 9 - LUKE OIL - 6/11/07
- 10 - MISHAWAKA ONE STOP - 6/11/07
- 11 - KEITHLEY - 6/11/07
- 19 - HANRAHAN PROPERTY - 1/9/12
- 24 - FRITZ, MORTHLAND, & WALLACE - 1/9/12

CONTRACT CUSTOMERS 172 ACRES

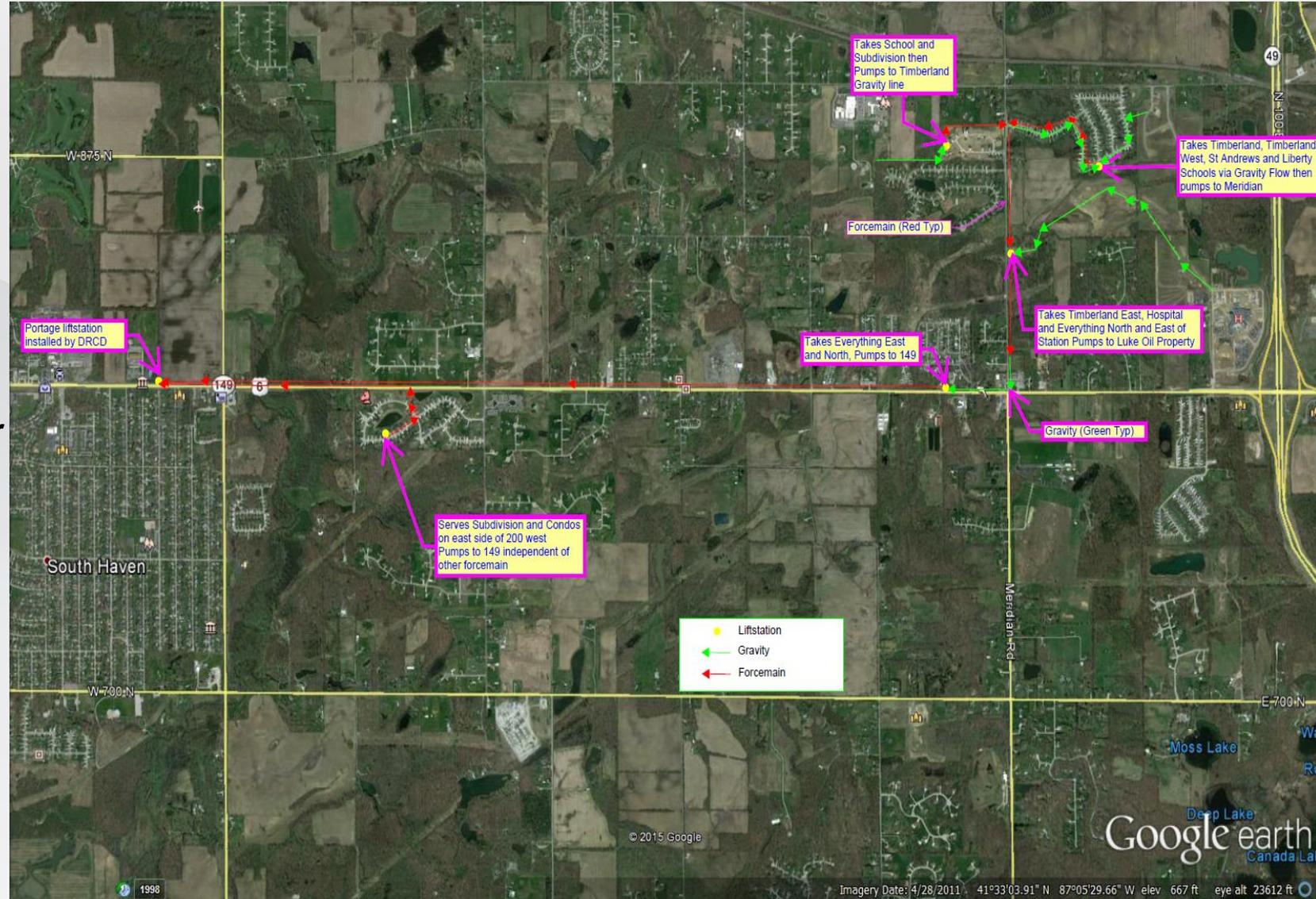
- 12 - LIBERTY SCHOOLS - 7/17/09
- 13 - PORTER HOSPITAL - 10/7/10
- 14 - PORTER COUNTY - SUNSET HILL FARM

2/27/2013



Damon Run Conservancy District 2019

- ✓ 360 Residential District Customers
- ✓ Outside District Customers (Contract)
 - ✓ Porter Hospital
 - ✓ Sunset Hill County Park
 - ✓ Liberty School
- ✓ Indiana American – Water Provider
- ✓ City of Portage – Wastewater Treatment Provider
- ✓ Managed by Elected Residents
- ✓ DRCD System has Excess “Capacity” to accommodate growth within the HWY 6 Corridor



The Process....

**Damon Run
Conservancy
District**

**Valparaiso
City Utilities**

**City of
Portage**

**Damon
Run
Customers**

**Baker Tilly –
Bose
McKinney
and Evans
Financial/
Legal
Consultants**

**Asset
Transfer
Agreement
Damon
Run
VCU**

- **Uncertainty – Emotion**
- **Rumors**
- **Utility Opportunity**
- **Full Disclosure**



Residential Rates

DRC D Customer Today 2019

	DR Monthly Cost	DR Yearly Cost
Sewer (1)	\$41.90	\$502.80
Water (2)	12.00	144.00
Average Tax Bill (3)	187.76	2,253.11
Total DRC D Bill	\$241.66	\$2,899.92

- (1) Fixed DRun \$12 Fee + \$5.98/1000 gallons for 5000 gal/month – “Portage Rate”
- (2) Fixed DRun \$12 Fee – **Indiana American Bill is separate.**
- (3) Average Tax Bill \$2,253.11 per Yearly True Up Calculation (\$2,253.11/Assessed Value)

Residential Rates Comparison Summary

VCU Annual Savings versus DRCD 2020 -2030

	DRCD	VCU	Variance
Sewer (1)	\$502.80	\$1,195.56	(\$692.76)
Water (2)	<u>144.00</u>	<u>-----</u>	<u>144.00</u>
Total Utilities	646.80	1,195.56	(548.76)
Tax Bill (3)	<u>2,253.11</u>	<u>635.76</u>	<u>1,617.36</u>
Total	\$2,899.92	\$1,831.32	\$1,068.60

Projected Residential Savings 2020 – 2030

\$11,754.60 or 37%

- (1) VCU Fixed Rate @\$60.78 per EDU + \$38.85 for 5000 gal/month @ \$7.77/1000 gal
- (2) DR \$12 per month Fee is Eliminated
- (3) Estimated monthly cost per EDU for Refinanced Water Debt- Tax Bill Decreases

Proposed Residential Rates 2020-2030

VCU Buys Sewer Assets via Bonds – DR Refunds Water Portion

Assumes 5000 gal/per month

	VCU Monthly Cost	VCU Yearly Cost
Sewer (1)	\$99.63	\$1,195.56
Water (2)	----	----
Average Tax Bill (3)	52.98	635.76
Total Bill	\$152.61	\$1,831.32

- (1) VCU Fixed Rate @\$60.78 per EDU + \$38.85 for 5000 gal/month @ \$7.77/1000 gal = \$99.63
- (2) DRun \$12 per month Fee is Eliminated
- (3) Estimated monthly cost per EDU for Refinanced Water Debt \$52.98- Tax Bill Decreases

Financial Summary

- **WHAT ARE MY TRUE RESIDENTIAL SAVINGS BETWEEN 2020-2040 AND AFTER?**
 - It is estimated in the first 11 years, the average residential connection will pay in total \$17,790.96 less in TAXES and \$6,036.36 more in sewer bills for a total net savings of \$11,754.60 or 37%.

PERIOD	CUMULATIVE SAVINGS WITH VCU
2020 – 2030 (a)	\$11,754.60
2031 – 2039 (b)	<i>(\$6,234.84) water debt satisfied</i>
Cumulative	\$5,519.76
2040 ©	<i>Sewer Debt Satisfied</i>

(a) VCU assumes Sewer Assets – DRCD Refinances Water Debt

(b) DRCD Water Debt Service is Satisfied

(c) VCU Sewer Debt Service is Satisfied

- **Savings**
- **Professional Operation**
- **Long Term Benefits**



VALPARAISO CITY UTILITIES
SCHEDULE OF SEWER RATES AND CHARGES FOR THE DAMON RUN
SERVICE AREA ONLY
ORDINANCE NO. 25

I. Monthly Rates and Charges

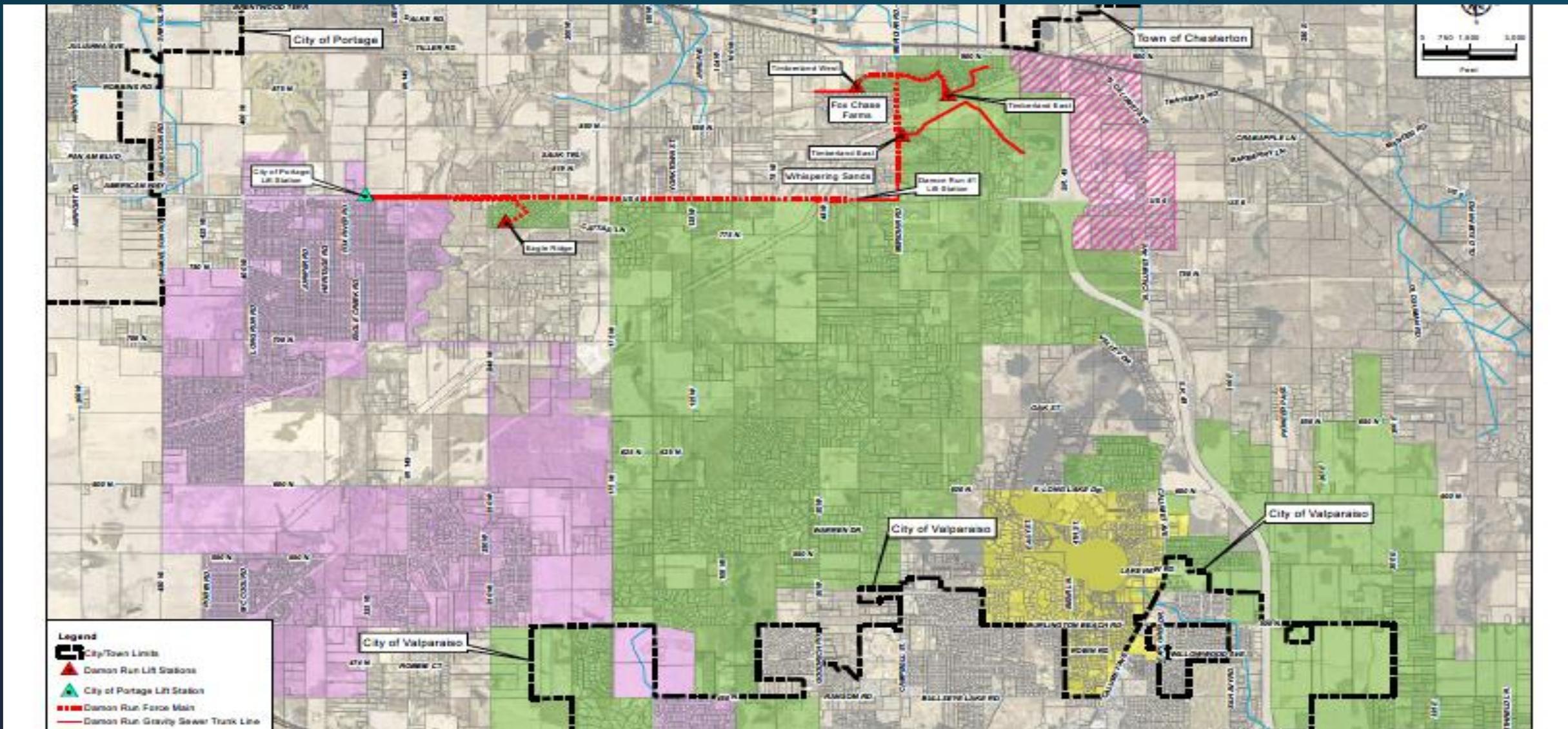
(A) Monthly Fixed Rate per EDU \$60.78

(B) Metered Flow Rate (per 1,000 gallons) \$7.77

II. Connection or Capacity Fee \$2,700 per EDU

Territorial Cause No. 45306

Approved by the IURC in March of 2020 thus establishing final service territory for the City of Valparaiso's municipal sewer system.



Valparaiso City Utilities

Financial Plan
Damon Run Conservancy District

Rates and Charges
Summary
September 25, 2024



now joined with
Springsted and Umbaugh



What do my rates pay for?

Utility rates fund operations, maintenance, repairs, debt payments, emergency reserves, and **forward-looking capital improvement projects.**



VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

**COMPARISON OF ACCOUNT BALANCES WITH
MINIMUM BALANCES REQUIRED - DAMON RUN**

<u>Cash and Investments:</u>	<u>Account Balances 12/31/2023</u>	<u>Minimum Balance Required (1)</u>	<u>Variance</u>
Operating and Maintenance Fund (2)	\$436,004	\$86,551	\$349,453
Sinking Fund:			
Bond and Interest Account (3)	151,737	151,737	-
Improvement Fund (4)	275,410	170,000	105,410
Retainage (5)	<u>18,940</u>	<u>18,940</u>	<u>-</u>
Totals	<u><u>\$882,091</u></u>	<u><u>\$427,228</u></u>	<u><u>\$454,863</u></u>

(1) **Required Reserves:** Balances required per Bond Ordinance No. 24-2019.

VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT
ESTIMATED ANNUAL CASH OPERATING EXPENSES - DAMON RUN

	<u>2022 Actual</u>	<u>2023 Actual</u>	<u>2024 Budget (1)</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>2024 Estimated</u>
Annual Operating Disbursements:						
Pumping Materials and supplies	\$6,965	\$66,699	\$85,000	\$15,000	(2)	\$100,000
Pumping - Contractual services	12,550	13,187	15,000	10,000	(2)	25,000
Pumping - Gas/electric lift stations	18,102	23,226	20,000	10,000	(2)	30,000
Treatment costs	293,465	315,646	290,000	65,900	(3)	355,900
Sewer - Materials and supplies	-	1,720	-			-
Sewer - Concrete, asphalt, sand, stone	320	905	-			-
Sewer - Contract labor & equipment	-	9,818	5,000			5,000
Sewer - Rental of equipment	-	1,453	-	1,500	(4)	1,500
General & Admin - Materials and supplies	-	287	-	300	(4)	300
General & Admin - Accounting contractual services	-	495	-	500	(4)	500
General & Admin - Contractual services	1,130	900	-	900	(4)	900
General & Admin - Bad Debt Expense	1,404	98	-	100	(4)	100
Total	<u>\$333,936</u>	<u>\$434,434</u>	<u>\$415,000</u>	<u>\$104,200</u>		<u>\$519,200</u>

- (1) Based on the 2024 budget as provided by the Utility.
- (2) Estimated increases per Utility Management.
- (3) Normalized for the 2024 Portage treatment rate increase.
- (4) Adjust based on 2023 actual costs.

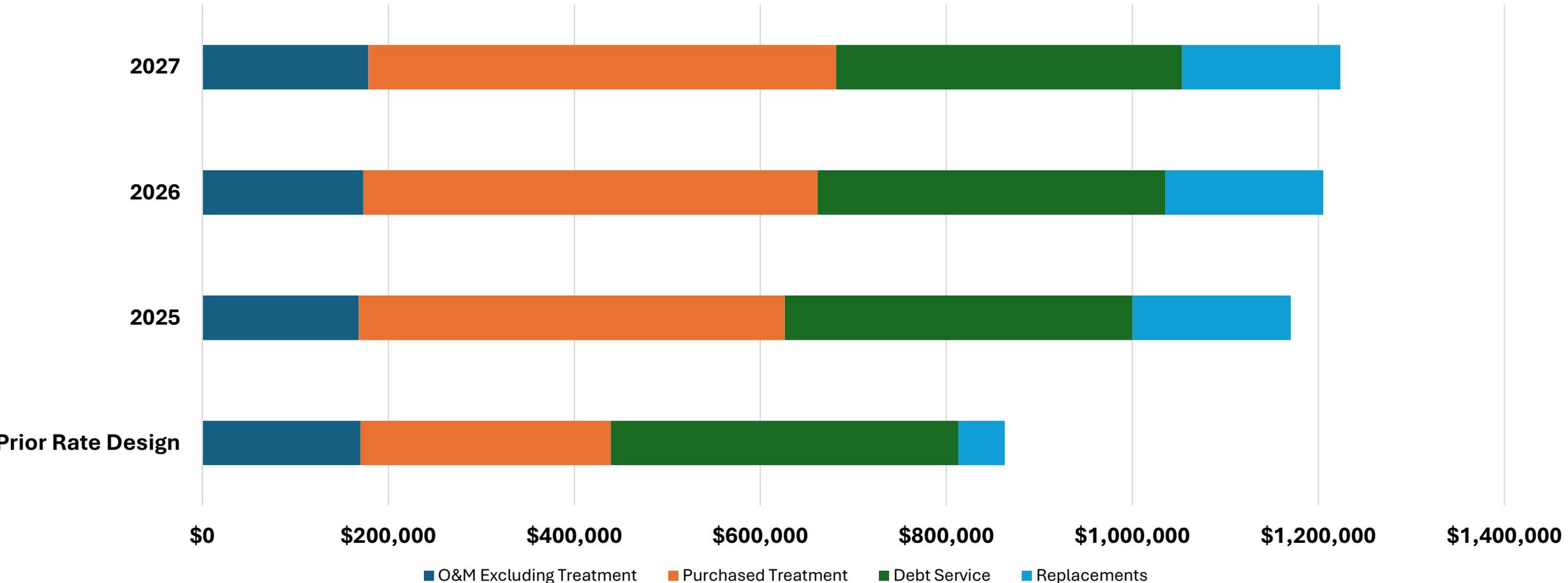
ESTIMATED RECEIPTS AND DISBURSEMENTS - DAMON RUN
(Amounts rounded to the nearest \$100)

	2024	2025	2026	2027
Proposed Rate Increase	11%	11%	6%	6%
Annual Operating Receipts:				
Collections (1)	\$949,800	\$1,054,300	\$1,117,600	\$1,184,700
Penalties (1)	10,000	11,100	11,800	12,500
Total Annual Operating Receipts	<u>959,800</u>	<u>1,065,400</u>	<u>1,129,400</u>	<u>1,197,200</u>
Annual Operating Disbursements:				
Operation and Maintenance Disbursements excluding treatment costs (2)	163,300	168,200	173,200	178,400
Treatment costs (3)	355,900	458,200	488,300	502,900
Total Annual Operating Disbursements	<u>519,200</u>	<u>626,400</u>	<u>661,500</u>	<u>681,300</u>
Net Operating Receipts	<u>440,600</u>	<u>439,000</u>	<u>467,900</u>	<u>515,900</u>
Annual Non-Operating Receipts:				
Interest Receipts (4)	<u>10,400</u>	<u>8,600</u>	<u>7,000</u>	<u>6,700</u>
Non-operating Disbursements:				
Outstanding 2019 Damon Run Bonds (pg. 7)	362,900	357,900	357,300	372,200 *
Capital Outlays (pg. 5)	240,000	225,000	145,000	145,000
Total Non-operating Disbursements	<u>602,900</u>	<u>582,900</u>	<u>502,300</u>	<u>517,200</u>
Increase (decrease) in fund balance	(151,900)	(135,300)	(27,400)	5,400
Beginning fund balance	<u>882,100</u>	<u>730,200</u>	<u>594,900</u>	<u>567,500</u>
Ending fund balance	<u><u>\$730,200</u></u>	<u><u>\$594,900</u></u>	<u><u>\$567,500</u></u>	<u><u>\$572,900</u></u>
Debt Service Coverage	<u>124%</u>	<u>125%</u>	<u>133%</u>	<u>140%</u>
Resulting Approximate Average Residential Monthly Bill (Presently \$91.86 for 4,000 gallons/535 cubic feet)	<u><u>\$91.86</u></u>	<u><u>\$101.95</u></u>	<u><u>\$108.08</u></u>	<u><u>\$114.57</u></u>

* Based on the maximum annual debt service.

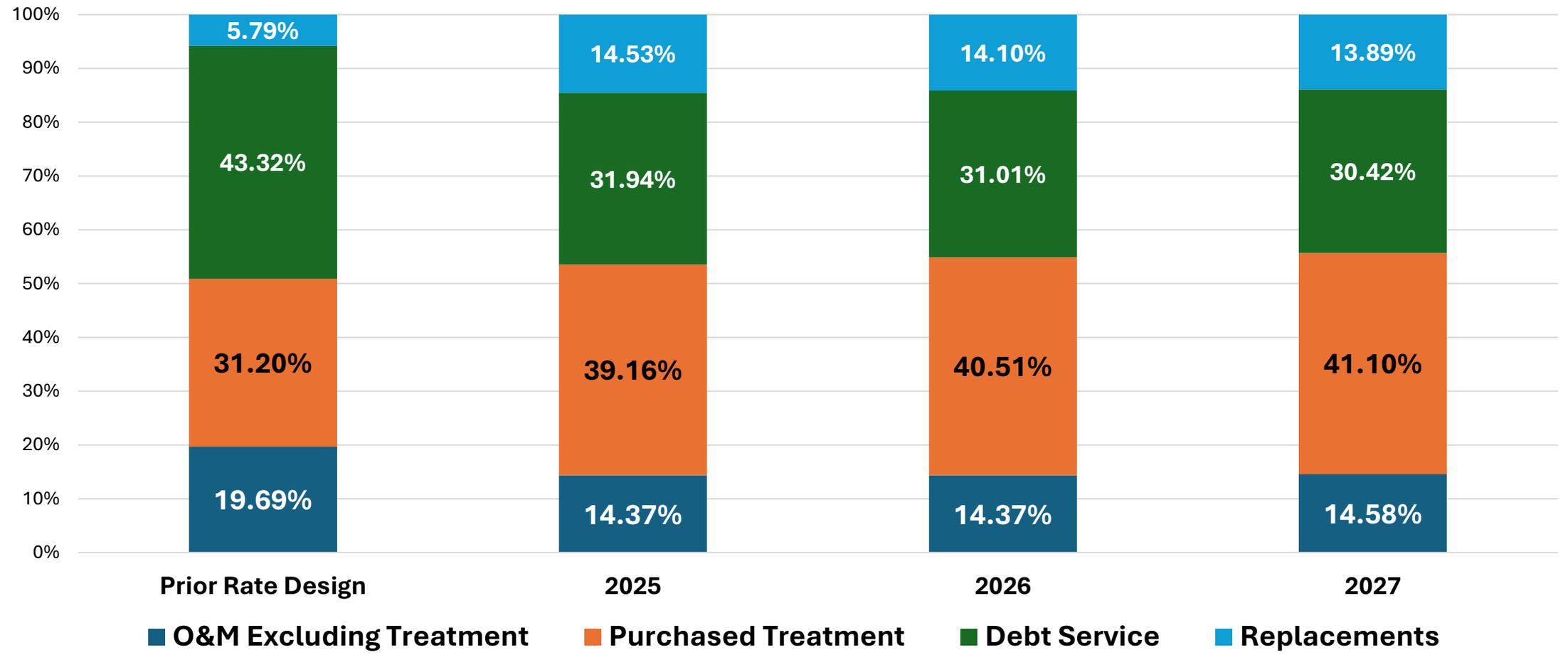
Breakdown of Damon Run Customer Rate Drivers

Revenue Requirements



Breakdown of Damon Run Customer Rate Drivers

% of Revenue Requirements



SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES - DAMON RUN

	<u>Present (1)</u>	<u>Proposed Rates With Project</u>			
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Monthly fixed rate per EDU	\$60.78	\$60.78	\$67.47	\$71.52	\$75.81
Metered flow rate (per 1,000 gallons)	\$7.77	\$7.77	\$8.62	\$9.14	\$9.69

(1) Rates for Damon Run Area customers were approved by the Common Council on October 28, 2019 per Ordinance No. 25-2019.

Summary of Rate Increase Comparison City of Portage vs. Valparaiso

Rate Increases By Year				
	10/1/2024	1/1/2025	1/1/2026	1/1/2027
Portage - Damon Run Rates				
Increase %	34%	8%	7%	3%
Cumulative Increase %	34%	45%	55%	59%
Valparaiso - Damon Run User Rates				
Increase %	0%	11%	6%	6%
Cumulative Increase %	0%	11%	18%	25%

Typical Monthly Bill with Current Rates

Billing Details

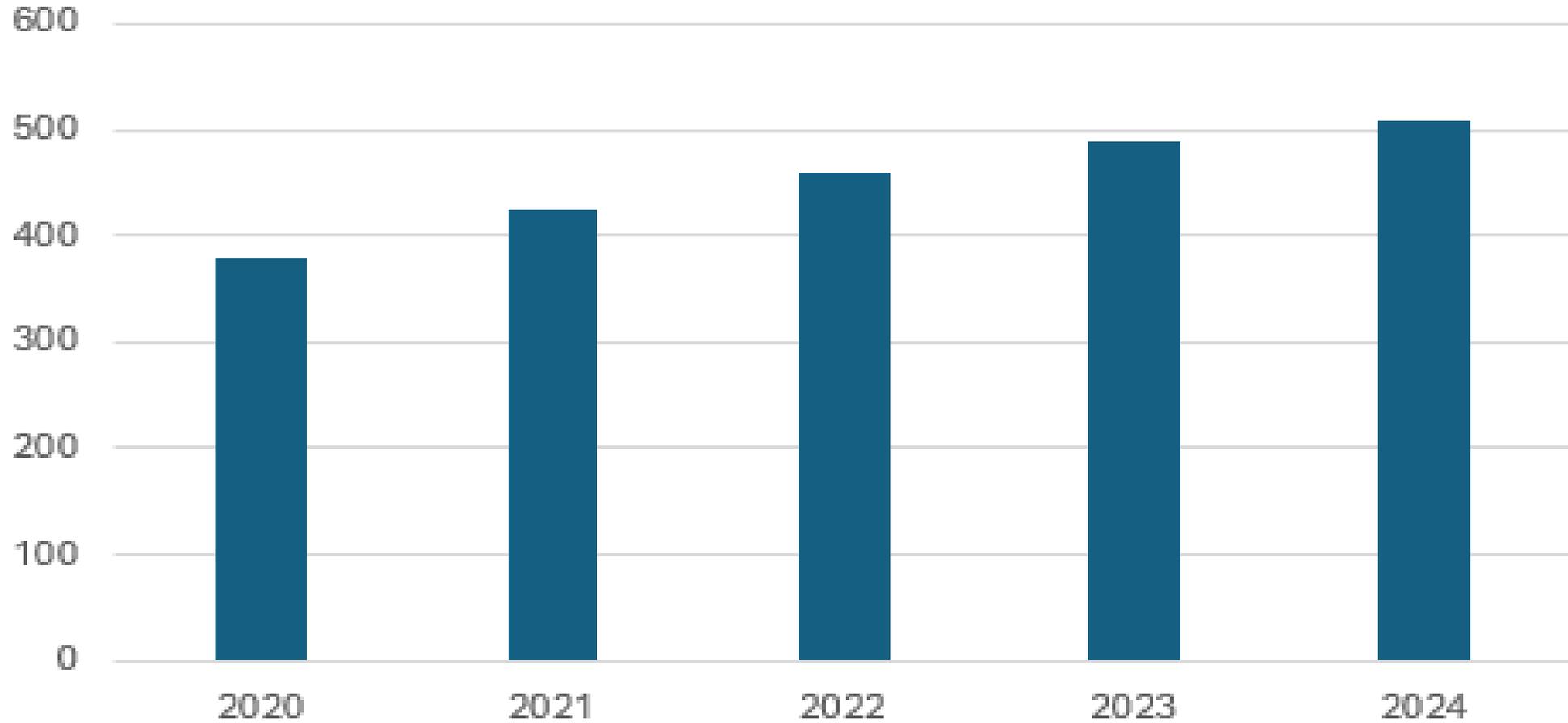
Water	IAW
Fixed Rate	\$60.78
Sewage	\$31.08



Proposed Damon Run Adjustment Impact on Sewer Monthly Bill @ 4,000 gal/month (Assumes 1 EDU)



Damon Run Customers



CONCLUSIONS:

- ✓ Rates are independent of the “City’s rate structure. DR stands on its own.
- ✓ Neither Utility subsidizes the other.
- ✓ Rate Increases – Support Revenues for Operations, Maintenance, Debt Service, and Yearly Investment in Infrastructure.
- ✓ Rate Stability. 5 Years 25% versus 59%
- ✓ Service, financial health, operational sustainability and compliance are VCU’s clear and compelling strengths.
- ✓ We made a commitment to the DR Customers in 2019:
 - ✓ Total Costs for service would be less.
 - ✓ Invest \$\$ into the system - \$500,000 over the last 5 years.
 - ✓ Grow the Customer Base and Cash Reserves
 - ✓ Operate Efficiently.

PUBLIC OUTREACH PROCESS AND MILESTONES

1. **October 11, 2024** – Letter sent via US Mail to DR Customers
2. **October 22, 2024** - Public Presentation of DR Rate Increase VCU Board of Directors Meeting 5:00 pm – Proposed Resolution
3. **October 29, 2024** – Public Hearing Notice sent via US Mail to all DR customers
4. **November 11, 2024** – City Council Introduction on DR Rates and rate ordinance 6:00 pm
5. **November 25, 2024** – City Council Public Hearing on DR rates and adoption of rate ordinance 6:00 pm
6. **January 1, 2025** – Phase I DR rates become effective 11%
7. **January 1, 2026** – Phase II DR rates become effective 6%
8. **January 1, 2027** – Phase III DR rates become effective 6%

Rate Proposal Document Center

www.valparaisoutilities.org

Email Questions to:

cityservices@valpo.us