



TO: President Koultourides and Members of Council

FROM: Dustin Anderson, Town Manager

SUBJECT: Utility Rates

DATE: March 15, 2021

Background

The Town last examined its utility rates in 2018. This was the first review of rates the Town conducted in over 10 years. The process used was a rate survey of the then-current market with a sensitivity towards the fact that any adjustment would be perceived as significant after such a long period of time at the same rates.

Three years have passed and our revenues near where we were when we originally set rates. This is illustrated in the following table.

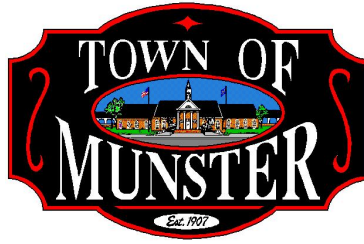
Utility Revenues		
	Water	Sewer
2017	\$ 4,283,102	\$ 2,198,648
2018	\$ 4,197,246	\$ 2,422,425
2019	\$ 6,319,522	\$ 3,146,405
2020	\$ 4,537,029	\$ 2,806,154
2021	\$ 4,161,000	\$ 2,777,500

These figures are not adjusted for inflation. Were we to show adjusted buying power, our water revenue would be less than it was in 2017 and our sewer rates would be nearly the same as they were in 2018. This stagnant revenue is a challenge in the face of continued deferred maintenance. In 2021 already we have had over 20 water main breaks with over 500,000 gallons of water lost. Our storm sewer system needs to be evaluated to validate the prior assumptions on which it was constructed. And our sanitary sewer requires constant maintenance to ensure our public health.

There has been much talk in the region about the wholesale water rate increase that Hammond sought, and we negotiated on. This is the first wholesale cost increase to the Town in decades. The Town of Munster will go from paying \$.53 per 1,000 to somewhere north of \$.95 per 1,000 gallons. This increase, however, only covers the cost of getting clean water to our Town line. Munster is responsible for the distribution of this water, and our current rates are insufficient to cover the costs of delivering this water to our residents and businesses.

Methodology

While a wholesale customer of Hammond Water, we are a retail customer of the Hammond Sanitary District. The District is currently in the process of conducting a wholesale cost of service study for rates to their customer communities of Highland, Griffith, and Whiting. The consultant being used by the District – NewGen Strategies and Solutions – will be working with extensive Town data, as a member of the District.



Now is not only an appropriate time to take up the work of setting rates, but an ideal time to capitalize on the work already being done with Town information to capitalize on those potential efficiencies of effort.

Attached is a letter of interest to conduct a rate analysis and cost of service study for the Town's three utilities: water, sanitary sewer, and storm sewer. The proposed rate to conduct this work is \$55,820. It is projected that NewGen's final deliverable will be complete within 16 weeks of project kick-off and presented to Council in a formal presentation shortly thereafter.

If approved, staff recommends utilizing the following funds to pay for this cost of service study: Water Cash Operating 60137001-63105; and, Sewer Maintenance 28091508-63105.

Recommendation:

Authorize the Town Manager to enter into an agreement with NewGen Strategies and Solutions to conduct a cost of service-based rate study for the Town's water, sanitary sewer, and storm sewer systems for a cost not to exceed \$55,820.