

CITY OF AURORA WATER RATE DISCUSSION

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AURORA WATER TREATMENT PROCESS



WHAT DO WATER RATES COVER?

- **Operational Costs**
 - Electricity, Chemicals, Maintenance, Supplies
- **Staffing**
 - Water Production, Water Billing, I.T. Services, Water & Sewer Maintenance, and Engineering
- **System Maintenance and Upgrades**
 - Treatment Plant, Wells, Pump Houses, Storage Facilities, Distribution System, Collection System
- **Repayment of Loans for previous projects**
- **Lead Service Line Replacement**
- **No tax revenues support water operations; costs of service are financed by user charges**

ADJUSTING WATER RATES

Key Issues When Adjusting Rates

- Minimize Customer Impacts
- Fair and Equitable Cost Allocations
- "Keeping Up" with Regulatory Changes (Lead Service Line Replacements)
- Maintain Fund Balance
 - Allows for adequate maintenance
 - Provides a reliable system

WATER BUDGET AND LEAD SERVICE LINE REPLACEMENT BUDGET

2025 City of Aurora Water Budget:

- \$57.8 million

2025 Lead Service Line Replacement Budget:

- \$5.5 million
- Costs approximately \$8,000-\$10,000 per household to replace one lead service line

COST OF SERVICE

Anticipated 2025 Cost of Service:

- \$49.5 million
 - This represents the total amount that we need to raise from rate revenue

Anticipated Revenue (Existing Rates):

- 2025 - \$46.7 million

Difference is \$2.8 million (6%)

COST BREAKDOWN

- The City of Aurora is proposing to increase water rates by either 4%, 5%, or 6%
- Staff recommends a 6% increase (highlighted)

| Customer | Current Rates | Proposed 2025 Rates (4% increase) | Proposed 2026 Rates (4% increase) | Proposed 2025 Rates (5% increase) | Proposed 2026 Rates (5% increase) | Proposed 2025 Rates (6% increase) | Proposed 2026 Rates (6% increase) |
|---------------------------|---------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Residential | \$4.90 | \$5.10 | \$5.30 | \$5.20 | \$5.50 | \$5.25 | \$5.60 |
| Commercial/ Industrial | \$5.00 | \$5.15 | \$5.30 | \$5.20 | \$5.40 | \$5.15 | \$5.30 |
| Sewer | \$1.70 | \$1.85 | \$2.00 | \$1.85 | \$2.00 | \$1.90 | \$2.10 |

* Cost is per 100 cubic feet

SURPLUS/DEFICIT

Rate Increases Evaluated and Associated 2025 Cost of Service Surplus/Deficit:

- 0% - \$2.8 million Deficit
- 4% - \$900,000 Deficit
- 5% - \$400,000 Deficit
- 6% - \$100,000 Surplus

AVERAGE ADDITIONAL COST PER MONTH

Residential Monthly Increase (based on an average user, 12 CCF per month)

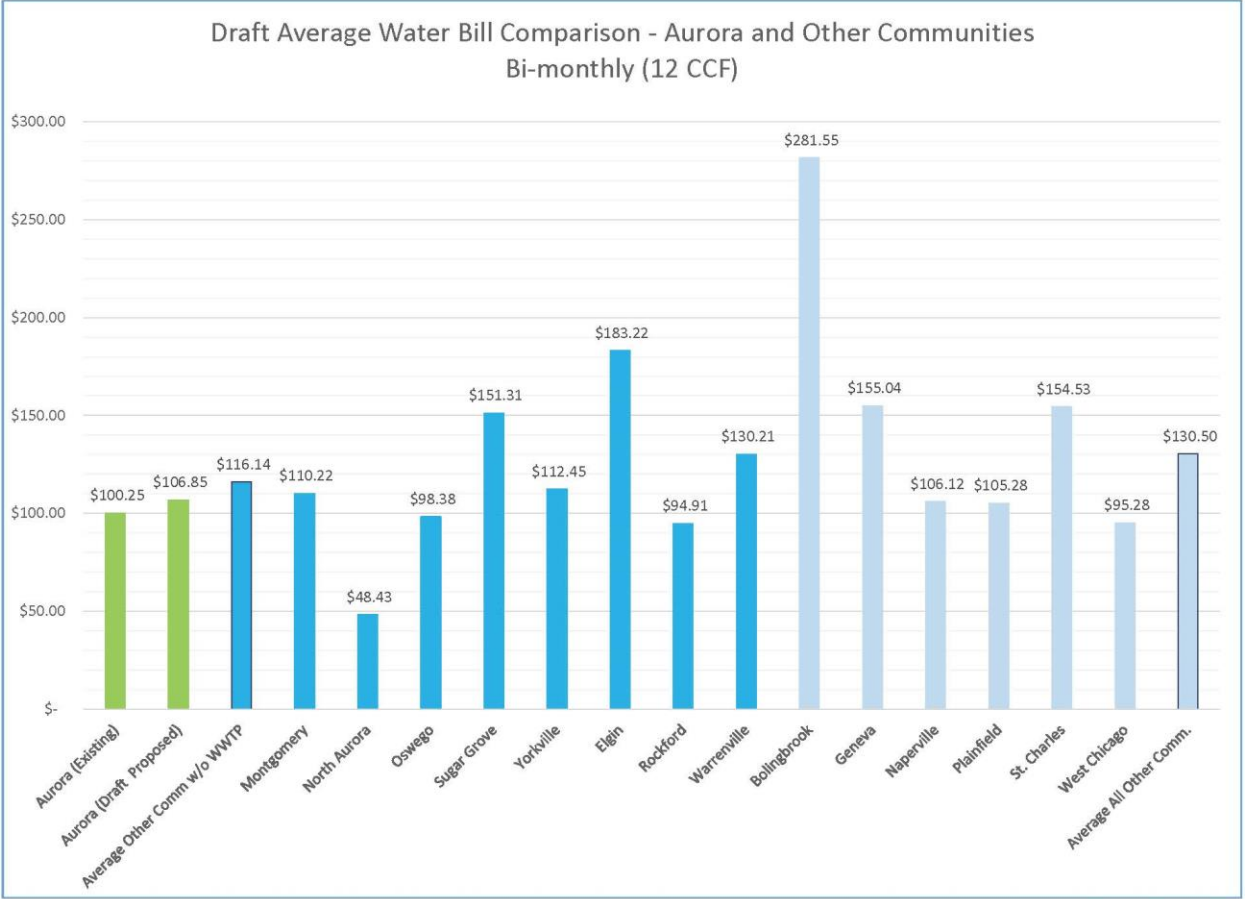
- 4% - \$2.10 Additional Per Month
- 5% - \$2.70 Additional Per Month
- 6% - \$3.30 Additional Per Month

COMPARISON OF TOTAL BILL FOR AVERAGE CUSTOMER (6% TOTAL RATE ADJ.)

| 2025 | | | | | |
|--|----------------------------|---|--|--|---|
| Customer Class | Usage per Bill (ccf) | Existing 2025 Bi-Monthly Bill (\$) | Proposed 2025 - 2026 | | |
| | | | Proposed Bi-Monthly Bill (\$) | Proposed Increase per Bill (\$) | Proposed Increase per Month (\$) |
| Residential - Senior Exemption | 6 | \$ 40.85 | \$ 42.50 | \$ 1.65 | \$ 0.82 |
| Residential - Small | 6 | \$ 60.65 | \$ 63.95 | \$ 3.30 | \$ 1.65 |
| Residential - Medium (Average Customer) | 12 | \$ 100.25 | \$ 106.85 | \$ 6.60 | \$ 3.30 |
| Residential - Large | 30 | \$ 219.05 | \$ 235.55 | \$ 16.50 | \$ 8.25 |
| Commercial - Industrial (Non Residential Customers) - Large | 1,500 | \$ 10,071.05 | \$ 10,596.05 | \$ 525.00 | \$ 262.50 |
| Commercial - Industrial (Non Residential Customers) - VERY Large | 5,000 | \$ 33,521.05 | \$ 35,271.05 | \$ 1,750.00 | \$ 875.00 |

| 2026 | | | | | |
|--|----------------------------|---|--|--|---|
| Customer Class | Usage per Bill (ccf) | Existing 2026 Bi-Monthly Bill (\$) | Proposed 2026 - 2027 | | |
| | | | Proposed Bi-Monthly Bill (\$) | Proposed Increase per Bill (\$) | Proposed Increase per Month (\$) |
| Residential - Senior Exemption | 6 | \$ 42.50 | \$ 44.15 | \$ 1.65 | \$ 0.82 |
| Residential - Small | 6 | \$ 63.95 | \$ 67.25 | \$ 3.30 | \$ 1.65 |
| Residential - Medium (Average Customer) | 12 | \$ 106.85 | \$ 113.45 | \$ 6.60 | \$ 3.30 |
| Residential - Large | 30 | \$ 235.55 | \$ 252.05 | \$ 16.50 | \$ 8.25 |
| Commercial - Industrial (Non Residential Customers) - Large | 1,500 | \$ 10,596.05 | \$ 11,121.05 | \$ 525.00 | \$ 262.50 |
| Commercial - Industrial (Non Residential Customers) - VERY Large | 5,000 | \$ 35,271.05 | \$ 37,021.05 | \$ 1,750.00 | \$ 875.00 |

COMPARISON OF WATER RATES BETWEEN MUNICIPALITIES



REASONS FOR STAFF RECOMMENDATION

Key Reasons for 6% Recommendation

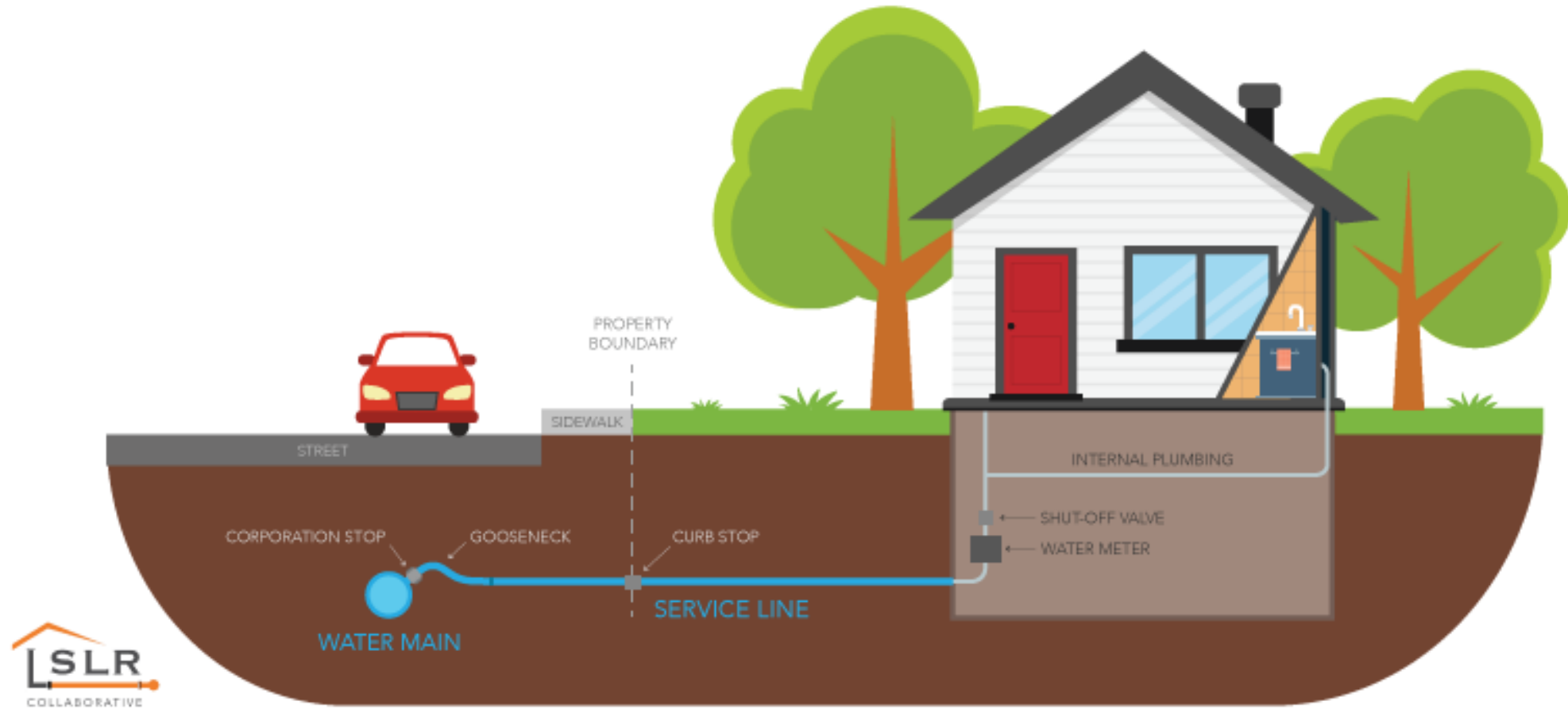
- No Cost-of-Service Deficit
- Forecast Based on Assumed Consumption
- Consumption Nationwide is on a Downward Trend
 - Efficient Fixtures
 - Watering Bans
- Eventually Need to Increase Watermain Replacement
 - 3 Miles Per Year
 - Target 7-8 Miles Per Year

REASONS FOR STAFF RECOMMENDATION

Other Considerations

- Lead service line replacement changes
- Anticipate 3% replacement (492 service lines replaced) of 16,400 lead lines **per year** starting in 2027 (State Mandate); this is accounted for at proposed 6% TRA
- Anticipate 10% replacement (1,640 service lines replaced) of 16,400 lead lines **per year** starting in 2027 (Recently Adopted Federal Mandate); additional \$9 million

LEAD SERVICE LINE DESCRIPTION



LEAD SERVICE LINE REPLACEMENT

- The Illinois EPA has instituted new water testing standards that took effect in 2024 (Lead and Copper Rule Revisions)
- Previously, Water Treatment Plant staff would sample only the first liter of water that comes out of a faucet in a residential unit
- Now, the **first AND fifth liters** must be sampled, which will lead to higher rates of lead, as the fifth liter of water has spent more time in the lead service line
- This will cause the City of Aurora to exceed the action level of 15 parts per billion
- By exceeding the action level, the IEPA will mandate the replacement of 3% annually beginning in 2026
- The city currently replaces 3-4 miles of watermain annually; ideally, the goal should be 7-8 miles
- Additional funding is needed to comply with the mandate

LEAD SERVICE LINE REPLACEMENT

- Aurora’s drinking water fully complies with standards set by the State and Federal government
- The City is actively removing lead and galvanized water lines to protect residents

Lead Service Lines Replaced

91

Year-to-Date

Lead Service Line Replaced

2,432

Since 2018

Total Suspected Lead Lines

16,273

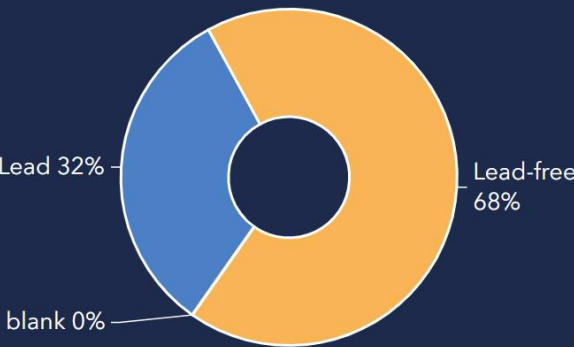
All Years

Lead Service Replacements Summary

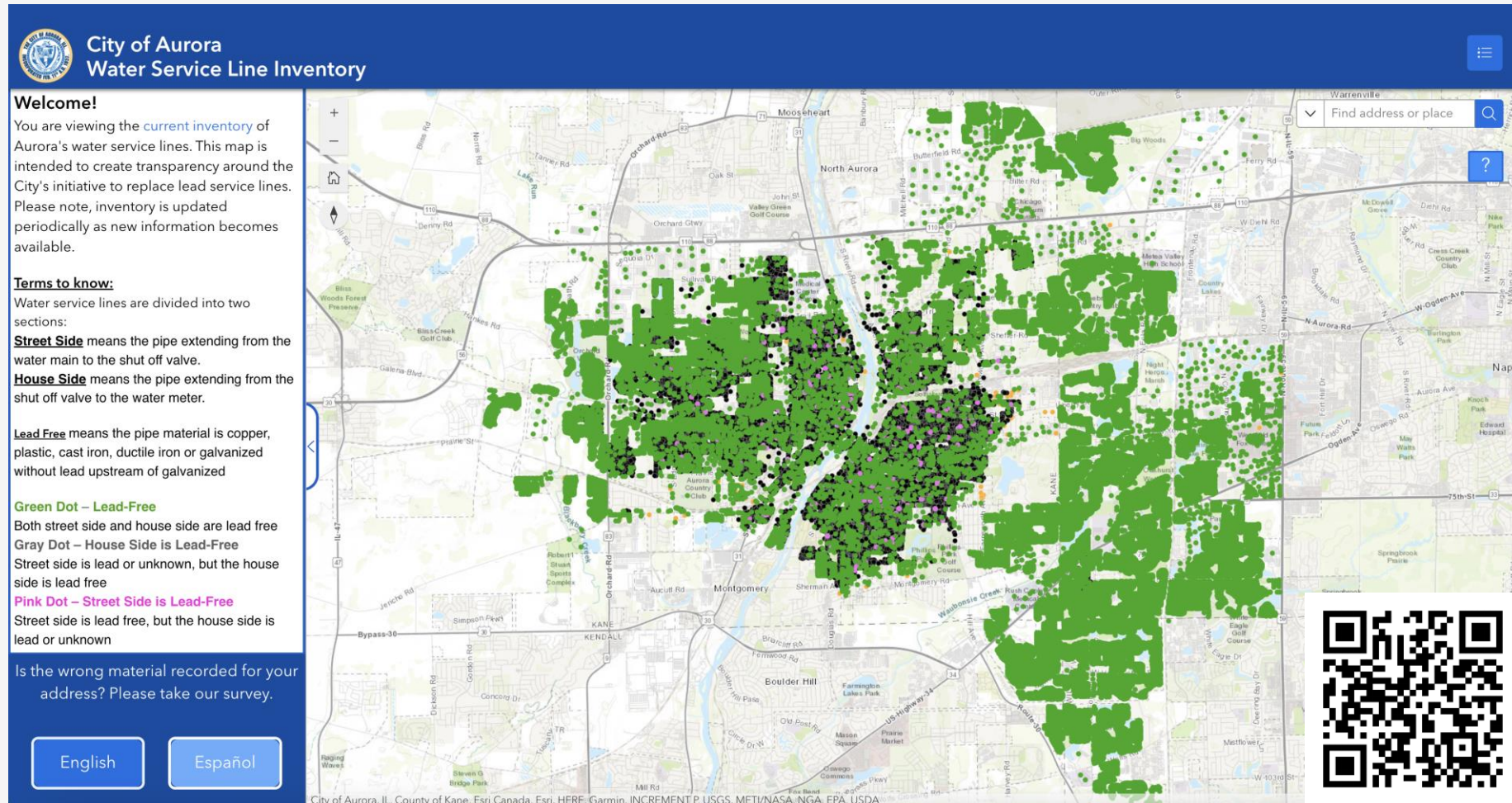


| Year | Lead Replacements |
|-------|-------------------|
| 2018 | 34 |
| 2019 | 134 |
| 2020 | 101 |
| 2021 | 183 |
| 2022 | 482 |
| 2023 | 916 |
| 2024 | 491 |
| 2025 | 91 |
| Total | 2.4k |

Current Materials Inventory



LEAD SERVICE LINE REPLACEMENT MAP



View the interactive map and look up households by Ward and address at www.aurora.il.us/LeadService

FINAL POINTS

1. Incremental annual adjustments historically favored over larger one-time adjustments
2. Covering cost of service critical to avoid fund balance issues
3. A 6% increase relates to only \$3.30 monthly residential increases (as compared to \$2.10 for a 4% increase)
4. Historically, rate adjustments have been between 2% and 6.5%
5. Watermain replacement below the target results in a lower quality distribution system with more leakage and breaks; this increases water loss and increase rates to treat water that is not consumed
6. Federal Mandates may require the city to review additional rate increases, further reinforcing the need to keep pace with cost of service now