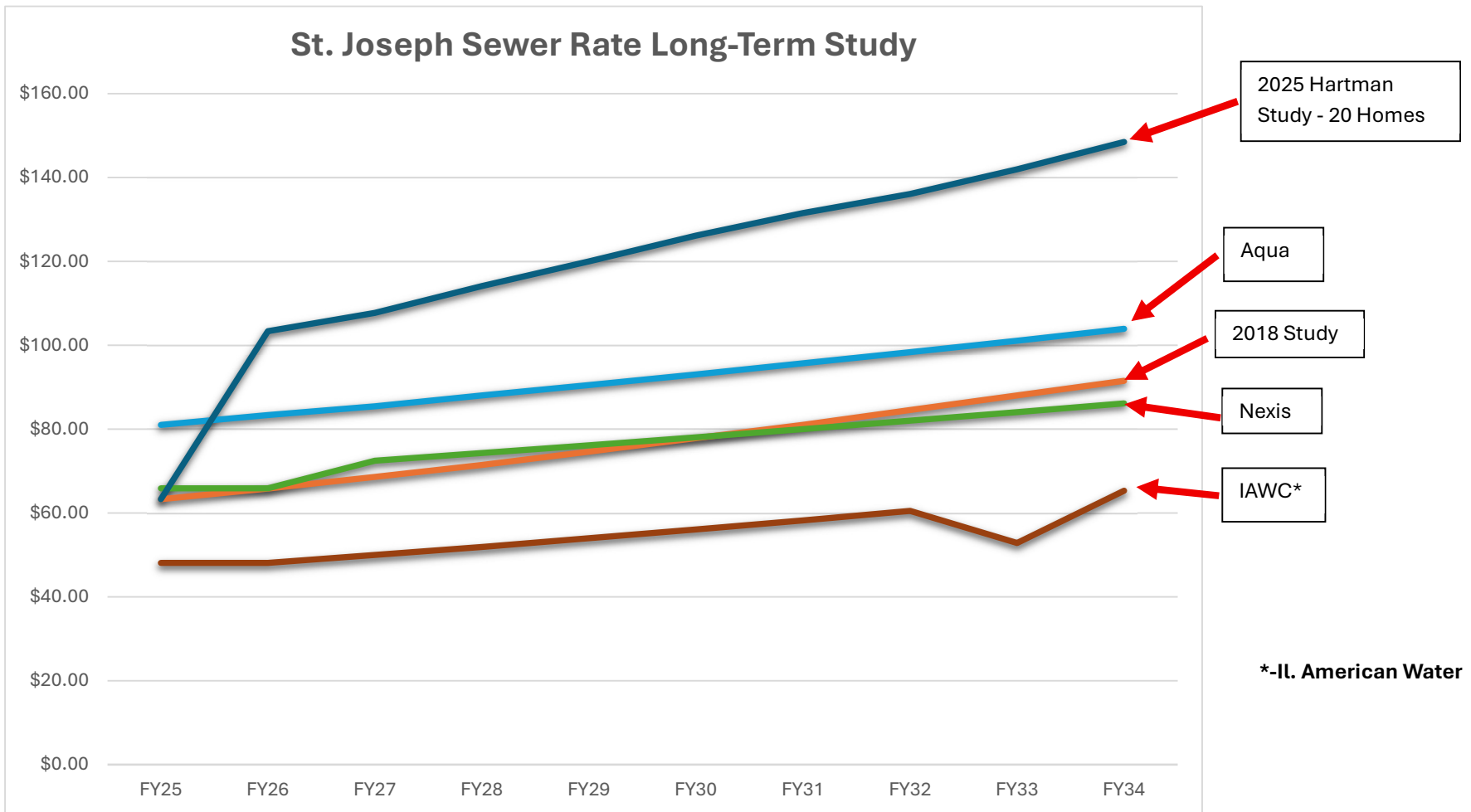


St. Joseph Sewer Rate Comparison and Potential Sale Information

Assumptions to Determine Rate Projections for Keeping vs. Selling the System

- Base use rate of 3,740 gallons per month
- 2025 rate projection based on twenty additional users added Annually for ten years
- No new capital development required at the WWTP
- No major maintenance required (no line collapses, equipment failures not covered by insurance, etc.)
- No reduction in per residence use
- No refinancing or financial changes
- No net increase in operational costs
- Depreciation (capital replacement or rate stabilization not included)
- No required staff increase
- No wastewater emergency funds set aside
- Uncertainty increases as time progresses



Why Are We Here

This section is a brief history on how we got here. It is being written without **any** criticism of previous administrations' decisions. Just like we are doing now, they all did the best they could, given the information they had at the time.

The Mayor and the Boards of Trustees decades back did not see the need to expand the sewer plant. It was built in 1972 and worked well for many years given St. Joseph's size. As such it was maintained, a few required updates were made, and it was sufficient. However, St. Joseph's growth (Crestwood, Crestlake, Crestview) 15-30 years ago reached a point where no more homes or businesses could be built because the sewer plant had reached its limit. This resulted in expansion of housing being built outside (but adjacent) to the Village that are on septic tanks. A few years ago, the Illinois Environmental Protection Agency stepped in and informed St. Joseph that we needed to upgrade the plant. Decisions were made at the time to replace the entire plant and expand it so that could accommodate more growth in St. Joseph.

Between the time the plan was being considered and the time that it was actually bid, COVID happened, inflation rates increased dramatically, and the price skyrocketed to nearly \$17 million. This cost included the resurfacing of roadways that needed torn up to put in new sewer lines. The total cost of the payments on those loans will be approximately \$1 million annually until 2029 and then drop to \$860,000 annually until 2045. That is a significant debt burden on the Village. It can make the payments; however, it eats into other funds – primarily the General Fund - reducing the amount available for parks, streets, sidewalks, and other programs desired by the residents.

Privatization of Wastewater Systems

There have been sixty-one wastewater systems sold by public entities to private companies in Illinois since 2013 (figures to the right). According to the American Society of Civil Engineers, most sewer pipes were laid in the middle 20th century. They were predicted to last 75 to 100 years. Based on that, in coming years, the amount of sewer pipes and laterals that will need replaced will start to increase. The cost of replacing major sewer lines is a cost not accounted for in our system. There is a small capital replacement fund, but one major replacement would wipe out the entire fund. The cost of operating the plant requires a significant investment in staff, power, and materials. These costs also include increased insurance on the new multi-million-dollar plant. All those costs are increasing as time goes on. Much of St. Joseph's system is currently 53+ years old.



Prior to building the new plant, the Village engineering firm, Clark Dietz, did a rate study in 2018 which showed increases up to \$80 per month. Then COVID and inflation occurred. In order to get a more recent look at the rate estimates, St. Joseph engaged Hartman Consultants, LLC. Hartman Consultants LLC, led by Gerald Hartman, offers specialized engineering and consulting services primarily in environmental engineering and utility matters. With extensive experience, the firm serves a diverse clientele including investor-owned utilities, government owned systems, banks, and state agencies. The company has a strong background in utility appraisal, regulatory matters, and rate studies, having been involved in over four hundred cases nationwide and internationally. Hartman Consultants is well-regarded for its expertise in utility negotiations, financing, and optimization programs. He examined the original rate study, (upon which the decision to replace the wastewater treatment plant was made), the rates of three wastewater utility companies buying wastewater plants in Illinois, and the current costs of operating and developing contingency funds for said plants.

Aqua Illinois System Acquisitions

A breakdown of the company's system acquisitions since 2013



The result of his examination and comparison is depicted in the line graph at the top of this document. Private utilities rates are determined by the Illinois Commerce Commission. They are based on sewer use across many sewer plants in a district like Central Illinois. On the other hand, St. Joseph's rates are only based on the costs of operating our plant. Our costs are higher than a private company's cost due to efficiencies in their operations and bulk supply pricing. St. Joseph cannot operate a plant as efficiently as a private utility which spreads their costs out over a wide range of systems. As a result, the rates will generally be lower and more stable with private utility. For example, in 2030, the projected rate for St. Joseph owning and operating the treatment plant would be 55% higher than Illinois American Water.

Keep in mind three things:

- These are projections. There are always variable factors involved. ICC could authorize rate increases in the future. The data below is what is currently authorized by the ICC. If the sewer system is sold, then we lose control of the rates by transferring them to State control.
- The projections for St. Joseph's rates are based on the building of twenty homes per year. If we do not build that many homes annually, the rates will be even higher. By 2034, this table assumes 180 more homes in St. Joseph. Each new home paying the Village for sewer service which lowers the cost for everyone. *However, twenty homes annually are not likely in the near future.*
- *The Village works to do what it can to keep the rate increases to a minimum within our financial capacity.* In fact, the General Fund already subsidizes the current rates and Sewer Fund. If the Village holds onto the plant AND wants to minimize any rate increases, the General Fund will increasingly subsidize the Sewer Fund. As stated above, this reduces funds available for parks, streets, and other infrastructure.

Data from the
Hartman Report

Fiscal Year	St. Joe 2018 Study	Aqua	Nexus Prairie	IAWC	St. Joe 2025 @ 20 Houses
FY25	\$63.30	\$81.04	\$65.88	\$48.08	\$63.30
FY26	\$65.80	\$83.31	\$65.88	\$48.08	\$103.31
FY27	\$68.60	\$85.41	\$72.47	\$49.96	\$107.71
FY28	\$71.40	\$88.04	\$74.28	\$51.90	\$114.11
FY29	\$74.60	\$90.50	\$76.14	\$53.93	\$119.96
FY30	\$77.80	\$93.04	\$78.04	\$56.03	\$126.11
FY31	\$81.00	\$95.64	\$79.99	\$58.22	\$131.47
FY32	\$84.50	\$98.32	\$81.99	\$60.49	\$136.07
FY33	\$88.00	\$101.08	\$84.04	\$52.85	\$141.91
FY34	\$91.50	\$103.91	\$86.14	\$65.30	\$148.50

Advantages of Selling the Wastewater Treatment Plant (WWTP)

There are several advantages to selling the sewer system:

- The Village is not a utility company. It does not have an expansive user base, expertise, ability to bulk buy and governed by laws that do not apply to private companies. However, operating a utility is what the Village is doing. The Village used to operate both a water plant AND a sewer plant. Many years ago, the Village sold the water system to IL. American Water Company and got out of the water utility business. Selling the system allows the Village to primarily focus on public infrastructure (streets/sidewalks/vegetation, etc.), economic development, and parks/recreation.
- The Hartman report assesses the value of the St. Joseph sewer system – the WWTP and the collection system (village-wide underground collection pipes and lift stations) at \$24 million. His estimate, based on his experience with dozens of municipal sewer sales. If the Village were to issue an RFP to the nine potential companies buying plants in Illinois, he estimates we may see offers from \$20 to \$22 million for the entire system. Combined with the current \$400,000 sewer capital replacement fund, the Village could pay off all its approximately \$18 million in infrastructure debt and have funds left over that could be set aside for a rainy day or used for projects such as street/sidewalk/park improvements.
- Selling the system also means that the private buyer would pay a franchise fee to the Village for use of the right of way AND property tax on the WWTP. This would be a significant increase in property tax available primarily for the two school districts as well as the township, village, etc. Between money from the sale, franchise fees, freeing up current capital replacement, the Village would be in a strong economic condition.

Administrative Process

The Village is limited by statutes and administrative bureaucracy from just getting bids and selling the plant. There is a legal process that must take place.

- Ordinance must be passed to authorize the issuance of a Request for Proposal (RFP).
- The RFP must be issued and the bidders given approximately 45 days to respond.
- The staff, Mayor and Trustees, must review the responses to make the decision as to how to proceed.
- If the decision is to sell, then they must decide which company made the best offer which benefits the entire Village.
- Once that decision is finalized, then a period of negotiation between the buyer and the Village takes place to iron out details of the franchise and sale agreement.
- The Illinois Environmental Protection Agency and the Illinois Commerce Commission must then approve the sale, repaying of debt service costs and the actual transfer of the system. This process averages nine months. At this point, it is estimated that if everything goes well, the system would be officially transferred November of 2026.

Summary

Regardless of how we got here, decisions about how to proceed must be made. The Village has reached a budgetary inflection point. The bottom line is this:

- Rebuilding the sewer plant was NECESSARY and REQUIRED in order to ever grow and to meet IEPA requirements.
- The cost skyrocketed due to the timing of inflation and COVID.
- The payment of \$860,000 to \$1 million annually will hamstring the Village financially for decades resulting in significantly higher sewer rates on residents and very little flexibility in the Village budget for any other required obligations – i.e., street/sidewalk repairs, park maintenance, infrastructure expansion, etc.

If the system is retained, then consideration of a rate increase will ensue. Obviously, the residents of St. Joseph would object to a significant rate increase. If it is sold, the rates would stabilize (or in some cases, decrease) and the Village would be more financially viable.

Do not rely on this summary alone. Please read the entire Hartman report. The assessed valuation and the rate examination are particularly important.

As the Village President, I am committed to keeping the sewer rates as low as economically feasible. Look at the line chart at the top of this document to see what is at stake. I am also committed to getting the Village government in a healthier fiscal condition. In order to do those two things, I have recommended that we issue a Request for Proposal (RFP) to seek buyers for the system to get a better picture of what

types of proposals/offers from private utilities are possible and how that will affect the Village budget and rates that residents pay. At that time, the Board will make the decision whether to sell it or keep it based solely on what is best for the residents of St. Joseph. I am confident that the Board of Trustees will do the right thing for everyone by keeping the costs as low as possible and to do what is right for the Village economically.

Submitted by,

Jim Page
Village President
11/18/25