

CAPITAL IMPROVEMENTS

The Sanitary Sewer Department is planning several major capital improvement projects throughout the system. The proposed improvements at the WWTP will improve safety, assist the plant in meeting code requirements, and allow for savings through enhanced process efficiency. Improvements planned at eight of the City's lift stations will allow them to be connected to the City's SCADA system, provide back-up power, and complete other general repairs. Finally, the Sanitary Sewer Department intends to begin replacing the portions of its collection system that have reached the end of their 50-year design life.

The proposed capital improvements project costs were used to project the future cash needs of the Sanitary Sewer Department and are summarized in Table 1. The 2007 sanitary sewer collection system improvements, and the 2007 and 2008 lift station improvements projects will be funded through a General Obligation bond with an assumed 5.5% interest rate. Beginning in 2008, the collection system improvements were expected to cost \$1,305,000, and increase at 3.5% annually each subsequent year. The 2009 lift station improvements will be funded from reserves. The improvements at the WWTP will be financed with a State Revolving Fund loan paid over a twenty-year period. After discussions with the Illinois Environmental Protection Agency, and with recent increases in interest rates, a rate of 3.25% was assumed for the low-interest loan. The Sanitary Sewer Department will be required to have 25% of one year's loan payment set aside in reserves. Increased user rates will be used to fund these projects and repay the loans. In addition, the Sanitary Sewer Department will apply for grant funding to defer some of the costs. The projected cash needs to not include any grant monies.

TABLE 1: PROPOSED SANITARY SEWER SYSTEM CAPITAL IMPROVEMENTS PROJECTS

Capital Improvement Project	Fiscal Year Ending April 30th				
	2007	2008	2009	2010	2011
Collection System Improvements	\$ 6,525,000	\$ 1,305,000	\$ 1,350,675	\$ 1,397,949	\$ 1,446,877
Lift Station Improvements	\$ 1,338,000	\$ 888,000	\$ 108,000		
WWTP Improvements	\$ 1,083,330	\$ 5,476,835	\$ 5,476,835		
TOTAL ANNUAL COST	\$ 8,946,330	\$ 7,669,835	\$ 6,935,510	\$ 1,397,949	\$ 1,446,877

PROPOSED SANITARY SEWER RATES

East Moline has increased the volume charge of the sanitary sewer rates 2% annually for the past several years. This has somewhat allowed the Sanitary Sewer Department to keep up with rising inflation and health care costs, but has left little excess to save for improvements. With the large number of necessary Capital Improvements Projects planned, significant rate increases will be needed for the next several years.

The existing and proposed rate options are shown in Table 2. The proposed rates recommend a 24% rate increase for the first four years, and then a lower 3% rate increase the fifth year. The City may want to consider continuing a small two to three percent rate increase for subsequent years, to build reserves and keep up with inflationary costs. A rate study should be completed approximately every five years to evaluate rates and cash needs.