

Frequently Asked Questions
Regarding Wastewater Rate Increases

Frequently Asked Questions Regarding East Moline Wastewater Rates

1. How much will my rates increase?
 - A typical residential customer discharging 2,000 cubic feet every two months, or 250 gallons of wastewater per day, will see an increase in their bi-monthly wastewater bill from \$49.35 to \$75.97 or \$26.62 per bill which is equal to \$13.31 per month or \$0.44 per day.
2. Why is a rate increase required?
 - To eliminate deficit spending caused by inflation and cost-of-living increases.
 - To cover bond principal and interest payments required for capital improvement projects.
 - To meet a required debt coverage ratio of 1.25. The debt coverage ratio is required to demonstrate to the bonding agency that enough revenue is generated to cover the utility's operating expenses and annual debt service. The proposed capital financing bonds require a debt coverage ratio of 1.25 or greater throughout the life of the bond. This debt coverage ratio means net operating revenues (revenues minus operating expenses) must exceed total annual debt service by an additional 25 percent.
3. Can we delay the rate increase?
 - The City has postponed the rate increase as long as possible. Many of the capital improvements are required to replace equipment that has reached their useful life.
 - The Illinois EPA issued a Notice of Violation in 2005 to the Wastewater Treatment Plant. The City must implement modifications according to a proposed compliance schedule to resolve these violations.
4. Can we implement a smaller rate increase?
 - The recommended wastewater rates provide the revenue required to cover the projected 2008 operations and capital improvement budget for each respective utility with a debt coverage ratio of 1.25 or greater. The proposed capital financing bonds require the debt coverage ratio throughout the life of the bond. This debt coverage ratio means net operating revenues must exceed total annual debt service by an additional 25 percent. Revenue generated with a smaller rate increase would fall short of covering expenses with the required debt coverage ratio.
5. How does lowering the minimum wastewater bill from a bi-monthly volume charge based on 800 cubic feet to 400 cubic feet affect rates?
 - Wastewater rates are determined by dividing expenses by the total volume of wastewater. The rate study does not take into consideration the number of customers that pay the minimum bill. Therefore, lowering the minimum volume charge does not affect the proposed rates.
 - Customers using less than 400 cubic feet every two months will see a reduction in their minimum bill. Customers using more than 400 cubic feet but less than 800 cubic feet will no longer pay for the minimum volume of 800 cubic feet. Rather, they will pay for the actual amount of wastewater discharged.
 - A minimum bi-monthly volume charge based on 400 cubic feet equates to 50 gallons per day.
6. Why are the new capital improvements required?
 - The existing Wastewater Treatment Plant (WWTP) has the following deficiencies:
 - numerous pieces of equipment that are well past their expected useful life;
 - serious safety hazards and code violations;
 - significant energy inefficiencies that have contributed to severe deterioration;
 - need of significant maintenance repair and replacement.
 - The Illinois EPA issued a notice of violation to the WWTP for excessive effluent levels for coliform and Biochemical Oxygen Demand (BOD), and too low of levels for total residual chlorine on separate occasions in 2005. The City faces potential formal legal action and

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imposition of fines if the plant is not brought into compliance by correcting deficiencies that have caused the violations.

- Three lift stations have reached the end to their useful life and require replacement. Two lift stations can be retired. Reduction in the total number of lift stations will reduce power and operation and maintenance costs. System reliability will also increase and reduce potential for backups.
- The City is currently in the process of replacing sewer mains and associated equipment. An annual schedule is anticipated for replacement of this infrastructure.
- The estimated cost of capital improvements for Fiscal Year 2008 through 2017 that will be paid with general obligation alternate revenue bonds, State Revolving Fund loans, and wastewater funds is summarized below:
 - \$10.8 million for Regional Wastewater Treatment Plant improvements.
 - \$800,000 for lift station improvements (includes 8 lift stations and standby power).
 - \$750,000 per year (plus 3 percent escalation) for replacement and upgrade of the collection system infrastructure.

The bond and loan, principal and interest payments are paid with wastewater funds.

7. How will the new capital improvements benefit the City of East Moline?

- The Wastewater Utility improves the quality of life by:
 - providing clean water;
 - reducing backups;
 - reducing raw sewage overflows;
 - protecting wildlife;
 - contributing to healthy neighborhoods.
- Upgrade of facilities will allow the Wastewater Utility to continue to provide these services and to:
 - meet current governing code requirements;
 - replace deteriorated facilities;
 - reduce unnecessary maintenance cost;
 - increase plant efficiency;
 - improve system performance;
 - eliminate safety hazards;
 - reduce energy usage;
 - provide operational flexibility;
 - remain in compliance with regulatory requirements.

8. Why are municipal wastewater customers charged less than internal customers?

- Municipal customers only share a portion of the East Moline System. Municipal customers are billed for the shared use of the interceptor and regional treatment plant. Each municipality is responsible for the capital and operating expenses for their internal collection system. The municipalities determine their respective internal collection system expenditures. Each municipality adds the additional costs to maintain their own internal collection system to develop rates for their customers.
- Internal customers are billed for the use of the interceptor and regional treatment plant as well as the East Moline internal collection system expenditures.

9. Why have municipal rate increases not been implemented previously?

- The City has postponed implementation of rate increases until facility studies had been conducted to identify capital improvements required for each utility.

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10. Can we back-charge municipalities for not implementing past increases?
 - Municipalities cannot be back-charged for not implementing past increases. A cost-of-service rate analysis was performed in the current rate study to charge fair and equitable rates to all customers. The proposed rates appropriately charge all customers for the services they receive.

11. Is there any connection between increased rates and Triumph Foods?
 - The projected revenue collected from Triumph is expected to be about equal to the projected increase in operating costs resulting from flow added by Triumph.
 - Some short term increase in rates charged result from capital improvements needed to serve Triumph.

12. What recommendations do you have for reducing our operating costs?
 - Retrofitting existing equipment will result in improved system performance to reduce unnecessary maintenance costs and significant energy efficiencies. These improvements will reduce unnecessary energy usage and operating costs.