

Appendix B

Frequently Asked Questions
Regarding Water Rate Increases

Frequently Asked Questions Regarding East Moline Water Rates

1. How much will my rates increase?
 - A typical residential customer using 2,000 cubic feet every two months, or 250 gallons of water per day, will see an increase in their bi-monthly water bill from \$58.15 to \$83.91 or \$25.76 per bill which is equal to \$12.88 per month or \$0.43 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.
4. Can we implement a smaller rate increase?
 - The recommended 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 water bill from a bi-monthly volume charge based on 800 cubic feet to 400 cubic feet affect rates?
 - Water rates are determined by dividing expenses by the total volume of water. 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 water used.
 - 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 Water Utility improvements are required for the following reasons:
 - to address existing deficiencies at the Water Treatment Plant;
 - poor connection between low pressure zone towers;
 - low fire flow capacity in specific areas;
 - pressure restrictions at booster pumps and at the water plant high service pumps;
 - lack of firm pumping capacity in case of emergency due to absence of standby power at all pumps;
 - insufficient elevated storage in absence of firm pumping capacity;
 - deterioration of ground storage reservoir;
 - maintenance of elevated storage.
 - Improvements will provide increased capacity to allow for additional residential, commercial, and industrial expansion and potential supplying to surrounding communities.

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- Near future improvements may be required to address additional disinfection or treatment techniques associated with Long Term Stage 2 Enhanced Surface Water Treatment Rule.
- 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 water funds is summarized below:
 - \$3.3 million for the Water Treatment Plant improvements.
 - \$325,000 for water storage improvements.
 - \$360,000 for water distribution improvements.
 - \$600,000 per year (plus annual 3 percent escalation) for replacement and upgrade of water distribution infrastructure.

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

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

- The Water Utility improves the quality of life by providing:
 - clean water;
 - adequate supply of water;
 - sufficient fire protection.
- Upgrade of facilities will allow the Water Utility to continue to provide these services and to:
 - meet regulatory regulations;
 - resolve pressure and storage related problems;
 - provide better fire flow for better fire protection which results in lower insurance rates;
 - improve efficiency and reliability measures in the distribution system.

8. 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.

9. 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.