



Rochelle Municipal Utilities Water/Water Reclamation

To: David Plyman

From: Kathy Cooper

Date: September 29, 2011

Re: Water Rate Study/ Fire Protection Fees

Matt Hansen of Willett-Hofmann Engineering prepared a Water Rate Analysis Report for RMU Water Division, and it was presented to the Utility Advisory Board (UAB) at the July 27, 2011 meeting. The report recommended a six per cent rate hike, with the rate increasing from \$1.77 to \$1.94 per hundred cubic feet, for the first 100,000 cubic feet. For usage over 100,000 cubic feet, the rate would increase from \$0.71 to \$0.78 per hundred cubic feet. The UAB did not provide a formal recommendation to the Council, but indicated they understood the need for a rate increase. In addition to a usage and fixed rate analysis, the report presented for consideration two other revenue streams, a fee for facilities that have separate fire protection lines and a system development fee. The UAB did not recommend adoption of the system development fee, as they believed it would be detrimental to new growth within the community, and they asked for additional information and justification for the fire protection fee. This memo provides the requested information and justification.

In addition to providing potable water to customers, the Water Division is responsible for maintaining hydrants, ensuring capacity, and providing enough water flow and pressure for the Fire Department to fight fires. While the Fire Department currently pays \$12,000 per year to the Water Division, or about 0.7% of RMU Water Division gross revenues, the American Water Works Association (AWWA) states that fire protection costs can range from 6% to 30% of the gross revenues. If the fire protection fee is adopted, the Fire Department would no longer pay the fee to the Water Division. The proposed fee is a monthly charge that will generate \$30,000 per year, and is based upon the size of fire line that either encircles the building or provides fire protection (sprinklers) within a facility. The rate structure is shown on the next page.

There are a number of facilities in the service area that have a significant fire protection demand, but use little water, and the intent of the fee is to have customers who need the service pay for the cost of service. To serve the facilities/buildings that have fire protection systems, the Water Division must have wells, towers, and transmission mains designed and geographically situated to deliver water for fire protection when needed to fight a fire. When a new business prospect is considering a building site in Rochelle, one of the first questions asked is, "What is the fire flow and the static and residual pressure at the address," because the engineers and insurance companies must ensure the prospect that sufficient fire flow is available.

The UAB asked that we contact all customers affected by the proposed fire protection fee. Fifty-four letters were sent to the customers who have fire protection lines into a building or facility. I also met with the two largest water users, Illinois River Energy and Rochelle Foods, to review the impact that the rate increase would have upon their business. Both IRE and Rochelle Foods seemed to understand the need for the rate increase.

In response to the letter, I received three phone calls from customers that would be affected by the by the fire protection fee:

1. FBC Industries – Mike Pierce wanted further information, but understood the need for the increase.
2. Holcomb Bank – Dick Harms does not object to the rate increase, but did think that the fire protection rate for his building was excessive. I told him that he may want to re-visit the sizing of his fire protection line, as that is the driver for the rate. I gave him the names of two fire protection engineering companies in the area.
3. BP Amoco Tank Facility – I did not get the name of the person who called, but he was quite upset about paying monthly for a fire protection service that he might not need. He told me he would talk to the corporate office and contact me again. BP uses less water per month than an average single family residence, but has an 8-inch fire line into the facility for fire protection. He has not called back.

In addition, I contacted Dan Coangelo, on site manager for Northern Trust, and he said he understood the need for a rate increase and had no concerns about a fire protection fee. Jesse Volpe, the property manager for Pro-Logis, said the rates are in line with other communities where they have comparable buildings (Sauk Village, Bloomingdale, and Wood Ridge). She also asked that we consider phasing in the rate over two to three years to ease the impact upon customers.

The Public Works Committee of the City Council met on September 26 to discuss the Water Rate Study and to hear the response from customers that would pay the fire protection fee. After hearing the results of the follow-up, it was their recommendation that the rate increase and fire protection fee, phased in over two years, be presented to the City Council.

Please put this on the October 11, 2011 meeting.

Private Fire Protection Charge

Fire Protection Line Size	Charge	
	2012	2013
1" to 1-3/4"	\$0.56/Connection/Month	\$1.11/Connection/Month
2" to 2-1/2"	\$2.14/Connection/Month	\$4.27/Connection/Month
3"	\$3.45/Connection/Month	\$6.89/Connection/Month
4"	\$7.35/Connection/Month	\$14.69/Connection/Month
6"	\$21.34/Connection/Month	\$42.67/Connection/Month
8"	\$45.47/Connection/Month	\$90.93/Connection/Month
10"	\$81.76/Connection/Month	\$163.52/Connection/Month