

PROJECT REPORT

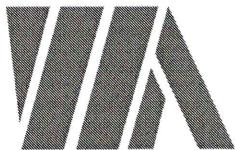
FOR

**ROCHELLE MUNICIPAL UTILITIES,
CITY OF ROCHELLE
OGLE COUNTY, ILLINOIS
WATER DIVISION**

**Water Rate Analysis Report
September 2013**

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PURPOSE

The purpose of this Water Rate Analysis report is to provide Rochelle Municipal Utilities (RMU) Water Division with the following analysis:

Evaluate the current expenses and revenues.

Develop a budget based on future Water Division needs.

Develop a debt service schedule for the water system improvements that are planned to be phased in over the next four (4) years. The improvements will be financed with an IEPA Public Water Supplies Revolving Fund Loan.

Develop a new water rate schedule that will mirror the schedule for the Water Reclamation Division.

The water rate modifications evaluated and recommended in this report will provide the Water Division the necessary revenue to be self-sufficient and not be subsidized by any utility division within RMU.

WATER DIVISION RATE SCHEDULE

The current Water Division rate schedule consists of three components: a Fixed Charge, a Basic User Rate and a Fire Protection Fee. The Fixed Charge includes all the contractual service administrative expenses, the general fund transfer expense and the debt service expense. The Basic User Rate includes all the operation and maintenance expenses and water system capital improvement expenses. The Fire Protection Fee includes the expenses associated with providing fire protection to customers with private fire protection system connections to the municipal water system.

The recommended Water Division rate schedule is designed to mirror the Water Reclamation Division rate schedule with the exception of the Fire Protection Fee, which is unique to the water system. The proposed Water Division rate schedule will be composed of:

1. Fixed Charge: Includes all contractual service administrative expenses. These services include Network Administration, Financial Administrative Services, Insurance, Customer Accounting and Collection, Administrative Expenses, laboratory services and GIS.
2. Basic User Rate: Includes all the operation and maintenance expenses of the system such as personnel salaries and benefits, purchase power, chemicals, materials and supplies and the general fund transfer.
3. Equipment Replacement: Includes the replacement costs for the well pumps, pump VFDs, SCADA RTUs, chemical feed equipment and standby generators. This fund sets the money aside to draw on when the equipment has to be upgraded and/or replaced.
4. Non-Debt Funded Projects: The Non-Debt Funded Projects are the less expensive capital improvements and they do not require bonding or loans to complete. They include the elevated water storage tank painting, water distribution main replacement, water transmission main improvements, meter, hydrant and valve replacements and vehicle and smaller equipment replacement.
5. Capital Recovery Rate: Includes the payment of bonds and/or loans to finance large water system improvement projects.

The current Water Reclamation Division and the current and recommended Water Division rate schedules are summarized in the table below. The recommended Water Division rate schedule will mirror the Water Reclamation Division.

Water Division and Water Reclamation Division
Rate Schedule

| Water Reclamation Division | Water Division | |
|----------------------------|---------------------|----------------------------|
| | Current | Recommended |
| Fixed Charge | Fixed Charge | Fixed Charge |
| Basic User Rate | Basic User Rate | Basic User Rate |
| Equipment Replacement Rate | None | Equipment Replacement Rate |
| Non-Debt Funded Rate | None | Non-Debt Funded Rate |
| Capital Recovery Rate | None | Capital Recovery Rate |
| None | Fire Protection Fee | Fire Protection Fee |

CURRENT EXPENDITURES AND REVENUES

The Water Division had a net loss in FY2011/12 of \$415,823. The Water Division had a net income of \$482,621 in FY 2010/11 and \$365,836 in FY 2012/13. The fluctuation in the net loss and net income is attributed to when the Non-Debt Funded Projects and the Contributions in Aid of Construction are booked. Over the past three (3) fiscal years as a whole, the Water Division had a net cash income of \$432,634. The expenses for the five (5) categories have remained fairly consistent, with the exception of the Non-Debt Funded Projects. A portion of the Non-Debt Funded Projects expenses are for infrastructure improvements associated with new economic development projects.

A detailed analysis of the Water Division expenditures and revenues is included in Exhibit 'A'. A summary of the expenditures and revenues is detailed in the table below.

Rochelle Municipal Utilities
Water Division Expenditures and Revenues

| | Fiscal Year | | |
|--|--------------------------------------|---------------------|-------------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 |
| Expenditures | | | |
| Fixed Charge Expenses | \$ 234,382 | \$ 263,247 | \$ 244,158 |
| Basic User Expenses | \$ 825,608 | \$ 794,221 | \$ 812,726 |
| Equipment Replacement Expenses | Included in Non-Debt Funded Projects | | |
| Non-Debt Funded Projects Expenses | \$2,120,985 | \$1,646,611 | \$ 561,868 |
| Capital Recovery Expenses – Debt Service | \$ 140,356 | \$ 139,241 | \$ 240,000 |
| Total Expenditures | \$3,321,331 | \$2,843,320 | \$1,858,752 |
| Revenues | | | |
| Water Sales | \$1,802,380 | \$1,794,642 | \$1,862,133 |
| Other Revenue | \$ 106,726 | \$ 107,930 | \$ 112,455 |
| Grants | \$ 0 | \$ 0 | \$ 0 |
| Contribution in Aid of Construction | \$1,894,846 | \$ 524,925 | \$ 250,000 |
| Total Revenue | \$3,803,952 | \$2,427,497 | \$2,224,588 |
| Net Income/(Loss) | \$ 482,621 | (\$ 415,823) | \$ 365,836 |

The Fixed Charge expenses include the Contractual Services administrative expenses, which have increased slightly over the past three (3) years. The Basic User Charge Expenses include personnel salaries and benefits, purchase power, chemicals, materials & supplies and transfer to general fund. The Basic User Expenses have decreased slightly due to a reduction in the purchase power cost. The Non-Debt Funded Projects Expenses are infrastructure improvement projects that are not bond or loan funded. The Non-Debt Funded Projects Expenses each year are dependent on the amount of infrastructure improvements required for economic development projects. The Capital Recovery Expense is for the repayment of the loan from the Water Reclamation Division for FY 2010/11 and 2011/12.

The loan was for the construction of Well #11 and the water tower adjacent to the well. Beginning with FY 2012/13, the loan to the Water Reclamation Division was forgiven and the Capital Recovery revenue is being put in a separate savings account to be used for the new well and transmission main improvements.

The Water Division revenues come from the sale of water to the residential, commercial and industrial customers, and from other non-water sale revenue sources. The water sale revenues have decreased slightly over the last three (3) years; the residential and commercial sales have remained steady; and the industrial sales have decreased slightly. The other (non-water sale) revenue includes the fire protection fee for customers who have a private fire protection connection to the water system, the water tower lease for allowing antennas to be placed on the towers for wireless providers; and grants and contribution in aid of construction, which is revenue received from various types of grants and developers for the construction of Non-Debt Funded Projects.

WATER DIVISION BUDGET

A. FIXED CHARGE

The Fixed Charge includes the contractual services provided to the Water Division by City Administrative Services and RMU Customer Service. The services provided include meter reading and billing, scheduling appointments, answering and dispatching service calls, human resources, purchase order processing and payments, and invoicing customers for services. Also included is support for the network and computer software and hardware used to monitor the wells and distribution system.

The Network Administrative expenses were increased due to anticipated higher costs for those services. The Water Division staff share the Water Reclamation Division offices, laboratory and garage, and a monthly rental fee of \$4,000 has been added to the Contractual Services expenses. The remaining contractual service expenses stayed in line with previous fiscal year expenses. The recommended budget is based on past expenses and trends.

The Water Reclamation Division and Water Division are developing a Geographic Information System (GIS) for the wastewater reclamation plant and sanitary sewer collection system facilities and the water system facilities. The recommended budgets include \$25,000 for the development of the GIS system for the Water Division. The development of the GIS system will be a multi-year program that, once it's completed, will require annual management and maintenance of the system.

Fixed Charge - Contractual Services Expenses

| | Audit Report | | | Recommended Budget | | |
|-------------------------------------|------------------|------------------|------------------|--------------------|------------------|------------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Network Administration | \$ 11,777 | \$ 15,987 | \$ 22,171 | \$ 27,830 | \$ 28,664 | \$ 29,524 |
| Administrative Services | \$ 18,432 | \$ 22,026 | \$ 20,771 | \$ 22,603 | \$ 23,281 | \$ 23,980 |
| Telephone | \$ 1,603 | \$ 1,393 | \$ 1,468 | \$ 1,545 | \$ 1,591 | \$ 1,639 |
| Property and Liability Insurance | \$ 8,040 | \$ 8,857 | \$ 9,340 | \$ 10,300 | \$ 10,609 | \$ 10,927 |
| Engineering | \$ 25,942 | \$ 20,426 | \$ 14,032 | \$ 18,025 | \$ 18,566 | \$ 19,123 |
| Customer Accounting and Collection | \$ 85,964 | \$ 81,018 | \$ 77,919 | \$131,300 | \$135,239 | \$139,296 |
| Administration and General Expenses | \$ 17,790 | \$ 12,964 | \$ 13,834 | \$ 20,600 | \$ 21,218 | \$ 21,855 |
| Laboratory | \$ 7,640 | \$ 7,938 | \$ 6,166 | \$ 7,725 | \$ 7,957 | \$ 8,195 |
| Other | \$ 31,087 | \$ 53,431 | \$ 53,098 | \$ 77,250 | \$ 79,568 | \$ 81,955 |
| Transportation | \$ 23,548 | \$ 27,006 | \$ 21,119 | \$ 30,900 | \$ 31,827 | \$ 32,782 |
| Uncollectible Accounts | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Miscellaneous Expenses | \$ 2,558 | \$ 2,428 | \$ 4,240 | \$ 4,635 | \$ 4,774 | \$ 4,917 |
| GIS | \$ 0 | \$ 0 | \$ 0 | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Water Reclamation Office/Lab Rent | \$ 0 | \$ 0 | \$ 0 | \$ 48,000 | \$ 48,000 | \$ 48,000 |
| Total Contractual Services | \$234,381 | \$253,474 | \$244,158 | \$425,713 | \$436,294 | \$447,193 |

B. BASIC USER EXPENSES

The Basic User Expenses include all the operation and maintenance expenses of the system such as personnel expenses, purchase power, chemicals, materials and supplies and the general fund transfer.

The Water Department staff includes the equivalent of 5.4 full-time personnel. The staff includes the following positions.

Superintendent: This person is responsible for overseeing the operation of the entire Water Division. This same person is also responsible for overseeing the operation of the Water Reclamation Division. The prorated salary of the superintendent is 10% landfill, 40% water and 50% water reclamation (Personnel Equivalent: 0.4).

Operations/Lead: Under the supervision of the Superintendent, the Lead Operator is responsible for directing the operations and maintenance of the water system. The Lead Operator oversees the field work in the distribution system and assigns and directs the work of the Water Division Operators (Personnel Equivalent: 1.0).

Operations/Maintenance B, C and D: Under the supervision of the Lead Operator, three water operators operate the water wells and distribution system and perform the maintenance required to keep the system operating efficiently (Personnel Equivalent: 3.0).

Part-Time: One permanent part-time lab technician analyzes well and distribution samples and assists in maintaining backflow records. In addition, one or two full time people are hired during the summer to assist the other staff with the operation and maintenance of the water system (Personnel Equivalent: 1.0).

The proposed budget will not add any personnel to the Water Department staff. The proposed budget increase accounts for normal salary, benefits and health insurance increases for the employees.

Personnel Expenses

| | Audit Report | | | Recommended Budget | | |
|-------------------------|------------------|------------------|------------------|--------------------|------------------|------------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Salaries | \$295,483 | \$301,190 | \$271,196 | \$336,604 | \$346,702 | \$357,103 |
| Social Security Taxes | \$ 24,126 | \$ 26,158 | \$ 28,902 | \$ 25,750 | \$ 26,523 | \$ 27,318 |
| Retirement | \$ 30,684 | \$ 33,869 | \$ 32,964 | \$ 43,186 | \$ 44,481 | \$ 45,816 |
| Health Insurance | \$ 59,445 | \$ 58,171 | \$ 76,779 | \$ 70,000 | \$ 72,100 | \$ 74,263 |
| Other Employee Benefits | \$ 7,407 | \$ 5,434 | \$ 4,848 | \$ 5,150 | \$ 5,305 | \$ 5,464 |
| Workmen's Compensation | \$ 8,476 | \$ 7,792 | \$ 8,073 | \$ 8,415 | \$ 8,668 | \$ 8,928 |
| Total Personnel | \$425,621 | \$432,614 | \$422,762 | \$489,105 | \$503,779 | \$518,892 |

The purchase power expense is a function of the volume of water pumped and electrical rates. The purchase power expense has been trending downward, but based on anticipated water demand and electrical rates it is believed that the purchase power expense will stabilize. The past three (3) fiscal years' expenses and the recommended budget are summarized below.

Purchase Power Expenses

| | Audit Report | | | Recommended Budget | | |
|----------------|--------------|------------|------------|--------------------|------------|------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Purchase Power | \$185,672 | \$171,013 | \$189,900 | \$200,850 | \$206,826 | \$213,082 |

The Water Department supplies include chemicals, materials and supplies for the operation of the water system. The Chemicals cost is for the chlorine, fluoride and phosphate chemicals, which are added to the raw water prior to distribution of the water to its customers. The Material and Supplies are a variety of items that are required for the normal operation and maintenance of the system.

No significant changes in the chemical cost are anticipated. The Materials and Supplies have been trending downward, but historically have been closer to the recommended budget amount. The past three (3) fiscal years' expenses and the recommended budget are summarized below.

Supplies Expenses

| | Audit Report | | | Recommended Budget | | |
|-----------------------|--------------|------------|------------|--------------------|------------|------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Chemicals | \$ 55,448 | \$ 54,034 | \$ 53,348 | \$ 61,800 | \$ 63,654 | \$ 65,564 |
| Material and Supplies | \$ 82,190 | \$ 51,133 | \$ 60,847 | \$ 84,872 | \$ 87,418 | \$ 90,041 |
| Total Supplies | \$137,638 | \$105,167 | \$114,195 | \$146,672 | \$151,072 | \$155,605 |

The transfer expenditure to the General Fund is based on Water Division revenue. The transfer amount to the General Fund is equal to 4.5% of the prior year audited revenue. The transfer to the General Fund will remain close to the previous two (2) fiscal year expense amounts.

Transfer Expenses

| | Audit Report | | | Recommended Budget | | |
|--------------|--------------|------------|------------|--------------------|------------|------------|
| | FY 2010/11 | FY 2014/15 | FY 2014/15 | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| General Fund | \$76,677 | \$85,427 | \$85,869 | \$87,499 | \$95,463 | \$104,874 |

The Basic User Rate expenses are summarized in the table below.

Basic User Rate Expenses

| | Recommended Budget | | |
|---------------------------|--------------------|------------|------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Personnel | \$489,105 | \$503,778 | \$518,891 |
| Purchase Power | \$200,850 | \$206,876 | \$213,082 |
| Supplies | \$146,672 | \$151,072 | \$155,605 |
| Transfers-General Fund | \$ 87,498 | \$ 95,493 | \$104,874 |
| Total Basic User Expenses | \$924,125 | \$957,219 | \$992,452 |

C. EQUIPMENT REPLACEMENT

The Equipment Replacement expenses have been part of the Basic User expenses. The recommended rate schedule will include a separate charge to recover equipment replacement expenses. The Equipment Replacement Expenses will include replacement of the well pumps, pump VFDs, SCADA RTUs, chemical feed equipment and the standby generators. The recommended budget for equipment replacement for FY 2014/15, FY 2015/16 and FP 2016/17 is summarized below and detailed on Exhibit 'B'.

Equipment Replacement Expenses

| Equipment Items | Recommended Budget | |
|------------------------------------|------------------------------|-----------------|
| | FY 2014/15 and FY 2015/16 | FY 2016/17 |
| Well Pumps | \$37,500 | \$46,875 |
| Chemical Feed Equipment | \$10,000 | \$12,500 |
| Pump VFDs and SCADA RTUs | \$ 6,000 | \$ 7,500 |
| Standby Generators | \$ 5,333 | \$10,667 |
| Total Equipment Replacement | \$58,833 | \$77,542 |

The equipment replacement budget will be increased to \$77,542 in FY 2016/17 when the Well #12 project is complete.

D. NON-DEBT FUNDED PROJECTS

The Non-Debt Funded Projects are capital improvements to the water system that do not require bonding or loans to fund. Previous rate studies developed the Non-Debt Funded Projects budget based on the capital improvement needs for various components of the water system as detailed below.

1. Elevated Water Storage Tank

RMU owns and operates three (3) – 500,000 gallon elevated water storage tanks. The three (3) – 500,000 gallon elevated water storage tanks are located next to Wells #4, #8 and #11. At this time, the paint on all three tanks is in good condition. The Well #8 (Caron Road) tower was painted in 1999, the Well #4 (Second Avenue) tower was painted in 2000 and the Well #11 (Rochelle High School) tower was painted in 2005. AWWA recommends repainting the tanks every 20 years. The water system improvements include the construction of a new 750,000 gallon elevated storage tank next to the new Well #12 (Hayes Road)

The budget provides the funds for repainting the three (3) – 500,000 gallon elevated tanks every 20 years in the FY2014/15 budget. The painting of the proposed 750,000 gallon elevated tank will be added to the budget when the tank is completed.

2. Water Distribution Improvements – Watermain Replacement

RMU continues to replace undersized 4” diameter watermain and aging watermains that have a history of breaks. When the watermains are replaced, new water service lines are installed from the main to the shut-off box at the property line. The budget includes \$300,000 per year for watermain replacement.

3. Water Distribution Improvements – Transmission Mains

The water distribution transmission mains are the 12” and 16” watermains that loop the perimeter of the distribution system and connect the wells and elevated water storage tanks together. Many of the transmission mains constructed over the past several years were done in conjunction with various developments and have been part of the development cost, and not a capital cost to the Water Division. However there are several transmission main improvement projects that should be completed that are within the existing water distribution system. These transmission main improvements are shown on Exhibit ‘D’ and are summarized in the table below.

Transmission Main Improvements

| Location | Cost |
|---|-------------|
| Well #10 Connection to 12" Transmission Line | \$ 180,000 |
| Steam Plant Road - Caron Road to the West Side of the BNSF Railroad | \$ 110,000 |
| 20th Street Extension South to IL Route 38 | \$ 600,000 |
| IL Route 251 - Jones Street to Flagg Road and Jones Street - 9th Street to IL Route 251 | \$ 636,000 |
| Well #4 (Second Avenue) Water Transmission Line-East | \$ 390,000 |
| Caron Road - Creston Road to Opus | \$ 235,000 |
| Well #4 (Second Avenue) Water Transmission Line-West | \$ 550,000 |
| Total | \$2,701,000 |

The budget includes \$135,050 per year for the transmission main improvements, which will be completed over a 20 year period.

4. Replacement Items

The Water Division replaces a certain number of fire hydrants, valves, service lines and customer water meters on an annual basis. The Water Division has budgeted \$110,000 per year for the replacement of these facilities, and the proposed budget maintains this funding level.

5. Vehicles and Equipment

The Water Division uses the following vehicles and equipment to make daily inspections of the water system facilities and to make water system repairs when necessary.

- Pickup Truck, 3/4 Ton – 4 Each (2003, 2004, 2009 and 2011 models)
- Dump Truck – 2 Each (1991 and 2006 models)
- Backhoe – 2 Each (1991 and 2006 models)
- Construction Truck – 1 Each (1988 model)

The proposed capital outlay budget includes \$39,167 a year for the replacement of these vehicles and equipment at the end of their service life.

The Non-Debt Funded Projects Budget is detailed in Exhibit 'C' and is summarized in the table below.

Non-Debt Funded Projects Budget

| Item | Recommended Budget | |
|--|------------------------------|------------------|
| | FY 2014/15 and FY 2015/16 | FY 2016/17 |
| Elevated Water Storage Tank Painting | \$ 39,000 | \$ 50,000 |
| Water Distribution Improvement – Water Replacement | \$300,000 | \$300,000 |
| Water Distribution Improvements – Transmission Mains | \$135,050 | \$135,050 |
| Replacement Items | \$110,000 | \$110,000 |
| Vehicles and Equipment | \$ 39,167 | \$ 39,167 |
| Total Non-Debt Funded Projects Budget | \$623,217 | \$634,217 |

E. CAPITAL RECOVERY – DEBT SERVICE

The Capital Recovery charge is for water system improvements that the City has determined are necessary and made the decision to secure long term bonding or loan financing to complete the work needed to meet the needs of the growing community. The improvements to the water system will include the following:

1. A new well and well building, with water treatment, if required.
2. A water transmission main connecting the new well to the existing system.
3. A new 750,000 gallon elevated water storage tank.
4. Replace the Well #4 well building.
5. Water transmission main construction on Twombly Road, Dement Road and Caron Road.

The water systems improvements will be constructed in four (4) phases and will be financed with an IEPA Revolving Fund loan. The recommended budget includes the debt service expense of \$240,000 to fund the water system improvements and repayment of the loan for Phase 1 and 2 improvements.

From 2003-2006, the Water Division borrowed money from the Water Reclamation Division to pay for the construction of Well #11 and the adjoining tower. Between 2007 and 2011, the Water Division was paying the principal and interest on the loan. Beginning May 2012, the decision was made to forgive the loan. As shown below, the debt service in the audit report is the payment from the Water Division to the Water Reclamation Division. The Capital Recovery rate will be phased in over the next three (3) fiscal years when the first IEPA loan repayment will begin in FY 2016/17. The FY 2014/15 budget has a Capital Recovery expense of \$0.

Debt Service Expenses

| | Audit Report | | | Recommended Budget | | |
|--------------------|--------------|------------|------------|--------------------|------------|------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Total Debt Service | \$140,356 | \$139,241 | \$240,000 | \$0 | \$142,000 | \$284,000 |

WATER RATE MODIFICATIONS

A. EXISTING USERS AND WATER USAGE

The Water Division revenues are based on the number of customers and the volume of water used, as measured through the meter. The current fixed rate charge structure is based on the category and water meter size of the user. The table below details the number of users in each user category.

Water Division Customers

| Category/Meter Size | # of Users |
|---------------------|------------|
| Residential | |
| 5/8" | 2,635 |
| 3/4" | 301 |
| 1" | 18 |
| >1" | 1 |
| General Service | |
| 1" or Less | 433 |
| 1-1/2" to 2" | 100 |
| 3" | 21 |
| 4" | 14 |
| 6" | 1 |
| 8" | 1 |
| Industrial | |
| <12" | 0 |
| 12" and Greater | 2 |
| Lawn Irrigation | 219 |
| Total | 3,746 |

The usage charges are based on the billable volume of water in each category of user. The total billable volume for the 2012/13 fiscal year was 112,830,526 cubic feet as detailed below. The two industrial customers use 60.8% of the total billable water volume. The water system has averaged a 12% unaccountable usage for the past three years, which is a reasonable amount given the overall age of the system.

Water Division - Billed Volume FY2012/13

| | Volume Billed (cf) | % of Total Volume Billed |
|-----------------|--------------------|--------------------------|
| Residential | 21,786,053 | 19.6 |
| General Service | 22,440,251 | 20.1 |
| Industrial | 67,200,000 | 60.3 |
| Total | 111,426,304 | 100.0 |

B. FIXED CHARGE

The Fixed Charge component of the water rate schedule generates revenue to cover the expenditures that are not dependent upon the quantity of water a customer uses. The Fixed Charge will cover the cost for the contractual services that support the Water Division. The recommended Fixed Charge expenses will be same for all customers classes regardless of the meter size and are projected to be \$425,713 in FY 2014/15, \$436,294 in FY 2015/16 and \$447,193 in FY 2016/17.

FY 2014/15

Fixed Charge: \$9.95/User/Mo.
3,527 Users x \$9.95/User/Mo. x 12 Months = \$421,124
219 Users x \$9.95/User/Mo. x 3 Months = \$ 6,537
Total Revenue \$427,661

FY 2015/16

Fixed Charge: \$10.15/User/Mo.
3,527 Users x \$10.15/User/Mo. x 12 Months = \$429,589
219 Users x \$10.15/User/Mo. x 3 Months = \$ 6,668
Total Revenue \$436,257

FY 2016/17

Fixed Charge: \$10.45/User/Mo.
3,527 Users x \$10.45/User/Mo. x 12 Months = \$442,286
219 Users x \$10.45/User/Mo. x 3 Months = \$ 6,866
Total Revenue \$449,152

C. BASIC USER RATE

The Basic User Rate component of the water rate schedule generates revenue to cover the expenditures that are dependent upon the volume of water a customer uses. The Basic User Rate will cover the cost of the Personnel, Purchase Power, Supplies and Transfers to the General Fund.

Basic User Rate Expenses

| | Recommended Budget | | |
|----------------------------------|--------------------|------------------|------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Personnel | \$489,105 | \$503,778 | \$518,891 |
| Purchase Power | \$200,850 | \$206,876 | \$213,082 |
| Supplies | \$146,672 | \$151,072 | \$155,605 |
| Transfers-General Fund | \$ 87,498 | \$ 95,493 | \$104,874 |
| Total Basic User Expenses | \$924,125 | \$957,219 | \$992,452 |

The current basic user rate schedule is a two tier rate system. The second tier rate reduces the rate charge per cubic foot of water used once a customer exceeds a defined threshold. The first tier rate is for all usage less than 100,000 c.f. per month, which is all of the Residential, General Service and Industrial customers. The second tier is for all usage over 100,000 c.f. per month and is used by the two Industrial customers.

The Personnel expenses will be recovered by the tier rate for all usage less than 100,000 c.f. The Purchase Power, Supplies and Transfer to the General Fund is a function of all water usage, so it will be recovered equally by the first and second tier rate customers. The first and second tier Basic User Rates are calculated below.

FY 2014/15

First Tier Rate (Personnel Only)

$$\$489,105 \div 466,263 \text{ HCF} = \underline{\$1.05/\text{HCF}}$$

First and Second Tier Rate (Purchase Power, Supplies and Transfers – General Fund)

$$\$435,020 \div 1,114,263 \text{ HCF} = \underline{\$0.39/\text{HCF}}$$

FY 2015/16

First Tier Rate (Personnel Only)

$$\$503,778 \div 466,263 \text{ HCF} = \underline{\$1.08/\text{HCF}}$$

First and Second Tier Rate (Purchase Power, Supplies and Transfers – General Fund)

$$\$453,441 \div 1,114,263 \text{ HCF} = \underline{\$0.41/\text{HCF}}$$

FY 2016/17

First Tier Rate (Personnel Only)

$$\$518,891 \div 466,263 \text{ HCF} = \underline{\$1.11/\text{HCF}}$$

First and Second Tier Rate (Purchase Power, Supplies and Transfers – General Fund)

$$\$473,561 \div 1,114,263 \text{ HCF} = \underline{\$0.42/\text{HCF}}$$

Basic User Rate
First and Second Tier Rates

| | FY 2014/15 | | FY 2015/16 | | FY 2016/17 | |
|---|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| | First Tier Rate | Second Tier Rate | First Tier Rate | Second Tier Rate | First Tier Rate | Second Tier Rate |
| Personnel | \$1.05/HCF | \$0.00/HCF | \$1.08/HCF | \$0.00/HCF | \$1.11/HCF | \$0.00/HCF |
| Purchase Power, Supplies and Transfers – General Fund | \$0.39/HCF | \$0.39/HCF | \$0.41/HCF | \$0.41/HCF | \$0.42/HCF | \$0.42/HCF |
| Totals | \$1.44/HCF | \$0.39/HCF | \$1.49/HCF | \$0.41/HCF | \$1.53/HCF | \$0.42/HCF |

D. EQUIPMENT REPLACEMENT

The Equipment Replacement Expenses will include replacement of the well pumps, pump VFDs, SCADA RTUs, chemical feed equipment and the standby generators. The recommended budget for equipment replacement is summarized below and detailed on Exhibit 'B'.

Equipment Replacement Expenses

| | Recommended Budget | |
|------------------------------------|-------------------------|-----------------|
| | FY 2014/15 & FY 2015/16 | FY 2016/17 |
| Well Pumps | \$37,500 | \$46,875 |
| Chemical Feed Equipment | \$10,000 | \$12,500 |
| Pump VFDs and SCADA RTUs | \$ 6,000 | \$ 7,500 |
| Standby Generators | \$ 5,333 | \$10,667 |
| Total Equipment Replacement | \$58,833 | \$77,542 |

The Equipment Replacement expense will be shared equally by the First and Second Tier Rate customers. The First and Second Tier Equipment Replacement Rate is calculated below.

FY 2014/15 and FY 2015/16

First and Second Tier Rate: $\$58,833 \div 1,114,263 \text{ HCF} = \underline{\underline{\$0.05/\text{HCF}}}$

FY 2016/17

First and Second Tier Rate: $\$77,542 \div 1,114,263 \text{ HCF} = \underline{\underline{\$0.07/\text{HCF}}}$

E. NON-DEBT FUNDED PROJECTS

The Non-Debt Funded Projects will include elevated water storage tank painting, water distribution main replacement, water transmission main improvements, meter, hydrant and valve replacements and vehicle and equipment replacement. The Non-Debt Funded Projects are capital improvements that do not require bonding or loans to complete.

The Non-Debt Funded Projects budget is detailed in Exhibit ‘C’ and is summarized in the table below.

Non-Debt Funded Projects Budget

| Item | Recommended Budget | |
|--|-------------------------|------------------|
| | FY 2014/15 & FY 2015/16 | FY 2016/17 |
| Elevated Water Storage Tank Painting | \$ 39,000 | \$ 50,000 |
| Water Distribution Improvement – Water Replacement | \$300,000 | \$300,000 |
| Water Distribution Improvements – Transmission Mains | \$135,050 | \$135,050 |
| Water System Replacement Items | \$110,000 | \$110,000 |
| Vehicles and Equipment | \$ 39,167 | \$ 39,167 |
| Total Capital Outlay Budget | \$623,217 | \$634,217 |

The Elevated Water Storage Tank Painting expense is accounted for in the Fire Protection Fee and the Tower Rental Charge. The remaining budget items will be covered by the Non-Debt Funded Projects Rate, which will be based on usage and will be allocated to the First and Second tier rates as detailed in the table.

Non-Debt Funded Projects Budget Allocation
FY 2014/15 Thru FY 2016/17

| | Cost By 1 st Tier | Cost By 1 st and 2 nd Tier Based on Total Billable Volume | Cost By 1 st and 2 nd Tier Based on Peak Demand | Cost Paid By Fire Protection Fee and Tower Rental Charge |
|--------------------------------------|---------------------------------|--|--|---|
| Elevated Water Storage Tank Painting | | | | \$39,000 FY 2014/15 & FY 2015/16 \$50,000 FY 2016/17 |
| Water Distribution Main Improvements | \$300,000 | | | |
| Water Transmission Main Improvements | | | \$135,050 | |
| Replacement Items | | \$110,000 | | |
| Vehicle and Equipment | | \$ 39,167 | | |
| Totals | \$300,000 | \$149,167 | \$135,050 | \$39,000 FY 2014/15 & FY 2015/16 \$50,000 FY 2016/17 |

The water distribution main improvements are generally in residential and commercial neighborhoods and benefit the First Tier rate customers. All industrial customers pay the First Tier each month and are contributing to the improvements to the system.

First Tier Rate – Water Distribution Main Replacement

$$\$300,000 \div 466,263 \text{ HCF} = \underline{\$0.65/\text{HCF}}$$

The replacement items and vehicle and equipment expenses benefit the First and Second Tier Rate customers equally and are based on the total billable volume. The First and Second Tier Rate for the replacement items and vehicle and equipment expenses is calculated below.

First and Second Tier Rate – Replacement Items and Vehicle and Equipment

$$\$149,167 \div 1,114,263 \text{ HCF} = \underline{\$0.13/\text{HCF}}$$

The allocation of the water transmission main improvements are based on the on the peak daily demands, because the sizing of the water transmission mains are based on the peak demands of the system. The peak daily demand was calculated monthly by taking the highest daily demand and dividing it by the average daily demand for the First Tier customers and the Second Tier customers. The peak demand factor in the table below is based on 2012 water billing data. The large Industrial users have a peak daily demand that is lower than the Residential and General Service users, because their usage is typically continuous with very minor peaks. The cost to each tier is allocated based on the percentage of the peak demand.

Cost Allocation for Transmission Main Improvement Based on Peak Demand

| Usage | Average Daily Demand | Peak Demand Factor | Peak Demand | % of Peak Demand | Water Transmission Main Improvements |
|---|----------------------|--------------------|--------------|------------------|--------------------------------------|
| Residential/General Service (0 - 100,000 cf/month) | 121,168 cf/d | 1.66 | 201,139 cf/d | 46.8% | \$ 63,203 |
| Industrial (Over 100,000 c.f/month) | 184,110 cf/d | 1.24 | 228,296 cf/d | 53.2% | \$ 71,847 |
| Total | 305,278 cf/d | | 429,435 cf/d | 100% | \$135,050 |

First Tier Rate (0 - 100,000 cf/Month)

$$\$63,203 \div 466,263 \text{ HCF} = \underline{\$0.14/\text{HCF}}$$

Second Tier Rate (Over 100,000 cf/Month)

$$\$71,847 \div 648,000 \text{ HCF} = \underline{\$0.11/\text{HCF}}$$

Non-Debt Funded Projects
First and Second Tier Rates
FY 2014/15 Thru FY 2016/17

| | First Tier Rate | Second Tier Rate |
|---|-----------------|------------------|
| Elevated Water Storage Tank Painting | \$0.00/HCF | \$0.00/HCF |
| Water Distribution Main Replacement | \$0.65/HCF | \$0.00/HCF |
| Water Transmission Main Improvements | \$0.14/HCF | \$0.11/HCF |
| Replacement Items/Vehicle and Equipment | \$0.13/HCF | \$0.13/HCF |
| Totals | \$0.92/HCF | \$0.24/HCF |

F. CAPITAL RECOVERY – DEBT SERVICE

The decision was made to seek an IEPA low-interest loan to make needed water system improvements. The City is eligible for loan funding, and the project will be constructed in three (3) phases as detailed below.

Water System Improvements

| Project | Years | Cost Estimate |
|---|-------------|--------------------|
| <u>Phase 1</u> | | |
| 1. Drill and Develop Well #12 on Hayes Road just east of Steward Rd. | 2013 - 2016 | \$ 594,600 |
| 2. Well building, water treatment plant and Well Pump for Well #12 | | \$2,939,000 |
| 3. The watermain to connect Well #12 to the existing water system | | <u>\$ 890,210</u> |
| Subtotal | | \$4,423,810 |
| <u>Phase 2</u> | | |
| 1. Construct a 750,000 gallon elevated water storage tank at the Well #12 site on Hayes Road | 2015 - 2017 | \$1,971,500 |
| 2. The water transmission main looping on Twombly Road, Flagg Road and Caron Road | | <u>\$1,637,000</u> |
| Subtotal | | \$3,608,500 |
| <u>Phase 3</u> | | |
| 1. Well #4 well building replacement | 2017 – 2019 | \$ 756,000 |
| 2. The water transmission main extension from the water tower at the Rochelle High School to Twombly Road | | <u>\$1,064,300</u> |
| Subtotal | | \$1,820,300 |

The cost allocation for the water system improvements detailed above is based upon the peak daily demand of the system. The debt service cost calculations for the next three fiscal years, based upon this methodology, are shown in the tables below.

Because of the necessity and location of the water system improvement, the Industrial Customers will see a greater benefit from the new well, tower and transmission main extensions than the residential and commercial customers, so the Second Tier Rate will be phased in differently than the residential and commercial customers. The Second Tier customers will be charged an initial Capital Recovery of \$0.15 per HCF for FY 2014/15 and \$0.18 per HCF for FY 2015/16. The revenue generated from this will be used to cover the loan payments in future years.

FY 2014/15
Cost Allocation for Capital Recovery Based on Peak Demand

| Usage | Average Daily Demand | Peak Demand Factor | Peak Demand | % of Peak Demand | Annual P&I Payment |
|---|----------------------|--------------------|--------------|------------------|--------------------|
| Residential/General Service (0 - 100,000 cf/month) | 121,168 cf/d | 1.66 | 201,139 cf/d | 46.8% | \$0 |
| Industrial (Over 100,000 c.f/month) | 184,110 cf/d | 1.24 | 228,296 cf/d | 53.2% | \$0 |
| Total | 305,278 cf/d | | 429,435 cf/d | 100% | \$0 |

First Tier Rate (0 - 100,000 cf/Month)

$$\$0 \div 466,263 \text{ HCF} = \$0.00/\text{HCF}$$

The recommended First Tier Rate in FY 2014/15 is \$0.00/HCF.

Second Tier Rate (Over 100,000 cf/Month)

$$\$0 \div 648,000 \text{ HCF} = \$0.00/\text{HCF}$$

The recommended Second Tier Rate in FY 2014/15 is \$0.15/HCF.

FY 2015/16
Cost Allocation for Capital Recovery Based on Peak Demand

| Usage | Average Daily Demand | Peak Demand Factor | Peak Demand | % of Peak Demand | Annual P&I Payment |
|---|----------------------|--------------------|--------------|------------------|--------------------|
| Residential/General Service (0 - 100,000 cf/month) | 121,168 cf/d | 1.66 | 201,139 cf/d | 46.8% | \$ 66,456 |
| Industrial (Over 100,000 c.f/month) | 184,110 cf/d | 1.24 | 228,296 cf/d | 53.2% | \$ 75,544 |
| Total | 305,278 cf/d | | 429,435 cf/d | 100% | \$142,000 |

First Tier Rate (0 - 100,000 cf/Month)

$$\$66,456 \div 466,263 \text{ HCF} = \$0.14/\text{HCF}$$

The recommended First Tier Rate in FY 2015/16 is \$0.14/HCF.

Second Tier Rate (Over 100,000 cf/Month)

$$\$75,544 \div 648,000 \text{ HCF} = \$0.12/\text{HCF}$$

The recommended Second Tier Rate in FY 2015/16 is \$0.18/HCF.

FY 2016/17
First and Second Tier Cost Allocation Based on Peak Demand

| Usage | Average Daily Demand | Peak Demand Factor | Peak Demand | % of Peak Demand | Annual P&I Payment |
|---|----------------------|--------------------|--------------|------------------|--------------------|
| Residential/General Service (0 - 100,000 cf/month) | 121,168 cf/d | 1.66 | 201,139 cf/d | 46.3% | \$134,900 |
| Industrial (Over 100,000 c.f/month) | 184,110 cf/d | 1.24 | 228,296 cf/d | 53.7% | \$149,100 |
| Total | 305,278 cf/d | | 429,435 cf/d | 100% | \$284,000 |

First Tier Rate (0 - 100,000 cf/Month)

$$\$132,912 \div 466,263 \text{ HCF} = \$0.29/\text{HCF}$$

The recommended First Tier Rate in FY 2016/17 is \$0.29/HCF.

Second Tier Rate (Over 100,000 cf/Month)

$$\$151,088 \div 648,000 \text{ HCF} = \$0.23/\text{HCF}$$

The recommended Second Tier Rate in FY 2016/17 is \$0.23/HCF.

The Capital Recovery Rates for each fiscal year of the water system improvements are summarized in the table below.

Capital Recovery Rate

| Fiscal Year Budget | First Tier | Second Tier |
|--------------------|------------|-------------|
| 2014/15 | \$0.00/HCF | \$0.15/HCF |
| 2015/16 | \$0.14/HCF | \$0.18/HCF |
| 2016/17 | \$0.29/HCF | \$0.23/HCF |

The Capital Recovery Rate schedule assumes there will be water treatment required for Well #12.

G. COST IMPACT TO USERS

The current and recommended Water Division Fixed Charges are summarized in the table below.

Water Division - Fixed Charge

| Meter Size | Current Rate | Recommended Rate | | |
|-------------------------------|--------------|------------------|------------|------------|
| | | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Residential/Lawn Irrigation | | | | |
| 5/8" | \$ 9.90 | \$9.95 | \$10.15 | \$10.45 |
| 3/4" | \$ 11.50 | \$9.95 | \$10.15 | \$10.45 |
| 1" | \$ 13.10 | \$9.95 | \$10.15 | \$10.45 |
| >1" | \$ 28.74 | \$9.95 | \$10.15 | \$10.45 |
| General Service | | | | |
| 1" or Less | \$ 13.10 | \$9.95 | \$10.15 | \$10.45 |
| 1-1/2" to 2" | \$ 28.74 | \$9.95 | \$10.15 | \$10.45 |
| 3" | \$108.58 | \$9.95 | \$10.15 | \$10.45 |
| 4" | \$138.38 | \$9.95 | \$10.15 | \$10.45 |
| 6" | \$207.58 | \$9.95 | \$10.15 | \$10.45 |
| 8" | \$287.42 | \$9.95 | \$10.15 | \$10.45 |
| Industrial | | | | |
| Less Than 12" | \$375.77 | \$9.95 | \$10.15 | \$10.45 |
| 12" and greater | \$474.77 | \$9.95 | \$10.15 | \$10.45 |
| General Service Bulk Purchase | \$138.38 | * | * | * |

* See Water Division Rate Schedule

The current and recommended usage rates for the Water Division are summarized in the table below.

Water Division - Usage Rates

| Charge | Current | | FY 2014/15 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.94/HCF | \$0.78/HCF | \$1.44/HCF | \$0.39/HCF |
| Equipment Replacement Rate | \$0.00/HCF | \$0.00/HCF | \$0.05/HCF | \$0.05/HCF |
| Non-Debt Funded Projects Rate | \$0.00/HCF | \$0.00/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.00/HCF | \$0.00/HCF | \$0.00/HCF | \$0.15/HCF |
| Total | \$1.94/HCF | \$0.78/HCF | \$2.41/HCF | \$0.83/HCF |

| Charge | FY 2015/16 | | FY 2016/17 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.49/HCF | \$0.41/HCF | \$1.53/HCF | \$0.42/HCF |
| Equipment Replacement Rate | \$0.05/HCF | \$0.05/HCF | \$0.07/HCF | \$0.07/HCF |
| Non-Debt Funded Projects Rate | \$0.92/HCF | \$0.24/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.14/HCF | \$0.18/HCF | \$0.29/HCF | \$0.23/HCF |
| Total | \$2.60/HCF | \$0.88/HCF | \$2.81/HCF | \$0.96/HCF |

The cost impact to the customers will vary based on their water usage. The tables below summarize the current water bill amount, the water bill amount for the recommended FY 2014/15 water rate modification and the dollar and percentage increase for a typical residential user, a small and large general service user and the two (2) industrial users.

1. Residential User (Based on 5/8" Meter and Usage of 700 c.f./month)

| | Fixed Charge | Basic Usage Charge | Equipment Replacement Charge | Non-Debt Funded Project Charge | Capital Recovery Charge | Total | Cost Change |
|-------------------|--------------|--------------------|------------------------------|--------------------------------|-------------------------|---------|-----------------|
| Existing Rates | \$9.90 | \$13.58 | \$0.00 | \$0.00 | \$0.00 | \$23.48 | |
| Recommended Rates | \$9.95 | \$10.08 | \$0.35 | \$6.44 | \$0.00 | \$26.82 | \$3.34 14.2% |

2. General Service (Based on Greater Than 1" Meter and Usage of 3,500 c.f./month)

| | Fixed Charge | Basic Usage Charge | Equipment Replacement Charge | Non-Debt Funded Project Charge | Capital Recovery Charge | Total | Cost Change |
|-------------------|--------------|--------------------|------------------------------|--------------------------------|-------------------------|---------|------------------|
| Existing Rates | \$13.10 | \$67.90 | \$0.00 | \$0.00 | \$0.00 | \$81.00 | |
| Recommended Rates | \$9.95 | \$50.40 | \$1.75 | \$32.20 | \$0.00 | \$94.30 | \$13.30 16.4% |

3. General Service (Based on 3" Meter and Usage of 40,000 c.f./month)

| | Fixed Charge | Basic Usage Charge | Equipment Replacement Charge | Non-Debt Funded Project Charge | Capital Recovery Charge | Total | Cost Change |
|-------------------|--------------|--------------------|------------------------------|--------------------------------|-------------------------|----------|------------------|
| Existing Rates | \$108.58 | \$776.00 | \$0.00 | \$0.00 | \$0.00 | \$884.58 | |
| Recommended Rates | \$9.95 | \$576.00 | \$20.00 | \$368.00 | \$0.00 | \$973.95 | \$89.37 10.1% |

4. Industrial User (Based on 12" Meter and Usage of 1,600,000 c.f./month)

| | Fixed Charge | Basic Usage Charge | Equipment Replacement Charge | Non-Debt Funded Project Charge | Capital Recovery Charge | Total | Cost Change |
|-------------------|--------------|--------------------|------------------------------|--------------------------------|-------------------------|-------------|------------------|
| Existing Rates | \$474.77 | \$13,640.00 | \$0.00 | \$0.00 | \$0.00 | \$14,114.77 | |
| Recommended Rates | \$9.95 | \$7,290.00 | \$800.00 | \$4,520.00 | \$2,250.00 | \$14,869.95 | \$755.18 5.4% |

5. Industrial User (Based on 12" Meter and Usage of 4,000,000 c.f./month) and two (2) – 8" Private Fire Protection Connections

| | Fixed Charge | Basic Usage Charge | Equipment Replacement Charge | Non-Debt Funded Project Charge | Capital Recovery Charge | Fire Protection Fee | Total | Cost Change |
|-------------------|--------------|--------------------|------------------------------|--------------------------------|-------------------------|---------------------|-------------|--------------------|
| Existing Rates | \$474.77 | \$32,360.00 | \$0.00 | \$0.00 | \$0.00 | \$181.86 | \$33,016.63 | |
| Recommended Rates | \$9.95 | \$16,650.00 | \$2,000.00 | \$10,280.00 | \$5,850.00 | \$181.86 | \$34,971.81 | \$1,955.18 5.9% |

CONCLUSIONS AND RECOMMENDATIONS

1. Water Division Rate Schedule

The recommended Water Division rate schedule is designed to mirror the Water Reclamation Division rate schedule with the exception of the Fire Protection Fee, which is unique to the water system. The Water Reclamation rate schedule includes a Fixed Charge, Basic User Rate, Equipment Replacement Rate, Non-Debt Funded Projects Rate and Capital Recovery Rate. The existing Water Division budget expenses were reviewed and assigned to the appropriate rate schedule charge. The rate schedule charges are defined below:

Fixed Charge: Includes all contractual service administrative expenses.

Basic User Rate: Includes all the operation and maintenance expenses of the system such as personnel salaries and benefits, contractual services - purchase power, chemicals, materials and supplies and the general fund transfer.

Equipment Replacement: Includes the replacement of the well pumps, pump VFDs, SCADA RTUs, chemical feed equipment and standby generators.

Non-Debt Funded Projects: Includes the elevated water storage tank painting, water distribution main replacement, water transmission main improvements, meter, hydrant and valve replacements and vehicle and equipment replacement. The Non-Debt Funded Projects are capital improvements that don't require bonding or loans to complete.

Capital Recovery Rate: Includes the payment of bonds and/or loans to finance large water system improvement projects.

2. Water Division Expenditures and Revenues

The Water Division's expenditures and revenues for fiscal years 2010/11, 2011/12 and 2012/13 are summarized in the table below. The Water Division had a net loss of \$415,823 in FY2011/12. The Water Division had a net income of \$482,621 in FY 2010/11 and \$365,836 in FY 2012/13. The fluctuation in the net loss and net income is attributed to when the capital improvement expenses and grants/contribution in aid of construction are booked. Over the past three (3) fiscal years as a whole, the Water Division had a net income of \$432,634. The recommended 2014/15 budget and revenues will have a net income of \$162,212.

RMU Water Division
Budget Summary

| | Fiscal Year | | | Recommended 2014/15 Budget |
|-------------------------------------|--------------------------------------|---------------------|--------------------|-------------------------------|
| | FY 2010/11 | FY 2011/12 | FY 2012/13 | |
| Expenditures | | | | |
| Fixed Charge Expenses | \$ 234,382 | \$ 263,247 | \$ 244,158 | \$ 425,713 |
| Basic User Charge Expenses | \$ 825,608 | \$ 794,221 | \$ 812,726 | \$ 924,125 |
| Equipment Replacement | Included in Non-Debt Funded Projects | | | \$ 58,833 |
| Non-Debt Funded Projects | \$2,120,985 | \$1,646,611 | \$ 561,868 | \$ 623,217 |
| Capital Recovery Expense | \$ 140,356 | \$ 139,241 | \$ 240,000 | \$ 0 |
| Total Expenditures | \$3,321,331 | \$2,843,320 | \$1,858,752 | \$2,031,888 |
| Revenues | | | | |
| Water Sales | \$1,802,380 | \$1,794,642 | \$1,862,133 | \$2,089,100 |
| Other Revenue | \$ 106,726 | \$ 107,930 | \$ 112,455 | \$ 105,000 |
| Grants | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Contribution in Aid of Construction | \$1,894,846 | \$ 524,925 | \$ 250,000 | \$ 0 |
| Total Revenue | \$3,803,952 | \$2,427,497 | \$2,224,588 | \$2,194,100 |
| Net Income/(Loss) | \$ 482,621 | (\$ 415,823) | \$ 365,836 | \$ 162,212 |

3. The Water Division needs to make major improvements to the water system which will be funded with an IEPA Public Water Supply Revolving Fund Loan. The project will be constructed in three (3) phases, and the construction cost estimates for each phase are summarized in the table below.

Water System Improvements
Construction Cost and Schedule

| Phase | Year | Total Project Cost |
|---------------|-------------|--------------------|
| 1 | 2013 – 2016 | \$4,423,810 |
| 2 | 2015 – 2017 | \$3,608,500 |
| 3 | 2017 – 2019 | \$1,820,300 |
| Totals | | \$9,852,610 |

The Capital Recovery Rate for each fiscal year of the water system improvements are summarized in the table below.

Capital Recovery Rate – Debt Service

| Fiscal Year Budget | First Tier | Second Tier |
|--------------------|------------|-------------|
| 2014/15 | \$0.00/HCF | \$0.15/HCF |
| 2015/16 | \$0.14/HCF | \$0.18/HCF |
| 2016/17 | \$0.29/HCF | \$0.23/HCF |

4. The Water Division has added a GIS line item to the budget for the development of a Geographic Information System (GIS) for the water system facilities. The recommended FY2014/15 budget includes \$25,000 for the development of the GIS system for the Water Division. The development of the GIS system will be a multi-year program that, once it's completed, will require annual management and maintenance of the system.
5. The current fixed charge for all user classifications and meter sizes are summarized below. The recommended fixed charge will be the same for all user classifications regardless of the meter size.

Water Division - Fixed Charge

| Meter Size | Current Rate | Recommended Rate | | |
|-------------------------------|--------------|------------------|------------|------------|
| | | FY 2014/15 | FY 2015/16 | FY 2016/17 |
| Residential/Lawn Irrigation | | | | |
| 5/8" | \$ 9.90 | \$9.95 | \$10.15 | \$10.45 |
| 3/ 4" | \$ 11.50 | \$9.95 | \$10.15 | \$10.45 |
| 1" | \$ 13.10 | \$9.95 | \$10.15 | \$10.45 |
| >1" | \$ 28.74 | \$9.95 | \$10.15 | \$10.45 |
| General Service | | | | |
| 1" or Less | \$ 13.10 | \$9.95 | \$10.15 | \$10.45 |
| 1-1/2" to 2" | \$ 28.74 | \$9.95 | \$10.15 | \$10.45 |
| 3" | \$108.58 | \$9.95 | \$10.15 | \$10.45 |
| 4" | \$138.38 | \$9.95 | \$10.15 | \$10.45 |
| 6" | \$207.58 | \$9.95 | \$10.15 | \$10.45 |
| 8" | \$287.42 | \$9.95 | \$10.15 | \$10.45 |
| Industrial | | | | |
| Less Than 12" | \$375.77 | \$9.95 | \$10.15 | \$10.45 |
| 12" and greater | \$474.77 | \$9.95 | \$10.15 | \$10.45 |
| General Service Bulk Purchase | \$138.38 | * | * | * |

* See Water Division Rate Schedule

6. Based on the recommended budget, the usage charge rates for the two usage tiers are summarized in the table below.

Water Division - Usage Rates

| Charge | Current | | FY 2014/15 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.94/HCF | \$0.78/HCF | \$1.44/HCF | \$0.39/HCF |
| Equipment Replacement Rate | \$0.00/HCF | \$0.00/HCF | \$0.05/HCF | \$0.05/HCF |
| Non-Debt Funded Projects Rate | \$0.00/HCF | \$0.00/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.00/HCF | \$0.00/HCF | \$0.00/HCF | \$0.15/HCF |
| Total | \$1.94/HCF | \$0.78/HCF | \$2.41/HCF | \$0.83/HCF |

| Charge | FY 2015/16 | | FY 2016/17 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.49/HCF | \$0.41/HCF | \$1.53/HCF | \$0.42/HCF |
| Equipment Replacement Rate | \$0.05/HCF | \$0.05/HCF | \$0.07/HCF | \$0.07/HCF |
| Non-Debt Funded Projects Rate | \$0.92/HCF | \$0.24/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.14/HCF | \$0.18/HCF | \$0.29/HCF | \$0.23/HCF |
| Total | \$2.60/HCF | \$0.88/HCF | \$2.81/HCF | \$0.96/HCF |

7. No changes are being recommended to the fire protection rate. The fire protection rate will be charged to all customers that have a private connection that feeds some type of the fire protection system and the charge will be based on the size of the fire protection main connection.
8. The recommended rate increase will have the following cost impact on various users.

Cost Impact On Users

| | Residential User ⁽¹⁾ | | General Service ⁽²⁾ | |
|------------------|---------------------------------|------------|--------------------------------|------------|
| | Month Bill | % Increase | Monthly Bill | % Increase |
| Existing Rate | \$23.48 | 0% | \$81.00 | 0% |
| Recommended Rate | \$26.82 | 14.2% | \$94.30 | 16.4% |

(1) Based on 5/8" Meter and Usage of 700 c.f./month

(2) Based on Greater Than 1" Meter and Usage of 3,500 c.f./month

Cost Impact On Users

| | General Service ⁽¹⁾ | | Industrial ⁽²⁾ | |
|------------------|--------------------------------|------------|---------------------------|------------|
| | Monthly Bill | % Increase | Monthly Bill | % Increase |
| Existing Rate | \$884.58 | 0% | \$14,114.77 | 0% |
| Recommended Rate | \$973.95 | 10.1% | \$14,869.95 | 5.4% |

⁽¹⁾ Based on 3" Meter and Usage of 40,000 c.f./month

⁽²⁾ Based on 12" Meter and Usage of 1,600,000 c.f./month

Cost Impact On Users

| | Industrial ⁽¹⁾ | |
|------------------|---------------------------|------------|
| | Monthly Bill | % Increase |
| Existing Rate | \$33,016.63 | 0% |
| Recommended Rate | \$34,971.81 | 5.9% |

⁽¹⁾ Based on 12" Meter and Usage of 4,000,000 c.f./month plus a Public and (2) – 8" Private Fire Protection Connections.

WATER DIVISION RATES SCHEDULE

The RMU water rates were last modified on June 2011. There are five (5) water user categories for billing water. The water user categories are Residential, General Service, Industrial, Lawn Irrigation and General Service Bulk Purchase. The definition of each user category and the current and recommended rate structure are detailed below.

A. RESIDENTIAL

1. Definition

Residential rate is available to customers residing in a metered one-family dwelling unit, usually physically separate. Customers outside the Rochelle City corporate boundaries will be charged two times the charges.

2. Rate Schedule

The rate charge has a fixed charge and a variable usage charge component. The current fixed charge is based on the water meter size and is a fixed dollar amount charge per month per user. The recommended fixed charge is a fixed dollar amount charge per month per user for all meter sizes. The current and recommended fixed charges are detailed below.

Fixed Charge

| Meter Size | Current Charge | FY 2014/15 Charge | FY 2015/16 Charge | FY 2016/17 Charge |
|-------------|----------------|-------------------|-------------------|-------------------|
| < or = 5/8" | \$ 9.90 | \$9.95 | \$10.15 | \$10.45 |
| 3/4" | \$11.50 | \$9.95 | \$10.15 | \$10.45 |
| 1" | \$13.10 | \$9.95 | \$10.15 | \$10.45 |
| >1" | \$28.74 | \$9.95 | \$10.15 | \$10.45 |

The variable charge is based on the metered volume used. The current and recommended basic user charges are summarized below.

Usage Charge Rates

| Charge | Current Rate | FY 2014/15 Rate | FY 2015/16 Rate | FY 2016/17 Rate |
|-------------------------------|--------------|-----------------|-----------------|-----------------|
| Basic User Rate | \$1.94/HCF | \$1.44/HCF | \$1.49/HCF | \$1.53/HCF |
| Equipment Replacement Rate | \$0.00/HCF | \$0.05/HCF | \$0.05/HCF | \$0.07/HCF |
| Non-Debt Funded Projects Rate | \$0.00/HCF | \$0.92/HCF | \$0.92/HCF | \$0.92/HCF |
| Capital Recovery Rate | \$0.00/HCF | \$0.00/HCF | \$0.14/HCF | \$0.29/HCF |
| Total | \$1.94/HCF | \$2.41/HCF | \$2.60/HCF | \$2.81/HCF |

B. GENERAL SERVICE

1. Definition

General Service rate is available to customers not qualifying as Residential rate and having a monthly usage less than 500,000 cubic feet (3,740,000 gallons) during the current month or in any of the previous 11 billing months. Customers outside the Rochelle City corporate boundaries will be charged two times the charges.

2. Rate Schedule

The rate charge has a fixed charge and a variable usage charge component. The current fixed charge is based on the water meter size and is a fixed dollar amount charge per month per user. The recommended fixed charge is a fixed dollar amount charge per month per user for all meter sizes. The current and recommended fixed charges are detailed below.

Fixed Charge

| Meter Size | Current Charge | FY 2014/15 Charge | FY 2014/15 Charge | FY 2014/15 Charge |
|--------------|----------------|-------------------|-------------------|-------------------|
| < or = 1" | \$ 13.10 | \$9.95 | \$10.15 | \$10.45 |
| > 1" or = 2" | \$ 28.74 | \$9.95 | \$10.15 | \$10.45 |
| 3" | \$108.58 | \$9.95 | \$10.15 | \$10.45 |
| 4" | \$138.38 | \$9.95 | \$10.15 | \$10.45 |
| 6" | \$207.58 | \$9.95 | \$10.15 | \$10.45 |
| 8" | \$287.42 | \$9.95 | \$10.15 | \$10.45 |

The variable charge is based on the metered volume used. The current and recommended basic user charge is summarized below.

Usage Charge Rates

| Charge | Current | | FY 2014/15 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.94/HCF | \$0.78/HCF | \$1.44/HCF | \$0.39/HCF |
| Equipment Replacement Rate | \$0.00/HCF | \$0.00/HCF | \$0.05/HCF | \$0.05/HCF |
| Non-Debt Funded Projects Rate | \$0.00/HCF | \$0.00/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.00/HCF | \$0.00/HCF | \$0.00/HCF | \$0.15/HCF |
| Total | \$1.94/HCF | \$0.78/HCF | \$2.41/HCF | \$0.83/HCF |

| Charge | FY 2015/16 | | FY 2016/17 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.49/HCF | \$0.41/HCF | \$1.53/HCF | \$0.42/HCF |
| Equipment Replacement Rate | \$0.05/HCF | \$0.05/HCF | \$0.07/HCF | \$0.07/HCF |
| Non-Debt Funded Projects Rate | \$0.92/HCF | \$0.24/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.14/HCF | \$0.18/HCF | \$0.29/HCF | \$0.23/HCF |
| Total | \$2.60/HCF | \$0.88/HCF | \$2.81/HCF | \$0.96/HCF |

C. INDUSTRIAL

1. Definition

Industrial rate is available to Industrial water customers that have a monthly usage of 500,000 cubic feet (3,740,000 gallons) during the current billing month or in any of the previous 11 billing months. The variable charge is based on the higher of the current billing month's usage or 40% of the highest usage recorded in the previous 11 billing months. Customers outside the Rochelle City corporate boundaries will be charged two times the charges.

2. Rate Schedule

The rate charge has a fixed charge and a variable usage charge component. The current fixed charge is based on the water meter size and is a fixed dollar amount charge per month per user. The recommended fixed charge is a fixed dollar amount charge per month per user for all meter sizes. The current and recommended fixed charges are detailed below.

Fixed Charge

| Meter Size | Current Charge | Recommended Charge |
|------------|----------------|--------------------|
| < 12" | \$375.77 | \$9.95 |
| = or > 12" | \$474.77 | \$9.95 |

The variable charge is based on the metered volume used. The current and recommended basic user charges are summarized below.

Usage Charge Rates

| Charge | Current | | FY 2014/15 | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.94/HCF | \$0.78/HCF | \$1.44/HCF | \$0.39/HCF |
| Equipment Replacement Rate | \$0.00/HCF | \$0.00/HCF | \$0.05/HCF | \$0.05/HCF |
| Non-Debt Funded Projects Rate | \$0.00/HCF | \$0.00/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.00/HCF | \$0.00/HCF | \$0.00/HCF | \$0.15/HCF |
| Total | \$1.94/HCF | \$0.78/HCF | \$2.41/HCF | \$0.83/HCF |

| Charge | FY 2015/16 | | FY 2016/17 | |
|-------------------------------|--------------|-----------------|--------------|-----------------|
| | 0-100,000 CF | Over 100,000 CF | 0-100,000 CF | Over 100,000 CF |
| Basic User Rate | \$1.49/HCF | \$0.41/HCF | \$1.53/HCF | \$0.42/HCF |
| Equipment Replacement Rate | \$0.05/HCF | \$0.05/HCF | \$0.07/HCF | \$0.07/HCF |
| Non-Debt Funded Projects Rate | \$0.92/HCF | \$0.24/HCF | \$0.92/HCF | \$0.24/HCF |
| Capital Recovery Rate | \$0.14/HCF | \$0.18/HCF | \$0.29/HCF | \$0.23/HCF |
| Total | \$2.60/HCF | \$0.88/HCF | \$2.81/HCF | \$0.96/HCF |

D. LAWN IRRIGATION

1. Definition

Lawn Irrigation rate is available to customers who install a separate meter with a shut-off valve and check valve for the inlet side, installed by a licensed plumber and approved by the Rochelle Water Division. This rate may be used only for non-sanitary sewer related uses, i.e. lawn irrigation. The usage registered on this meter will not be subject to sewer charges. Abuse may result in the termination of application of this rate to the customer.

The Rochelle Water Division reserves the right to periodically inspect plumbing whenever it deems it necessary and appropriate to do so.

The fixed charge is applicable only to bills for meter readings on or after June 30 until and including September 30 (usage during the months of June, July and August).

Customers outside the Rochelle City corporate boundaries will be charged two times the charges.

2. Rate Schedule

The current fixed charge is based on the water meter size and is a fixed dollar amount charge per month per user. The recommended fixed charge is a fixed dollar amount charge per month per user for all meter sizes. The current and recommended fixed charges are detailed below.

Fixed Charge

| Meter Size | Current Charge | FY 2014/15 Charge | FY 2014/15 Charge | FY 2014/15 Charge |
|-------------|----------------|-------------------|-------------------|-------------------|
| < or = 5/8" | \$ 9.90 | \$9.95 | \$10.15 | \$10.45 |
| 3/4" | \$11.50 | \$9.95 | \$10.15 | \$10.45 |
| 1" | \$13.10 | \$9.95 | \$10.15 | \$10.45 |
| >1" | \$28.74 | \$9.95 | \$10.15 | \$10.45 |

The variable charge is based on the metered volume used. The current and recommended basic user charge is summarized below.

Usage Charge Rates

| Charge | Current Rate | FY 2014/15 Rate | FY 2015/16 Rate | FY 2016/17 Rate |
|-------------------------------|--------------|-----------------|-----------------|-----------------|
| Basic User Rate | \$1.94/HCF | \$1.44/HCF | \$1.49/HCF | \$1.53/HCF |
| Equipment Replacement Rate | \$0.00/HCF | \$0.05/HCF | \$0.05/HCF | \$0.07/HCF |
| Non-Debt Funded Projects Rate | \$0.00/HCF | \$0.92/HCF | \$0.92/HCF | \$0.92/HCF |
| Capital Recovery Rate | \$0.00/HCF | \$0.00/HCF | \$0.14/HCF | \$0.29/HCF |
| Total | \$1.94/HCF | \$2.41/HCF | \$2.60/HCF | \$2.81/HCF |

E. GENERAL SERVICE BULK PURCHASE

1. Definition

General Service Bulk Purchase rate is available to customers for temporary or short-term purchases from the WRP or a fire hydrant meter. The customer is required to obtain a temporary meter and backflow preventer from the Water Division.

The Rochelle Water Division reserves the right to periodically inspect attachments and proper meter readings. Water misuse or bypassing the meter may result in discontinuing water service to the customer or prosecution.

2. Rate Schedule

The rate charge has a fixed charge and a variable usage charge component. The fixed charge is for all or a portion of the month.

a. Bulk Water at WRP

Usage Charge Rates

| | Current Rate |
|---------------------|---------------|
| First 5,000 Gallons | \$0.02/Gallon |
| Over 5,000 Gallons | \$0.01/Gallon |

If customer wants to be billed, then there is a \$35.00 processing fee.

b. Bulk Water From Hydrant

Fixed Charges

| | Current Rates |
|----------------------------------|---------------|
| Meter Deposit | \$500.00 |
| Meter and RPZ Deposit | \$1,000.00 |
| Hydrant Meter Handling Fee | \$75.00 |
| Hydrant Meter Rental Fee | \$35.00/Month |
| Hydrant Meter and RPZ Rental Fee | \$60.00/Month |

Usage Charges

| Current Rate | Recommended Rate |
|------------------|------------------|
| \$0.00496/Gallon | \$0.00644/Gallon |

F. FIRE PROTECTION

1. Definition

The private fire protection connection rate was established in June 2011 and was not changed in the current revisions. A private fire protection rate is charged to all users that have a private connection that feeds a fire protection system inside a building or a fire loop around a building and the charge will be based on the size of the fire protection main connection. The user will be charged for each private fire protection line connection to the system if there is more than one connection. There is no rate charge for the volume of water used during a fire event.

2. Rate Schedule

The Private Fire Protection charge is a fixed monthly charge for any user with a fire protection connection to the water system. The fixed monthly charge is based on the size of the fire protection line connection. A Private Fire Protection user must also pay the Public Fire Protection charge above.

Private Fire Protection Charge

| Fire Protection Line Connection Size | Rate |
|---|---------------------------|
| 2" | \$4.27/Connection/Month |
| 3" | \$6.89/Connection/Month |
| 4" | \$14.69/Connection/Month |
| 6" | \$42.67/Connection/Month |
| 8" | \$90.93/Connection/Month |
| 10" | \$163.52/Connection/Month |

RMU Water Division
Expenses and Revenue Summary
and Recommended Budgets

| | Actual Expenses | | | | | | RMU Budget | Recommended Budget | | | |
|---------------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|--------------|---------------|--------------|
| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| FIXED CHARGE | | | | | | | | | | | |
| CONTRACTUAL SERVICES | | | | | | | | | | | |
| Network Administration | \$ 26,700 | \$ 4,335 | \$ 8,685 | \$ 11,796 | \$ 11,777 | \$ 15,987 | \$ 22,171 | \$ 27,019 | \$ 27,830 | \$ 28,664 | \$ 29,524 |
| Administrative Services | \$ 18,450 | \$ 18,950 | \$ 31,585 | \$ 19,069 | \$ 18,432 | \$ 22,026 | \$ 20,771 | \$ 21,945 | \$ 22,603 | \$ 23,281 | \$ 23,980 |
| Telephone | \$ 801 | \$ 861 | \$ 1,144 | \$ 1,011 | \$ 1,603 | \$ 1,393 | \$ 1,468 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 |
| Property and Liability Insurance | \$ 7,679 | \$ 6,854 | \$ 6,874 | \$ 7,398 | \$ 8,040 | \$ 8,857 | \$ 9,340 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 |
| Engineering | \$ 20,160 | \$ 2,693 | \$ - | \$ 9,676 | \$ 25,942 | \$ 20,426 | \$ 14,032 | \$ 17,500 | \$ 18,025 | \$ 18,566 | \$ 19,123 |
| Customer Accounting and Collection | \$ 81,681 | \$ 64,865 | \$ 73,144 | \$ 75,019 | \$ 85,964 | \$ 81,018 | \$ 77,919 | \$ 85,000 | \$ 131,300 | \$ 135,239 | \$ 139,296 |
| Administration and General Expenses | \$ 46,850 | \$ 15,450 | \$ 14,036 | \$ 14,426 | \$ 17,790 | \$ 12,984 | \$ 13,834 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 |
| Contractual Services - Laboratory | \$ 10,808 | \$ 13,375 | \$ 6,578 | \$ 5,420 | \$ 7,640 | \$ 7,938 | \$ 6,166 | \$ 7,500 | \$ 7,725 | \$ 7,957 | \$ 8,195 |
| Contractual Services - Other | \$ 49,703 | \$ 43,008 | \$ 36,241 | \$ 61,120 | \$ 31,087 | \$ 53,431 | \$ 53,098 | \$ 75,000 | \$ 77,250 | \$ 79,568 | \$ 81,955 |
| Transportation | \$ 20,947 | \$ 24,132 | \$ 18,415 | \$ 25,556 | \$ 23,548 | \$ 27,006 | \$ 21,119 | \$ 30,000 | \$ 30,900 | \$ 31,827 | \$ 32,782 |
| GIS | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| WRD Office/Lab Rental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 48,000 | \$ 48,000 | \$ 48,000 |
| Uncollectable Accounts | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,753 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous Expense | \$ 535 | \$ 896 | \$ 32,180 | \$ 1,573 | \$ 2,558 | \$ 2,428 | \$ 4,240 | \$ 4,500 | \$ 4,635 | \$ 4,774 | \$ 4,917 |
| Total | \$ 284,314 | \$ 195,419 | \$ 228,882 | \$ 232,064 | \$ 234,381 | \$ 263,247 | \$ 244,158 | \$ 299,964 | \$ 425,713 | \$ 436,294 | \$ 447,193 |
| BASIC USER CHARGE | | | | | | | | | | | |
| PERSONNEL | | | | | | | | | | | |
| Salaries | \$ 253,747 | \$ 249,571 | \$ 253,777 | \$ 286,352 | \$ 295,483 | \$ 301,190 | \$ 271,196 | \$ 326,800 | \$ 336,604 | \$ 346,702 | \$ 357,103 |
| Social Security Taxes | \$ 18,108 | \$ 20,451 | \$ 23,064 | \$ 22,632 | \$ 24,126 | \$ 26,158 | \$ 28,902 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 |
| Retirement | \$ 19,094 | \$ 19,615 | \$ 17,860 | \$ 15,446 | \$ 30,684 | \$ 33,869 | \$ 32,964 | \$ 41,928 | \$ 43,186 | \$ 44,481 | \$ 45,816 |
| Health Insurance | \$ 30,733 | \$ 29,767 | \$ 27,600 | \$ 47,173 | \$ 59,445 | \$ 58,171 | \$ 76,779 | \$ 99,110 | \$ 70,000 | \$ 72,100 | \$ 74,263 |
| Other Employee Benefits | \$ 4,305 | \$ 5,133 | \$ 6,832 | \$ 6,486 | \$ 7,407 | \$ 5,434 | \$ 4,848 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 |
| Workmen's Compensation | \$ 4,859 | \$ 5,723 | \$ 6,070 | \$ 6,609 | \$ 8,476 | \$ 7,792 | \$ 8,073 | \$ 8,170 | \$ 8,415 | \$ 8,668 | \$ 8,928 |
| CONTRACTUAL SERVICES - Purchase Power | \$ 164,365 | \$ 187,196 | \$ 239,793 | \$ 213,664 | \$ 185,672 | \$ 171,013 | \$ 189,900 | \$ 195,000 | \$ 200,850 | \$ 206,876 | \$ 213,082 |
| SUPPLIES | | | | | | | | | | | |
| Chemicals | \$ 31,435 | \$ 38,702 | \$ 54,076 | \$ 59,886 | \$ 55,448 | \$ 54,034 | \$ 53,348 | \$ 60,000 | \$ 61,800 | \$ 63,654 | \$ 65,564 |
| Materials & Supplies | \$ 64,909 | \$ 48,899 | \$ 80,741 | \$ 98,381 | \$ 82,190 | \$ 51,133 | \$ 60,847 | \$ 82,400 | \$ 84,872 | \$ 87,418 | \$ 90,041 |
| TRANSFERS - GENERAL FUND | \$ 59,950 | \$ 61,550 | \$ 59,100 | \$ 71,225 | \$ 76,677 | \$ 85,427 | \$ 85,869 | \$ 98,628 | \$ 87,498 | \$ 95,493 | \$ 104,874 |
| Total | \$ 651,505 | \$ 666,607 | \$ 768,913 | \$ 827,854 | \$ 825,608 | \$ 794,221 | \$ 812,726 | \$ 942,036 | \$ 924,124 | \$ 957,219 | \$ 992,451 |
| EQUIPMENT REPLACEMENT | | | | | | | | | | | |
| Well Pumps | | | | | | | | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 46,875 |
| Chemical Feed Equipment | | | | | | | | \$ 12,500 | \$ 10,000 | \$ 10,000 | \$ 12,500 |
| VFDs and SCADA RTUs | | | | | | | | \$ 7,500 | \$ 6,000 | \$ 6,000 | \$ 7,500 |
| Standby Generators | | | | | | | | \$ 5,333 | \$ 5,333 | \$ 5,333 | \$ 10,667 |
| Total | | | | | | | | \$ 62,833 | \$ 58,833 | \$ 58,833 | \$ 77,542 |
| NON-DEBT FUNDED PROJECTS | \$ 378,674 | \$ 613,817 | \$ 771,009 | \$ 928,322 | \$ 2,120,985 | \$ 1,646,611 | \$ 561,868 | | | | |
| Elevated Water Storage Tank Painting | | | | | | | | \$ 24,333 | \$ 39,000 | \$ 39,000 | \$ 50,000 |
| Water Distribution Main Replacement | | | | | | | | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 |
| Water Transmission Main Improvements | | | | | | | | \$ 135,050 | \$ 135,050 | \$ 135,050 | \$ 135,050 |
| Replacement Items | | | | | | | | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 |
| Vehicles and Equipment | | | | | | | | \$ 39,167 | \$ 39,167 | \$ 39,167 | \$ 39,167 |
| Total | | | | | | | | \$ 608,550 | \$ 623,217 | \$ 623,217 | \$ 634,217 |
| CAPITAL RECOVERY EXPENSE | \$ 26,700 | \$ 132,000 | \$ 132,000 | \$ 160,318 | \$ 140,356 | \$ 139,241 | \$ 240,000 | | | | |
| IEPA Revolving Fund Loan | | | | | | | | \$ 240,000 | \$ - | \$ 142,000 | \$ 284,000 |
| TOTAL EXPENDITURES | \$ 1,341,193 | \$ 1,607,843 | \$ 1,900,804 | \$ 2,148,558 | \$ 3,321,330 | \$ 2,843,320 | \$ 1,858,752 | \$ 2,153,383 | \$ 2,031,887 | \$ 2,217,563 | \$ 2,435,403 |
| REVENUES | | | | | | | | | | | |
| WATER SALES | | | | | | | | | | | |
| Residential | \$ 554,829 | \$ 633,675 | \$ 698,604 | \$ 733,089 | \$ 728,542 | \$ 748,873 | \$ 755,647 | | \$ 884,400 | \$ 933,000.00 | 985200 |
| Commercial | \$ 410,198 | \$ 444,822 | \$ 455,497 | \$ 501,877 | \$ 506,638 | \$ 513,700 | \$ 550,146 | | \$ 608,800 | \$ 652,800.00 | 697600 |
| Industrial | \$ 275,429 | \$ 430,795 | \$ 464,915 | \$ 567,113 | \$ 552,347 | \$ 517,893 | \$ 540,619 | | \$ 595,900 | \$ 632,900.00 | 689290 |
| Interdepartmental | \$ 11,949 | \$ 13,557 | \$ 14,442 | \$ 13,875 | \$ 14,853 | \$ 14,176 | \$ 15,721 | | \$ - | \$ - | 0 |
| Total | \$ 1,252,405 | \$ 1,522,849 | \$ 1,633,458 | \$ 1,815,954 | \$ 1,802,380 | \$ 1,794,642 | \$ 1,862,133 | | \$ 2,089,100 | \$ 2,218,700 | 2372090 |
| OTHER | | | | | | | | | | | |
| Hydrant Rental / Fire Protection Fee | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ - | \$ 11,462 | \$ 26,006 | | \$ 30,000 | \$ 30,000 | \$ 30,000 |
| Water Tower Lease | \$ 38,360 | \$ 35,245 | \$ 41,234 | \$ 59,064 | \$ 75,508 | \$ 64,926 | \$ 48,218 | | \$ 48,000 | \$ 48,000 | \$ 48,000 |
| Interest Income | | | \$ - | \$ 2,603 | \$ 1,339 | \$ 1,038 | \$ 1,618 | | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Penalties | | | \$ 5,045 | \$ 12,003 | \$ 15,173 | \$ 9,583 | \$ 8,356 | | \$ 15,000 | \$ 15,000 | \$ 15,000 |
| IEPA Loan | | | \$ - | \$ - | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - |
| Miscellaneous | | | \$ 11,045 | \$ 146 | \$ 14,706 | \$ 20,921 | \$ 28,257 | | \$ 11,000 | \$ 11,000 | \$ 11,000 |
| Total | \$ 50,360 | \$ 47,245 | \$ 53,234 | \$ 71,064 | \$ 106,726 | \$ 107,930 | \$ 112,455 | | \$ 105,000 | \$ 105,000 | \$ 105,000 |
| Capital Outlay Contributions | | | | | | | | | | | |
| Grants | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - |
| Contributions in Aid of Construction | \$ - | \$ - | \$ 511,465 | \$ - | \$ 1,894,846 | \$ 524,925 | \$ 250,000 | | \$ - | \$ - | \$ - |
| Total | \$ - | \$ - | \$ 511,465 | \$ - | \$ 1,894,846 | \$ 524,925 | \$ 250,000 | | \$ - | \$ - | \$ - |
| TOTAL REVENUES | \$ 1,302,765 | \$ 1,570,094 | \$ 2,198,157 | \$ 1,887,018 | \$ 3,803,952 | \$ 2,427,497 | \$ 2,224,588 | | \$ 2,194,100 | \$ 2,323,700 | \$ 2,477,090 |
| NET INCOME/LOSS | \$ (38,428) | \$ (37,749) | \$ 297,353 | \$ (261,540) | \$ 482,622 | \$ (415,823) | \$ 365,836 | | \$ 162,213 | \$ 106,137 | \$ 41,687 |

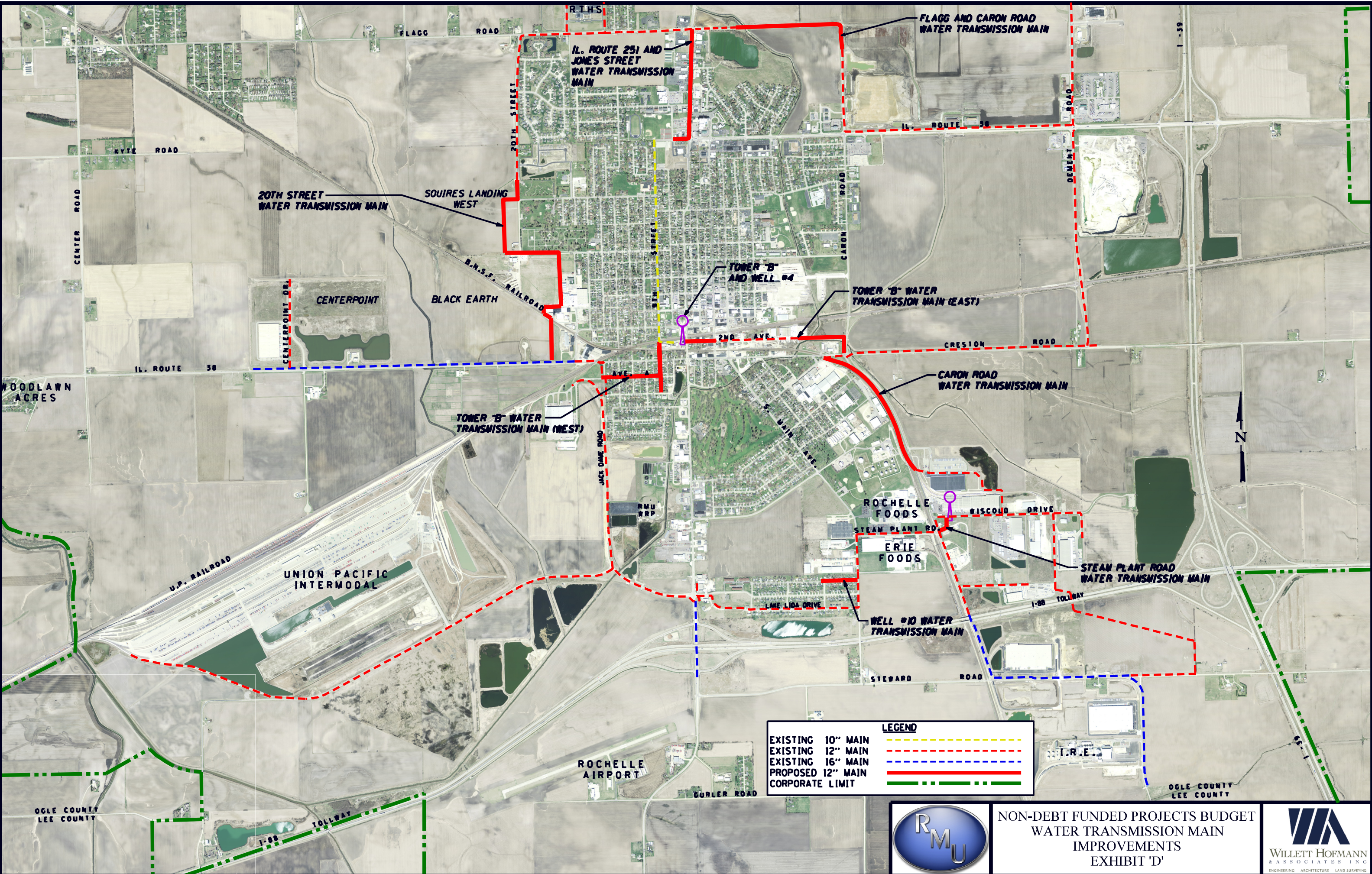
RMU Water Division
Equipment Replacement Budget

| EQUIPMENT REPLACEMENT BUDGET | | | | |
|--|-------------------|----------|----------------------------|------------------|
| | Total Cost | Schedule | FY 2014/15 & FY 2015/16 | FY 2016/17 |
| | | | Cost Per Year | Cost Per Year |
| WELL PUMPS | | | | |
| Well #4 (Serviced in 2005) | \$ 75,000 | 8 Yrs | \$ 9,375 | \$ 9,375 |
| Well #8 (Serviced in 2000) | \$ 75,000 | 12 Yrs | \$ 6,250 | \$ 6,250 |
| Well #10 (Serviced in 2006) | \$ 75,000 | 8 Yrs | \$ 9,375 | \$ 9,375 |
| Well #11 (Serviced in 2005) | \$ 100,000 | 8 Yrs | \$ 12,500 | \$ 12,500 |
| Well #12 | \$ 75,000 | 8 Yrs | \$ - | \$ 9,375 |
| Total | \$ 400,000 | | \$ 37,500 | \$ 46,875 |
| CHEMICAL FEED EQUIPMENT | | | | |
| Well #4 | \$ 25,000 | 10 Yrs | \$ 2,500 | \$ 2,500 |
| Well #8 | \$ 25,000 | 10 Yrs | \$ 2,500 | \$ 2,500 |
| Well #10 | \$ 25,000 | 10 Yrs | \$ 2,500 | \$ 2,500 |
| Well #11 | \$ 25,000 | 10 Yrs | \$ 2,500 | \$ 2,500 |
| Well #12 | \$ 25,000 | 10 Yrs | \$ - | \$ 2,500 |
| Total | | | \$ 10,000 | \$ 12,500 |
| Soft Starters and SCADA RTUs | | | | |
| Well #4 (RTU Replaced in 2012) | \$ 30,000 | 20 Yrs | \$ 1,500 | \$ 1,500 |
| Well #8 (RTU Replaced in 2011) | \$ 30,000 | 20 Yrs | \$ 1,500 | \$ 1,500 |
| Well #10 (RTU Replaced in 2012) | \$ 30,000 | 20 Yrs | \$ 1,500 | \$ 1,500 |
| Well #11 (RTU Replaced in 2012) | \$ 30,000 | 20 Yrs | \$ 1,500 | \$ 1,500 |
| Well #12 | \$ 30,000 | 20 Yrs | \$ - | \$ 1,500 |
| Total | | | \$ 6,000 | \$ 7,500 |
| WELL STANDBY POWER | | | | |
| Portable Generator (Wells #4, #8, #10 and #11) (Purchased in 2007) | \$ 80,000 | 15 Yrs | \$ 5,333 | \$ 5,333 |
| Well #12 | \$ 80,000 | 15 Yrs | \$ - | \$ 5,333 |
| Total | \$ 160,000 | | \$ 5,333 | \$ 10,667 |
| TOTAL EQUIPMENT REPLACEMENT | | | \$ 58,833 | \$ 77,542 |

RMU Water Division
Non-Debt Funded Projects Budget

| NON-DEBT FUNDED PROJECTS | | | | |
|---|------------|----------|----------------------------|---------------|
| | Total Cost | Schedule | FY 2014/15 & FY 2015/16 | FY 2016/17 |
| | | | Cost Per Year | Cost Per Year |
| ELEVATED WATER STORAGE TANK PAINTING | | | | |
| Tower 'A' (Wiscold Drive and Caron Road); (Painted in 1999) | \$ 280,000 | 20 Yrs | \$ 14,000 | \$ 14,000 |
| Tower 'B' (2nd Avenue and IL Rte 251 Overpass); (Painted in 2000) | \$ 280,000 | 20 Yrs | \$ 14,000 | \$ 14,000 |
| Tower 'C' (Rochelle High School); (Painted in 2003) | \$ 220,000 | 20 Yrs | \$ 11,000 | \$ 11,000 |
| Tower 'D' (Well #12) | \$ 220,000 | 20 Yrs | \$ - | \$ 11,000 |
| Total | | | \$ 39,000 | \$ 50,000 |
| WATER DISTRIBUTION MAIN REPLACEMENT | | | | |
| WATER DISTRIBUTION TRANSMISSION MAIN IMPROVEMENTS | | | | |
| Well #10 Connection to 12' Transmission Line | \$ 180,000 | 20 Yrs | \$ 9,000 | \$ 9,000 |
| Steam Plant Road - Caron Road to the West Side of the BNSF Railroad | \$ 110,000 | 20 Yrs | \$ 5,500 | \$ 5,500 |
| 20th Street Extension South to IL Route 38 | \$ 600,000 | 20 Yrs | \$ 30,000 | \$ 30,000 |
| IL Route 251-Jones Street to Flagg Road and Jones Street-9th Street to IL Route 251 | \$ 636,000 | 20 Yrs | \$ 31,800 | \$ 31,800 |
| Tower 'B' Water Transmission Line-East | \$ 390,000 | 20 Yrs | \$ 19,500 | \$ 19,500 |
| Caron Road - Creston Road to Opus | \$ 235,000 | 20 Yrs | \$ 11,750 | \$ 11,750 |
| Tower 'B' Water Transmission Line-West | \$ 550,000 | 20 Yrs | \$ 27,500 | \$ 27,500 |
| Total | | | \$ 135,050 | \$ 135,050 |
| REPLACEMENT ITEMS | | | | |
| Distribution Meters | \$ 35,000 | 1 Yr | \$ 35,000 | \$ 35,000 |
| Fire Hydrants | \$ 25,000 | 1 Yr | \$ 25,000 | \$ 25,000 |
| Services | \$ 25,000 | 1 Yr | \$ 25,000 | \$ 25,000 |
| Valves | \$ 25,000 | 1 Yr | \$ 25,000 | \$ 25,000 |
| Total | | | \$ 110,000 | \$ 110,000 |
| VEHICLES AND EQUIPMENT | | | | |
| Pickup Trunk - 3/4 Ton (4); (Purchased in 2003, 2004, 2009, 2011) | \$ 80,000 | 8 Yrs | \$ 10,000 | \$ 10,000 |
| Dump Truck (2); (Purchased in 1991, 2006) | \$ 250,000 | 15 Yrs | \$ 16,667 | \$ 16,667 |
| Backhoe (2); (Purchased in 1991, 2006) | \$ 150,000 | 15 Yrs | \$ 10,000 | \$ 10,000 |
| Construction Truck (1); (Purchased in 1988) | \$ 25,000 | 10 Yrs | \$ 2,500 | \$ 2,500 |
| Total | | | \$ 39,167 | \$ 39,167 |
| TOTAL CAPITAL IMPROVEMENTS | | | \$ 623,217 | \$ 634,217 |

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| LEGEND | |
|-------------------|--------------------|
| EXISTING 10" MAIN | Yellow dashed line |
| EXISTING 12" MAIN | Red dashed line |
| EXISTING 16" MAIN | Blue dashed line |
| PROPOSED 12" MAIN | Red solid line |
| CORPORATE LIMIT | Green dashed line |



NON-DEBT FUNDED PROJECTS BUDGET
 WATER TRANSMISSION MAIN
 IMPROVEMENTS
 EXHIBIT 'D'



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