



**CITY OF ROCK ISLAND
CITY COUNCIL STUDY SESSION
May 24, 2021 - 5:30 p.m.**

**Location:
City Council Chambers, City Hall, 3rd Floor
1528 Third Avenue, Rock Island, IL**

[Watch Live](#)

CALL TO ORDER

**THIS MEETING WILL BE CONDUCTED BY AUDIO AND VIDEO
CONFERENCE WITHOUT A PHYSICALLY PRESENT QUORUM OF THE
ROCK ISLAND CITY COUNCIL DUE TO THE DISASTER DECLARATION
ISSUED BY GOVERNOR PRITZKER**

Because of this order related to COVID-19 public health concerns affecting the State and the City, the Mayor has determined that an in-person meeting at City Hall with all participants may not be practical or prudent. For this reason, Alderman and Staff may not all be physically present at City Hall and physical public attendance at City Hall may be limited.

This meeting can be viewed live on Channel 9 for Mediacom customers living in Rock Island or on the City's YouTube channel:
<https://www.youtube.com/user/RockIslandIL/live>.

ROLL CALL

PUBLIC WORKS - 2020 UTILITY RATE STUDY

Documents:

[STUDY SESSION - ROCK ISLAND 2020 RATE STUDIES.PDF](#)

This agenda may be obtained in accessible formats by qualified persons with a disability by making appropriate arrangements from 8:00 am to 5:00 pm, Monday through Friday, by contacting the [City Clerk's Office](#) at (309) 732-2010 or visiting in person at: 1528 Third Avenue, Rock Island, IL 61201.

City of Rock Island 2020 Rate Studies

Water, Wastewater, Stormwater

Council Workshop Presentation, May 24, 2021

Cost-of-Service Rate Analysis

- Each utility operates as an enterprise fund and is intended to be self-sufficient.
- Cost-of-service analysis for municipal utilities provides adequate revenue to cover costs
- Costs include O&M expenses & capital financing
- Current directives are to: (1) match revenues to anticipated expenses; and (2) to change all customer category rates by the same percentage amount.

Billing Quantities & Revenue Requirements

- Billing Quantities = Demand on Utilities
 - Volume of water or wastewater
 - Number of bills
- Expenses
 - Operation and maintenance expenses
 - Labor
 - Power
 - Chemicals
 - Other expenses
- Capital financing
 - Principal and interest for debt service
 - Capital expenditures from current revenue



City of Rock Island Water Utility Rates

Existing Water Rate Structure

- Billing Cycles – Commercial users billed monthly; residential users billed quarterly.
- Fixed Meter Charge – Rates vary based on meter size and billing frequency: larger meters pay more & those billed monthly pay more on annual basis
- Water Volume Rate - Declining block rate structure for metered water use; large users pay less per 100 cu.ft.
- Elderly/Handicap Discount – \$12.60 annual discount.

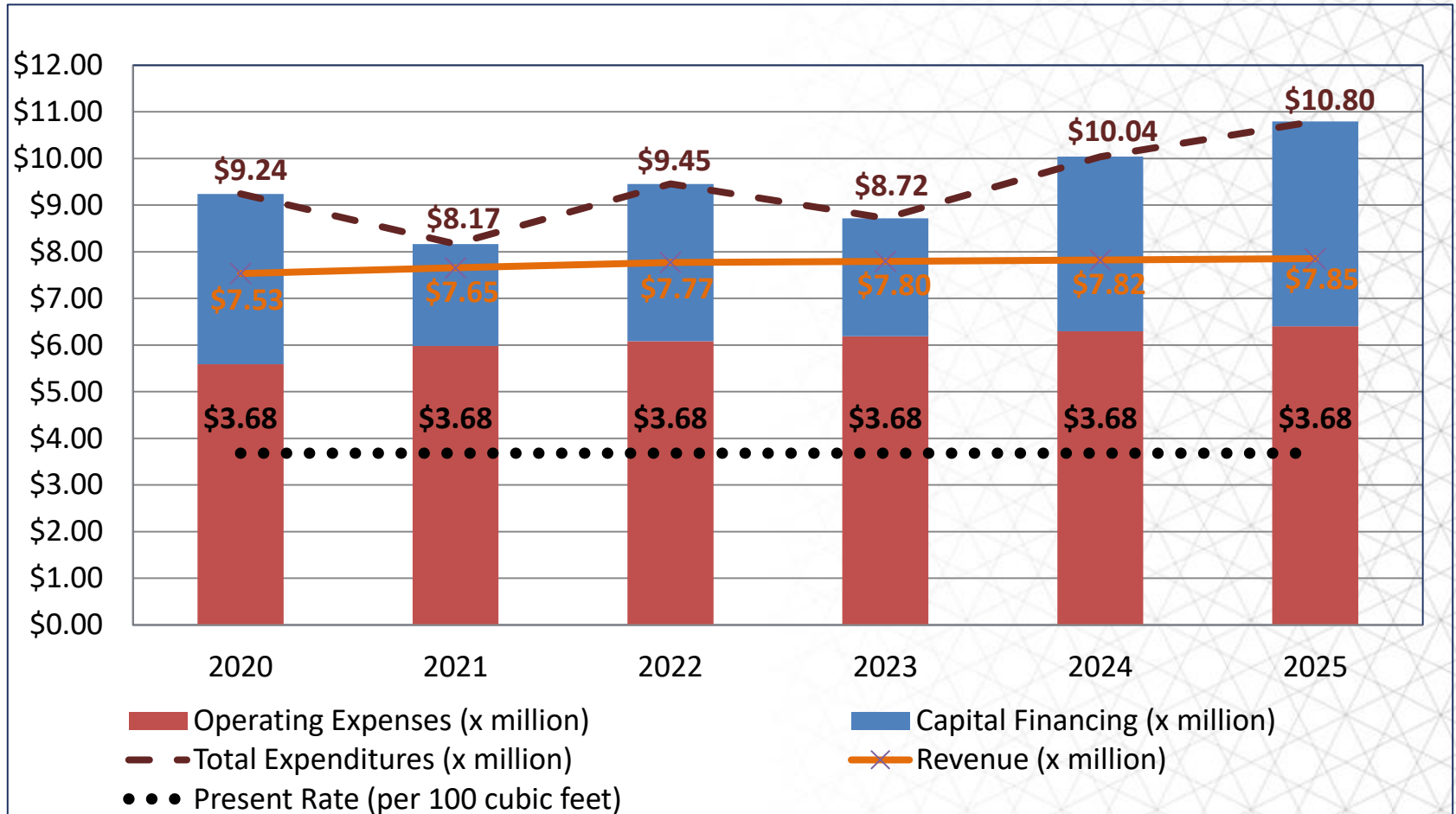
Water Rate Basic Assumptions for Near Future

- The number of water accounts and the amount of water billed will remain stable for the 5 year study period.
- Revenues other than water charges will increase at a rate of 1 percent.
- Operating expenses will generally increase at a rate of 2 percent per year.
- No new debt will be incurred by the Utility. Bond and loan payments will level out at \$1.54 million/yr.

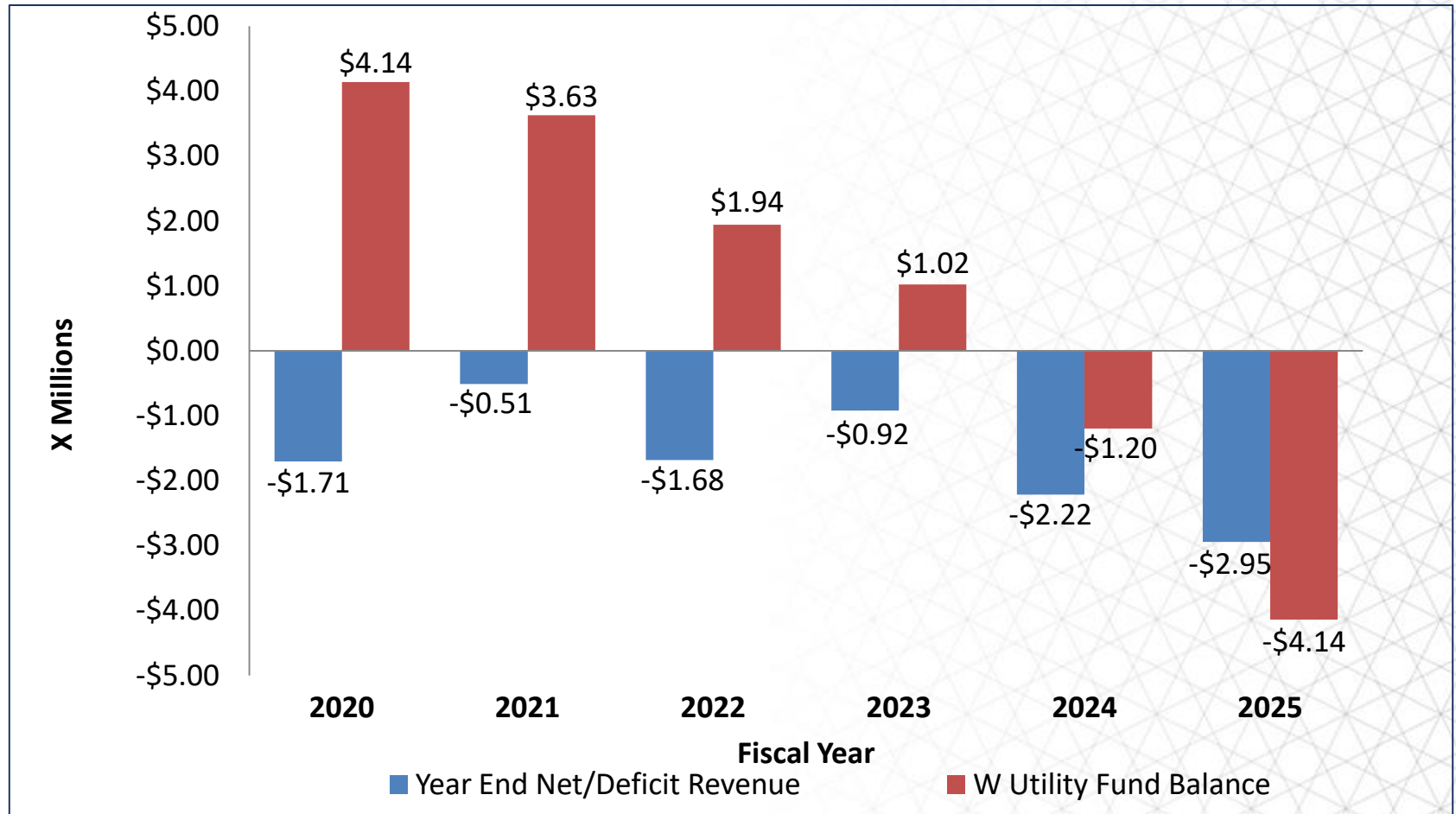
Water Utility 2020 to 2025 Finances with Existing Rates

- Revenue will increase from \$7.53m to \$7.85m.
- Total Expenses will increase from \$9.24m to \$10.80m.
- Water Fund balance will fall from \$4.14m to **negative \$4.14m.**
- Debt Service Coverage Ratio will decline from 1.6 to unacceptable 0.9.

Water Utility 2020-2025 Finances with Existing Rates



Water Utility 2020-2025 Finances with Existing Rates – Fund Balance



Proposed Water Rate Structure

- Billing Cycles – Continue to bill commercial users monthly & residential users quarterly.
- Fixed Meter Charge – Existing structure to be retained with larger meters paying more and monthly accounts paying more annually than quarterly accounts with the same size meter.
- Water Volume Rate – Retains the declining block structure: water cost per unit declines with increased use.
- Maintains the Elderly/Handicap discount.

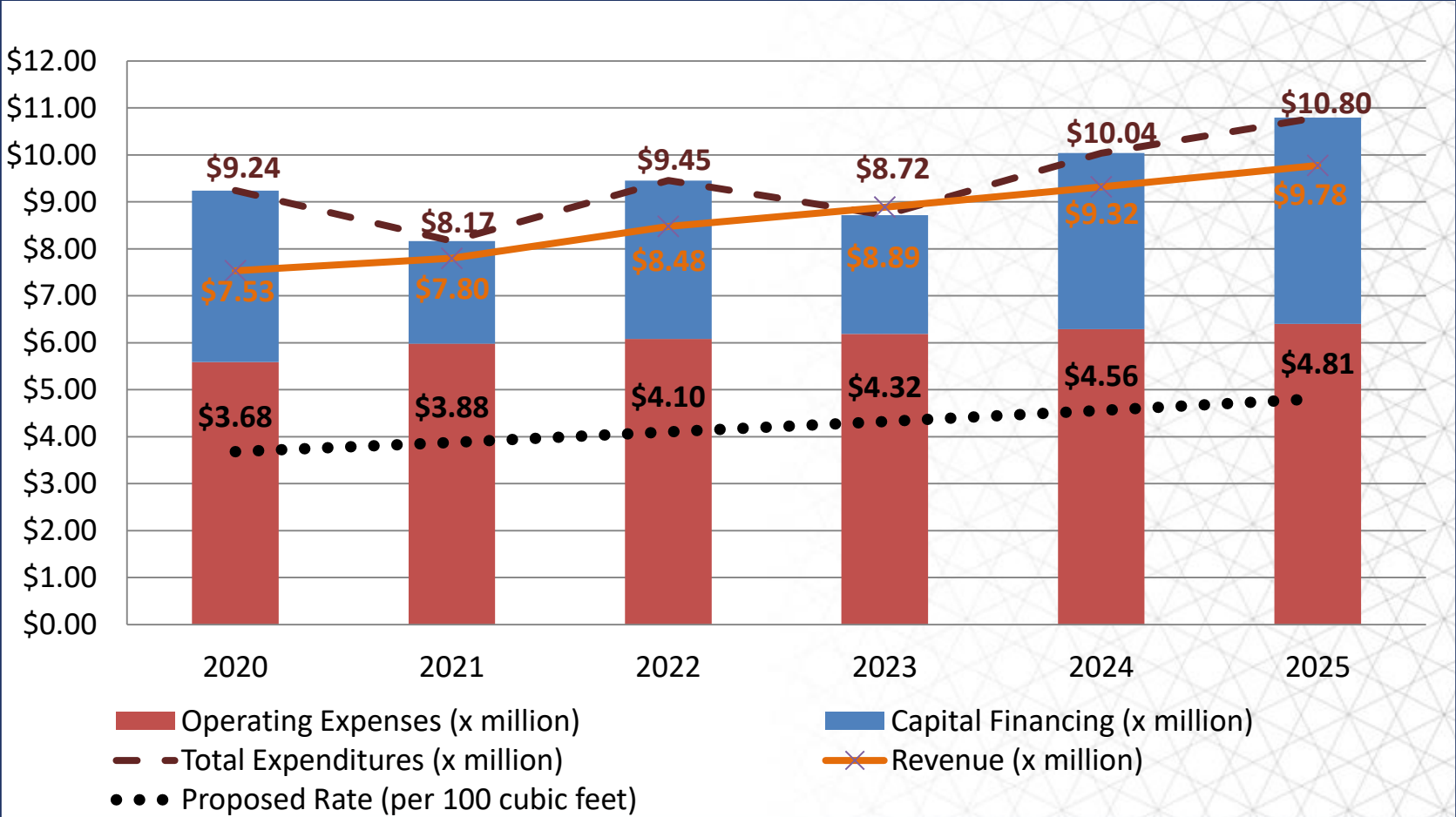
Proposed Water Rate Structure

- Volume Charges increase at 5.5 % per year.
- Fixed Meter Charges increase by 5.5% per year for all customers.

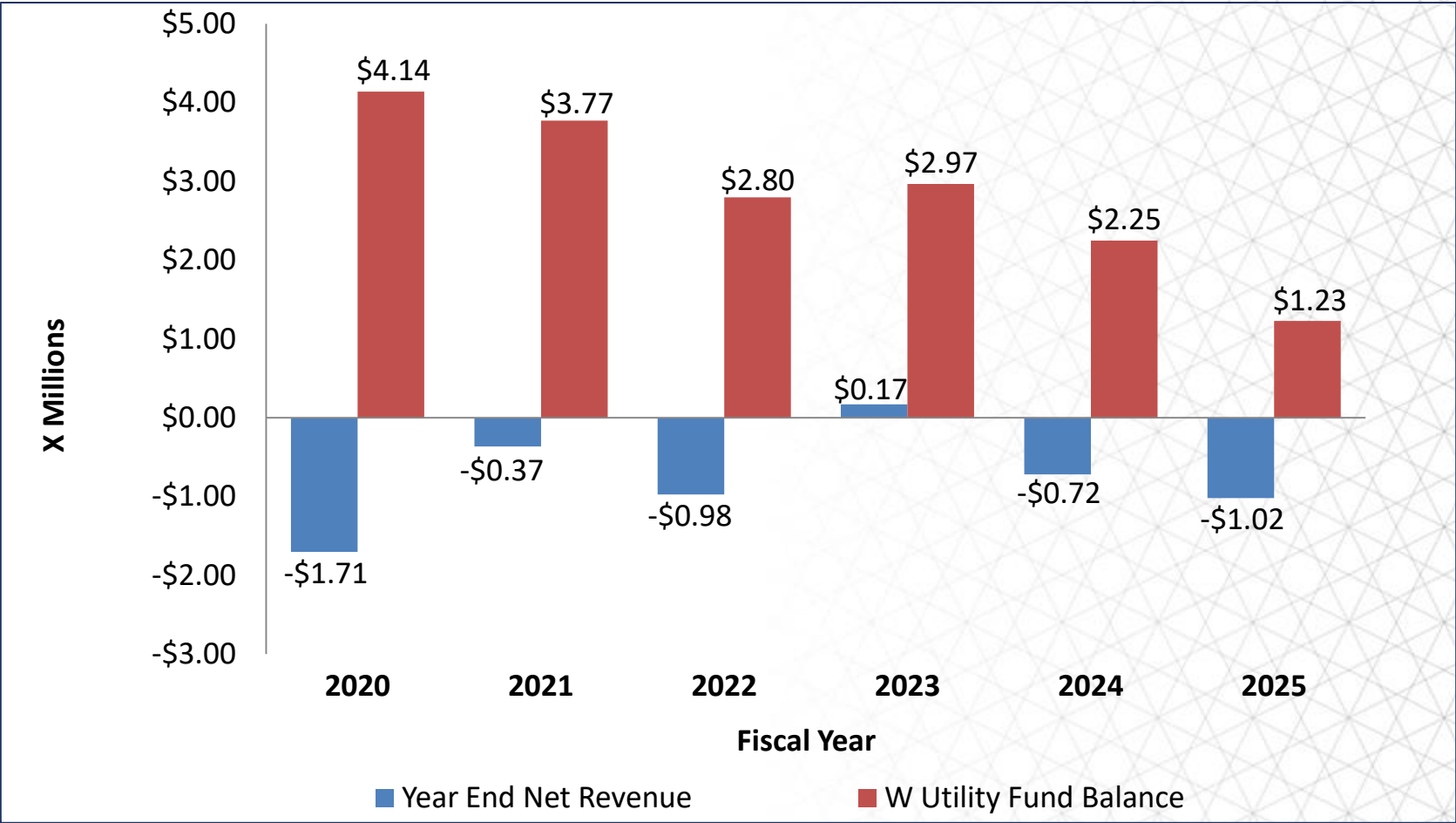
Water Utility 2025 Finances with Proposed Rates

- Revenue will increase from \$7.53m to \$9.78m.
- Total Expenses will increase from \$9.24m to \$10.80m.
- Water Fund balance will fall from \$4.14m to \$1.23m.
- Debt Service Coverage Ratio will increase from 1.6 to 2.2.

Water Utility 2020-2025 Finances with Proposed Rates



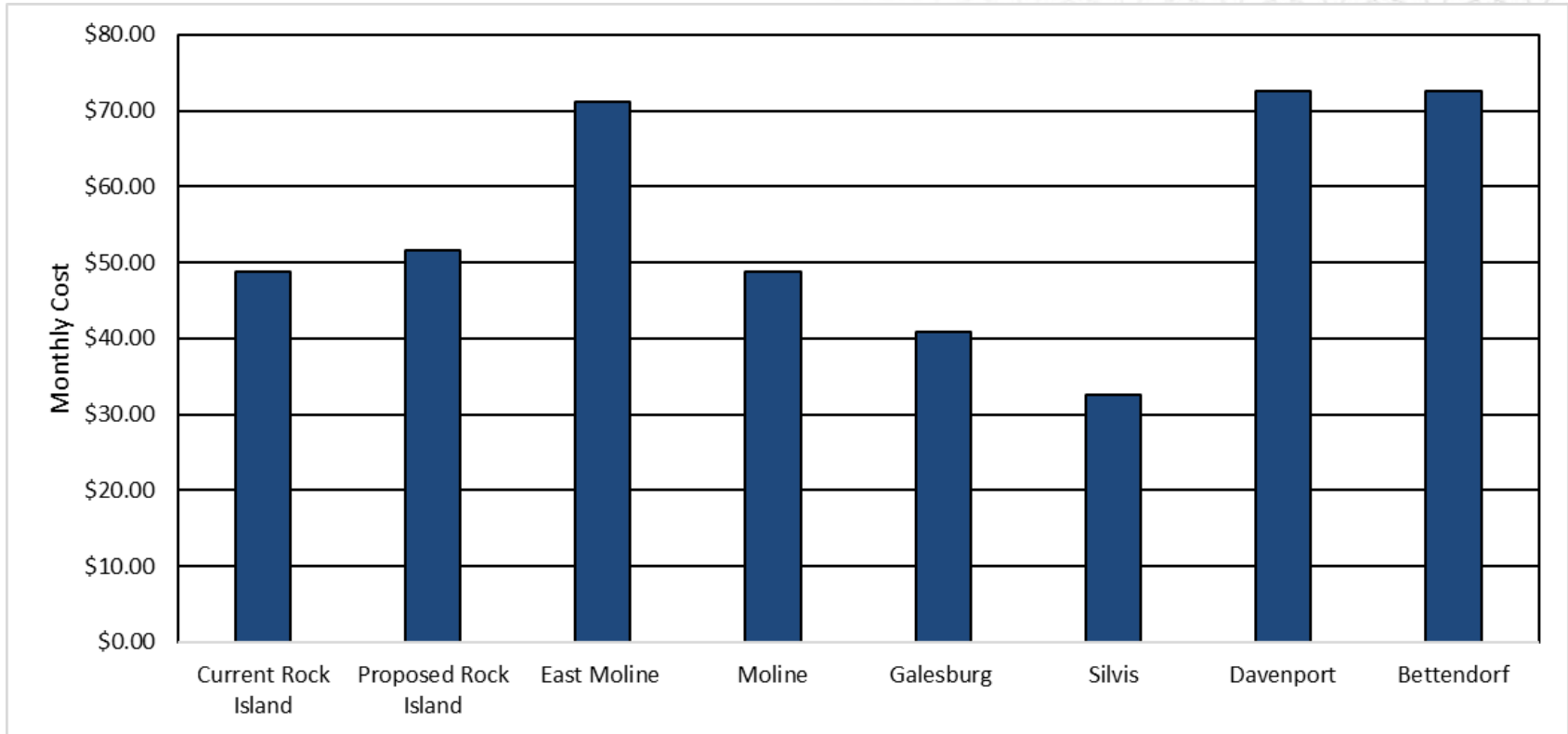
Water Utility 2020-2025 Finances with Proposed Rates – Fund Balance



Impacts on Customers – Fixed & Volume Water Rates Combined

Customer	Typical Monthly Usage	Current	2021	2022	2023	2024	2025
5/8" Quarterly	524 ft ³	\$94	\$99	\$105	\$110	\$116	\$123 5.5%/yr.
4" Quarterly	85,000 ft ³	\$9,015	\$9,511	\$10,034	\$10,586	\$11,168	\$11,783 5.5%/yr.
2" Monthly	20,000 ft ³	\$731	\$771	\$814	\$859	\$906	\$956 5.5%/yr.
4" Monthly	55,000 ft ³	\$2,028	\$2,140	\$2,257	\$2,381	\$2,513	\$2,651 5.5%/yr.

Comparison to Other Water Utilities – Residential





City of Rock Island Wastewater Utility Rates

Existing Wastewater Rate Structure

- Billing Cycles – Commercial users billed monthly; residential users billed quarterly.
- Fixed Meter Charge – Rates vary based on meter size and billing frequency: larger meters pay more & those billed monthly, pay more on annual basis
- Water Volume Rate - Declining block rate structure based on metered water use; large users pay less per 100 cu.ft.
- Elderly/Handicap Discount - \$22.48 per year.

Existing Wastewater Rate Structure

- A separate three-part rate structure for heavy industrial customers based on volume, biochemical oxygen demand (BOD), and total suspended solids (TSS). (Miller Container and Rock Island Arsenal)

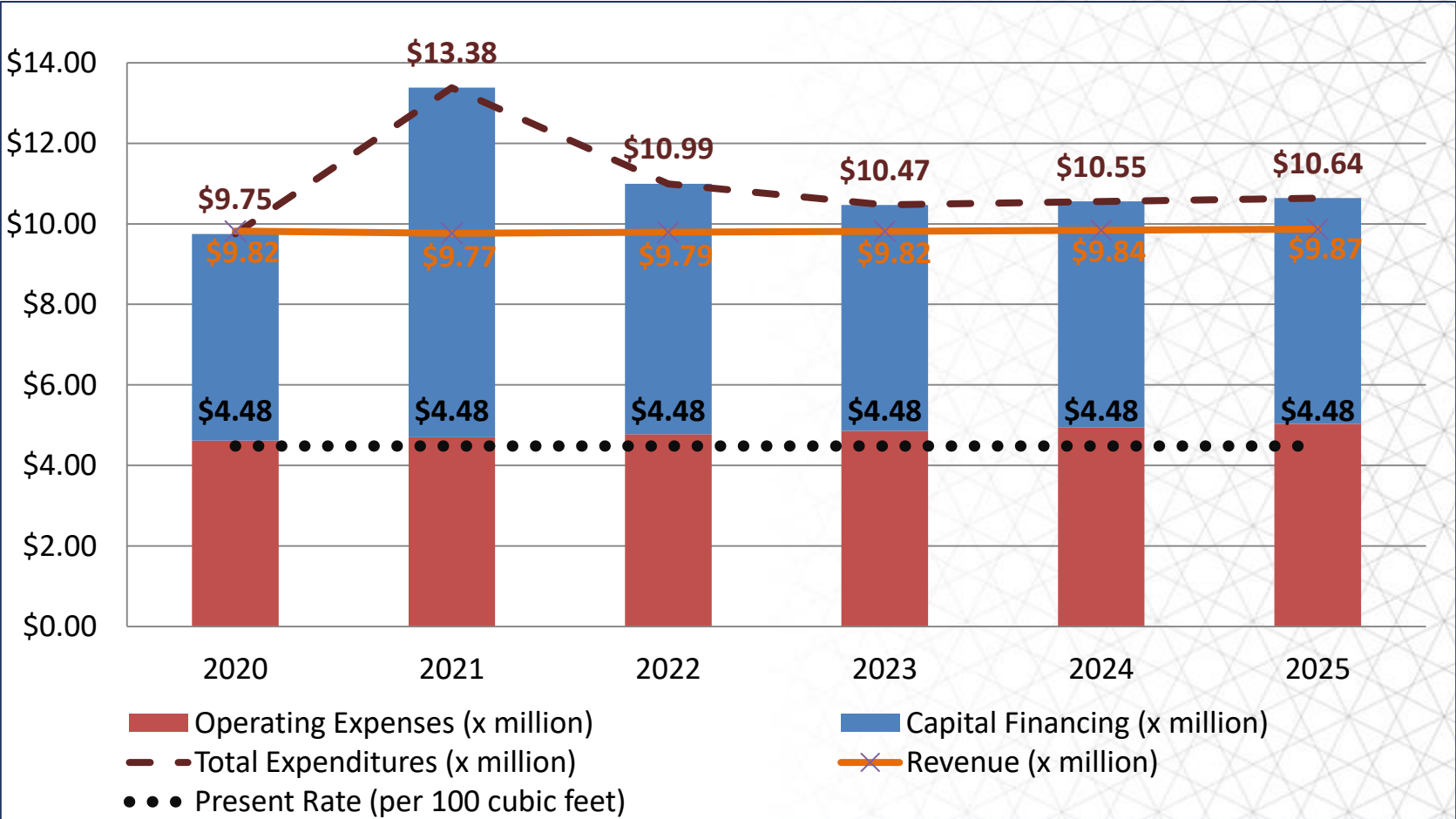
Wastewater Rate Basic Assumptions for Near Future

- The number of wastewater accounts and the amount of wastewater billed will remain stable for the 5 year study period.
- Revenues other than wastewater volume & meter charges will increase at a rate of 1 percent per year.
- Operating expenses will generally increase at a rate of 2 percent per year.
- No new debt will be incurred by the Utility. Bond and loan payments will level out at \$5.1 million/yr.

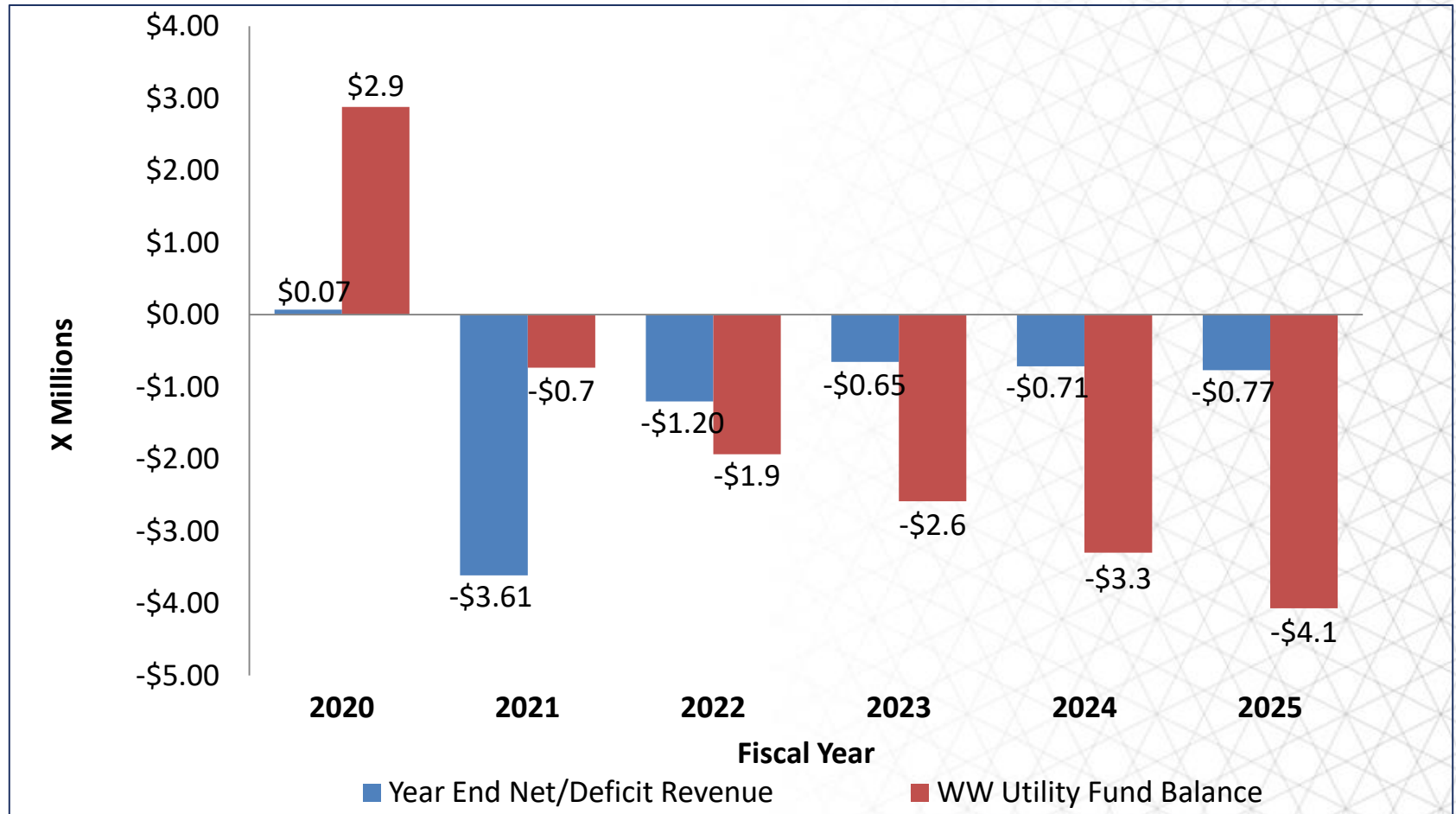
Wastewater Utility 2020-2025 Finances with Existing Rates

- Revenue will increase from \$9.82m to \$9.87m.
- Total Expenses will increase from \$9.75m to \$10.64m.
- Wastewater Fund balance will fall from \$2.88m to **negative \$4.07m**.
- Debt Service Coverage Ratio will fall from 1.1 to unacceptable 0.9.

Wastewater Utility 2020-2025 Finances with Existing Rates



Wastewater Utility 2020-2025 Finances with Existing Rates – Fund Balance



Proposed Wastewater Rate Structure

- Billing Cycles – Continue to bill commercial users monthly & residential users quarterly.
- Fixed Meter Charge – Existing structure to be retained with larger meters paying more and monthly accounts paying more annually than quarterly accounts with the same size meter.
- Wastewater Volume Rate – Retains the declining block structure: cost per unit declines with increased use.
- Maintains the Elderly/Handicap discount.
- Maintains industrial rates for flow, BOD, & TSS

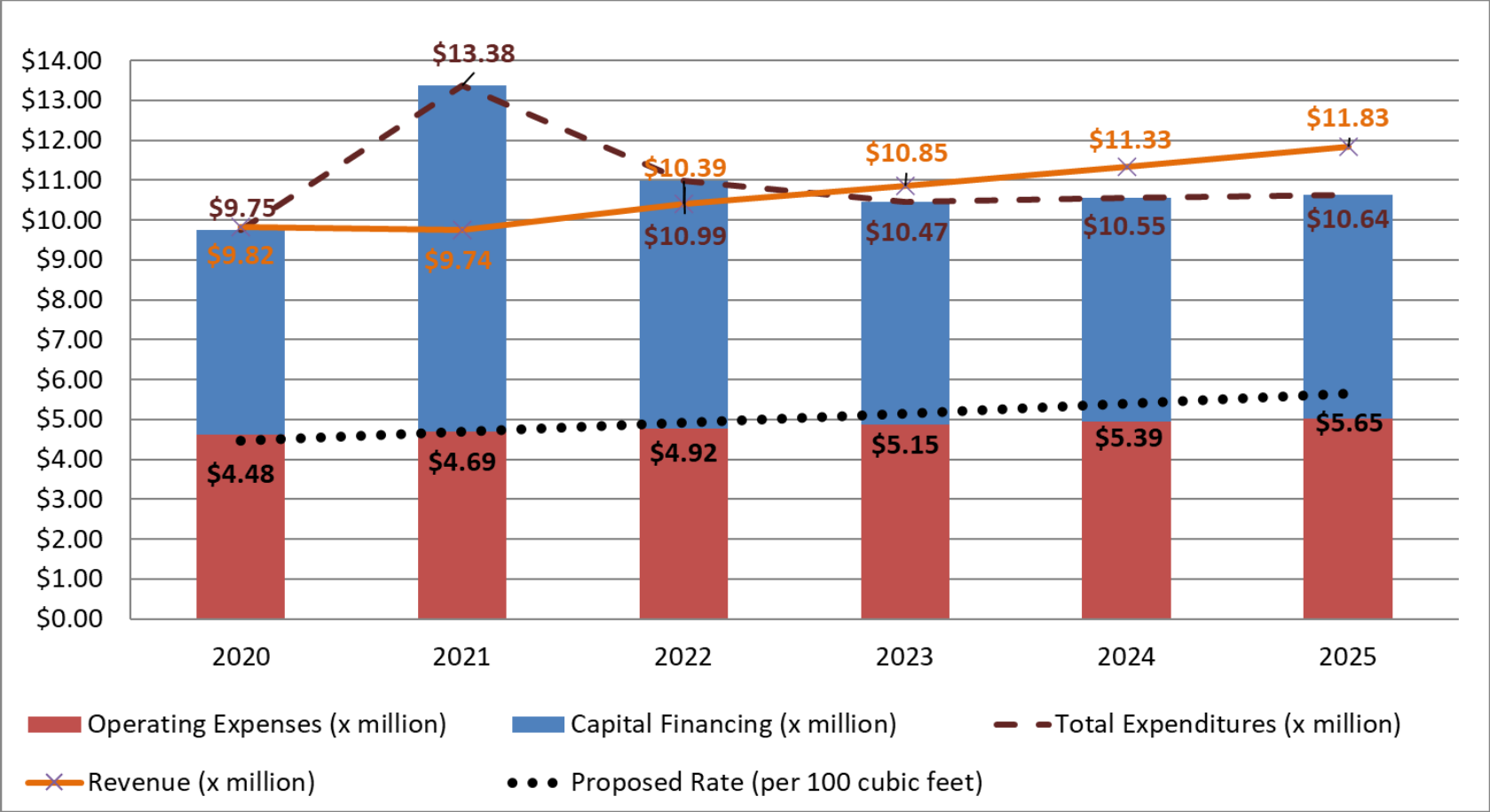
Proposed Wastewater Rate Structure

- Volume Charge increases at 4.50% per year.
- Industrial rate structure for flow, BOD and TSS is maintained with annual increases of 4.50% for each category.
- Fixed Meter Charges increase at 4.50% per year for all customers.

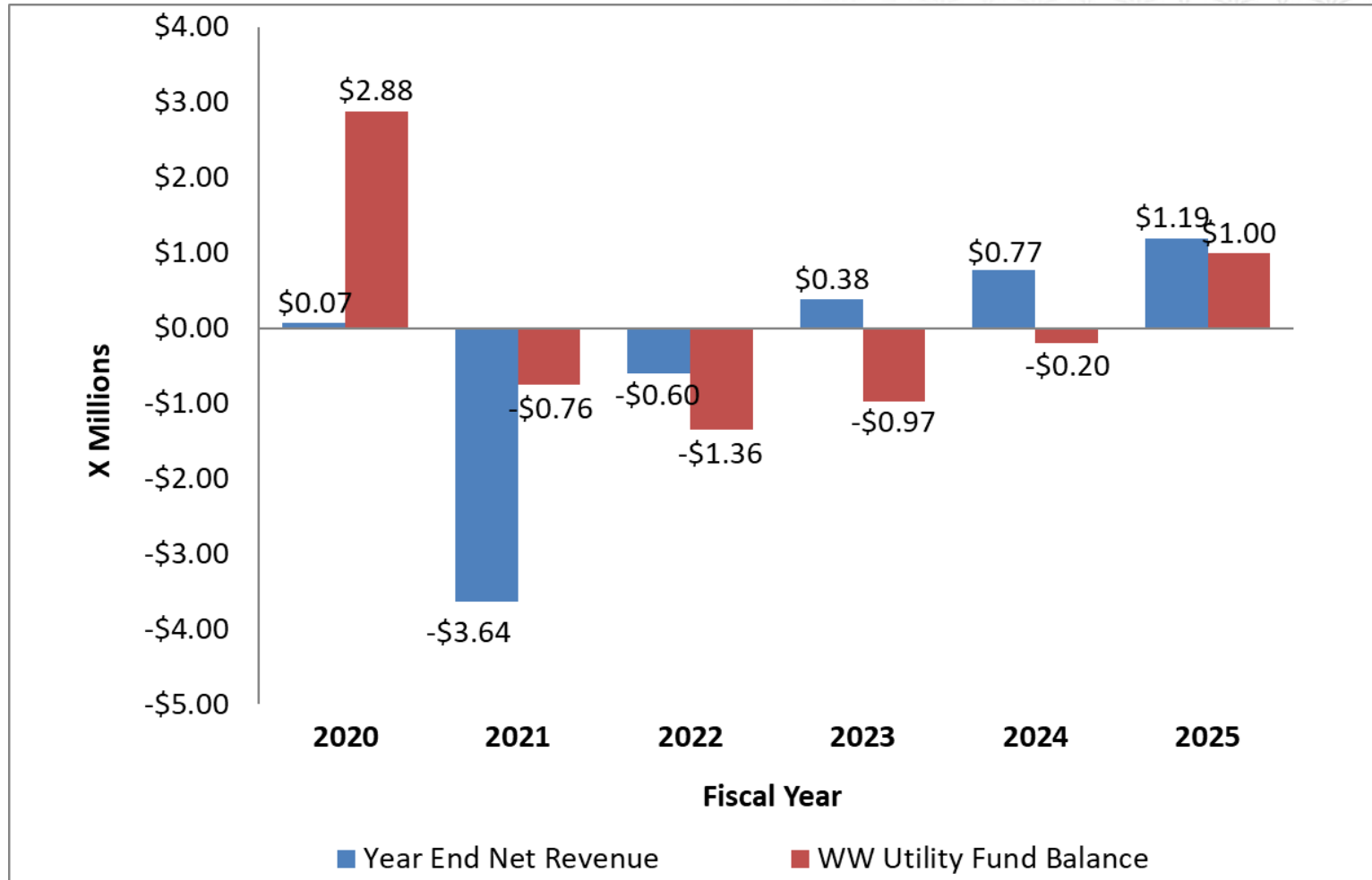
Wastewater Utility 2025 Finances with Proposed Rates

- Revenue will increase from \$9.82m to \$11.83m.
- Total Expenses will increase from \$9.75m to \$10.64m.
- Wastewater Fund balance will decrease from \$2.88m to negative in 2021-2024 to positive \$996,000 in 2025.
- Debt Service Coverage Ratio will increase from 1.1 to 1.3.

Wastewater Utility 2020-2025 Finances with Proposed Rates



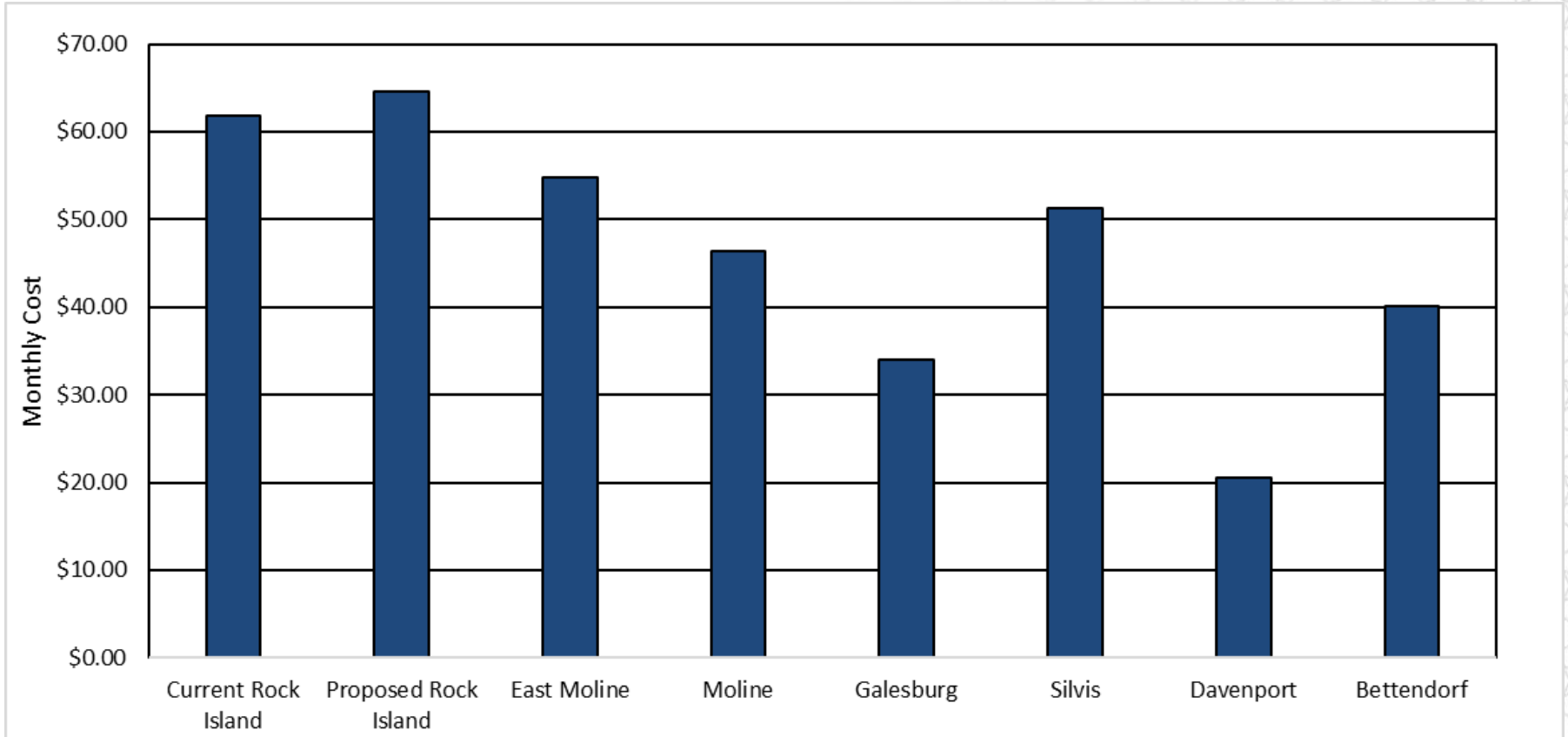
Wastewater Utility 2020-2025 Finances w/ Proposed Rates – Fund Balance



Impacts on Customers – Fixed & Volume Wastewater Rates Combined

Customer	Typical Monthly Usage	Current	2021	2022	2023	2024	2025
5/8" Quarterly	524 ft ³	\$121	\$127	\$132	\$138	\$145	\$151 4.50%/yr.
4" Quarterly	85,000 ft ³	\$9,624	\$10,057	\$10,509	\$10,982	\$11,477	\$11,993 4.50%/yr.
2" Monthly	20,000 ft ³	\$751	\$784	\$820	\$857	\$895	\$935 4.50%/yr.
4" Monthly	55,000 ft ³	\$2,032	\$2,124	\$2,219	\$2,319	\$2,432	\$2,532 4.50%/yr.

Comparison to Other Wastewater Utilities – Residential



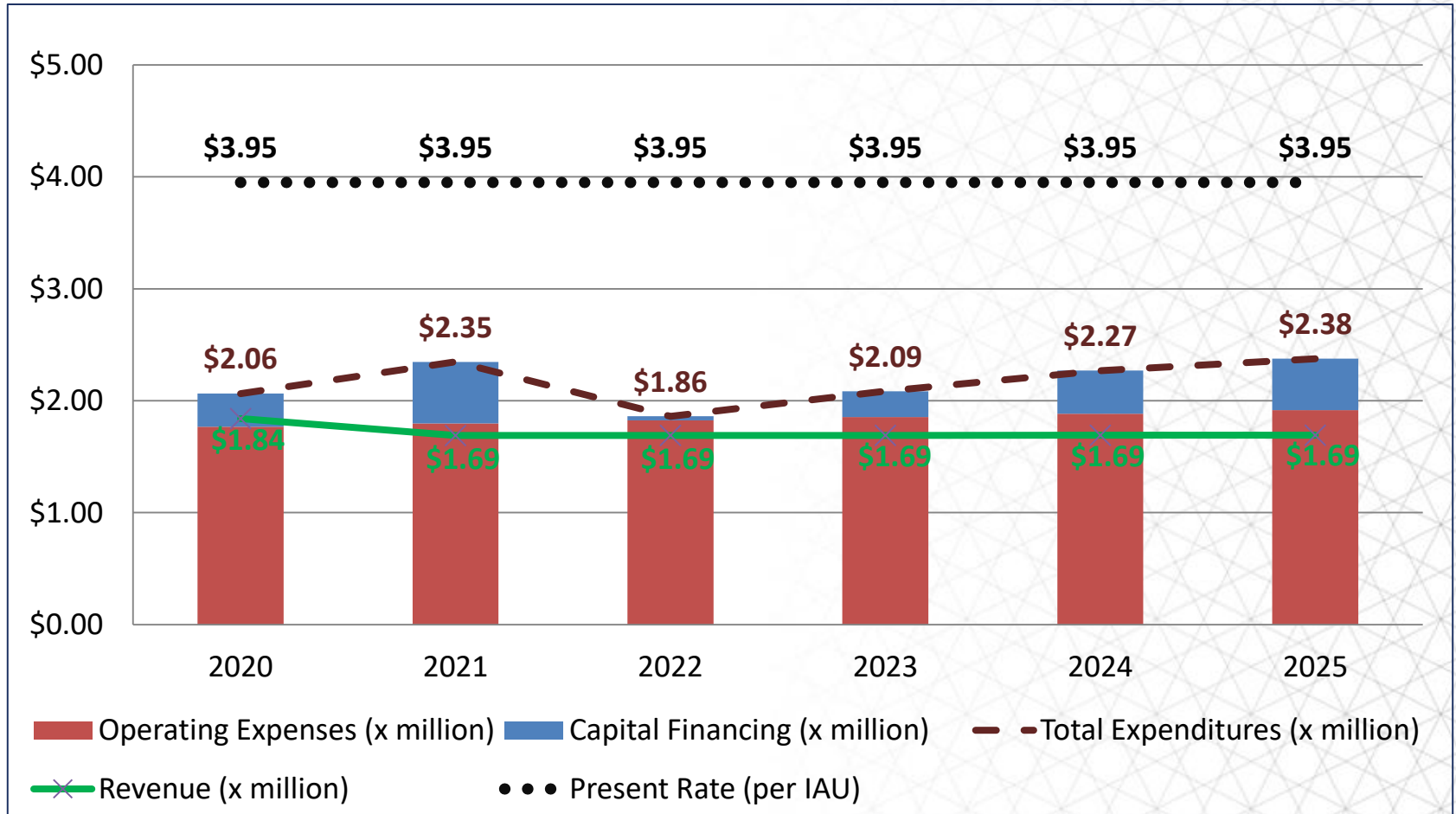


City of Rock Island Stormwater Utility Rates

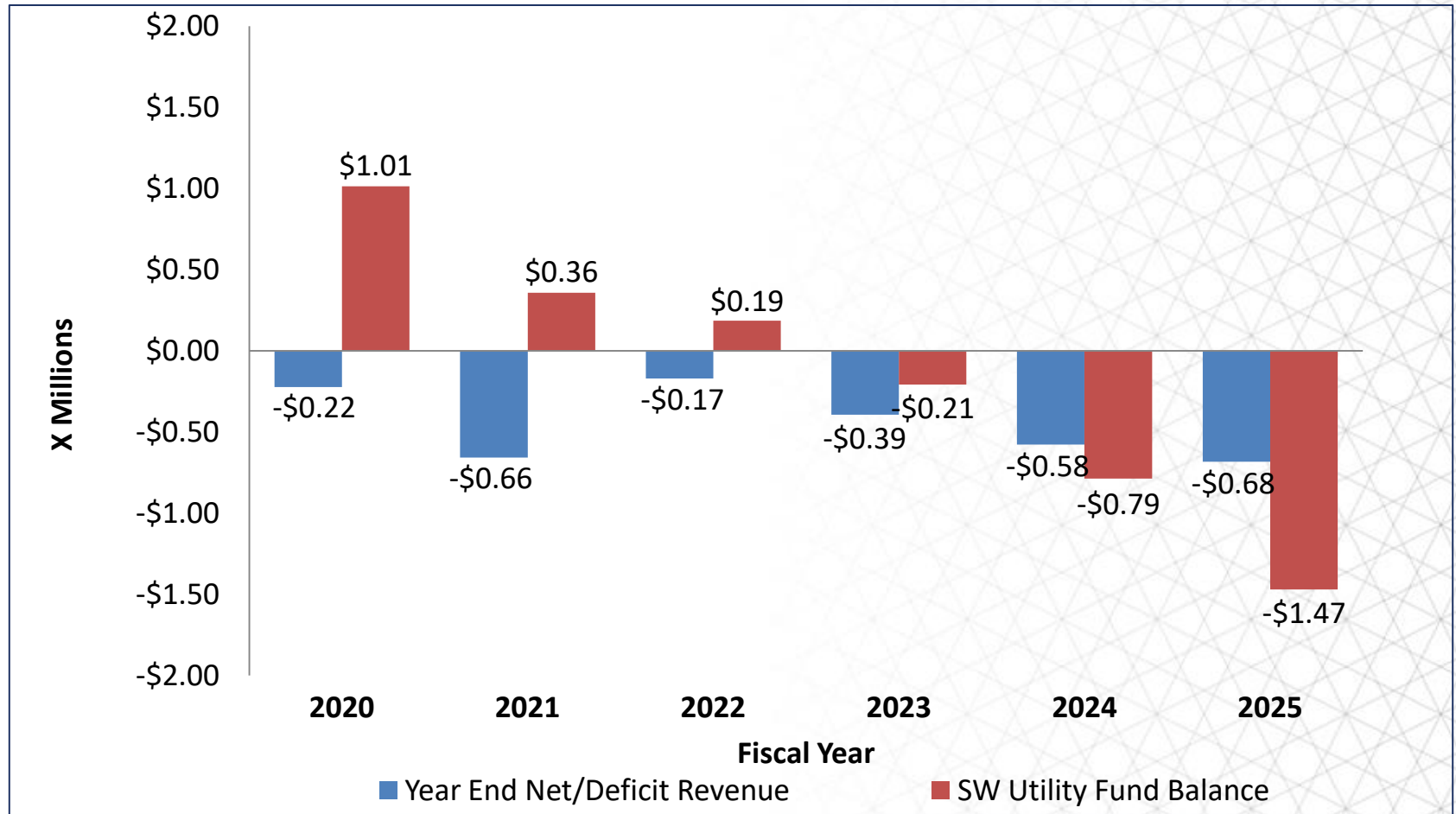
Existing Stormwater Rate Structure

- Most customers invoiced quarterly
- Single-family homes are billed based on a fixed monthly fee tied to parcel size (small, medium, large)
- Non-single-family homes, and single-family homes on parcels over 2 acres, are billed based on monthly fees tied to the number of Impervious Area Units (2,800 ft²) on the parcel.
- Credits are provided for reducing quantity or improving quality of discharge.

Stormwater Utility 2020-2025 Finances with Existing Rates



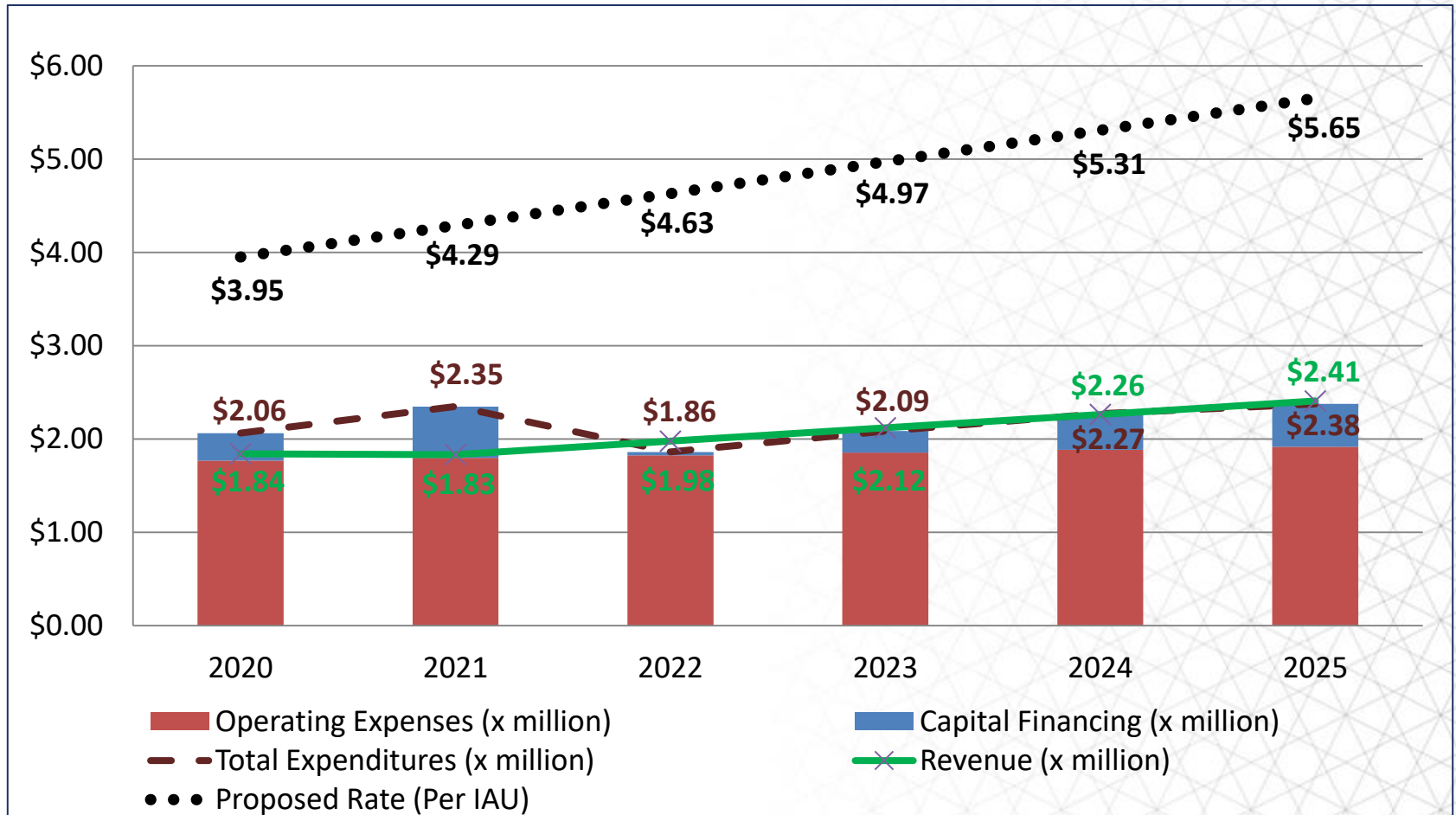
Stormwater Utility 2020-2025 Finances with Existing Rates – Fund Balance



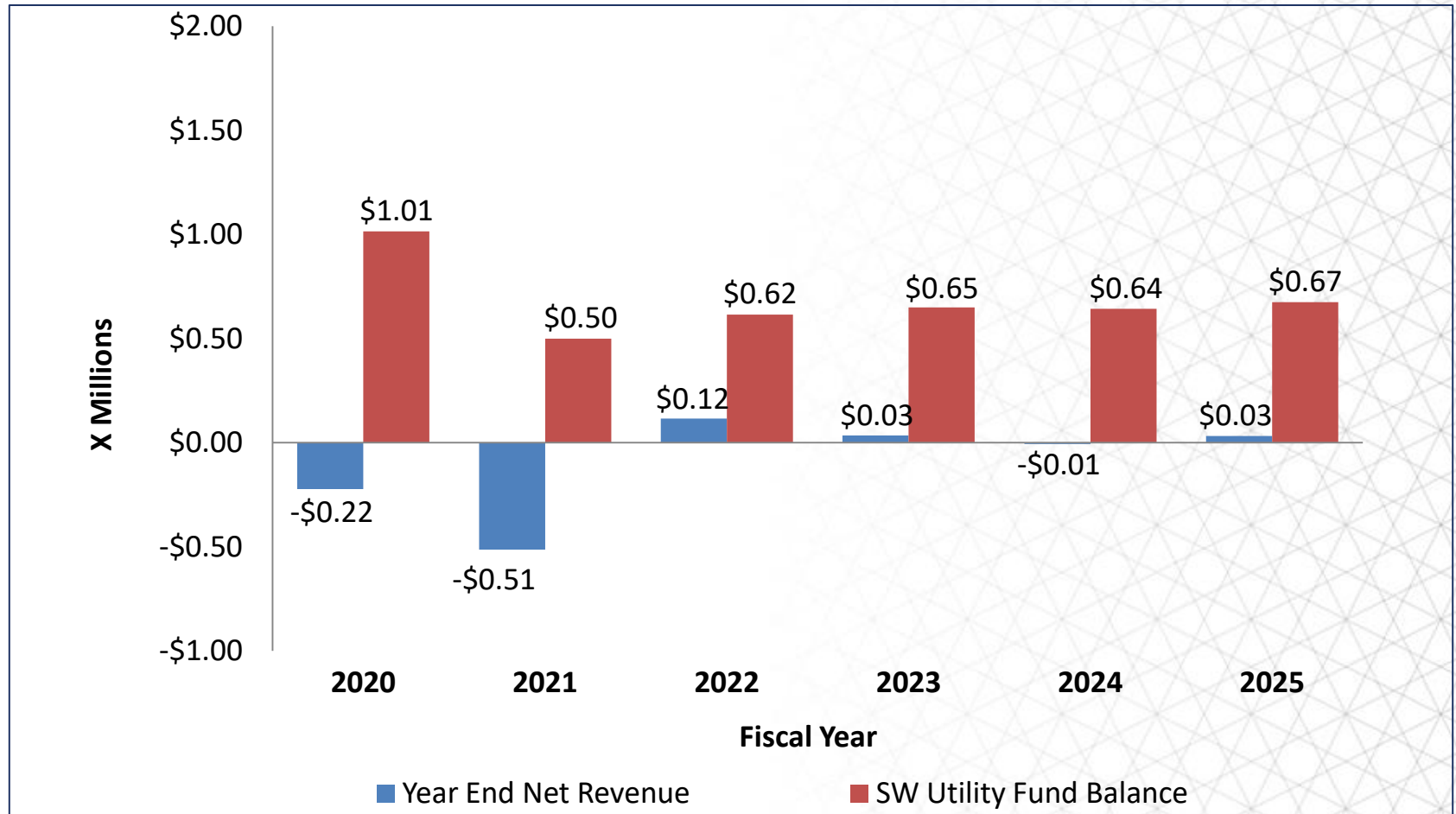
Impacts on Customers – Proposed Rate Schedule

Customer	Rate Structure	Present Rates	2021	2022	2023	2024	2025
Small Single-Family Home	Per Month	\$2.96	\$3.21	\$3.47	\$3.72	\$3.98	\$4.23 \$0.34/yr.
Medium Single-Family Home	Per Month	\$3.95	\$4.29	\$4.63	\$4.97	\$5.31	\$5.65 \$0.34/yr.
Large Single-Family Home	Per Month	\$4.94	\$5.37	\$5.79	\$6.22	\$6.64	\$7.07 \$0.34/yr.
Non-Single-Family Home	Per IAU	\$3.95	\$4.29	\$4.63	\$4.97	\$5.31	\$5.65 \$0.34/yr.

Stormwater Utility 2020-2025 Finances with Proposed Rates



Stormwater Utility 2020-2025 Finances with Proposed Rates – Fund Balance



Summation of Recommendations

- Rates for all three utilities should be increased in Fiscal Years 2021 through 2025. The proposed rates will cover projected operating expenses, debt service, and planned capital projects; maintain the required debt coverage ratio; and maintain or achieve a healthy Utility Fund balance.
- Water and Wastewater: The proposed rate of increase for water/wastewater services is 5.50% and 4.50% respectively per year.
- While the recommended ordinance would include rate schedules for a five-year period, the rates should be reviewed every year and revised as needed based on actual operating results.

Comments & Questions