



June 30, 2015

Hello fellow Village residents:

The Village is taking this opportunity to contact each resident and water & sewer customer to inform them of the recently passed water and sewer rates. This topic is never easy to discuss, but it is necessary. We will give you a little background information so you are better able to understand the needs of the Village.

DR Horton built and dedicated both the water and sewer plants to the Village in 2005 as the new Village started taking shape. Many were waiting for the completion of these facilities, so new residents could move into their homes. The design capacity of the plants far exceeded the relatively few homes at that time. The Village currently has 2,100 water and sewer customers and that number is growing every day. The volume of treated water is also increasing, and as a result, the costs associated with treating that increased water and sewer flows are rising as well. There are numerous water and sewer system components that are showing signs of wear. The most obvious sign of the system aging is the condition of the water tower. The Village is stripping (sandblasting) and recoating (painting) both the inside and outside of the tank with paint specifically designed for water tank use. The project also includes the rental of temporary pressure tanks to help stabilize the water system pressure while the water tower is being painted. The project total is \$520,000 which is anticipated to start in mid-July. This project was originally scheduled to start in June 2014, but the project was delayed for various reasons.

When the housing bust and credit crisis hit in October of 2007, the economy suffered. Many manufacturers and small companies did not survive. Like most government operations, maintenance was curtailed to ease the financial stress on their residents. **The Village has not increased the water and sewer rates since the system was started.** As you can imagine, our cost of operations increased with little extra revenue. This has put the financial health of the water and sewer system in peril. Large expenses like the water tower rehab project and the need to reinvest in equipment that operates twenty-four hours a day, has reached a breaking point. **The need to increase water and sewer rates is no longer avoidable.** Your Village Board did not make this decision lightly.

The discussion regarding water and sewer rates began last fall at the beginning of the annual budgeting process. The Board knew that we had just spent large sums of money rehabilitating both well 1 and well 2. They also realized that the reserve fund for the water and sewer funds was not what they would like it to be. The first draft of the new water and sewer rates were sent to the Board on May 14, 2015. The initially proposed

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rate increase was higher than the one that was passed. The first draft included a larger increase that would have put more money into the reserve fund. The Village Board chose to take a more conservative approach, even though there is some risk associated with that approach. The Village plans to be more proactive in the maintenance of the systems and less reactive. In the meantime, there is some “catching up” to do.

We are commonly asked why sewer rates are higher than water rates. The simple answer; it is much easier to keep water clean than it is to clean it up once it is dirty. In our particular case, we are only softening the fresh or drinking water and making sure it is biologically clean, so the process is less expensive. Fresh water is far less aggressive than wastewater. Wastewater treatment is difficult because the treatment process has to remove all sorts of different solids, chemicals and biologics before sending the water back into the environment. People will flush anything – and Do! We also have to dispose of all of the waste material in an EPA approved way. Not only do we need a permit to return the cleaned water back to the environment, we also need a permit to send the solid waste material to an approved site. Pingree Grove is unique in the fact that the EPA requires us to use our wastewater plant effluent to irrigate turf or planting areas instead of allowing us to discharge to a body of water. This adds significant cost to the disposal process due to all of the additional controls, pumps, piping and sprinkler heads needed for that purpose. The cost of the wastewater laboratory testing alone is more than \$40,000 per year. The equipment used to treat the wastewater is subjected to some of the harshest conditions of any process. Therefore, the life expectancy of the equipment is lower and the replacement costs are high.

There is an entire network of pumps and piping for both the water and sewer system, plus the irrigation system that is also aging and is subject to maintenance. Careless disposal practices by sewer customers can cause significant damage to pumping equipment and plug sewer lines. All of these things add up. I am sure you have seen or read network news stories about how sewer systems are fighting the problem associated with people flushing disposable wipes and diapers.

Maintaining good quality water and sewer service is a must for the future development of the Village and the protection of each of your property values. As a result, the Village Board has adopted the new rate structure, effective July 1 listed on the back of this page.

Thank you for taking the time to familiarize yourself with this information. The Village Board, along with the entire Village staff, are here to help keep the quality of life here in the Village as high as possible and at a reasonable cost.

Respectfully;

Village President and Board of Trustees

Village of Pingree Grove

		Metered	Water Only	Sewer Only	Combined	Combined	2 Mth Bill	%
Rate		1,000 Gal	2 Mth Bill	2 Mth Bill	2 Mth Bill	1 Mth Bill	Per Day	Increase
Current Rate								
\$ 13.88	Water Monthly Customer Charge	0	27.76	39.58	67.34	33.67	1.12	
\$ 2.00	Consumption Charge per 1,000 Gal	2,000	31.76	44.58	76.34	38.17	1.27	
0	Meter Charge	4,000	35.76	49.58	85.34	42.67	1.42	
\$ 19.79	Sewer Monthly Customer Charge	6,000	39.76	54.58	94.34	47.17	1.57	
\$ 2.50	Treatment Charge per 1,000 Gal	8,000	43.76	59.58	103.34	51.67	1.72	
		10,000	47.76	64.58	112.34	56.17	1.87	
New Rates Starting July 1st								
\$ 20.00	Water Monthly Customer Charge	0	50.00	50.00	100.00	50.00	1.67	48.5%
\$ 3.00	Consumption Charge per 1,000 Gal	2,000	56.00	58.00	114.00	57.00	1.90	49.3%
\$ 5.00	Meter Charge	4,000	62.00	66.00	128.00	64.00	2.13	50.0%
\$ 25.00	Sewer Monthly Customer Charge	6,000	68.00	74.00	142.00	71.00	2.37	50.5%
\$ 4.00	Treatment Charge per 1,000 Gal	8,000	74.00	82.00	156.00	78.00	2.60	51.0%
		10,000	80.00	90.00	170.00	85.00	2.83	51.3%
Example: assuming the 2 month meter reading is equal to 6,000								
2 Month Water cost = (Customer Charge * 2)+((Metered water /1000)* Unit Rate)+(Meter Charge * 2) = 20.00 * 2 + ((6000 / 1000) * 3.00) + 5.00 * 2 = 40.00 + 18.00 + 10.00 = \$68.00								
Example: assuming the 2 month meter reading is equal to 6,000								
2 Month Sewer cost = (Customer Charge * 2)+((Metered water /1000)* Unit Rate) = 25.00 * 2 + ((6000 / 1000) * 4.00) = 50.00 + 24.00 = \$74.00								
Total Two Month Bill = 2 Month Water bill + 2 Month Sewer bill = \$68.00 + \$74.00 = \$142.00								

The Meter Charge is new. It covers the cost of metering and sending out the utility bills. The old Administration Charge (\$1.38 per month) has been eliminated and absorbed by the meter charge. You can expect a new looking utility bill in the coming months. Your bill contains sensitive personal information. The new bills will be in envelopes in an effort to prevent identity theft. There will be other protocol enacted by staff that may seem different but is required.

Per the U.S. Geological Survey, each person uses about 80-100 gallons of water per day. The largest household water use is flushing the toilet, showers and baths being second.

When you compare our rate structure with the surrounding communities, please bear in mind every community has a different customer base, source water and treatment requirement. The Village ultimately has to price our service to meet the Village's needs.