

# LONG GROVE 2021-2031 CAPITAL IMPROVEMENT PLAN (CIP)

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### WATER TREATMENT FACILITY & RESULTING WATER RATE INCREASE

#### WHAT ARE THE PROPOSED WATER RATE INCREASES?

CURRENT WATER RATES: Section 92.02 (paragraphs 1-2)

1. Water service shall be furnished at the rate of \$20.75 per month for the first 2,000 gallons, plus \$3.75 for each 1,000 gallons of water used.
2. The minimum monthly charge is \$20.75.

NEW PROPOSED WATER RATES: Section 92.02 (paragraphs 1-2)

1. Effective September 1<sup>st</sup> 2021, water service shall be furnished at the rate of \$32.41 per month for the first 2,000 gallons, plus \$5.83 for each 1,000 gallons of water used. The minimum monthly charge will be \$32.41.
2. Effective July 1<sup>st</sup> 2022, water shall be furnished at the rate of \$44.08 per month for the first 2,000 gallons, plus \$7.92 for each 1,000 gallons of water used. The minimum monthly charge will be \$44.08.

#### HOW WERE THE RATE INCREASES DETERMINED?

These rate increases were determined based upon Northland Securities Financial Advisor review of:

- Our current reserves
- General estimated cost to complete the project
- Future anticipated maintenance costs, and
- To ensure a rate structure that would allow the city to safely pay off the borrowed debt.

Multiple rate studies have been performed over the last five years, and the rates presented were determined by Heidi Kuhl, with Northland Securities, our acting financial advisor. Heidi Kuehl with Northland recommended Long Grove raise rates (these first two steps at a minimum) regardless of whether or not the city installs a treatment facility, but especially if the city want to perform ANY water capital improvements in the next 10 years.

## **HOW WILL THE WATER RATE INCREASE IMPACT ME?**

How will this impact you directly will depend on how much water you use and the rate structure decided upon. Please refer to the **Long Grove Rate Study** and the **Water Rate Analysis Document**. These documents are available online: [www.longgroveia.org](http://www.longgroveia.org) Documents, Capital Improvement Plan, 2021 Documents.

## **HOW MUCH WILL THE RATES INCREASE AFTER THESE FIRST TWO INCREASES?**

How much the rate increases in YEAR THREE depends on if and what type of treatment plant the city decides to install.

- If the city chooses a lower cost treatment option or is able to save any cost on the overall project, the final rate increase would reflect that reduction. These discussion will occur during the preliminary engineering planning phase over the next year and will include water quality studies, laboratory work, and input and desired water quality results sought from Long Grove citizens.
- Additionally, if the water fund rate increases produce more revenue and expenditures are lower than expected, the final rate increase could potentially be lower.

## **IF THE CITY DOESN'T INSTALL A WATER TREATMENT PLANT, COULD WE AVOID THE WATER RATE INCREASE?**

Even if the city does not install a treatment plant in the next three to four years, increases to water rates, as shown in year one and two, need to occur, to maintain the water fund and perform required basic operations and maintenance.

## **WILL SEWER RATES INCREASE TOO?**

Sewer rates would stay the same and not likely see an increase for some time.

## **HOW OFTEN DOES THE CITY INCREASE WATER RATES?**

The last water rate increase was in 2013.

## **HOW DO OUR WATER RATES COMPARE TO OTHER CITIES?**

Water rates are currently very low compared to many other Iowa cities of similar size and situation. After the first two rate increases, the city will fall on the higher medium average range. Comparing water rates to other cities is extremely difficult, as many variables impact each city differently. Long Grove is primarily residential with a limited commercial and industrial tax base. Unless the city residents desire this type of growth, Long Grove residents will continue to see higher residential utility costs.

Unlike **Eldridge**, Long Grove does not have the mere population, anticipated expansion and growth, TIF districts and economic development, or an existing commercial or industrial tax base that helps spread and lower the cost of basic utility maintenance and operations.

Unlike **Park View Sanitary and Water District** also with differences in population and tax base, and quarterly billing, Long Grove maintains three separate utilities (WATER, SEWER, and ELECTRIC) and is additionally responsible for Streets, Trails, Storm Sewer, Parks, Planning & Zoning, and many other aspects that Park View's District does not. This means differences in daily and long-term maintenance and operational costs. Additionally, as Park View plans to address and correct many previously unaddressed water infrastructure issues, rate increases have and will continue to occur for those customers.

If you have a city you think is comparable to Long Grove and has better water rates, Long Grove city staff is able to conduct some research and explain to you why that city's rates are what they are compared to those of Long Grove. In most situations, the comparison is apples to oranges.

### **SHOULD LONG GROVE SELL THE WATER UTILITY?**

In discussion with the city engineer, selling makes sense for certain cities in specific situations, i.e. limited or negative fund balances and few utilities or other funds to help spread basic administrative and operational costs. Selling would also make sense if water rates could potentially decrease.

For Long Grove, selling to Iowa Water would mean a rate increase immediately to a similar rate structure as what is proposed in the first increase. Additionally, Iowa Water has made its intentions known to increase similar to what the council proposes with the second increase. From there, Long Grove residents would have little to no control over Iowa Water rate increases and should expect regular increases controlled by individuals with little to no personal concern for Long Grove residents. Long Grove input would be limited, and the city would likely never be able to buy back its utility in the future.

The City Engineer's recommendation, based on Long Grove's current financial and operational situation, is Long Grove should continue to maintain the water fund to have local control over water quality and rates, in which the water fund shares various operational and maintenance costs with the other utilities and funds. Certain costs are now currently tied into and spread among Water, Sewer, and Electric, and some costs are also shared with the General Fund, Road Fund, means that with fewer funds/utilities, the cost of operating the remaining utilities goes up and thus realistically so should the rates. The alternative is that these remaining funds suffer with fewer opportunities for future capital improvements and infrastructure upgrades due to increased financial burden.

### **IS A WATER TREATMENT PLANT REALLY NECESSARY?**

Long Grove is one of the three remaining Iowa municipalities that do not have some form of water treatment. After having multiple discussions with various governing entities, it is highly likely that because of the Iowa Clean Water Act, the Iowa Department of Natural Resources (IDNR) will require and be pushing remaining cities without treatment to install water treatment facilities.

### **WHAT ARE THE BENEFITS OF HAVING WATER TREATMENT?**

While the water being supplied by the Long Grove's aquifer passes current Iowa DNR testing requirements, there is currently no filtering of iron or any minerals. Because of this, it is highly probable that 99% of more of the homes and business in Long Grove have water filtration and softener systems installed.

If the city installs water treatment the potential benefits would include:

- Guaranteed reduction of rust and smell.

- Reduced household cost for filtration and softener system maintenance, supplies, and potential reduction to general wear and tear to household appliances.
- Adherence to the Iowa DNR requirement to reduce sodium output from our wastewater treatment facility into our watershed from heavy use of household water softeners.
- Avoidance of paying unknown higher construction, material, and interest costs down the road, if and when the DNR requires the city to install water treatment.

## WATER TREATMENT & 1ST STREET (DOWNTOWN) REVITALIZATION

### WHAT WILL BE REQUIRED TO INSTALL A WATER TREATMENT PLANT?

To install a water treatment plant, a raw water main line will have to be placed between the two city water wells, from Shultz Park along Eastwood and Grove Road, up 1<sup>st</sup> St. to the water tower. At this time, the road and likely right of ways will need to be torn up.

### WHAT ADDITIONAL PROJECTS ARE IMPACTED BY THE WATER TREATMENT PLANT CONSTRUCTION?

Many previous years' Capital Improvement Plans (CIP) have included placing the remaining electrical lines underground along 1<sup>st</sup> Street. In response to citizen surveys and previous year's connectivity and pedestrian safety assessments, the city has obtained a \$438,000 grant to place a trail along 1<sup>st</sup> St. helping cover some of the cost of the overall projects combined.

As the city plans to install the water main line, it also plans to:

- Upgrade the water mains along 1<sup>st</sup> St.
- Upgrade the pavement, place curb, gutter, & storm sewer
- Street Scape, period lighting, beautification
- Televising and lining the sanitary sewer to prolong the life of the sewer mains

### WHAT IS THE ADVANTAGE OF DOING MULTIPLE PROJECTS AT ONCE?

Planning all of these projects together in the first phase of the CIP – the 1<sup>st</sup> St renovations, the raw water main line, and treatment plant – will save the city thousands of dollars, if not hundreds of thousands of dollars, in the cost of rework. Realistically, it would NOT be a good use of city resources to complete these two projects separately at different times. If the city is going to install a water treatment plant, it would be extremely beneficial to make the improvements to our underlying infrastructure and the 1<sup>st</sup> St Corridor at the same time.

### HOW WILL ALL OF THESE PROJECTS BE FUNDED?

Due to the city's current general obligation (GO) debt capacity, the city is limited as to what it can borrow and what it can spend and accomplish until approximately 2027/2028. Long Grove's Capital Improvement Plan FY21-31 (CIP) includes borrowing more money in FYs 2027/2028 after the city's General Obligation Debt for the formerly installed wastewater treatment plant has fallen off, allowing the city to borrow more.

With discussion from Heidi Kuhl, Northland Securities, our financial advisor, the city will be able to spend and contribute approximately \$1.8 million from our current various fund reserves.

### HOW WILL THESE PROJECTS AFFECT MY PROPERTY TAXES?

After a year's worth of planning and discussion, the Council has voted to not raise tax rates, pushing some improvements back in time frame. However, the city should still be able accomplish Phase (1) 1<sup>st</sup> Street Renovations and Downtown Revitalizations, Water Treatment & Connectivity Goals. The city will also continue to pursue funding for a smaller portion of the Phase 2 street and infrastructure projects in 2027/2028 through bonding and grants.

The city plans to fund approximately \$4,870,000 of the total CIP and would include a 20 year \$1,760,000 bond issue in 2022 and 15 year \$1,215,000 bond issue in 2026. For more specific information on what goals for improvement the city has set over the next ten years please refer to the approved **Capital Improvement Plan FY21-31**.

## **COULD THESE COSTS CHANGE OVER TIME?**

In all scenarios, many variables could change between now and 2027/2028. For example, if the city experiences an increase in housing and valuations over the next six years, (as we have historically seen an increase of a 6% average) there is the potential to borrow more and or use more city reserves. Whereas, if valuations decrease or the city loses population and business, we might become more limited in our capacity to borrow and accomplish the CIP goals. The CIP is and will continue to be a working draft that will likely require adjustments over the next 10 years as variables that impact the city change and evolve.

Interest rates are at historical lows, meaning the city is able to borrow with the least amount of negative impact at this time. This could change between now and 2027/2028 when the city looks to borrow again. Additionally, the cost of infrastructure material and supplies has only gone up and will continue to increase over the years. Meaning, the longer the city waits to accomplish these goals, the more it will likely cost.

## **IS IT POSSIBLE TO DECREASE THE FINANCIAL IMPACT ON PROPERTY OWNERS?**

Reasonable city growth in all scenarios will help increase valuation and ultimately lower the overall impact to each individual property owner. An example of this is when the city first borrowed for the wastewater treatment plant in 2009.

- In 2010, the city estimated population was 597, the sewer treatment plan debt service levy was 3.05854, with a total of a 11.16 tax levy.
- Eleven years later, in 2021, the estimate Long Grove population was 998, the sewer treatment plant debt service levy was 1.59, with a total tax levy of 9.79.

If the city would have levied all of the water treatment plant cost in the debt service levy it would have likely been double the tax rate, same if the city would have placed all of the debt within the sewer rates, the sewer rates would likely have been double the increase.

## **ARE THERE OTHER POTENTIAL BENEFITS TO THE CIP?**

In addition to the obvious infrastructure improvements listed on the CIP, the city could see other community benefits. The CIP aims to address issues of traffic safety and overall community connectivity by allowing multi-modal access to the Long Grove/Eldridge Recreational Path, Alan Shepard Elementary, North Prairie Ball Diamonds, Post Office, City Hall, Grove Tap, and the residential and commercial downtown through the extension of the recreation trails along key focal points identified in multiple studies performed in past years.

The city could likely see positive economic impact through the various improvements proposed by the CIP by increasing community access, aesthetics, and water quality, ultimately attracting residents and small business to take part and pride in the city and enhancing interest and investment in the Long Grove downtown area.