

## Questions and Answers

### A) Why are the rates being raised now?

The water improvement project is nearing completion, at which time, the Department of Environmental Quality (DEQ) who carries the loan, will require the City to begin making bond payments.

### B) How were these rates determined?

The methodology used to determine the rates is as follows:

- 1) Bond repayment must occur, so monthly income was calculated to ensure payments are made.
- 2) A 5% bond reserve must be kept per lender (DEQ) requirements. This was also calculated.
- 3) Budget for 2010-2011 detailed annual operating expenses, as proposed, to City Council.
- 4) Divide the bond repayment amount by the total number of connections in the City to determine bond portion of monthly bill.
- 5) Use monthly total income needed, minus bond repayment and reserve to calculate residential and commercial income needed.
- 6) Evaluate land usage and use general guidelines for water consumption based on operation and maintenance costs.
  - a) R1/R1A/Other zones = standard dwelling unit
  - b) RP/RPA/RE = twice the acreage = twice the water use
  - c) Apartments = 1/2 the landscaping = 1/2 the water use as R1
  - d) Based on initial water data, the water usage for large lots is much higher than small lots.

The City of Ammon will continue to track usage in general areas, but cannot yet meter everywhere.
- 7) Determine approximate commercial usage in the City vs. Residential.
- 8) Use in commercial trades "over 5000 sq. ft." size and "under 5000 sq. ft." size as breakpoints on charges with "over 5000 sq. ft." being billed at twice the rate as "under 5000 sq. ft.".
- 9) Balance the revenue needed and the revenue generated by adjusting monthly charges accordingly.

### C) What is the difference between an apartment and a townhome?

Townhomes are located in residential single-family zones, whereas apartments are located in residential multi-family zones. Townhomes have privately owned front and rear yards, whereas, multi-family have a shared common area. An apartment has one service line that separates into three or more units, whereas a townhome, has one service line going into the home directly.

D) How much does it cost to pump water?

The various sites around town range from about \$0.10 per thousand gallons to \$0.30 per thousand. This is the cost of electricity only, and does not include all labor, equipment, and other expenses.

E) Why don't the large lots up on the hill pay more?

Under the proposed plan, they will pay more than other zoned lots.

F) How much water does the City use?

The City pumped 175 million gallons of water in June of 2010.

A chart has been created showing the last 18 months of water usage, showing a winter average of 45 million gallons per month, with a summer average of 165 million gallons per month and a peak of 285 million gallons in August of 2009.

G) What happened to the information that was handed out in January of 2007

The rate increases, as proposed, did not happen. If they had happened, the City would have generated almost 1 million dollars in reserve, and could have been in a better situation today.

H) What other options does the City have?

1) Default on DEQ bond.

Not really an option at all.

2) Pay the bond, and not do any maintenance on the system.

Not really an option that can be supported.

3) Pay the bond, maintain the system, prepare for future.

Proposed option.

4) Use reserves to decrease monthly costs.

The ability to use reserves to pay down the bond has been looked at. In general terms, using 1 million in reserves would reduce the overall bill charges by \$1.30 per customer per month. This is a small decrease for a substantial hit to the ability of the City to deal with emergency repairs and updates to pipes, equipment, and pumps.