2012 Water Bond Referendum
Frequently Asked Questions

1. **Why is this project necessary?**
   The Water Main Improvement Program was developed to help fix a 90 year old water system. Over the last eight years, the Village has made several improvements to its water system including replacement of customers' water meters, a large meter testing and replacement program, automating the pumping of the water system, and adding a water main on the west end of town to improve pressure and fire flow. The next step is to replace old, deteriorated mains.

   The mains installed post World War II are not high quality mains, and have aged to the point of being prone to breaks and leaks. Currently, the Village is losing 1 of every 3 gallons purchased. This project has been developed to replace the worst water mains in the Village system based upon frequency of water main breaks, fire flow improvements, condition of water main, age of main, and backyard easement locations.

   The goals of this program include reducing water loss due to leaks, increasing water flow to fight fires and improving our ability to access and service water mains.

2. **With all these leaks is the water safe right now?**
   The Village water is safe and meets Illinois Environmental Protection Agency regulatory standards.

3. **How much will the project cost?**
   The project will cost $7.28 million with construction spread out over eight years.

4. **What is the timeline for the project?**
   The project has been designed with three phases over eight years, the first phase beginning in year one, and the second and third phases beginning in years four and five, respectively.

5. **What streets are impacted by this project?**
   Check out the Village website (www.flossmoor.org) to view a project map. The streets impacted by this project include Arquilla Lane, Beech Street, Berry Lane, Bob-o-Link Road, Brassie Avenue, Bunker Avenue, Collett Lane, Cummings Lane, Dundee Avenue, Elm Court, Embassy Row, Emelia Court, First Private Road, Flossmoor Road, Gardner Road, Golfview Lane, Hawthorne Lane, Hutchison Road, Imperial Court, Link Court, Markey Lane, Marston Lane, Mast Court, Perth Avenue, Pinehurst Lane, Princeton Road, Robertson Lane, Second Private Road, Strieff Lane, Travers Lane, Thomas Court, Tina Lane, Vollmer Road.

6. **How does the Village want to pay for it?**
   The least expensive way to pay for the project is through general obligation bonds which must be approved by referendum. The referendum will ask voters to pay for these improvements through bonds which will be repaid with property taxes. Property taxes are income tax deductible. In

addition to being more expensive, other methods of financing this project are generally not income tax deductible. The Village does not have enough savings to pay for this project without having to use debt.

7. How much will my tax bill increase if this referendum passes?

TOTAL TAX BILL	ESTIMATED TAX BILL INCREASE
$7,500	$98
$12,500	$162
$20,000	$260

8. What is the referendum question?

Shall the Village of Flossmoor, Cook County, Illinois, undertake the following capital improvements in and for the Village: water system improvements to the existing water system of the Village, including, primarily, water main replacements at various locations throughout the Village, and issue its general obligation bonds in the amount of $7,280,000 for the purpose of paying the costs thereof, said bonds bearing interest at not to exceed the rate of 9.00% per annum?	

9. Is this a public safety hazard?

Fire flow is a term that is used to describe the amount of water flow needed to fight fires. First, when some of our original water main was installed, the size of the water main was common for the time period. Since then, the Village has seen more development and although this main adequately supports normal day-to-day water consumption, it doesn't meet the desired fire flow needed for some of the types and sizes of the buildings that have since been constructed. Today, the smallest water main that would be installed as part of the distribution system is 8 inch. For reference, some of the older parts of the community have 4 inch water mains.

Next, many of the furnishings in our homes and businesses today are synthetic (plastic, polyester, etc.) which when burned requires a greater water flow to extinguish compared to the natural fiber (cotton, wool, etc.) furnishings that existed when our water main was engineered and installed.

Finally, as water moves through the water system many of the minerals found in water begin to deposit and build-up against the inner wall of the water main. Over time, this reduces the inside diameter of the main. For example, a 4 inch water main installed in the 1930's may only have an inside diameter of 3.5 inches today, thus reducing water flow to fight fires.

10. If the Village isn't billing 1/3 of the water purchased, where is it going, and could we reach a point where there will be no water?

The Village will not run out of water. The Village only pumps what is needed to meet customer demand. Due in large part to leaks and breaks, the Village is losing more than 1 of every 3 gallons purchased. One goal of this project is to improve the water loss ratio to 1 gallon of every 5 gallons purchased. Based upon last year's consumption, achieving this goal would result in the purchase of about 97 million gallons less water, which represents approximately $322,000 in water supply cost savings.

11. How many leaks does the Village have a year and how much do they cost?

The average gallons lost on a water main break can range from 200,000 to 750,000. The Village experiences about 25 breaks a year costing $100,000 annually.

12. Will the water system be fixed after this project?

Additional, but less critical, main replacement will need to be done after this 8-year project. The specifics of the next project will be developed closer in time to when the project will be completed using the most recent water system performance data available. The Village's current focus is on this three phase 8-year project.

For additional work beyond this 8-year project, the Village continues to seek appropriate grants and low interest loans for additional water main improvements. Grants for this type of work have been difficult to find, and the competition for low interest loans is fierce. However, the Village is committed to assessing all viable, cost-effective financing options.

13. What happens if the November 6, 2012 referendum does not pass?

If the referendum does not pass, the Village Board must pursue other more expensive ways to pay for this project which will affect the water bill. Options discussed so far include alternate revenue bonds, revenue bonds, special service areas and special assessments. The Village Board has committed to the project, and their goal is to choose the least expensive financing mechanism to pay for the improvements. General obligation bonds are the least expensive option.

14. If the referendum does not pass, what are other options to finance this project?

General obligation bonds are the least expensive way to finance this project. The next choice to finance this project is alternate revenue bonds. Alternate revenue bonds are repaid using water rates as a funding source. Because water revenues are dependent on usage and not necessarily consistent revenue, these types of bonds require the Village to pledge more money than what is needed to repay the debt in order to guarantee that the monies will be available for repayment. These bonds are also backed by property taxes as a backup repayment source. The estimated annual impact on an average water bill would be approximately $209 per year.

A similar, yet different bond is a revenue bond. Following alternate revenue bonds, revenue bonds are the next choice to finance this project. Revenue bonds also use water revenue to repay the

debt, but the pledge guarantees are a little different, and additional borrowing is necessary to establish required reserves. In this case, the estimated impact on an average water bill would be approximately $229 annually. Neither of these financing options are income tax deductible.

Property Tax Bill		Water Bill[1]	
Total Tax Bill	Estimated Annual Tax Bill Increase	Average Gallons Used	Estimated Annual Water Bill Impact
$7,500	$98	25,000[2]	$209-$229
$12,500	$162	35,000[3]	$293-$327
$20,000	$260	50,000[4]	$418-$458

[1]For purposes of this chart, the estimated annual impact on the water bill reflects alternate revenue bonds and revenue bonds

[2]Based upon quarterly usage which equates to an estimated total utility bill of $311/quarter

[3] Based upon quarterly usage which equates to an estimated total utility bill of $425/quarter

[4] Based upon quarterly usage which equates to an estimated total utility bill of $595/quarter

15. What is the difference between an alternate revenue bond and a revenue bond?

Alternate revenue bonds and revenue bonds are similar in that they both use designated revenue, in this case water rates, to repay the debt. They both also require a pledge amount greater than the debt because unlike property taxes, water revenues are not as reliable since they are dependent upon usage. Although both alternate revenue and revenue bonds are more expensive than general obligation bonds, alternate revenue bonds are slightly less expensive than revenue bonds because the community also pledges property taxes to repay the debt in the event that water revenues do not cover the debt. Water revenue bonds also require the establishment of additional reserves which in turn increases the water bill.

16. Why isn't a special assessment or special service area being pursued?

Special assessments and special services are used when the benefit of the project is direct to a compact and contiguous area. In this case, while the water mains are located in proximity to one's home, the benefit of the improvement is to a widespread area. Further, all of the water system's customers are paying for the water loss, so all of the customers should pay for the improvements. Additionally, the legal and administrative costs in establishing multiple special assessment or special service area districts (even if they could be legally defined) are cost prohibitive when comparing this financing method to other financing methods, such as general obligation bonds. Finally, the

borrowing costs and interest rates associated with these financing methods are significantly higher than other methods described above.

17. **Why does the referendum question point out a 9% interest rate when the Village's bond rating is so good?**

    A 9% interest rate is the maximum permitted by law. It is legally required that the maximum possible interest rate for the project be included in the referendum question. The Village is confident that with our bond rating and the state of the current economy, we can obtain an interest rate far less than 9%. However, the Village plans to issue this debt in three issuances (known as a series) over 8 years. Because the second and third issuance will not be until years four and five of the project, it is necessary to disclose the highest interest rate that is permitted by law. Given the historically low market interest rates and the Village's strong rating, borrowing is cheaper than it has been in recent history and now is an excellent time to go to the bond market.

18. **I see there are already special charges on my water bill. How does this project fit in?**

    In addition to the quarterly water and sewer charges which are calculated based on a resident's usage, there are two special charges. Over the last fifteen years, the Village has completed three phases of sanitary sewer improvements utilizing low interest loans. There is a $27 charge on the quarterly water bill to repay that debt. Further, the Village has established a stormwater utility fee of $1.50/1,000 gallons which is on your water bill. The stormwater utility fee was established to help offset stormwater management expenses. Before this fee, stormwater management expenses were funded with general fund monies, often "competing" with other Village services. The establishment of this fee creates a direct user based funding source for stormwater management expenses such as street sweeping, catch basin cleaning, storm sewer repairs, and stormwater mandates required by the Illinois Environmental Protection Agency's NPDES program.

19. **The Village just passed a storm water utility fee. Why can't the Village just use that money?**

    The Village is permitted to assess property owners a storm water utility fee for storm water management purposes. That money has been designated in a separate fund to pay for storm water management improvements, and it cannot be used for other purposes.

20. **Doesn't the Village have reserves (savings) to pay for the water main replacement?**

    As of April 30, 2012, the Village has $947,823 in the Water Sewer Fund fund balance. Of that amount $911,000 is set aside as a reserve for emergencies. Considering the remaining amount of fund balance, the reserves in the water fund are not sufficient for such a large capital improvement.

21. **I've heard there are areas of the Village where the water mains are in the backyards. How do I know if that affects me?**

    Older sections of the community have backyard water mains. Of those areas, the following streets with backyard water mains included in this project are Brassie Avenue, Collett Lane, Cummings Lane, Dundee Avenue, First Private Road, Gardner Road, Hutchison Road, Marston Lane, Perth Avenue, Second Private Road and Travers Lane.

When these water mains are replaced, the backyard water mains will be abandoned, left in place, and new water main will be installed in the street. Service lines to the homes will be turned around to the front of the house as part of this project. The Village will work directly with these affected homeowners to coordinate this work.

Changing service lines to the front of the home will take some coordination with the homeowner. Homeowners will need to decide whether to change their internal plumbing so that the service line comes into the front of the house or whether to leave it at the back of the house with a service line that wraps outside and around the house to the new front main. The cost of new service lines (outside work) will be included in this project; however, should a resident decide to change the service line to enter the front of their house, that inside work will be the responsibility and expense of the homeowner.

The Village water service policy will remain the same after the project is complete. The homeowner will still be responsible for owning the water service from the new shut off box to the home. The Village will continue to be responsible for the connection from the water main to the shut off box. During this project, it may be beneficial for the resident to consider modifying their internal plumbing so the water service comes out at the front of the home. The Village's Public Works Department will coordinate this with individual homeowners during the Water System Improvement Project.

Like other areas impacted by this project, homeowners will be inconvenienced by construction on their street and are expected to be without water for a couple of hours at the time that the new water main goes live. The Village will communicate the expectations of the project with residents ahead of time and provide advance notice when water is shut off.

22. I heard this project was developed based on a study from 2004. Why did it take so long for the Village to follow up?

Over the last fifteen years, the Village has developed multi-phase improvement plans for almost all of its infrastructure. We have completed three phases of sanitary sewer rehabilitation and two phases of storm sewer rehabilitation. Amongst that work, the Village has acted on several recommendations from the 2004 water study. Those recommendations have included replacement of customers' water meters, a large meter testing and replacement program, automating the pumping of the water system, and adding new water main on the west end of town to improve pressure and fire flow. The new water main was a substantial infrastructure improvement because it resulted in improved pump and energy efficiency. The Village has been making improvements to the water system pursuant to the 2004 water study, and the next step is to replace old, deteriorated mains.

23. How much of my tax bill goes to the Village?

Currently, only 15% of your property taxes goes to the Village of Flossmoor. Approximately, 2/3 of your bill goes to the school districts and the remaining 18% goes to other taxing agencies shown on your tax bill.

24. What has the Village done to decrease my taxes?

The community should feel confident that their local tax dollars are well managed, and the Village Board is appropriately responding to observed financial trends. In fact, the Village's sound financial practices and policies have been praised by Standard & Poor's (S&P), a bond rating agency. In 2009, S&P upgraded the Village's bond rating from AA to AA+, with "strong financial operations" cited as one of the four major strengths of the Village. Without a doubt, to receive an upgrade to the AA+ rating during the many financial and economic challenges in the last few years is an incredible achievement for the Village and its residents.

Furthermore, the AA+ rating has a direct financial impact on the Village and its taxpayers. Specifically, the Village's bond rating upgrade itself accounted for nearly $80,000 of the $265,000 savings associated with the 2009 Advance G.O. Refunding Bond Issue. These savings do not impact the Village budget, but rather, positively impact property tax payers and are reflected in tax bills.

Tax payers will directly benefit from a competitive interest rate on the debt when selling these general obligation bonds for water main replacement because of the Village's excellent bond rating.

Earlier this year, the Village pursued municipal electrical aggregation to bulk purchase electricity for its residents, which has resulted in residents in the electric program receiving a 42% reduction in supply costs. While this cost does not have a direct impact on a resident's tax bill, it does impact your monthly expenses. Based on electric load data, it is anticipated that single-family households in the electric aggregation program should see an annual approximate savings of about $460.00. There is no direct benefit to the Village of Flossmoor, and it is a service we have added for residents' benefit without adding staff.

25. I already pay high taxes. Why should I pay more to the Village?

The Village recognizes that resident tax bills are high. All of us pay to receive top quality services from the Village, schools and other taxing agencies. As described above, the Village has taken fiscal management very seriously, and with regard to this project, the Village has weighed all of its options to pay for this important and necessary infrastructure improvement. The Village has always placed emphasis on its core services – police, fire and public works – and this project is important to the quality of our infrastructure. The question is how to pay for it. The Village Board has weighed the options on how best to pay for it and identified that general obligation bonds are the least expensive method. If the voters decide not to pay for the project through general obligations bonds that are repaid with property taxes, we must pursue another way besides property taxes to pay for this project. Each of the other methods are more expensive, as pointed out above.