

**How much will the project cost?**

The Village is evaluating potential options for constructing a water plant, rehabilitating the existing plant, or purchasing water from another community, and no decision has been made. Therefore, we do not know the total project cost. However, Strand Associates provided preliminary engineering estimates (called the opinion of probably construction costs) for several options in their report. These are estimates only, and are in the very preliminary stage. Actual project costs will depend on the option the Village selects, and the scope of the project.

**Does the current water plant break even or does it make money?**

As a governmental utility, the Village's water enterprise is intended to generate revenues necessary to cover approved costs and not generate a profit. The current rates charged provide adequate resources for the current operation of the water plant and for operating capital replacement (equipment, materials, etc.). The current rates do not adequately provide sufficient capital reserve for the ultimate replacement of the Village's water plant, water tower or for substantial water main replacement. With stable rates, and predictable operating expenditures, any annual gains and losses are due primarily to fluctuation in the consumption of water.

**When will the Village know the difference in cost between producing water and purchasing water?**

Data collection and analysis is currently in progress, and we have not completed this phase yet, though we expect to have more information later in 2016. There are many factors that will need to be analyzed for the comparison on the cost difference between producing water and purchasing water from another supplier.

**Will the project be financed by tax dollars or do we need to go to referendum for a bond?**

We are in the preliminary stages of evaluating the Village's long-term needs including and how future improvements might be financed.

**What are the complete annual costs for operating Glencoe's existing water plant including pro-rated extended personnel costs, like health care and retirement, as well as operational inputs like electricity and chemicals?**

The total annual operating cost for the Village's water production operation for the recently completed fiscal year 2015, which includes personnel and benefits, services and commodities, is \$930,793 (this excludes any capital expenses and depreciation). This also does not include any costs to operate the Village's water distribution network, which delivers drinking water from the water plant to residents' homes. The total annual operating cost for water distribution division is \$933,591 (also excluding capital expenses); making the total annual operating cost for the Village to produce and deliver water \$1,864,384.

**Will there be a time when a prior bond issue is paid off that this project replaces?**

We have not gotten to a place where we have a clear understanding of the project's financing. If a plant was constructed, it could be up to 10 years from now. The Village has some debt that will be retired in approximately 12 years. As we complete a financial analysis, we will evaluate other financing options besides issuing debt, such as low interest loans from the federal government.

**Is the graph on page 44 of the Strand report PowerPoint presentation presented at the March 19, 2015 Village Board meeting meant to indicate that costs will go down over time as debt is retired?**

The graph is not intended to show that the overall costs of operating the water plant are reduced over time. It is intended to show that only the debt cost for both options is eliminated at a point in the future. The graph (page 6-5 of the Strand Report) is intended to provide a general comparison of the cost to purchase water from Highland Park at its current wholesale rate to the annual cost for the Village to staff, operate and maintain a new water plant on the lakefront. In addition, the debt costs for the capital improvements required for the Highland Park connection to Glencoe (\$11.7 million) and a new water plant in Glencoe (\$51.6 million) is included. In this example, the debt for the Highland Park connection is financed over 25 years and the debt for the new water plant in Glencoe is financed over 30 years. The annual costs for both options in the analysis still increase (both include a 3% annual escalator), but as the graph indicates, as the debt drops off the cost difference between each option continues to increase and separate. This is similar to the many costs of owning a home – a mortgage, utilities, taxes, etc. Once a mortgage is paid off, the debt payment is eliminated, but the other costs of operating the home remain, and generally increase over time.