

# **Village of Carol Stream**

## **Special Meeting of the Village Board**

### ***FY 16/17 PROPOSED WATER AND SEWER FUND BUDGET***

Gregory J. Bielawski Municipal Center  
500 N. Gary Avenue, Carol Stream, IL 60188

**March 7, 2016**  
**6:00 p.m. – 7:12 p.m.**

### **Meeting Notes**

#### **ATTENDANCE:**

**Mayor Frank Saverino, Sr.**  
**Trustee Dave Hennessey**  
**Trustee John LaRocca**  
**Trustee Rick Gieser**  
**Trustee Mary Frusolone**  
**Trustee Greg Schwarze**  
**Trustee Matt McCarthy**  
**Village Clerk Laura Czarnecki**

**Joseph E. Breinig, Village Manager**  
**Bob Mellor, Assistant Village Manager**  
**Chris Oakley, Asst. to the Village Manager**  
**Jon Batek, Finance Director**  
**Jim Knudsen, Director of Engineering**  
**Marc Talavera, Information Systems Dir.**  
**Ed Sailer, Police Chief**  
**Don Bastian, Community Dev. Dir.**  
**Caryl Rebholz, Employee Relations Dir.**  
**Phil Modaff, Public Works Director**  
**Ron Roehn, Supt. of Operations**  
**Tia Messino, Management Analyst**  
**John Jungers, Deputy Police Chief**

The meeting was called to order at 6:00 p.m. by Mayor Frank Saverino, Sr. and the roll call read by Village Clerk Laura Czarnecki. The result of the roll call vote was as follows:

Present: Mayor Saverino, Sr., Trustees Hennessey, LaRocca, Gieser, Frusolone, Schwarze and McCarthy

Absent:

#### **FY 16/17 Proposed Water and Sewer Fund Budget**

Finance Director Jon Batek presented the proposed Fiscal Year 2016-17 water and sewer fund budget as follows:

#### **Water & Sewer Fund FY 16/17**

- Focus is different than General Governmental Funds.
- Enterprise Operation. Cost of providing service is covered by rates charged to users of the Water and Sanitary Sewer systems. 95% of all revenues come directly from water/sewer rates.

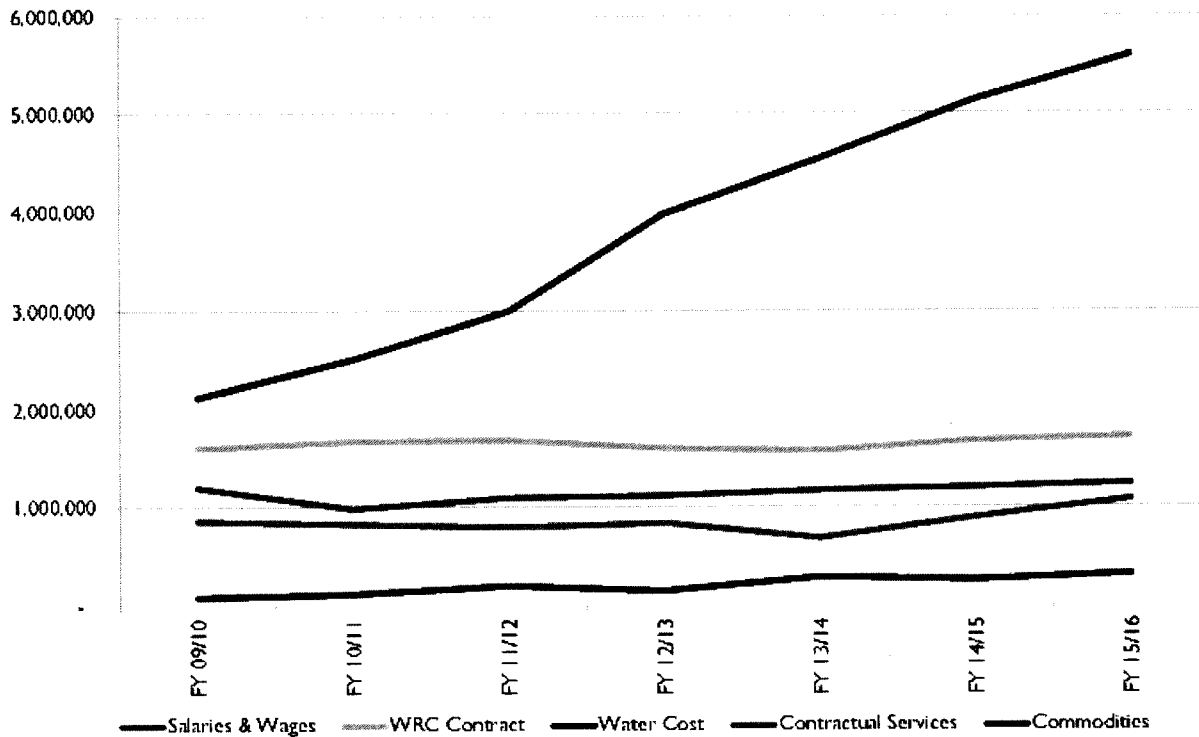
- Funding used exclusively for Water/Sewer operating and capital costs (no subsidies from General Fund or other funds).
  - Rates must be set to cover day to day system operating expenses as well as provide for current and future capital replacements and rehabilitations.
1. We will review the past and present financial condition of the Water/Sewer Fund as well as the forecasted financial plan to meet the needs of the system into the future.
  2. We will show the impact of rate changes on operating expenditures as well as capital funding.
  3. We will make a recommendation for water/sewer rates beginning May 1, 2016 as well as solicit Village Board feedback on rate preferences.

**Water & Sewer Fund – Last 7 Years**

	Actual FY 09/10	Actual FY 10/11	Actual FY 11/12	Actual FY 12/13	Actual FY 13/14	Actual FY 14/15	Estimated Expenditures FY 15/16
<b>REVENUES</b>	<b>\$ 6,939,047</b>	<b>\$ 7,291,266</b>	<b>\$ 7,748,651</b>	<b>\$ 8,690,844</b>	<b>\$ 9,015,335</b>	<b>\$ 9,219,611</b>	<b>\$ 10,309,000</b>
<b>EXPENSES</b>							
<b>Operating Expenses</b>							
Salaries & Wages	1,198,060	979,795	1,098,178	1,115,386	1,168,424	1,207,404	1,245,533
WRC Contract	1,609,250	1,680,437	1,695,319	1,611,365	1,577,508	1,685,394	1,721,000
DuPage Water Commission	2,130,981	2,514,806	3,004,075	3,981,936	4,530,823	5,136,462	5,600,000
Contractual Services	861,417	826,042	793,614	841,426	678,830	892,033	1,079,866
Commodities	89,259	117,155	200,923	145,628	282,739	253,037	318,999
<b>Total Operating Expenses</b>	<b>5,888,967</b>	<b>6,118,235</b>	<b>6,792,109</b>	<b>7,695,741</b>	<b>8,238,324</b>	<b>9,174,330</b>	<b>9,965,398</b>
<b>Total Operating – Debt</b>	<b>6,317,617</b>	<b>6,559,636</b>	<b>7,233,510</b>	<b>8,137,142</b>	<b>8,728,769</b>	<b>9,663,794</b>	<b>10,453,881</b>
Remainder Available for Capital Program	621,430	731,630	515,141	553,702	286,566	(444,183)	(144,881)
<b>Capital Expenditures*</b>	<b>347,520</b>	<b>421,261</b>	<b>1,428,603</b>	<b>1,662,163</b>	<b>600,731</b>	<b>1,392,174</b>	<b>1,062,001</b>
<b>Change in Fund Position*</b>	<b>273,910</b>	<b>310,369</b>	<b>(913,462)</b>	<b>(1,108,461)</b>	<b>(314,165)</b>	<b>(1,236,357)</b>	<b>(1,206,882)</b>

\*Exclusive of Depreciation

## Water & Sewer Fund Historical Expenses

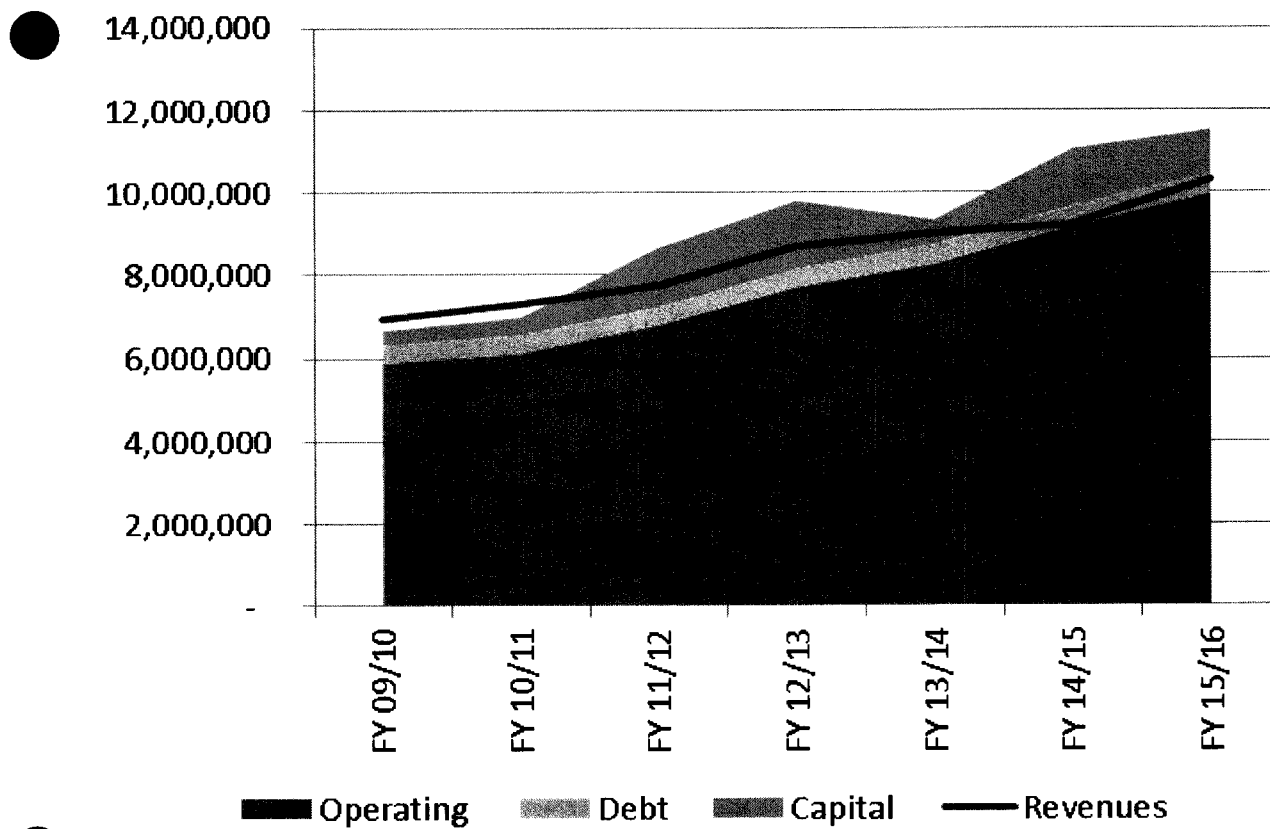


### 6 Year Change in Major Operating Expense Components

- Salaries & Wages 4%
- WRC Operating Contract 7%
- DuPage Water Commission 163%
  - 7 Consecutive Years of City of Chicago Double Digit Rate Increases
  - Water Cost is more than 2 ½ times (FY09/10 to FY15/16)
  - Has grown from 36% of total operating expenses to 56%
- Contractual Services 25%
- Commodities 257%
  - Large percentage but smallest category (2% to 3% of total)
  - Increased Meter purchases and Electricity costs recategorized

**TOTAL OPERATING EXPENSES = 69% Increase**

**Water & Sewer Fund-Expenses by Type vs Revenues**



**Water & Sewer Fund - Reserve Levels**

Cash balances have declined in 6 of the last 7 years

FY09/10	\$ 16,636,976	\$ (136,734)
FY10/11	17,371,358	734,382
FY11/12	16,869,569	(501,789)
FY12/13	15,424,480	(1,445,089)
FY13/14	14,903,910	(520,570)
FY14/15	13,280,883	(1,623,027)
FY15/16	12,074,001	(1,206,882)

Spend-down of reserves over 7 years = \$4,699,709

Use of reserves for Capital is an appropriate use, however cannot be sustained indefinitely

April 30	Cash Balance	Change in Cash Balance	Minimum 25% Operating Reserve	Balance Available to Capital
FY09/10	\$16,636,976	(\$136,734)		
FY10/11	17,371,358	734,382	\$1,651,212	\$15,720,147
FY11/12	16,869,569	(501,789)	1,644,500	15,225,069
FY12/13	15,424,480	(1,445,089)	1,960,064	13,464,416
FY13/14	14,903,910	(520,570)	2,188,833	12,715,078
FY14/15	13,280,883	(1,623,027)	2,442,614	10,838,270
<b>FY15/16 Est.</b>	<b>12,074,001</b>	<b>(1,206,882)</b>	<b>2,596,016</b>	<b>9,477,986</b>
<b>FY16/17 proj.</b>	<b>8,407,646</b>	<b>(3,666,355)</b>	<b>2,662,157</b>	<b>5,745,490</b>
<b>FY17/18 proj.</b>	<b>5,962,435</b>	<b>(2,445,211)</b>	<b>2,576,422</b>	<b>3,386,013</b>
<b>FY18/19 proj.</b>	<b>2,563,443</b>	<b>(3,398,992)</b>	<b>2,606,613</b>	<b>(43,170)</b>

**Water & Sewer Fund-Historical Perspective Recap**

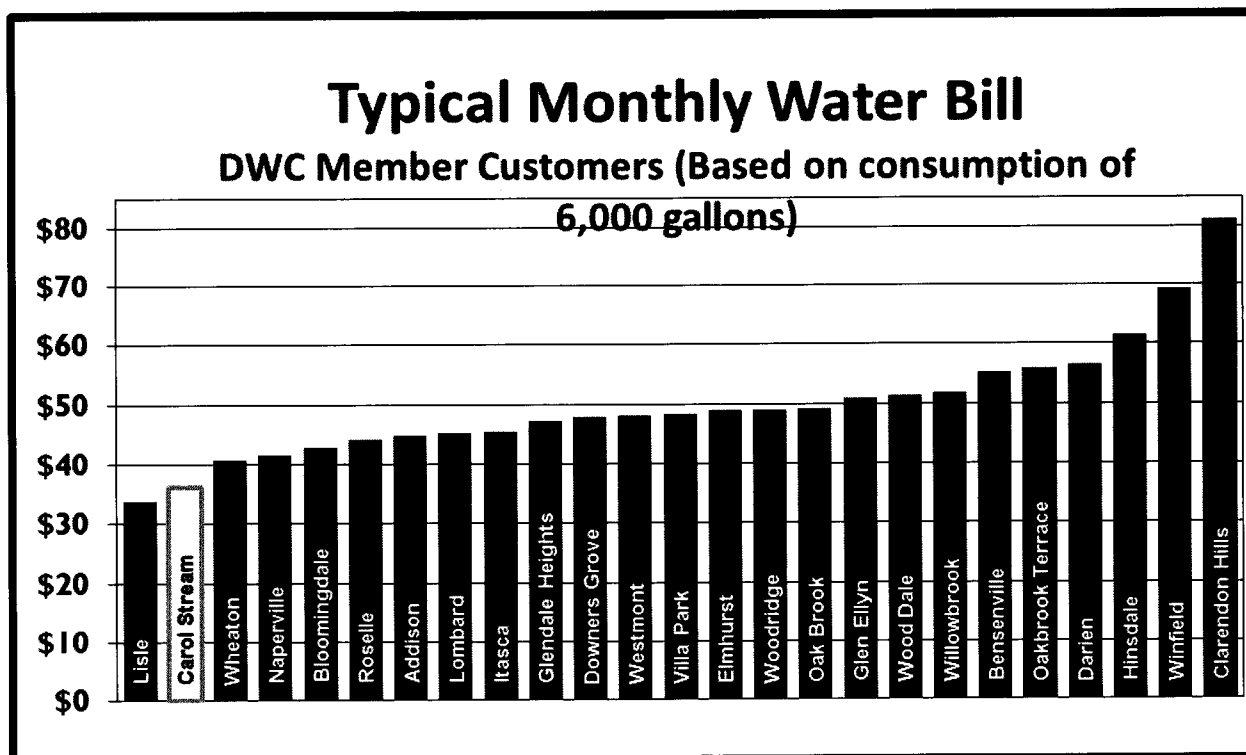
- Water Costs have had the most notable impact on Fund performance.
- We have drawn from reserves in each of the last 5 years to complete Capital Projects.
- In the last 2 years, the Fund is not raising enough money to fully cover Operating Expenses and no new reserves are being generated for future Capital Projects.
- Based on the current proposed budget, cash reserves available for Capital Projects will be reduced to zero within the next 3 years and the Water & Sewer Fund will be unable to meet the policy minimum 25% Operating Reserve.

**Historical Water Rates-Calendar Years 2012 to 2015**

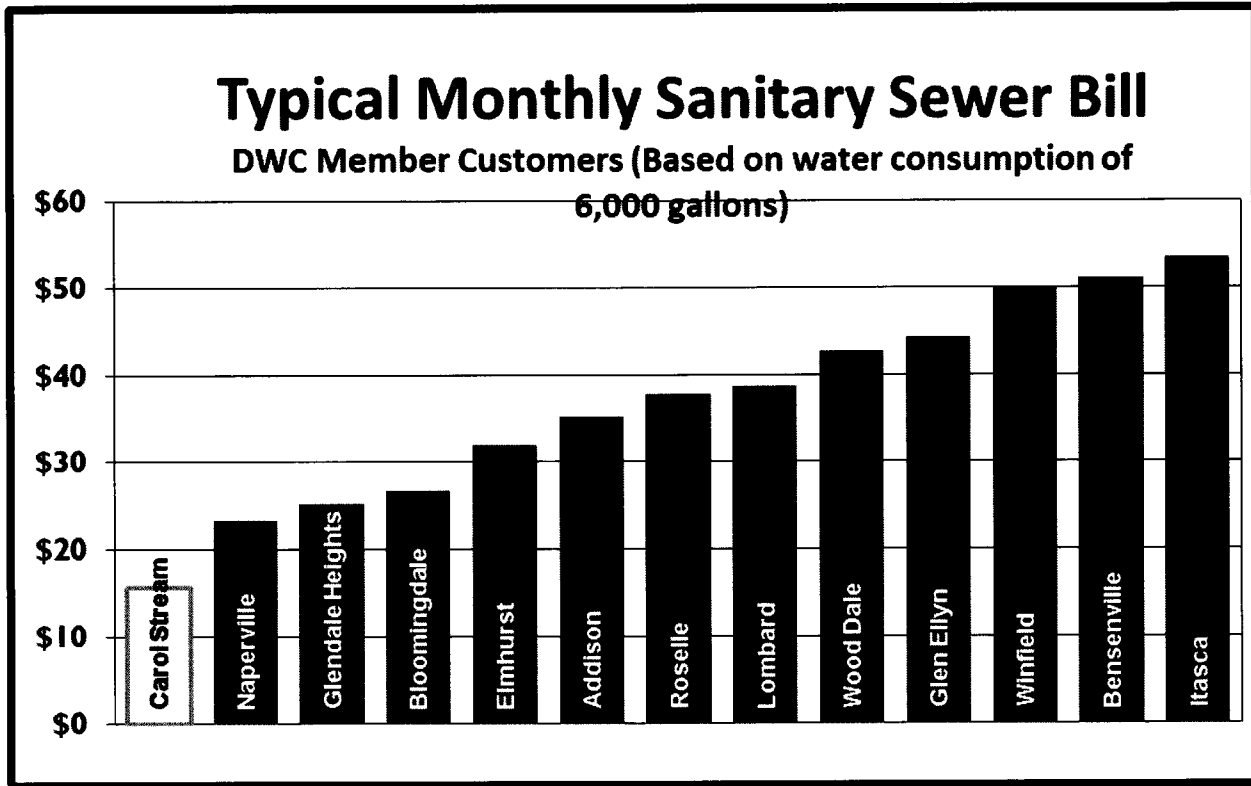
Calendar Year	Chicago Charge to DWC			DWC Charges to Municipalities			Carol Stream Charges to Customers				
	Rate	\$ Inc.	% Inc.	Variable	Fixed	Total	\$ Inc.	% Inc.	Rate	\$ Inc.	% Inc.
2011	\$ 2.01			\$ 2.04	\$ 0.26	\$ 2.30			\$ 4.09		
2012	2.51	0.50	25%	2.73	0.26	2.99	0.69	30%	4.78	0.69	17%
2013	2.89	0.38	15%	3.32	0.26	3.58	0.59	20%	5.37	0.59	12%
2014	3.32	0.43	15%	3.97	0.26	4.23	0.65	18%	6.02	0.65	12%
2015	3.82	0.50	15%	4.68	0.26	4.94	0.71	17%	6.73	0.71	12%

- During the 7 year period of Chicago / DWC rate increases, Carol Stream chose to restrict its increases in water rates to cover ONLY our added water purchase costs.
- Reserves were adequate, thus minimize financial impact to customers.
- Our rate increases did not cover increases in other operating cost areas or decreased water demand/sales.
- Thus today, we are not covering our operating costs and are generating nothing for future capital.
- This is CONCERNING, not CRITICAL, but we do need to address.

**Water & Sewer Fund – Community Comparison-Water**



**Water & Sewer Fund-Community Comparison-Sewer**



**Water & Sewer Fund FY16/17**

**CURRENT AND PROPOSED 3 YEAR WATER & SEWER FUND BUDGET AND PLANNING HORIZION**

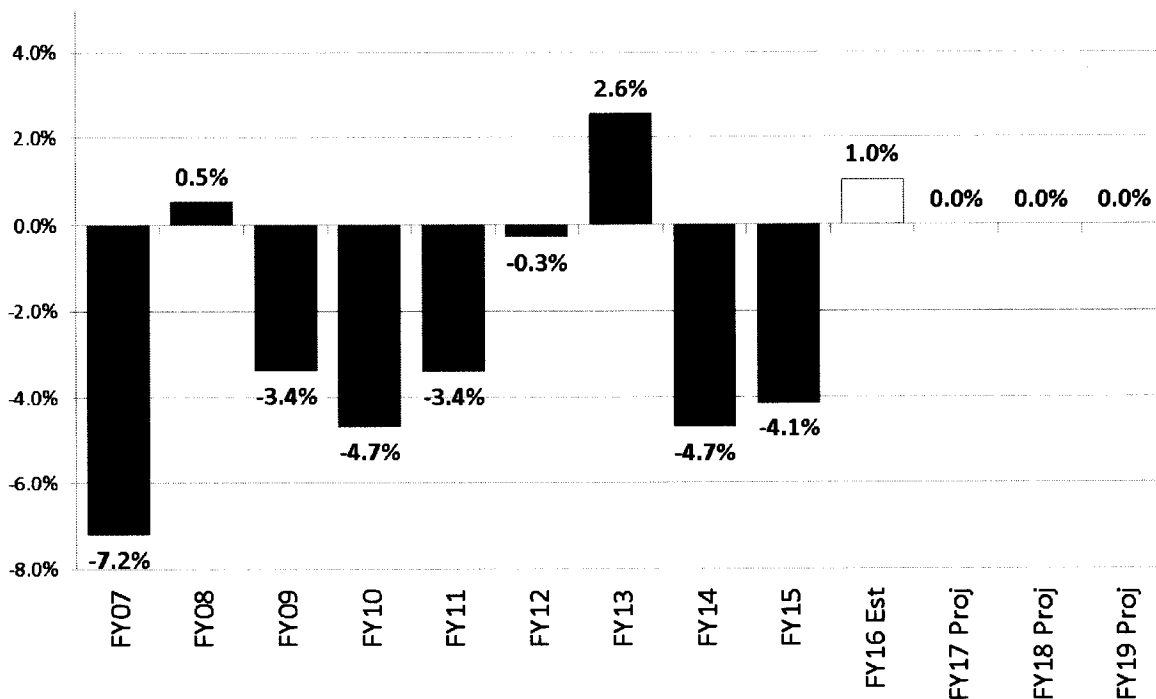
- The draft budget/plan presently shows the fund impact using current water and sewer rates.
- We will discuss rate impacts/recommendations near the conclusion.

**REVENUES**

Revenue projections based on two major inputs.

1. System Rates
2. Water Sales (demand and trend)

Annual Change in Billed Water Consumption – Last 9 Fiscal Years, Current Year and Next 3 Projected



**Water & Sewer Fund FY 16/17 - Revenues**

There is an important relationship between water billed and water purchased.

Fact: Water billed is always less than water purchased.

Objective: A key measure of system efficiency is the ratio of water billed to water purchased.

A 90% billed to purchased ratio or higher is generally believed to be an indicator of an efficient system.

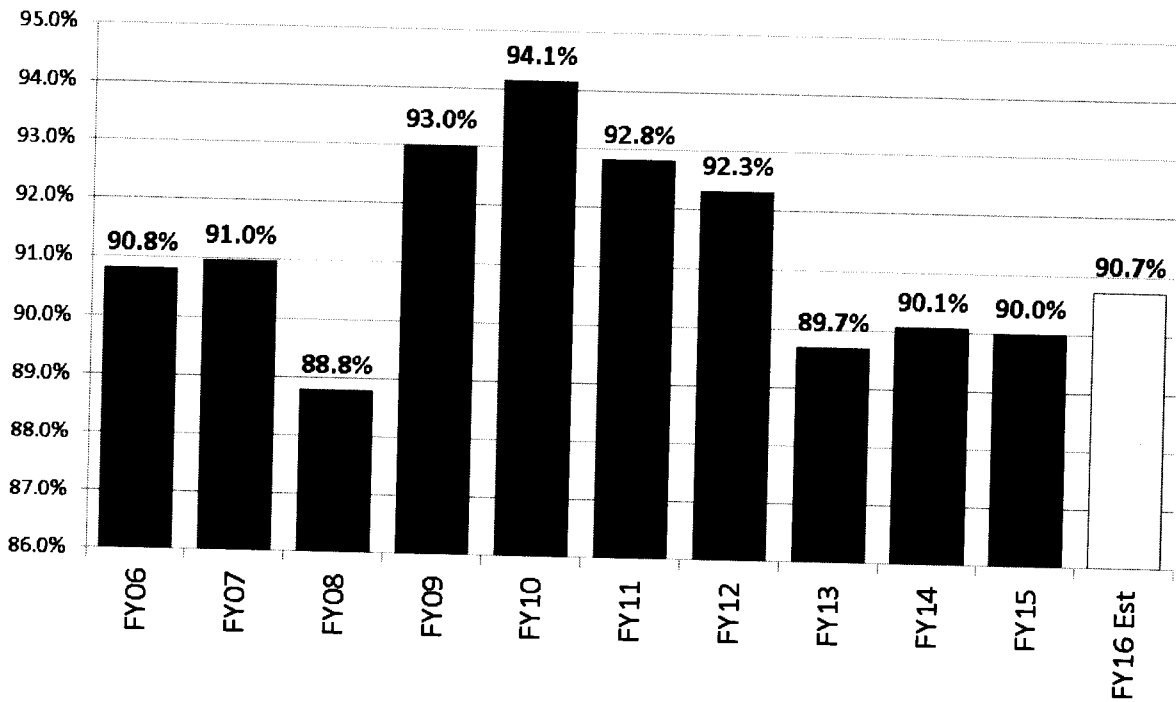
Potential sources of unbilled water:

- Underground leaks (mains, service lines).
- Hydrant Flushing / Fire Department use.
- Illegal hydrant taps or other connections.
- Water main breaks, system flushing and testing.

Aging metering equipment, billing problems.



**Water & Sewer Fund FY16/17 – Historic Water Billed to Purchased Ratio**



**Water & Sewer Fund FY 16/17 - Revenues**

How the Village works to ensure to maintain and acceptable billed to purchased ratio:

- Audit Management Letter Comment – FY14
- Leak Detection Services
- Large Meter Testing Program (Spring 2015)
- Replacement of metering equipment where needed.

Good news, billed to purchased is back on the rise. Project to be approx. 91% for FYE15/16. (Has been 94.7% for the most recent 6 months)

10 Year Change in Water Purchased from DWC (demand):

Decrease of 21.7%

10 Year Change in Water Billed:

Decrease of 22.4%

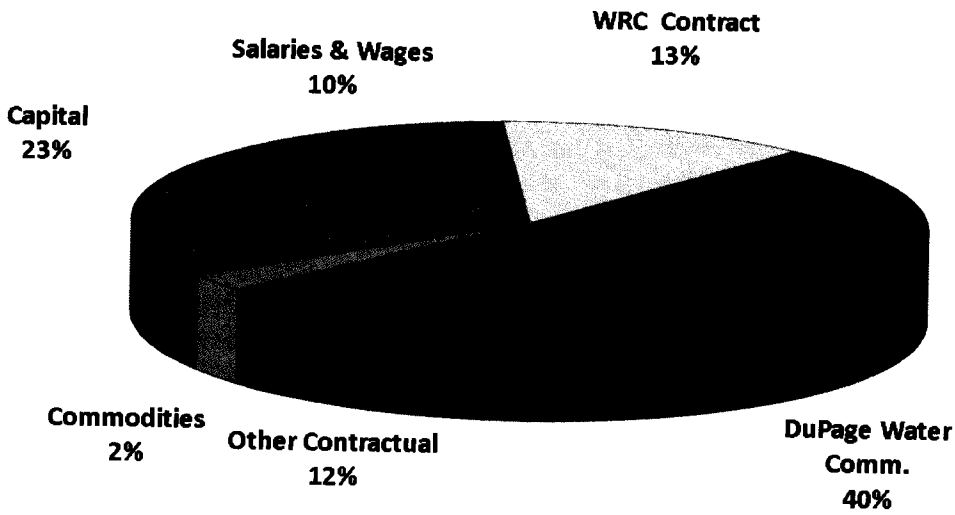
Very Close Correlation

Base revenue assumptions for FY16/17 and 3 year Financial Plan

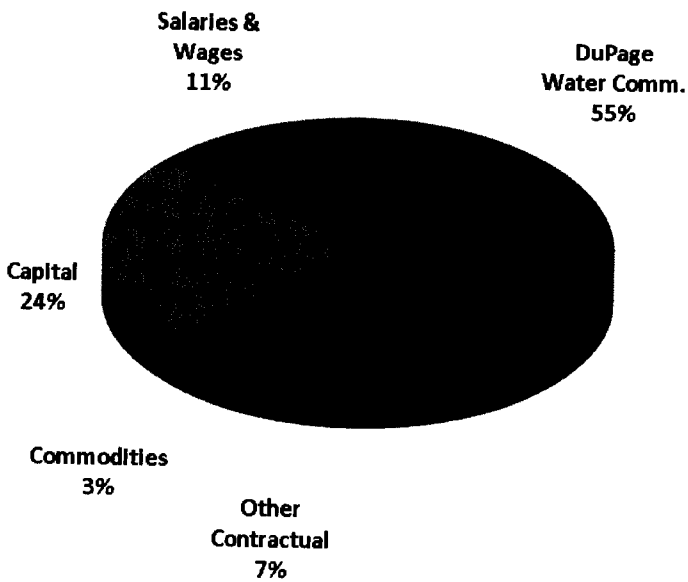
- Continued decrease in demand by 1% per year for each of the 3 years of the Plan.
- To be offset by 1% increase in improvement in water billed to purchased ratio.

So purchase less water but bill greater percentage. Assume billed gallons at 1.048 Billion (same as FYE15/16)

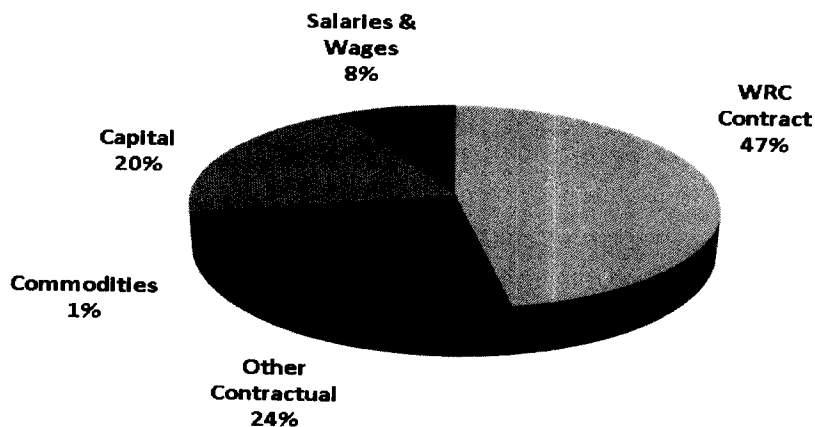
Water & Sewer Fund – Proposed Expenses by Category FY16/17



Water Division



**Sewer Division**



**Draft Water & Sewer Fund Budget Expenditures – FY15/16 Proposed Compared to FY14/15 Budget**

	Actual FY14/15	Revised Budget FY15/16	Estimated FY15/16	Proposed Budget FY16/17	FY16/17 Proposed to FY15/16 Budget	
<b>OPERATING COSTS</b>						
<b>Salaries &amp; Wages</b>	1,207,404	1,318,433	1,245,533	1,379,423	60,990	4.6%
<b>Contractual Services</b>						
Water Commission	5,136,462	5,655,000	5,600,000	5,544,000	(111,000)	-2.0%
WRC Contract	1,685,394	1,765,013	1,721,000	1,765,013	-	0.0%
All Other	892,033	1,296,163	1,079,866	1,598,820	302,657	23.4%
<b>Total Contractual</b>	<b>7,713,889</b>	<b>8,716,176</b>	<b>8,400,866</b>	<b>8,907,833</b>	<b>191,657</b>	<b>2.2%</b>
<b>Commodities</b>	<b>253,037</b>	<b>349,453</b>	<b>318,999</b>	<b>361,370</b>	<b>11,917</b>	<b>3.4%</b>
<b>TOTAL OPERATING</b>	<b>9,174,330</b>	<b>10,384,062</b>	<b>9,965,398</b>	<b>10,648,626</b>	<b>264,564</b>	<b>2.5%</b>
<b>CAPITAL COSTS</b>						
	1,496,038	4,217,484	1,550,484	3,232,729	(984,755)	-23.3%
<b>Total</b>	<b>\$ 10,670,368</b>	<b>\$ 14,601,546</b>	<b>\$ 11,515,882</b>	<b>\$ 13,881,355</b>	<b>(720,191)</b>	<b>-4.9%</b>

**Water & Sewer Fund FY16/17 – Operating Expense Highlights**

- One additional Water & Sewer maintenance position.
- Cost of Water through City of Chicago / DWC expected to level off. Inflationary increases only (<1%). Decrease budgeted – 1% drop in purchases budgeted \$0.05 DWC rate reduction eff. 5/1/16.
- No increase in WRC Contract Operation.
- DuPage River Salt Creek Work Group Dues moved to Sewer from General Fund (assessment portion).
- Sewer Trunk Line Televising and Assessment (\$260,000).
- Meter Replacement Program – Consultant Study.
- Water Storage Facility Assessment / Repairs.

**Water & Sewer FY16/17 – Capital Summary**

Water System

Schmale Road Water Main Repl. (cont'd)	\$2,278,000
Vehicle Replacements/Rehabs	1,200
Other Equipment	35,025
Water System Study	105,000
DWC Loan P&I-Riviera/Judith Water Main	<u>58,853</u>
<b>Total Sewer</b>	<b>\$2,478,078</b>

Sewer System

Blower Bldg. Roof Replacement	\$ 45,000
Aztec Drive Sewer Lining	215,000
North Ave. Sewer Rehab. (design)	66,000
IEPA Loan P&I (2002 WRC Rehab)	<u>428,651</u>
<b>Total Sewer</b>	<b>754,651</b>

Total Capital Improvement **\$3,232,729**

**Water & Sewer Rate History**

	<u>Water</u>		<u>Sewer</u>		<u>Combined</u>
	<u>Rate</u>	<u>Incr.</u>	<u>Rate</u>	<u>Incr.</u>	<u>Increase</u>
5/1/2008	\$ 3.05		\$ 2.51		
10/1/2008	3.25	\$ 0.20	2.51	\$ -	\$ 0.20
5/1/2009	3.48	0.23	2.51	-	0.23
1/2010	3.88	0.40	2.62	0.11	0.51

5/1/2011	4.09	0.21	2.62	-	0.21
1/1/2012	4.78	0.69	2.62	-	0.69
1/1/2013	5.37	0.59	2.62	-	0.59
1/1/2014	6.02	0.65	2.62	-	0.65
1/1/2015	6.73	0.71	3.12	0.50	1.21

**Water & Sewer FY16/17 Budget**

	Sewer Division	Water Division	Total Proposed FY16/17
<b>Revenues</b>	<b>2,763,500</b>	<b>7,451,500</b>	<b>10,215,000</b>
<b>Expenses</b>			
Salaries & Wages	311,991	1,067,432	1,379,423
Contractual Services			
Water Commission	-	5,544,000	5,544,000
WRC Contract	1,765,013	-	1,765,013
All Other	882,677	716,143	1,598,820
	<u>2,647,690</u>	<u>6,260,143</u>	<u>8,907,833</u>
Commodities	49,650	311,720	258,468
Total Operating	<u>3,009,331</u>	<u>7,639,295</u>	<u>10,648,626</u>
Gain/(Loss) before Capital/Debt	<b>(245,831)</b>	<b>(187,795)</b>	(433,626)
Capital/Debt	754,651	2,478,078	1,523,945
Total Expenses	<b>3,763,982</b>	<b>10,117,373</b>	<b>13,881,355</b>
Fund Gain/(Loss)	<u><b>\$(1,000,482)</b></u>	<u><b>\$(2,665,873)</b></u>	<u><b>\$(3,666,355)</b></u>

**Rate increase needed. \$0.30 sewer increase will cover operating costs.**

**Rate increase needed. \$0.18 water increase will cover operating costs.**

**Rate Recommendation**

- Recommend a \$0.50 rate increase eff. 5/1/16
  - Water = \$0.20 Sewer = \$0.30
  - New Combined Rate = \$10.35
  - Represents a 5% increase over the current combined rate of \$9.85.

- This will fully cover budgeted operating expenses where previous rate adjustments were unable to keep up.
- This still raises no additional funding for capital improvements.
- This would be the first of a number of annual adjustments needed to “right size” funding for the next generation of capital improvements.
- This is a more measured/conservative approach as opposed to more of a one-time large rate adjustment.

**What Rates would be needed to fully support the current proposed FY16/17 Water & Sewer Budget?**

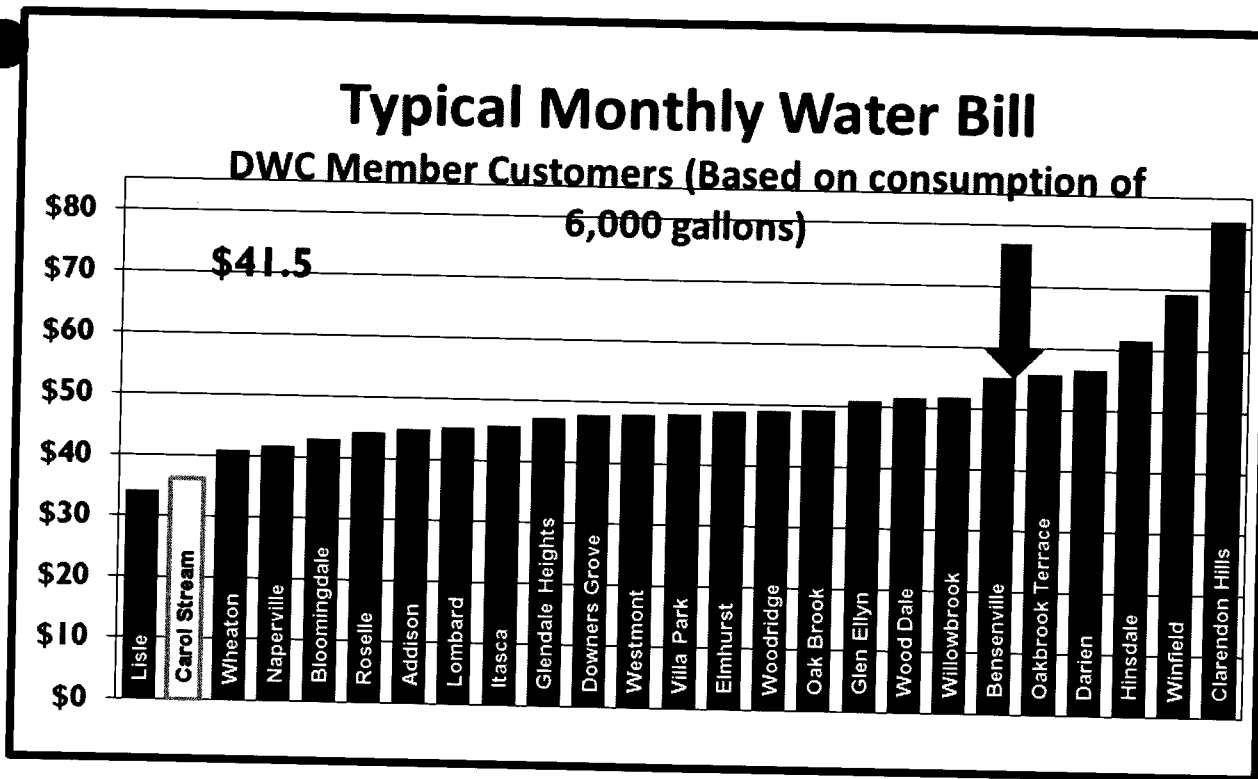
**Water**

- A rate increase of \$2.54 would be needed to cover ALL current year water operations and capital costs.
- That would be a 38% increase over current rates.

**Sewer**

- A rate increase of \$1.19 would be needed to cover ALL current year water operations and capital costs.
- That would be a 38% increase over current rates.

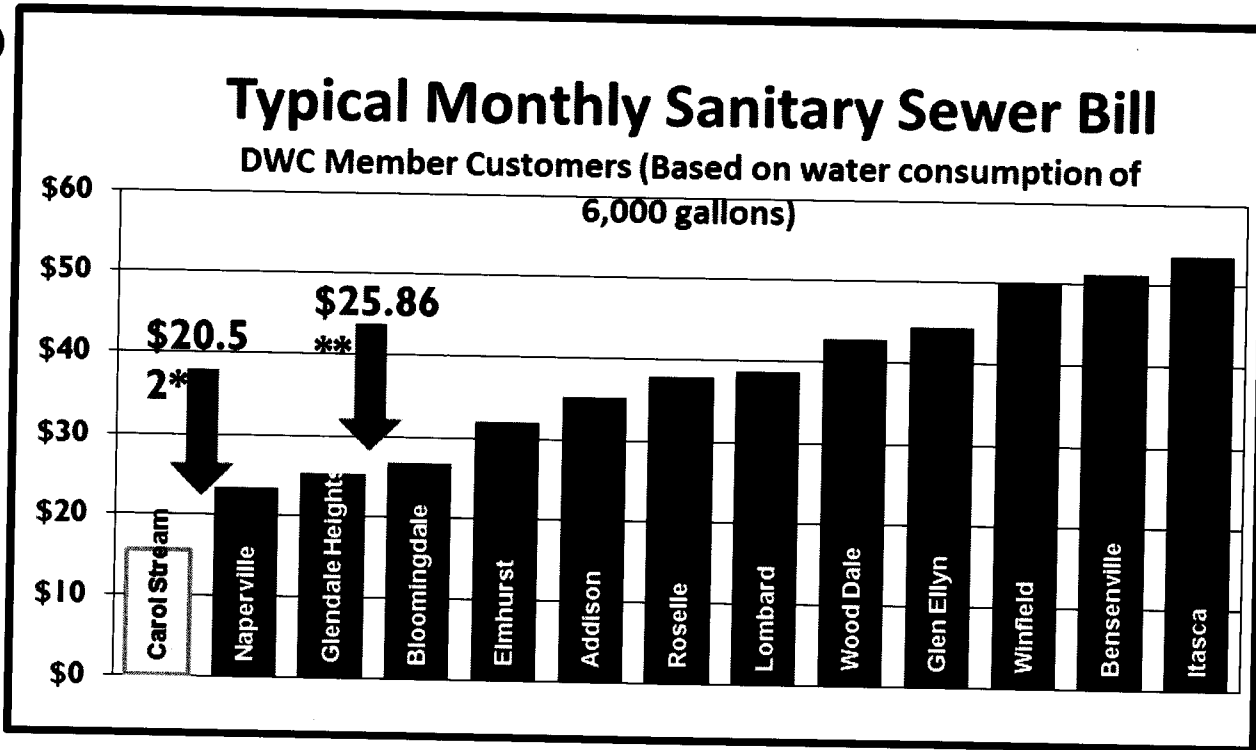
**Water & Sewer Fund – Community Comparison-Water**



\* Recommended \$0.20 rate increase.

\* Rate needed to fully cover proposed FY16/17 budget.

Water & Sewer Fund – Community Comparison-Sewer



\* Recommended \$0.30 rate increase.

\*\* Rate needed to fully cover proposed FY16/17 budget.

Proposed Sewer Rate Increase 5/1/16

May 1, 2016 Recommended Rates:

Water: Increase of \$0.20, from \$6.73 to \$6.93

Sewer: Increase of \$0.30, from \$3.12 to \$3.42


	Monthly Bill*	Monthly Bill*	Net Monthly
	Before Increase	After 5/1/16	Increase
Water:	\$ 40.38	\$ 41.58	\$ 1.20
Sewer:	18.72	20.52	1.80
Total:	\$ 59.10	\$ 62.10	\$ 3.00

\* Based on 6,000 gallons of water consumption / mo.


Staff recommended and the Village Board concurred with a combined sewer and water rate increase of \$.50 from \$9.85 to \$10.35. Trustee Hennessey was curious to see what a tiered/progressive rate structure would look like.

There being no further business, Trustee McCarthy moved and Trustee Gieser made the second to adjourn the Special Board meeting. The meeting was adjourned unanimously at 7:12 p.m.

FOR THE BOARD OF TRUSTEES

  
Frank Saverino, Sr., Mayor

ATTEST:

  
Laura Czarnecki, Village Clerk

Minutes approved by the President and Board of Trustees on this

21<sup>st</sup> day of MARCH, 2016.

  
Village Clerk