

Village of Carol Stream
Special Meeting of the Village Board
Review of Water & Sewer Fund
Gregory J. Bielawski Municipal Center
500 N. Gary Avenue, Carol Stream, IL 60188
December 1, 2014
6:00 p.m. – 7:15 p.m.

Meeting Notes

ATTENDANCE:

Mayor Frank Saverino, Sr.
Trustee Matt McCarthy
Trustee Don Weiss
Trustee Mary Frusolone
Trustee Rick Gieser
Trustee John LaRocca
Trustee Greg Schwarze
Clerk Beth Melody

Joseph E. Breinig, Village Manager
Bob Mellor, Asst. Village Manager
Chris Oakley, Asst. to the Village Manager
Caryl Rebholz, Employee Relations Dir.
Jon Batek, Finance Director
Ed Sailer, Acting Police Chief
Phil Modaff, Director of Public Works
Bill Cleveland, Asst. Village Engineer
Dawn Damolaris, Asst. Finance Director
Tia Messino, Management Analyst
Michele Lopez, PW Office Manager

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

Present: Mayor Saverino, Trustees LaRocca, Gieser, Frusolone, Weiss, Schwarze and McCarthy

Absent: None

FY 15/16 Budget Workshop #1 – Water & Sewer Fund

Finance Director Jon Batek reviewed the Proposed FY 15/16 Water & Sewer Budget which consisted of:

Agenda

- Fund Overview and Funding Objectives
- Revenue Highlights, Trends and Assumptions
 - Water
 - Sanitary Sewer
- Expense Summaries and Notable Changes/Trends
 - Operating Costs
 - Capital Overview
- January 1, 2015 Rate Recommendation to keep in sync with the City of Chicago rate increase pass through

Water & Sewer Budget

- Enterprise fund-Supported by User Fees, not taxes.
- Water & Sewer rates need to cover the following costs:

- Water Operations
 - Village staffing and general system maintenance
 - Purchase of Lake Michigan Water
- Water Capital
 - Main replacements/rehabilitations
 - Other Infrastructure (reservoirs/pumping stns.)
- Sewer Operations
 - WRC Operations Contract (treatment)
 - Collection System Maintenance
- Sewer Capital
 - WRC Rehabilitations, Expansions
 - Infrastructure Rehab/Repl.-Mains/Lift Stns./"I/I"
- Overall Objective-Maintain system in good working order now, and into the future with as minimal impact on rate payers as possible.

Water & Sewer Fund

- The "other" revenue category includes revenues such as penalties, shut-off notice revenue, meter sales, water tower \$150K/yr rental agreements and interest income.
 - Sewer Billings – 23%
 - Water Billings – 72%
 - Other – 5%

Budget Highlights, Trends and Key Assumptions

Water Revenues

Current FY14/15

- Water consumption continues to decline in current FY14/15 (continuing long-term trend).
- Total FY14/15 water revenues will be about \$481,000 (6.8%) below budget. (This includes full recognition of IMET loss of \$190,000, but subject to future recoveries).
- Projected water consumption decrease for FY14/15 is 5.6% compared to prior year.
- Decreased consumption in seven of last nine years, averaging 2.9% per year.

Next FY15/16 and 3 year plan

- FY15/16 assumes decreased consumption of 3.0%
- FY16/17 assumes decreased consumption of 3.0%
- FY17/18 assumes decreased consumption of 3.0%

Annual Change in Billed Water Consumption – Last 8 Fiscal Years, Current Year and Next 3 Projected

- Water Consumption down 7 of the last 9 years.

Water Revenues

- 1/1/15 marks year four of four of Chicago/DWC approved 2001 rate increase.
- In each of those four years, Carol Stream only passed DWC rate increases to its customers. No additional increases.
- Recommend water rate increase of \$0.71 per 1,000 gallons for 1/1/15, reflecting Carol Stream's additional cost of purchasing water. (represents only the increase from the DWC)
- Future rate increases of Chicago/DWC are not known at this time. FY15/16-FY17/18 financial plan assumes future minimum increases of \$0.15 on January 1 each year (approx. 3% of water cost). \$0.15 increase not keeping up with 3% drop in consumption rate.

Schedule of Projected 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%

Water Revenues

- Decreased consumption coupled with water-only cost increases negatively impacts the Fund. We are gradually losing ground.
- FY15/16 draft budget shows projected revenues will not fully cover operating expenses by approx. \$210,000.
- Cost increases in expense areas other than Lake Michigan water:
 - Payroll and benefits
 - Billing software, processing and postage
 - Insurance (property/liability).
 - General system maintenance costs
- Cash reserve balances are sufficient to cover this deficit short-term.
- Future water rate increases in addition to our water costs increases will likely be necessary, perhaps as early as 1/1/16.

Sewer Revenues

Current FY14/15

- Sewer Revenues directly tied to water consumption. Thus, sewer revenues following water trend.
- Total FY 14/15 sewer revenues will be about \$276,000 (11.0%) below budget. (This includes full recognition of IMET loss of \$190,000).
- Projected sewer revenue base decrease for FY 14/15 is 6.1% over prior year.
- There have been no sewer rate increases in the last 5 years (5/1/2010).
 - We began signaling the need for sewer rate increase 3 years ago (FY12/13)
 - The Sewer Fund has not raised sufficient revenue to fund operating expenses.
 - A rate increase of \$0.50 is recommended for January 1, 2015.

Next FY15/16 and 3 Year Plan

- Similar to Water Fund, projected 3% annual decrease in sewer revenue base.
- Additional rate adjustments will be evaluated each year moving forward.

Proposed Expenses by Category FY15/16

- DuPage Water Commission – 39%
- Capital – 28%

- WRC Contract – 13%
- Salaries & Wages – 9%
- Other Contractual – 8%
- Commodities – 3%

Water Division

- DuPage Water Commission – 56%
- Capital – 26%
- Salaries & Wages – 9%
- Other Contractual – 6%
- Commodities – 3%

Sewer Division

- WRC Contract – 42%
- Capital – 33%
- Other Contractual – 14%
- Salaries & Wages – 10%
- Commodities – 1%

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

	Actual FY13/14	Revised Budget FY14/15	Estimated FY14/15	Proposed Budget FY15/16	FY15/16 Proposed to FY14/15 Budget	
OPERATING COSTS						
Salaries & Wages	1,168,424	1,244,536	1,253,106	1,338,888	94,352	7.6%
Contractual Services						
Water Commission	4,530,823	5,290,000	5,085,000	5,535,000	245,000	4.6%
WRC Contract	1,577,508	1,736,807	1,736,807	1,765,013	28,206	1.6%
All Other	<u>678,830</u>	<u>1,151,250</u>	<u>1,025,480</u>	<u>1,172,647</u>	<u>21,397</u>	1.9%
Total Contractual	6,787,161	8,178,057	7,847,287	8,472,660	294,603	3.6%
Commodities	<u>282,739</u>	<u>347,861</u>	<u>276,118</u>	<u>350,344</u>	<u>2,483</u>	0.7%
TOTAL OPERATING	8,238,324	9,770,454	9,376,511	10,161,892	391,438	4.0%
CAPITAL COSTS						
	<u>714,045</u>	<u>6,144,665</u>	<u>3,804,615</u>	<u>3,906,724</u>	<u>(2,237,941)</u>	-36.4%
Total	<u>\$ 8,952,369</u>	<u>\$ 15,915,119</u>	<u>\$ 13,181,126</u>	<u>\$ 14,068,616</u>	<u>(1,846,503)</u>	-11.6%

Historical and Projected Water Purchases and Cost-Last 9 Fiscal Years, Current Year and Next 3 Projected

- Year of Chicago/DWC Rate Increase (current announced schedule ends 1/1/15)
- Cost of purchasing water has increased and the volume of water has decreased.

Water & Sewer Capital Summary – FY15/16

Water System

Schmale Road Water Main Repl. (cont'd)	\$ 2,278,000
Vehicle Replacements/Rehabs (vs replacement of heavy trucks)	72,000
Other Equipment (chlorine distribution system-emergency well water)	15,240
Water System Study	97,000
DWC Loan P&I - Riviera/Judith Water Main (100% reimbursement by DuPage County)	<u>59,834</u>
Total Water	\$ 2,522,074

Sewer System

Phase II Pump Station Improvements	\$ 650,000
Admin/Blower Bldgs. Roof Replacement	180,000
Aztec Drive Sewer Reconstruct (Design)	52,000
IEPA Loan P&I (2002 WRC Rehab) term >2024. It may be more cost effective to pay off this loan. Current balance = \$3.7 million	428,650
Other Equipment	<u>74,000</u>
Total Sewer	\$ 1,384,650

Total Capital Improvement **\$ 3,906,724**

Draft Water & Sewer Fund Budget Expenses-FY15/16 Proposed Budget by Division

	Sewer Division	Water Division	Total Proposed FY15/16
Revenues	2,249,500	7,115,500	9,365,000
Expenses			
Salaries & Wages	437,978	900,910	1,338,888
Contractual Services			
Water Commission	-	5,535,000	5,535,000
WRC Contract	1,765,013	-	1,765,013
All Other	585,355	587,292	1,172,647
	<u>2,350,368</u>	<u>6,122,292</u>	<u>8,472,660</u>
Commodities	29,916	320,428	258,468
Total Operating	<u>2,818,262</u>	<u>7,343,630</u>	<u>10,161,892</u>
Gain/(Loss) before Capital/Debt	(568,762)	(228,130)	(796,892)
Capital/Debt	<u>1,384,650</u>	<u>2,522,074</u>	<u>1,523,945</u>
Total Expenses	<u>4,202,912</u>	<u>9,865,704</u>	<u>14,068,616</u>
Fund Gain/(Loss)	<u>\$ (1,953,412)</u>	<u>\$ (2,750,204)</u>	<u>\$ (4,703,616)</u>

Rate increase needed. \$0.50 sewer increase will reduce deficit by approx \$400,000. Includes pass-through of \$0.71 water rate increase 1-1-15. Future increases likely.

Proposed Sewer Rate Increase 1/1/15

- Current Sewer rate of \$2.62 has been unchanged since 5/1/2010.
- Revenue loss at 3% revenue base reduction is approx. \$64,000/yr.
- Increases in operating costs expand the gap quickly.
- Based on projected billed water consumption for FY15/16:

1 cent of Sewer rate = approx. \$8,100 in revenues

	FY13/14	Rate	FY15/16	Rate
	<u>Actual Exp.</u>	<u>Needed</u>	<u>Budget Exp.</u>	<u>Needed</u>
WRC Operating Contract	\$ 1,577,508	\$ 1.95	\$ 1,765,013	\$ 2.18
IEPA Loan Obligation	428,650	0.53	428,650	0.53
	2,006,158	\$ 2.48	2,193,663	\$ 2.71

Justification for \$2.71 rate included FY 2016

- The FY13/14 example leaves only 14 cents to cover all other expenses. The FY15/16 example illustrates current rates are insufficient to pay our WRC operating contract and IEPA debt obligation, leaving nothing to cover payroll, contractals, commodities and capital.

Proposed Rate Increase 1/1/15

- Water and Sewer Fund cash reserves still strong but declining.
- Declines primarily due to capital projects, however we are beginning to see operating cost coverage gaps.
- We should not be using reserves to cover operating cost gaps. (per adopted Village Financial Policies)

Proposed Sewer Rate Increase 1/1/15

January 1, 2015 Recommended Rates:

Water: Increase of \$0.71, from \$6.02 to \$6.73

Sewer: Increase of \$0.50, from \$2.62 to \$3.12

	Monthly Bill*	Monthly Bill*	Net Monthly
	Before Increase	After 1/1/15	Increase
Water	\$ 36.12	\$ 40.38	\$ 4.26
Sewer	<u>15.72</u>	<u>18.72</u>	<u>3.00</u>
Total	<u>\$ 51.84</u>	<u>\$ 59.10</u>	<u>\$ 7.26</u>

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

Trustee Weiss questioned has the Village evaluated whether it would be more cost effective to use Village staff to operate the WRC? Trustee LaRocca stated he felt the current operator OMI is highly qualified to run our plant and feels they are doing a good job.

The Village Board directed staff to schedule the proposed action to the December 15, 2014 Village Board Meeting for approval.

There being no further business, a motion was made by Trustee McCarthy and seconded by Trustee LaRocca to adjourn the Special Board meeting. The meeting was adjourned unanimously at 7:15 p.m.

FOR THE BOARD OF TRUSTEES



Frank Saverino, Sr., Mayor

ATTEST:



Beth Melody, Village Clerk

Minutes approved by the President and Board of Trustees on this
15th day of December, 2014.



Village Clerk