

SPECIAL MEETING OF THE MAYOR AND BOARD OF TRUSTEES

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

November 19, 2012

Mayor Saverino, Sr., called the Special Meeting of the Board of Trustees to order at 6:00 p.m. and directed Village Clerk Beth Melody to call the roll.

Present: Mayor Saverino, Sr. & Trustees Mary Frusolone, Matt McCarthy and Pam Fenner
 Absent: Trustees Tony Manzzullo, Don Weiss & Greg Schwarze
 Also Present: Village Manager Joe Breinig, Assistant Village Manager Bob Mellor, Assistant to the Village Manager Christopher Oakley, Finance Director Jon Batek, Assistant Finance Director Dawn Damolaris, Director of Public Works Phil Modaff, Water/Sewer Superintendent Todd Hoppenstedt, Village Engineer Jim Knudsen and Village Clerk Beth Melody

Mayor Saverino convened the meeting to discuss the Water and Sewer Fund Draft Budget. Finance Director Jon Batek reviewed the draft Water & Sewer budget in light of the City of Chicago decision last year to increase water rates 25% and 15% per year over the next 3 years. The dollar figures included in the draft budget are accurate as of today but will be further refined prior to final submittal to the Village Board. Below is a summary of the information presented at this meeting:

Fund Overview and Funding Objectives

- 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./SCADA)
 - Sewer Operations
 - WRC Operations Contract (treatment)
 - Collection System Maintenance
 - Sewer Capital
 - WRC Rehabilitations, Expansions
 - Infrastructure Rehab/Repl. - Mains/Lift Stations/Infiltration & Inflow
- Overall Objective - Maintain systems in good working order now, and into the future with as minimal impact on rate payers as possible.
- Water & Sewer Fund revenues are comprised of 68% water billings, 26% sewer billings and 6% other billings consisting of penalties, shut-off notice revenue, meter sales, water tower rental agreements and interest income.

Budget Highlights and Key Assumptions**Key Assumptions:**

- Revenues reflect direct pass-through only of Chicago/DWC rate increases for the next 3 years.
- No other rate adjustments included in projected 3 year plan.
- Customer water consumption to return to FY11/12 levels.
 - Neutralizes impact of FY12/13 hot weather "spike".

- 2% reduction in Year 2 of Plan (FY14/15)
- 2% reduction in Year 3 of Plan (FY15/16)

Highlights:

- W&S Fund projected revenues will cover proposed operating costs for FY13/14, but are marginally in the "red" for next 2 years. (this is manageable and not a significant concern at present)
- Sewer Division not fully recovering operating costs by small margin. Some future rate adjustments may be needed.
- FY13/14 proposed budget \$1.4 million less than FY12/13 budget.
 - Due to reduced scheduled capital projects.
 - Fund is still using about \$1.3 million in reserves for capital.
- Use of reserves to facilitate capital projects planned in all 3 years of financial plan. Adequate reserve balances available to complete.

Composition of Revenues and Historical Trends

- Annual Change in Billed Water Consumption Last 6 Fiscal Years, Current Year and Next 3 Projected were as follows:
 - FY 2007 – (7.2%)
 - FY 2008 – 0.5%
 - FY 2009 – (3.4%)
 - FY 2010 – (4.7%)
 - FY 2011 – (3.4%)
 - FY 2012 – (0.3%)
 - FY 2013 Est. – 4.6% (increase due to summer drought)
 - FY 2014 Projected – (4.6%)
 - FY 2015 Projected – (2.0%)
 - FY 2016 Projected – (2.0%)

Expense Summaries and Notable Changes/Trends

- Proposed Water & Sewer Fund Expenses by Category FY13/14:
 - DuPage Water Commission – 44%
 - Water Reclamation Center Contract – 17%
 - Capital – 15%
 - Salaries & Wages – 12%
 - Other Contractual – 10%
 - Commodities – 2%
- The Historical and Projected Water Purchases and Cost for the Last 7 Fiscal Years, Current Year and Next 3 Projected shows that beginning in FY 2012 we are using less water but paying more for it primarily as a result of rate increases by the City of Chicago.
- Notable Water & Sewer Fund Capital Projects proposed for FY 2013-14 include the following:

Water System

➤ Schmale Road Water Main Repl. (prelim design)	\$ 8,000
➤ Vehicle Replacements	62,000
➤ Other Equipment	21,000
➤ DWC Loan P&I - Riviera/Judith Water Main ¹	<u>61,795</u>
	\$ 152,795

¹ This is funded via DuPage County SSA on County Residents & remitted back to the Village

Sewer System

➤ Phase II Aeration System	\$ 822,000
➤ Sludge Building Roof Replacement	50,000
➤ Aztec Drive Sewer Reconstruct (Design)	47,000

	11-19-2012 SVB
➤ IEPA Loan P&I (2002 WRC Rehab) ²	428,650
➤ Other Equipment	<u>23,500</u>
	\$ 1,371,150

²The Village will investigate the feasibility of paying off the IEPA loan (\$3/4M) or refinancing in lieu of a rate hike

Total Water & Sewer Capital Improvement \$ 1,523,945

- The proposed FY 2013-14 Budget shows a deficit of \$1,326,419 which is a function of a projected 2% reduction in water consumption in the coming years.
- It is projected that FY 2013-14 operating expenses will exceed total revenues resulting in a diminution of excess surplus revenues used to fund capital projects.
- The DuPage Water Commission (DWC) rate increase of 59¢ will be passed on to Carol Stream water customers in 2013.
- It is projected that the DWC sales tax of 0.25% will be phased out by 2016.
- The FY 2013-14 Budget and 3 year Plan reflects Chicago and DWC rate schedules of 15% increases for the next 3 years.
- As in previous years, the Village is only passing-through added cost of water purchases (Jan 1, 2013 increase = +\$0.59 = +\$4.13/mo. (7,000 gal. usage).
- There are no increases in sewer rates reflected in 3 year plan (currently \$2.62/1,000). We will have to look at future adjustments to fully cover operating costs.
- The proposed January 1, 2013 water rate will increase from \$4.78 to \$5.37 per 1,000 gallons.
- Village Board action to approved the new water rate planned for the December 17, Village Board meeting.

There was general discussion by the Village Board on possible other sources of water for the Village including other Lake Michigan water providers and drilling of new wells should the City of Chicago continue to raise water rates for DuPage Water Commission members. Mayor Saverino stated he felt the water rate needed to be increased more than just the pass-through costs of the DWC and City of Chicago.

Manager Breinig stated the proposed rate increase is based on healthy Water & Sewer Fund reserves which allow the Village to continue needed capital improvement projects without additional increases in the rate.

There was general concurrence by those Village Board members in attendance with the proposed water rate increase on January 1, 2013.

There being no further discussions, Trustee McCarthy moved and Trustee Fenner seconded the motion to adjourn the meeting at 6:55 p.m. The motion was approved unanimously.

FOR THE BOARD OF TRUSTEES


 Frank Saverino, Sr. Mayor


 Beth Melody, Village Clerk

Minutes approved by the President and Board of Trustees on this

3RD day of December, 2012.

Beth Mitchell
Village Clerk