

Village of Carol Stream

Special Meeting of the Village Board

FY 19 Budget Workshop-Water and Sewer

Carol Stream Fire Protection District – Fire Station 28

365 Kuhn Road, Carol Stream, IL 60188

March 19, 2018

6:00 p.m. – 7:16 p.m.

Meeting Notes

ATTENDANCE:

Mayor Frank Saverino, Sr.

Trustee Greg Schwarze

Trustee Matt McCarthy

Trustee Rick Gieser

Trustee John LaRocca

Trustee Mary Frusolone

Village Clerk Laura Czarnecki

Joseph E. Breinig, Village Manager

Bob Mellor, Assistant Village Manager

Tia Messino, Asst. to the Village Manager

Jon Batek, Finance Director

Jim Knudsen, Engineering Director

Phil Modaff, Public Works Director

Ed Sailer, Police Chief

Don Bastian, Community Dev. Director

Ron Roehn, PW Supt. of Operations

ABSENT:

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

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

Absent: Trustee David Hennessey

Trustee David Hennessey arrived at 6:28 p.m.

FY 19 Budget Workshop-Water and Sewer

Finance Director Jon Batek led the Village Board on a discussion of the water and sewer fund FY19 budget as follows:

- 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.

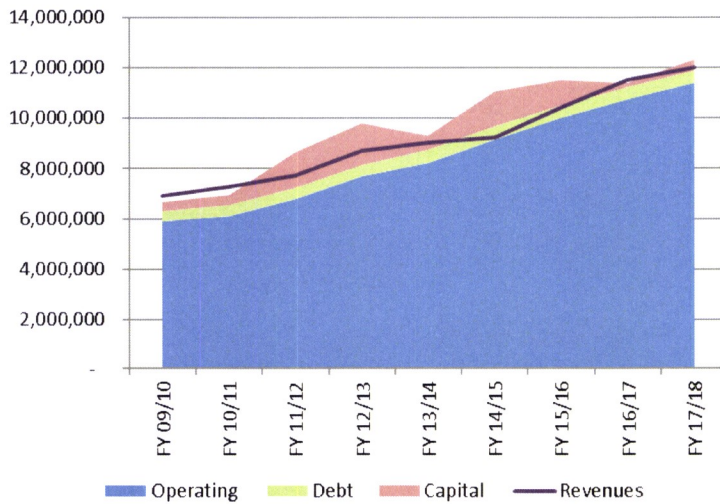
Historical Water Rates – 2012 to 2015

- In the first half of the 2010's the Village limited rate increases to only the amount of increase in our cost of purchasing water through the DWC.

Date	Chicago Charge to DWC			DWC Charges to Municipalities			Carol Stream Charges to Customers				
	Rate	\$ Inc.	% Inc.	Variable	Fixed	Total	\$ Inc.	% Inc.	Rate	\$ Inc.	% Inc.
5/1/2011	\$ 2.01			\$ 2.04	\$ 0.26	\$ 2.30			\$ 4.09		
1/1/2012	2.51	0.50	25%	2.73	0.26	2.99	0.69	30%	4.78	0.69	17%
1/1/2013	2.89	0.38	15%	3.32	0.26	3.58	0.59	20%	5.37	0.59	12%
1/1/2014	3.32	0.43	15%	3.97	0.26	4.23	0.65	18%	6.02	0.65	12%
1/1/2015	3.82	0.50	15%	4.68	0.26	4.94	0.71	17%	6.73	0.71	12%

- As a result, cost increases in other areas (labor, contractual services, commodities, etc.) were absorbed by using cash reserves to cover a portion of operating costs as well as all capital expenses.

Water & Sewer Fund – Expenses by Type vs Revenues



Water & Sewer Fund – Reserve Levels

Cash reserves has declined in 8 of the last 9 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	11,744,504	(1,536,379)
FY16/17	11,721,106	(23,398)
FY17/18 est.	11,387,168	(333,938)

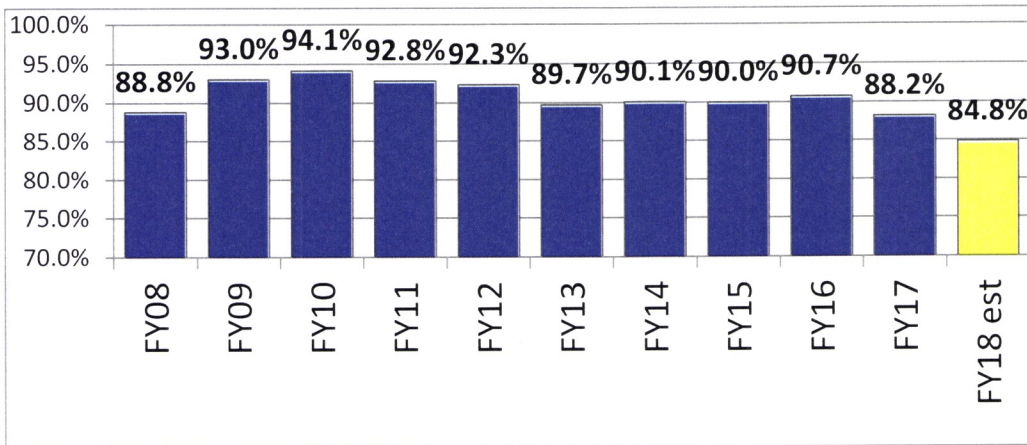
*Water & Sewer Fund-Current Year FY17/18 Projected Performance
FY 17/18 Revenues*

- Billed consumption for FY17/18 is projected to decrease by 1.5% compared to the prior year FY16/17.
- This follows 2 consecutive years of increases in billed consumption (FY16/17 = 5.4%, FY15/16 = 0.9%).
- Consumption appears to have stabilized somewhat compared to our longer-term trend of general decline (22% drop in 10 year period from FY05/06 to FY14/15).
- Total Fund revenues projected to be above budget by \$185,000 or 1.6%. This is also \$481,000 or 4.2% above FY16/17 actual revenues due to May 2017 rate increases and improvements in investment earnings.
- Total projected FY17/18 operating expenses (excluding capital) are \$67,382 or 0.6% over budget due to DWC water purchases greater than anticipated.
- Total FY17/18 expenditures (including capital) are \$2.9 million below budget due to the budgeted Schmale Road water main project that will not be completed this year.
- Water/Sewer rate increases at the start of FY17/18 were designed to fully cover operating costs (budgeted to generate \$3,934 surplus before capital). Our FY17/18 estimate projects this operating surplus will be \$121,552.
- This operating surplus will not cover projected current year capital expenses of \$455,490, so the fund has an overall projected year-end deficit of \$333,938.

	Actual FY16/17	Revised Budget FY17/18	Estimated FY17/18	Above (Below) Budget
REVENUES	\$ 11,523,585	\$ 11,820,000	\$ 12,005,000	\$ 185,000
OPERATING COSTS				
Salaries & Wages	1,479,279	1,464,078	1,466,890	2,812
Contractual Services				
Water Commission	6,002,390	6,080,000	6,250,000	170,000
WRC Contract	1,701,593	1,831,000	1,831,000	-
All Other	<u>1,233,096</u>	<u>1,600,007</u>	<u>1,503,541</u>	<u>(96,466)</u>
Total Contractual	8,937,079	9,511,007	9,584,541	73,534
Commodities	335,757	354,458	345,494	(8,964)
Debt	<u>486,497</u>	<u>486,523</u>	<u>486,523</u>	<u>-</u>
TOTAL OPERATING	11,238,612	11,816,066	11,883,448	67,382
Net G/L Before Capital	<u>284,973</u>	<u>3,934</u>	<u>121,552</u>	<u>117,618</u>
CAPITAL COSTS	<u>161,676</u>	<u>3,437,000</u>	<u>455,490</u>	<u>(2,981,510)</u>
Total Expenses	<u>\$ 11,400,288</u>	<u>\$ 15,253,066</u>	<u>\$ 12,338,938</u>	<u>\$ (2,914,128)</u>
Fund Income/(Loss)	\$ 123,297	\$ (3,433,066)	\$ (333,938)	

- While billed water to customers declined by 1.5% during FY17/18, total water purchases from the DWC increased by 2.4%. This represents a significant negative shift in the amount of unaccounted for water.
- Water billed is generally less than water purchased as there is always some system loss from a number of potential sources including:
 - 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.
- Unbilled purchased water is costly. Current year impact almost 47 million gallons = \$228,000

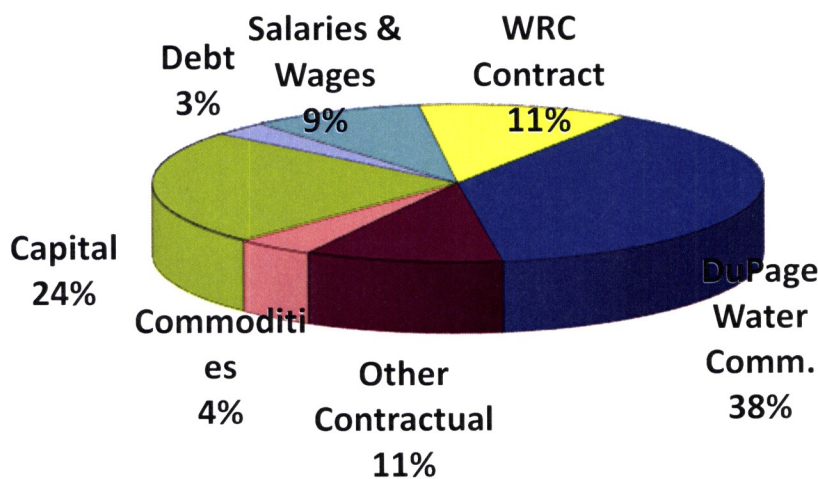


Action Plan to Address Unaccounted Water

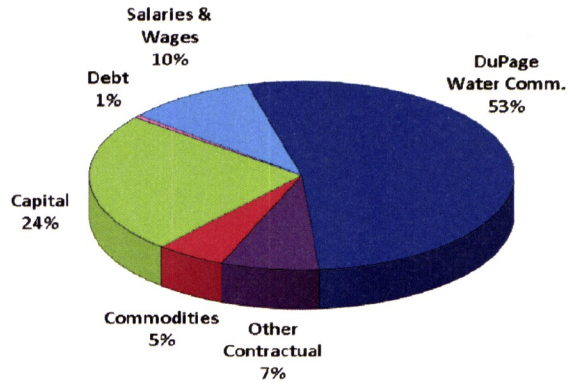
- Task force formed including staff from Public Works, Finance, Engineering and Community Developments.
- Examine all potential sources of water loss from DWC delivery point to consumption by customer, including:
 - Leak detection – increase from bi-annual to annual and expand to private service mains (industry, multi-family, commercial, schools)
 - Use of water during construction, chlorination, pressure testing
 - Meter tampering / illegal connections / unbilled addresses
 - Billing system errors / incorrect meter multipliers
 - Large meter testing and replacement
 - Meter training with industry experts
 - “Red flag” analysis and follow-up of unusual consumption

New Budget Year – FY18/19

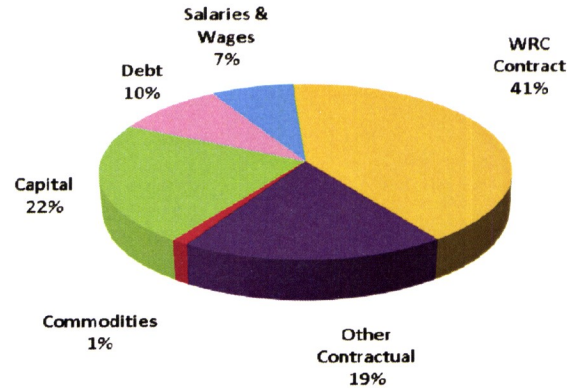
Proposed Expenses by Category FY18/19



Water Division



Sewer Division



Water & Sewer Fund – Proposed FY18/19 – Revenues

- Projecting billed water consumption at same level as FY17/18 estimate. This assumes billing of 1.086 billion gallons.
- Revenues shown reflect the following 5/1/18 proposed rate adjustments:
 - Water \$0.50 increase from \$7.25 to \$7.75 per 1,000 gallons
 - Sewer \$0.40 increase from \$3.82 to \$4.22 per 1,000 gal. water
 - Combined rate increase = \$0.90 or 8.1% over 5/1/17 adj.
 - Estimated future increases of 4.0% in FY19/20 and FY20/21 programmed to show cash flow impact. Subject to change.

Draft Water & Sewer Fund Budget Expenditures FY18/19 Proposed Compared to FY17/18 Budget

	Revised Budget FY17/18	Estimated FY17/18	Proposed Budget FY18/19	FY18/19 Proposed to FY17/18 Budget	
REVENUES	\$ 11,820,000	\$ 12,005,000	\$ 12,880,000	1,060,000	9.0%
OPERATING COSTS					
Salaries & Wages	1,464,078	1,466,890	1,501,462	37,384	2.6%
Contractual Services					
Water Commission	6,080,000	6,250,000	6,325,000	245,000	4.0%
WRC Contract	1,831,000	1,831,000	1,854,690	23,690	1.3%
All Other	<u>1,600,007</u>	<u>1,503,541</u>	<u>1,730,339</u>	<u>130,332</u>	8.1%
Total Contractual	9,511,007	9,584,541	9,910,029	399,022	4.2%
Commodities	354,458	345,494	689,222	334,764	94.4%
Debt	<u>486,523</u>	<u>486,523</u>	<u>485,541</u>	<u>(982)</u>	-0.2%
TOTAL OPERATING	11,816,066	11,883,448	12,586,254	770,188	6.5%
Net G/L Before Capital	<u>3,934</u>	<u>121,552</u>	<u>293,746</u>		
CAPITAL COSTS	<u>3,437,000</u>	<u>455,490</u>	<u>3,896,500</u>	<u>459,500</u>	13.4%
Total Expenses	<u>\$ 15,253,066</u>	<u>\$ 12,338,938</u>	<u>\$ 16,482,754</u>	<u>1,229,688</u>	8.1%
Fund Income/(Loss)	\$ (3,433,066)	\$ (333,938)	\$ (3,602,754)		

Operating Expense Highlights

- One additional WSE position to be hired and dedicated to 3+ year AMR Replacement Program and absorbed as permanent staff addition thereafter.
- Cost of Water +\$245,000. This assumes purchases identical to FY17/18 (1.28 B gallons) and includes 6 cent DWC rate adjustment on 5/1/18.
- Commodities reflect an additional \$342,500 for AMR purchases under the Meter account to begin a 3+ year AMR Replacement Program.
- WRC contract operator increase (\$24,000 or 1.3% over FY17/18)
- Sewer Maintenance & Repair - \$200,000 budgeted for design of future sewer projects stemming from FY17/18 Trunk Sewer Line inspections and assessments.
 - Future inspections/assessments deferred to year 3 of the financial plan (FY20/21 and beyond).

AMR Replacement Program

- FY17/18 study and testing of oldest meters in town revealed continued high degree of accuracy. No meter replacement program is proposed.
- AMRs (attached on top of water meter) that transmit meter readings via radio wave are well beyond life and are beginning to fail as internal batteries die.
- Propose replacement of approximately 8,600 AMR's over 3+ year time frame using internal staff to complete.
- Presently, as AMR's have failed, we are replacing with next generation AMR (model 100W). The proposed AMR Replacement program accelerates installation of the same newer generation 100W AMR so we can preempt the potential for an exponential rate of failure in existing older AMR's.
- The new generation AMR is capable of storing hourly reading data for a period of 40 days and can be used to help identify and document leaks or other service problems.
- This technology also lends itself to future upgraded reading collection through the installation of a fixed base network where readings can be obtained by installing antennae on water towers / street lights, etc. This would eliminate our current method of collecting readings by driving throughout town.

AMR Replacement Program Costs

\$342,500	AMR Units (2,500/yr)
62,700*	New WSE position dedicated to program
52,800	Temporary contract admin. help – Public Works
36,000	Temporary contract admin. help – Finance
4,000*	Miscellaneous supplies, phone (data), uniforms
\$497,000	Budgeted Program Costs

* These will be on-going costs and should be factored into water rates.

Water & Sewer Fund – Capital Summary – FY18/19

Water System

Schmale Road Water Main Repl. (cont'd)	\$ 2,743,000	*
Dermody Water Main Replacement	115,000	
Van Replacement (Truck #27)	<u>35,000</u>	
Total Water	\$ 2,893,000	

Sewer System

WRC Sandfilter Building Roof Replace	\$ 127,500
Sanitary Sewer Manhole Repairs	100,000
North Ave. Sewer Rehab. (design)	<u>772,000</u>
Total Sewer	\$ 999,500
 Total Capital Improvement	 <u>\$ 3,892,500</u>

*** Rebudgeted from FY17/18**

Water & Sewer Fund – FY18/19 – 5/1/18 Rate Recommendation

- Water Fund
 - Each penny of water rate generates approximately \$10,900 of revenue based on anticipated water sales. 50 cent rate increase recommendation to cover the following operating cost increases:

7¢	New WSE position + FY18/19 compensation adj.
23¢	Increase in water cost from the DWC
	6 cent DWC rate increase + 17 cents for 2.4% increase in purchases
<u>20¢</u>	Increases in consulting, maintenance and muni. svc. charges
50¢	Proposed Water Rate Increase, 5/1/18

- Sewer Fund
 - Each penny of sewer rate generates approximately \$8,800 of revenue (less than water because of approx. 700 accounts serviced by Wheaton Sanitary District). 40 cent rate increase recommendation to cover the following cost increases:

3¢	Increase in WRC operating contract
7¢	Increases in consulting and muni. svc. charges
<u>30¢</u>	Capital Funding
40¢	Proposed Sewer Rate Increase, 5/1/18

Water & Sewer FY18/19 Budget

	Sewer Division	Water Division	Total Proposed FY18/19
Revenues	3,916,000	8,964,000	12,880,000
Expenses			
Salaries & Wages	326,949	1,174,513	1,501,462
Contractual Services			
Water Commission	-	6,325,000	6,325,000
WRC Contract	1,854,690	-	1,854,690
All Other	<u>838,012</u>	<u>892,327</u>	<u>1,730,339</u>
Subtotal	2,692,702	7,217,327	9,910,029

Commodities	51,699	637,523	689,222
Debt	<u>428,650</u>	<u>56,891</u>	<u>485,541</u>
Total Operating Gain/(Loss) before Capital	<u>3,500,000</u>	<u>9,086,254</u>	<u>12,586,254</u>
Capital	416,000	(122,254)	293,746
Capital	<u>1,001,500</u>	<u>2,895,000</u>	<u>3,896,500</u>
Total Expenses	<u>4,501,500</u>	<u>11,981,254</u>	<u>16,482,754</u>
Fund Gain/(Loss)	<u>\$ (585,500)</u>	<u>\$(3,017,254)</u>	<u>\$ (3,602,754)</u>

Proposed Rate Increase 5/1/18

May 1, 2018 Recommended Rates

Water:	Increase of \$0.50, from \$7.25 to \$7.75 (6.9%)
Sewer:	Increase of \$0.40, from \$3.82 to \$4.22 (10.5%)
Combined:	Increase of \$0.90, from \$11.07 to \$11.97

Combined increase of 8.1%

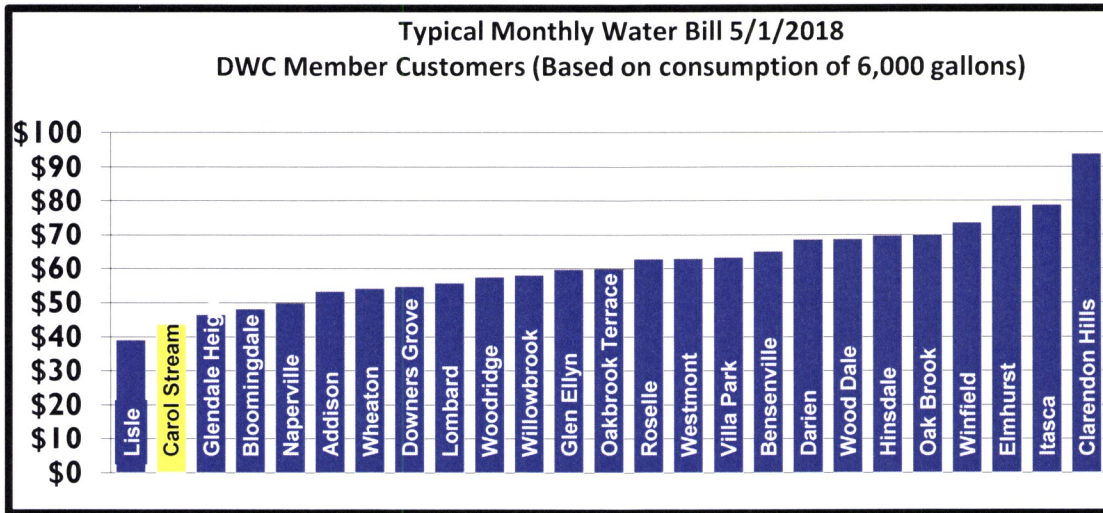
	Monthly Bill* <u>Before Increase</u>	Monthly Bill* <u>After 5/1/18</u>	Net Monthly <u>Increase</u>
Water	\$ 43.50	\$ 46.50	\$ 3.00
Sewer	<u>22.92</u>	<u>25.32</u>	<u>2.40</u>
Total	<u>\$ 66.42</u>	<u>\$ 71.82</u>	<u>\$ 5.40</u>

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

Water & Sewer Fund – Projected Cash Reserve Levels

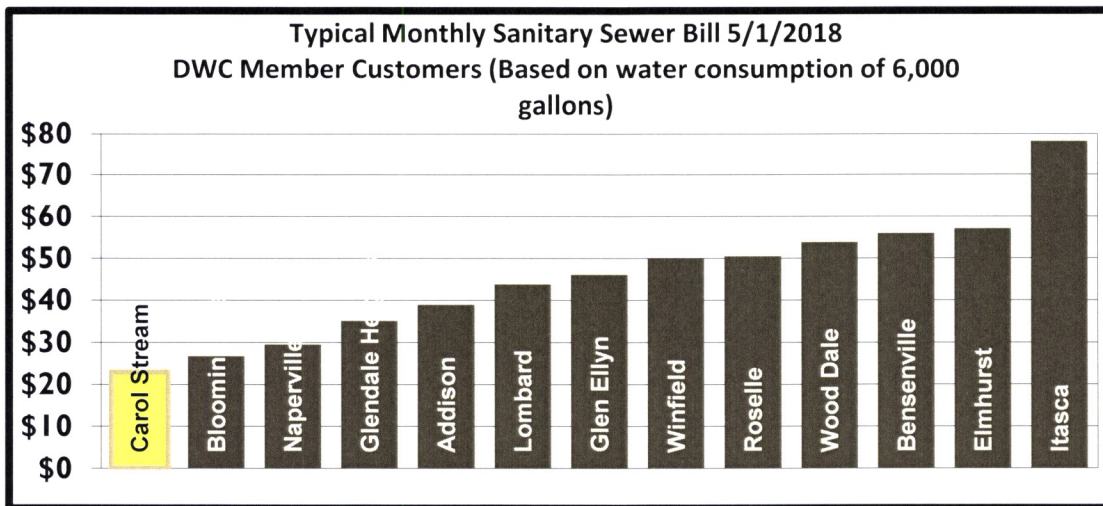
	<u>Balance</u>	<u>Change</u>
2016 actual	\$11,744,504	\$(1,536,379)
2017 actual	11,721,106	(23,398)
2018 est.	11,387,168	(333,938)
2019 proj.	7,784,414	(3,602,754)
2020 proj.	7,640,572	(143,842)
2021 proj.	6,591,223	(1,049,349)

Water & Sewer Fund – Community Comparison-Water



Recommended \$0.50 rate increase.

Water & Sewer Fund – Community Comparison – Sewer



Recommended \$0.40 rate increase.

Director of Public Works Phil Modaff described the action plan to address unaccounted water. The Illinois Department of Natural Resources requires water loss to be 12% or less. He also described the AMR Replacement Program for which the AMR batteries are reaching the end of their useful life. AMRs are beginning to fail.

Mayor Saverino stated he feels the Village should increase our water rates slightly when the City of Chicago or DuPage Water Commission raises rates to the communities. He also expressed his preference to use Village employees to install the meters vs. contractors.

There being no further business, Trustee Frusolone moved and Trustee Gieser made the second to adjourn the Special Board meeting. The meeting was adjourned unanimously at 7:16 p.m.

FOR THE BOARD OF TRUSTEES

Frank Saverino Sr

Frank Saverino, Sr., Mayor

ATTEST:

Laura Czarnecki

Laura Czarnecki, Village Clerk

Minutes approved by the President and Board of Trustees on this
2nd day of April, 2018.

Laura Czarnecki
Village Clerk