

# Village of Carol Stream

## Special Meeting of the Village Board

*FY 20 Budget Workshop*

*Water/Sewer Fund & other Funds*

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

**March 4, 2019**

**6:00 p.m. – 7:02 p.m.**

### Meeting Notes

#### ATTENDANCE:

**Mayor Frank Saverino, Sr.**  
**Trustee Greg Schwarze**  
**Trustee Rick Gieser**  
**Trustee John LaRocca**  
**Trustee Matt McCarthy**  
**Trustee Mary Frusolone**

**Bob Mellor, Village Manager**  
**Joe Carey, Assistant Village Manager**  
**Jon Batek, Finance Director**  
**Jim Knudsen, Engineering Director**  
**Phil Modaff, Public Works Director**  
**Ed Sailer, Police Chief**  
**Don Bastian, Community Dev. Director**  
**Marc Talavera, I. T. Director**  
**Tia Messino, Assist. to the VM**

#### ABSENT:

**Trustee David Hennessey**  
**Village Clerk Laura Czarnecki arrived at 6:30 p.m.**

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

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

Absent: Trustee David Hennessey

#### FY 20 BUDGET WORKSHOP-WATER/SEWER FUND & OTHER FUNDS

Finance Director Jon Batek and Public Works Director Phil Modaff discussed the water and sewer and other miscellaneous budget funds.

- Water/Sewer Fund
  - Historical Perspective
  - Water Loss
  - AMR Replacement Program Update
  - Current FY18/19 Projected Performance
  - Proposed FY19/20 Budget
    - Revenue / rate assumptions
    - Significant areas of focus for FY19/20
  - Water / Sewer Rate Recommendation
  - North / Schmale TIF Fund
  - Police Pension Fund

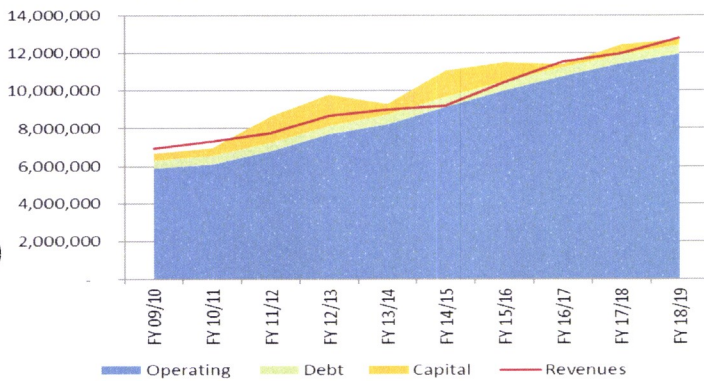
Water & Sewer Fund FY 19/20

- 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 Perspective

- Significant shift in the cost of purchasing water from City of Chicago through the DuPage Water Commission (DWC). 116% increase in water purchase costs from 2011-2015.
- During Chicago rate increases, Carol Stream only passed along additional water cost increases to customers. All other system maintenance and capital costs were funded through use of reserves.
- Cash Reserve balances were reduced during this period to the point the Village was not fully covering its operating expenses and all capital spending was entirely from reserves.
- Carol Stream began its own series of regular rate increases in 2016 to ensure coverage of operating costs and the ability to accumulate resources for future capital maintenance activities.

Expenses by Type vs Revenues



Reserve Levels

*Cash reserves have declined in 8 or the last 10 years*

<b>FY09/10</b>	<b>\$ 16,636,976</b>	<b>\$ (136,734)</b>
<b>FY10/11</b>	<b>17,371,358</b>	<b>734,382</b>
<b>FY11/12</b>	<b>16,869,569</b>	<b>(501,789)</b>
<b>FY12/13</b>	<b>15,424,480</b>	<b>(1,445,089)</b>
<b>FY13/14</b>	<b>14,903,910</b>	<b>(520,570)</b>
<b>FY14/15</b>	<b>13,280,883</b>	<b>(1,623,027)</b>
<b>FY15/16</b>	<b>11,744,504</b>	<b>(1,536,379)</b>
<b>FY16/17</b>	<b>11,721,106</b>	<b>(23,398)</b>
<b>FY17/18</b>	<b>11,544,724</b>	<b>(176,382)</b>
<b>FY18/19 est.</b>	<b>11,581,343</b>	<b>36,619</b>

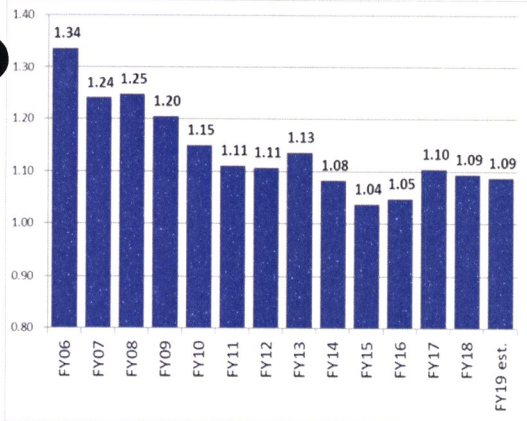
*FY 18/19 est. reserve=approx. 90% of FY 19/20 operating costs.*

Historical Perspective

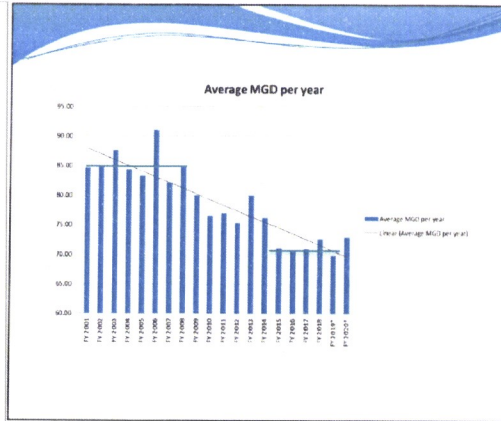
*Long-term trend of reduced water demand in Carol Stream is consistent with other DuPage Water Commission (DWC) members:*



## Carol Stream



## All DWC Members

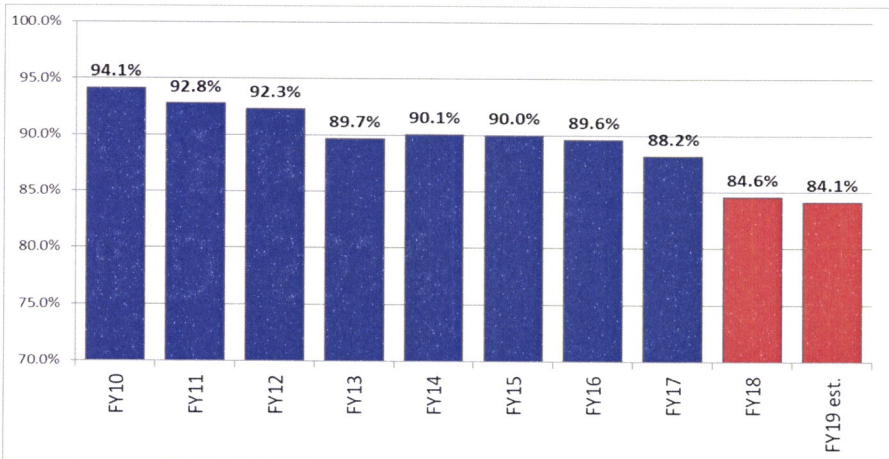


## Water & Sewer Fund – Water Loss

### 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

### Historical Water Billed to Purchased Ratio



Major system leak identified through leak detection contractor on private water main in mid-December with outflow directly into an industrial park wetland.

Leak was repaired promptly and we are already seeing a significant improvement in our water billed to purchased ratio:

	<i>Gallons Billed (in thousands)</i>	<i>Gallons Purchased (in thousands)</i>	<i>% B to P</i>	
May	105,814	121,469	87.1%	
Jun	84,924	116,227	73.1%	
Jul	114,546	132,647	86.4%	
Aug	106,344	127,541	83.4%	
Sep	85,526	117,107	73.0%	
Oct	89,326	113,905	78.4%	
Nov	84,706	106,390	79.6%	
Dec	85,344	94,169	90.6%	<i>Leak fixed for 1/2 of month</i>
<i>7 month average (May-Nov) billed to purchased ratio of 80.4%</i>				

- Assuming the repair of leak returns us to a minimum of 90% billed to purchased ratio, by applying that ratio to May through November 2018 water purchases, this leak would have resulted in a 7 month FY19 loss of 80,571,000 gallons.
- The cost of this water loss is \$398,000.
- Continuous monitoring of monthly performance ratio plus annual leak detection services will continue on our nearly 140 miles of water main in the distribution system.

#### AMR Replacement Program Update

- AMRs (attached on top of water meter) that transmit meter readings via radio wave to collection equipment.
- FY18/19 began program for replacement of approximately 10,800 AMR's over 3+ year time frame using internal staff to complete.
- Began August, 2018.
- 1,394 AMR's have been replaced since we started in August. 13% complete after 6 months (ahead of pace).
- 9,392 remain to be replaced.  
(Target is to replace 2,400 per Year, 200 per month).
- Main AMR program employee completes 11 appointments per day (Tuesday – Saturday).
- Roughly 55 are changed per week, 220 per month
- 1,544 letters sent via regular mail resulted in an 88% response rate.
- 178 certified letters needed to be sent.
- 104 appointments made after receiving certified letter.
- 63 accounts shut-off for failure to respond or schedule.
- Only 2 accounts remain off (vacant properties).

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#### Current Year FY 18/19 – Projected Performance

##### *FY 18/19 Revenues*

- Billed consumption for FY18/19 is projected to decrease slightly by 0.5% compared to the prior year FY17/18.
- Consumption appears to have stabilized somewhat (generally stagnant over last 5 years) compared to our longer-term trend of general decline (22% drop in 10 year period from FY05/06 to FY14/15).
- Due to slight drop-off in consumption, total Fund revenues projected to be slightly below budget by \$105,000 (less than 1%). This is 6.8% or \$809,000 above FY17/18 actual revenues due to May 2018 rate increases and improvements in investment earnings.

##### *FY 18/19 Expenses*

- Total projected FY18/19 operating expenses (excluding capital) are \$140,792 or 1.1% below budget due to DWC water purchases greater than anticipated.



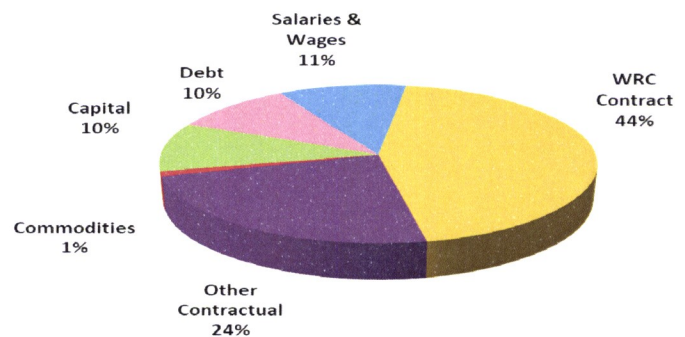
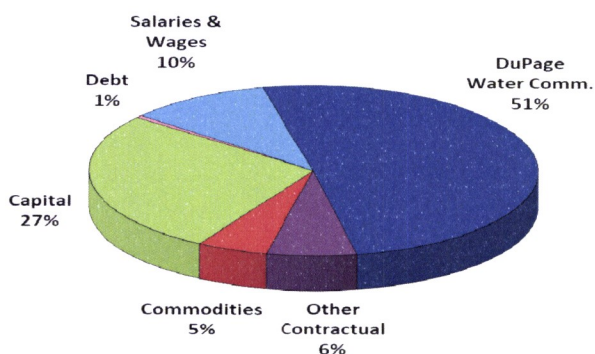
- Total FY18/19 expenditures (including capital) are \$3.7 million below budget due to the budgeted Schmale Road water main project that will not be completed this year.
- An operating surplus of \$329,538 is expected before capital expenses indicating FY18/19 water/sewer rates were adequate to fully cover operating expenses. After capital expenses estimated at \$292,919 are covered, the fund has an estimated surplus of \$36,619.
- Performance of the fund is within budget expectations and meets previous rate adjustment goals of full operating expense coverage. Our focus moving forward now on saving for future CAPITAL projects.

*Projected Performance*

	Actual FY17/18	Revised Budget FY18/19	Estimated FY18/19	Above (Below) Budget
<b>REVENUES</b>	\$ 11,966,090	\$12,880,000	\$12,775,000	\$ ( 105,000)
<b>OPERATING COSTS</b>				
Salaries & Wages	1,539,582	1,501,462	1,509,539	8,077
<b>Contractual Services</b>				
Water Commission	6,307,283	6,325,000	6,415,000	90,000
WRC Contract	1,832,355	1,854,690	1,800,000	(54,690)
All Other	1,401,156	1,730,339	1,523,879	(206,460)
Total Contractual	9,540,794	9,910,029	9,738,879	(171,150)
Commodities	333,117	689,222	711,503	22,281
Debt	485,507	485,541	485,541	-
<b>TOTAL OPERATING</b>	<b>11,899,000</b>	<b>12,586,254</b>	<b>12,445,462</b>	<b>(140,792)</b>
Net G/L Before Capital	67,090	293,746	329,538	35,792
<b>CAPITAL COSTS</b>	549,121	3,896,500	292,919	(3,603,581)
Total Expenses	\$ 12,448,121	\$ 16,482,754	\$ 12,738,381	\$ (3,744,373)
Fund Income/(Loss)	\$ (482,031)	\$ (3,602,754)	\$ 36,619	

Proposed Expenses by Category FY 19/20

Water & Sewer Fund-Proposed Expenses by Category FY 19/20



Water & Sewer Fund – Proposed FY19/20 - Revenues

- Projecting billed water consumption at same level as FY18/19 estimate. This assumes billing of 1.087 billion gallons.
- Revenues shown reflect the following 5/1/19 proposed rate adjustments:
  - Water \$0.39 increase from \$7.75 to \$8.14 per 1,000 gallons

- Sewer \$0.44 increase from \$4.22 to \$4.66 per 1,000 gal. water
- Combined rate increase = \$0.83 or 6.9% over 5/1/18 adj.
- Estimated future increases of 5.0% in FY20/21 and FY21/22 programmed to show cash flow impact. Subject to change.
- CS rates remain at the low end of comparable communities.

Draft Water & Sewer Fund Budget Expenditures  
FY19/20 Proposed Compared to FY18/19 Budget

	Revised Budget FY18/19	Estimated FY18/19	Proposed Budget FY19/20	FY19/20 Proposed to FY18/19 Budget	
<b>REVENUES</b>	\$ 12,880,000	\$ 12,775,000	\$ 13,560,000	680,000	5.3%
<b>OPERATING COSTS</b>					
<b>Salaries &amp; Wages</b>	1,501,462	1,509,539	1,670,102	168,640	11.2%
<b>Contractual Services</b>					
Water Commission	6,325,000	6,415,000	6,024,000	(301,000)	-4.8%
WRC Contract	1,854,690	1,800,000	1,894,000	39,310	2.1%
All Other	1,730,339	1,523,879	1,781,019	50,680	2.9%
Total Contractual	9,910,029	9,738,879	9,699,019	(211,010)	-2.1%
<b>Commodities</b>	689,222	711,503	648,593	(40,629)	-5.9%
<b>Debt</b>	485,541	485,541	484,560	(981)	-0.2%
<b>TOTAL OPERATING</b>	<b>12,586,254</b>	<b>12,445,462</b>	<b>12,502,274</b>	<b>(83,980)</b>	<b>-0.7%</b>
<b>Net G/L Before Capital</b>	<b>293,746</b>	<b>329,538</b>	<b>1,057,726</b>		
<b>CAPITAL COSTS</b>	<b>3,896,500</b>	<b>292,919</b>	<b>3,668,000</b>	<b>(228,500)</b>	<b>-5.9%</b>
Total Expenses	\$ 16,482,754	\$ 12,738,381	\$ 16,170,274	(312,480)	-1.9%
<b>Fund Income/(Loss)</b>	\$ (3,602,754)	\$ 36,619	\$ (2,610,274)		

Water & Sewer Fund – FY19/20 – Operating Expenses Water

- Cost of Water to decrease by \$301,000 from FY18/19 budget, reflecting the Village's improved billed to purchased ratio. DWC has announced a planned 3 cent increase in water rate paid by member communities from \$4.94 to \$4.97 per 1,000 gallons purchased.
- Consulting / Maintenance
  - Tower Maintenance – Recoat exterior/interior, cathodic protection, install ladder, welding.
    - Lies Road Tower – FY21 \$315,000
    - Fullerton Tank – FY22 \$262,500
  - Water Main Condition Assessment – FY21 \$161,000
  - Water System Study – FY21 \$105,000
- Operating costs fully covered by current water rates. Proposed 5/1/19 rate increase to fund future capital.

Water & Sewer Fund – FY19/20 – Operating Expenses Sewer

- Sewer Maintenance – New ongoing cost of complete condition assessment and analysis of the Village's sanitary sewer system. 5 year contract with RedZone @ \$216,000 per year. Trial analysis completed in FY17/18 of largest trunk line sewers. Full assessment in FY19/20 with costs spread over 5 years.
- WRC Contract cost increase at \$39,310 or 2.1% over FY18/19 budget.
- DuPage River Salt Creek Work Group – assessments step-up by approx. \$35,000 beginning in FY20 for future regional projects.
- Proposed 5/1/19 rate increase to fund the above operating cost increases plus an additional amount for future capital.



Water & Sewer Fund – Capital Summary – FY19/20

**Water System**

Schmale Road Water Main Replacement	\$	3,078,000
Leak Truck Replacement (Truck #3)		<u>165,000</u>
<b>Total Water</b>	<b>\$</b>	<b>3,243,000</b>

**Sewer System**

Sludge Dewatering System Improvements Design	\$	325,000
Sanitary Sewer Manhole Repairs		<u>100,000</u>
<b>Total Sewer</b>	<b>\$</b>	<b>425,000</b>

Total Capital Improvement **\$ 3,668,000**

**\* Rebudgeted from FY18/19**

Water & Sewer Fund – FY19/20

*5/1/19 Rate Recommendation*

- Water Fund
  - Each penny of water rate generates approximately \$10,900 of revenue based on anticipated water sales. 39 cent rate increase recommendation to generate approximately \$425,000 to fund future capital improvements. This increase also helps to “pre-fund” anticipated operating cost increases for ground storage tank maintenance that begins in FY20/21.
  - Water Fund operating expenses for FY19/20 show a net reduction due primarily to decreased water purchases from the DWC so fund is able to sustain operating cost coverage without rate increase.
  - Without any rate increase however, operating costs are no longer covered in years 2 and 3 of the financial plan and there is continued use of reserves in all 3 years FY 20 – FY22.
- 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). 44 cent rate increase recommendation to cover the following operating/ capital cost increases:

5¢	Increase in WRC operating contract
4¢	To cover increase in DRSCWG assessments
25¢	Sewer system assessments (RedZone) \$216,000 / yr.
10¢	Future capital replacement
<u>44¢</u>	Proposed Sewer Rate Increase, 5/1/19

Proposed Rate Increase 5/1/19

**May 1, 2019 Recommended Rates**

**Water: Increase of \$0.39, from \$7.75 to \$8.14 (5.0%)**

**Sewer: Increase of \$0.44, from \$4.22 to \$4.66 (10.4%)**

**Combined: Increase of \$0.83, from \$11.97 to \$12.80**

Combined increase of 6.9%

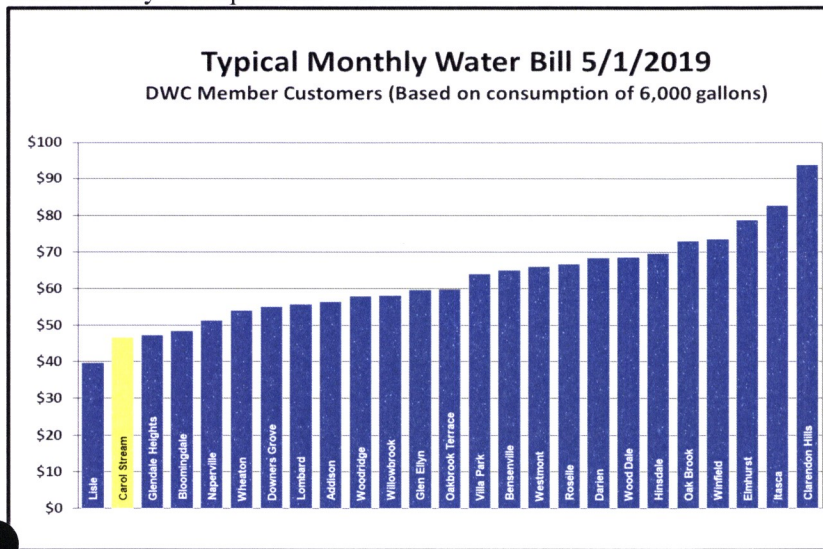
	Monthly Bill* <u>Before Increase</u>	Monthly Bill* <u>After 5/1/18</u>	Net Monthly <u>Increase</u>
Water	\$ 46.50	\$ 48.84	\$ 2.34
Sewer	<u>25.32</u>	<u>27.96</u>	<u>2.64</u>
Total	<u>\$ 71.82</u>	<u>\$ 76.80</u>	<u>\$ 4.98</u>

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

Projected Cash Reserve Levels

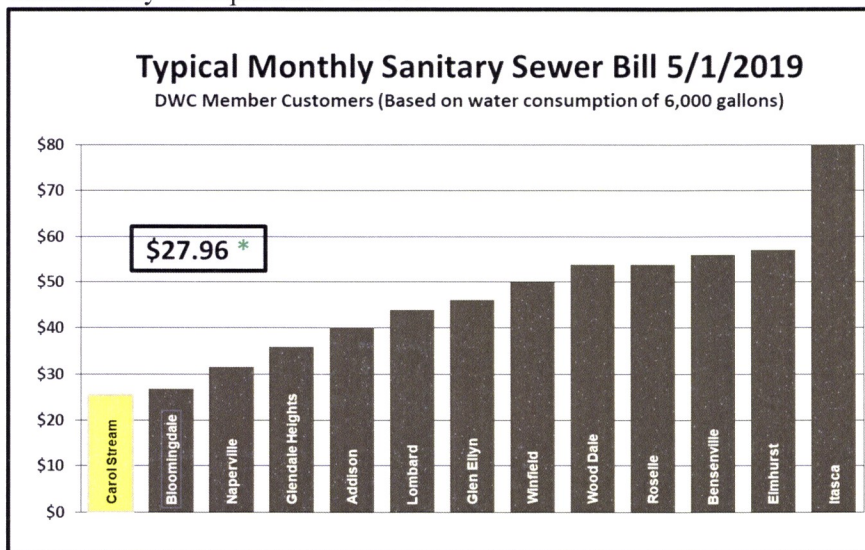
	<u>Balance</u>	<u>Change</u>	
FY15/16 actual	\$ 11,744,504	\$(1,536,379)	
FY16/17 actual	11,721,106	(23,398)	
FY17/18 actual	11,554,724	(166,382)	
<b>FY18/19 est.</b>	<b>11,591,343</b>	<b>36,619</b>	
FY19/20 proj.	8,981,069	(2,610,274)	Schmale Rd Water Main
FY20/21 proj.	7,993,554	(987,515)	WRC Dewatering System
FY21/22 proj.	9,787,021	1,793,467	

Community Comparison - Water



\*Recommended \$0.39 rate increase

Community Comparison - Sewer



\*Recommended \$0.44 rate increase

North Ave./Schmale Rd. TIF

- TIF Structure
  - Non-monetized Village note of \$3.5M.



- Secured by 100% of incremental property taxes + 50% of sales taxes for a period of 13 years (2027). 2 year extension (to 2029) if total principal not paid (incremental property taxes ONLY).
- Caputo's note began October 28, 2014.
- FY18/19 – Total of \$126,439 in principal paid on \$3.5 million note through April 30, 2019. Total principal and interest paid on the note since inception = \$707,379.
- FY19/20 projected principal payments = \$80,000.


Police Pension Fund

- \$46.7 million in net assets at April 30, 2018.
  - Officer + Village Contributions covering benefits at 1:1 ratio during FY17/18 at \$2.7 million.
  - Very volatile FY18/19 thus far. \$2.0M in gains at 10-31-18 erased to a \$1.0M net loss as of 12-31-18.
  - Asset Value at 12/31/18 = \$45.4 million, \$1.3M below 4-30-18.
- 61.69% funded as of April 30, 2018 vs. 61.70% last year, virtually unchanged.
- Village contribution increases by \$190,524 or 7.8% in FY19/20 over FY18/19. FY19/20 contrib. = \$2.625M.
- Village contribution was 19% of payroll in FY09/10. It has grown to 34% of payroll in FY17/18, nearly double in 8 years.

The Village Board concurred with staff on the water and sewer rate recommendations. Staff will bring forward an ordinance amendment on the water and sewer rates at a future Board meeting.

There being no further business, Trustee McCarthy moved and Trustee Frusolone made the second to adjourn the Special Board meeting. The meeting was adjourned unanimously at 7:02 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

18<sup>th</sup> day of March, 2019.

  
 Village Clerk