

Village of Carol Stream

SPECIAL WORKSHOP MEETING

MONDAY, MARCH 20, 2023

IMMEDIATELY FOLLOWING 6:00 P.M. VILLAGE BOARD MEETING

GREGORY J. BIELAWSKI MUNICIPAL CENTER

500 N. GARY AVENUE

CAROL STREAM, ILLINOIS 60188

BOARD ROOM

AGENDA

1. CALL TO ORDER
2. ATTENDANCE
3. FY 24 BUDGET WORKSHOP – WATER & SEWER FUND AND OTHER FUNDS
4. OTHER BUSINESS
5. ADJOURNMENT



Village of Carol Stream

FY24

Budget Workshop #4
**WATER & SEWER FUND
AND SPECIAL FUNDS**

March 20, 2023



Agenda

Water & Sewer Fund and Special Funds

- **Water & Sewer Fund**
 - Background and Historical Metrics
 - Proposed FY24 Budget
 - Expenses and significant areas of focus for FY24
 - Planning for the Future – The Long-Term Perspective
 - Water / Sewer Rate Recommendation
- **Special Funds**
 - Police Pension Fund
 - North Avenue / Schmale Road TIF Fund
 - Equipment Replacement Fund
 - State and Federal Asset Seizure Funds
 - American Rescue Plan Act (ARPA) Fund



Water & Sewer Fund Background and Historical Metrics



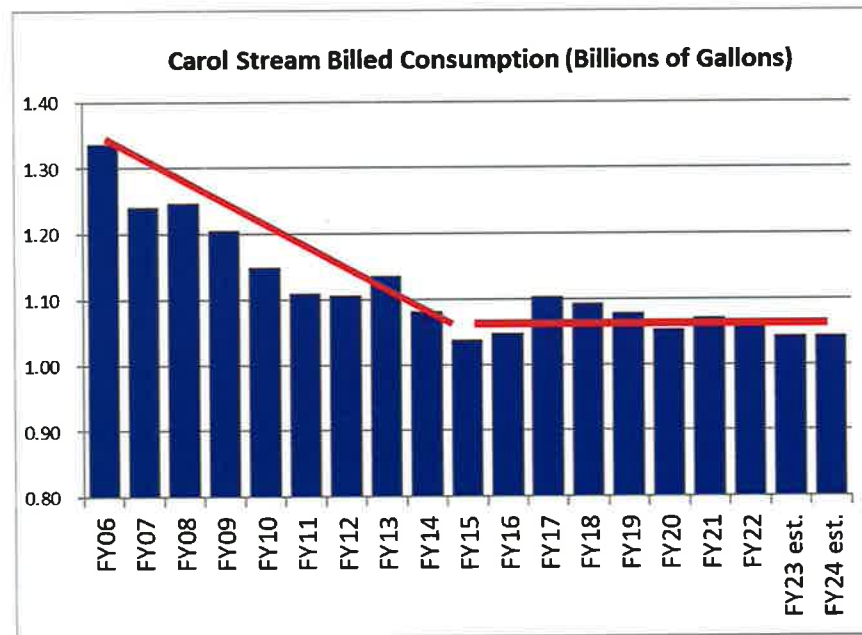
Water & Sewer Fund Background

- The combined water and sewer fund is a public utility and is classified as an “enterprise fund”. Accounting is similar to that of any private sector business.
- Enterprise funds are NOT supported by tax dollars, rather are funded by user fees and charges which are paid by users of the services provided.
- 95% of all fund revenues are generated directly from water and sewer rates charged to users of the system.
- Given generally static to slightly declining sales of water over time, regular rate adjustments are needed to keep pace with increases in operating costs and to plan for future capital investment.

Water & Sewer Fund

Review of Historical Metrics

- Billed water consumption in FY23 is estimated to drop 1.8% compared to FY22, from 1.06 to 1.04 billion gallons.
- Water sales generally within 1.04 to 1.10 billion gallons over the last 10 years +/- 3% from 1.07 billion/yr. average.
- Demand for water in Carol Stream follows the trend of all DuPage Water Commission members over the past 15-20 years.

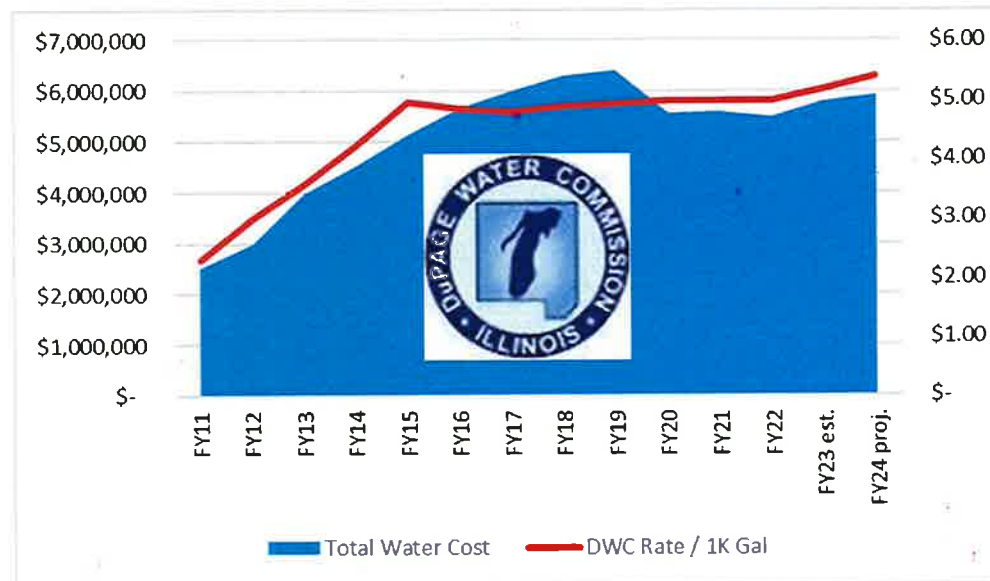


Water & Sewer Fund

Review of Historical Metrics

- The Village's cost of purchasing Lake Michigan water through the DuPage Water Commission (DWC) has stabilized since FY15 following many years of steep increases by the City of Chicago.
- Inflationary increases are beginning to creep back into the picture over the past 2 years.

Historical Water Purchase Costs
and DuPage Water Commission Member Rates

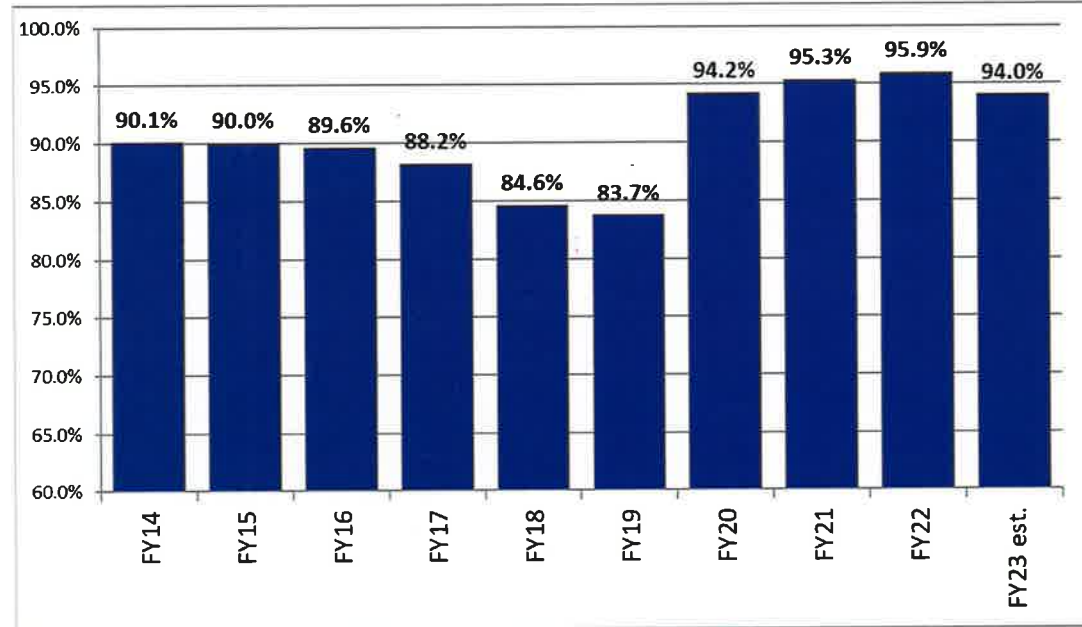


Water & Sewer Fund

Review of Historical Metrics

- The Village continues to maintain an excellent water billed to water purchased ratio. Regular annual leak detection program of both public and private systems continues into FY24 and beyond.

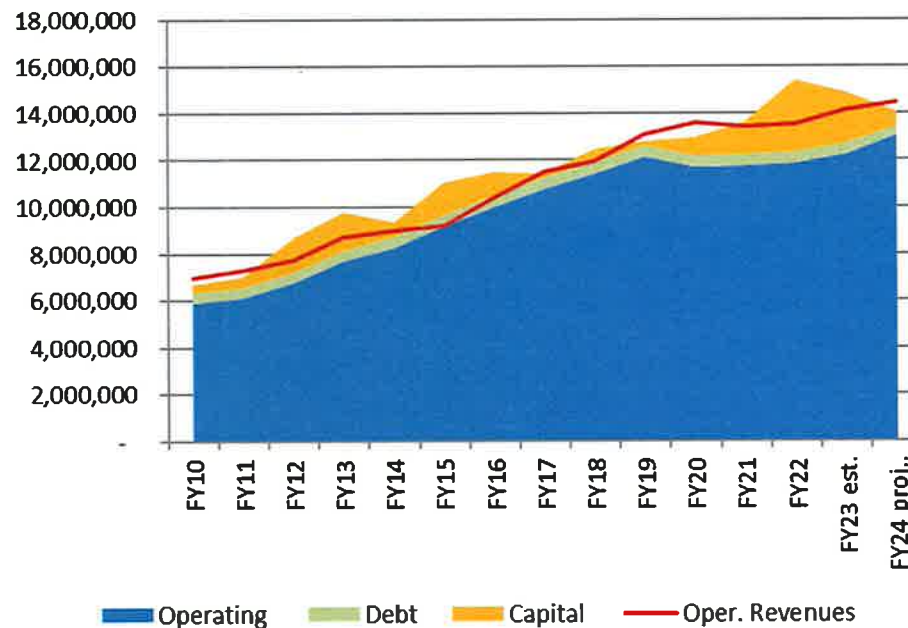
Gallons Billed to Customers
as a Percentage of Total Water Purchases



Water & Sewer Fund Review of Historical Metrics

- Rate adjustments since FY16 have improved coverage of operating expenses. Future rate adjustments will be needed to address any increases in operating expenses and to ensure sufficient funding is provided to meet projected capital needs.

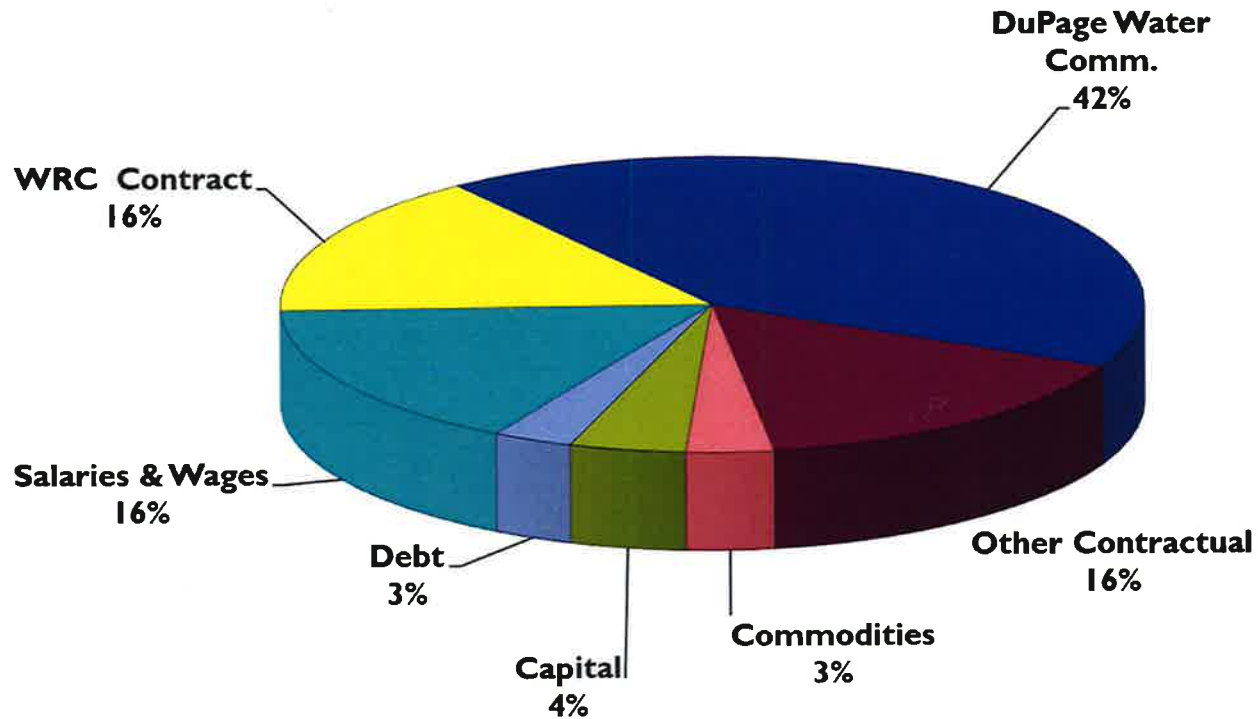
Water & Sewer Fund
Historical Expenses by Type vs Revenues





Proposed FY24 Budget

Village of Carol Stream Water & Sewer Fund Proposed Expenses by Category FY24



Total Expense Budget = \$14,070,500



Water & Sewer Fund – FY24

OPERATING EXPENSES

- Salaries & Wages - increase of only 0.2% compared to FY23 budget due to some staff turnover and delays in recruitment of new positions.
- Water Purchases - the DuPage Water Commission (DWC) is proposing a \$0.21 May 1 rate increase to the current rate of \$5.18 per 1,000 gal. (+4.1%). Combined with anticipated reduced water purchases, the year-over-year cost increase is 2.2%
- WRC Contract - projected 1.8% increase over FY23 budget amount.
- Contractual Services, Other - decrease of \$145,822 or 6.2% due to reduced consulting assistance with AMR replacement program and equipment replacement contributions.
- Commodities - increase of \$100,450 or 27.9% over FY23 budget mainly related to water system repair supplies (hydrants/valves/b-box parts).

Village of Carol Stream
Draft Water & Sewer Fund Budget Expenditures
FY24 Proposed Compared to FY23 Budget

	Revised Budget FY23	Estimated FY23	Proposed Budget FY24	FY24 proposed to FY23 Budget	
REVENUES					
Operating Revenues	\$ 13,748,000	\$ 14,140,801	\$ 14,469,500	\$ 721,500	5.2%
Grants	2,661,000	5,334,253	-	(2,661,000)	-100.0%
Total Revenues	\$ 16,409,000	\$ 19,475,054	\$ 14,469,500	\$(1,939,500)	-11.8%
OPERATING COSTS					
Salaries & Wages	2,272,569	2,056,634	2,275,989	3,420	0.2%
Contractual Services					
Water Commission	5,802,000	5,750,000	5,929,000	127,000	2.2%
WRC Contract	2,138,002	2,083,598	2,176,000	37,998	1.8%
All Other	2,342,972	1,957,169	2,197,150	(145,822)	-6.2%
Total Contractual	10,282,974	9,790,767	10,302,150	19,176	0.2%
Commodities	359,490	414,817	459,940	100,450	27.9%
Debt	490,618	490,618	420,421	(70,197)	-14.3%
TOTAL OPERATING	13,405,651	12,752,836	13,458,500	52,849	0.4%
Net G/(L) Before Capital	3,003,349	6,722,218	1,011,000		
CAPITAL COSTS					
Total Expenses	\$ 15,954,351	\$ 14,856,836	\$ 14,070,500	(1,883,851)	-11.8%
Fund Income/(Loss)	\$ 454,649	\$ 4,618,218	\$ 399,000		

Water & Sewer Fund – FY24

NOTABLE OPERATING EXPENSES

Gerzevske Tower Painting & Repairs (\$507,620)
(already under contract for May 1 start)

Includes painting (interior wet section only), repair welds, install cathodic protection, mixing system and ladder, replace roof hatch, interior lighting, pit piping and vent screening, upgrade and repair electrical and install IT improvements.





Water & Sewer Fund – FY24

NOTABLE OPERATING EXPENSES

- Hydrant Painting Program – 5-year program beginning in FY24 via joint-bid with other agencies (\$50,000 per year)
- Well #3 Building Repairs - replace flat roof, soffit, fascia and gutters at Fullerton pump station (\$25,000)
- Hydrant/Valve/Pipe Repairs – Significant price increase seen in repair and replacement parts (\$100,000)



Water & Sewer Fund – FY24

NOTABLE OPERATING EXPENSES

- Water System Model – Consultant assistance to develop model to analyze distribution system capabilities and identify areas to improve water quality (\$55,000)
- Replace Kuhn Road Pump Station Generator – Replacement already under contract (\$220,000)
- Well #6 generator - Remove unrepairable generator and install Plug-in Connection for portable (\$45,000)
- Tower #2 Valve Replacements – In-house replacement of valves & hydrant at Gerzevske tower (\$31,200)



Water & Sewer Fund – FY24

NOTABLE OPERATING EXPENSES

- Tall Oaks Lift Station Panel Replacement – Design & construct electrical and SCADA control cabinet (will reduce footprint of existing cabinet)
- Sewer Easement Machine – Replacement of aging unit used for side and rear-yard sewer line cleaning (\$85,000)
- Standby Wells: Budget does not include any funding for abandoning wells. Costs to maintain in FY24 include:
 - Generator plug-in and building repairs: \$70,000
 - Monthly operation and required sampling: \$28,000
 - Source Water Protection Plan \$ 9,000

Water & Sewer Fund – FY24

CAPITAL PROGRAM EXPENSES

- WRC Facility Assessment – An updated capital plan for the WRC facility (completed in 2021), calls for investment of \$19.53 million over the next 10 years. Programmed expenses for the next 5 years are shown below:

Wastewater Reclamation Center Capital Improvements

Project	FY24	FY25	FY26	FY27	FY28
Clarifier Repairs	162,000				
Headworks Design/Construction	50,000	225,000	4,500,000		
Non-potable Water System Repl.			285,000		
Sandfilter Replacement – Design			50,000		
Sandfilter Replacement – Constr.				1,250,000	1,250,000
Clarifier/digester Painting				881,000	
Phosphorous Removal					3,761,000
TOTAL:	212,000	225,000	4,835,000	2,131,000	5,011,000

Total investment FY24 to FY28 = \$12,414,000



Planning for the Future The Long-Term Perspective

Water & Sewer Fund – FY24

The Long-Term Perspective

- A 10 year future cost model was developed drawing data from the last 8 fiscal years (FY15-FY22) along major operating cost categories.

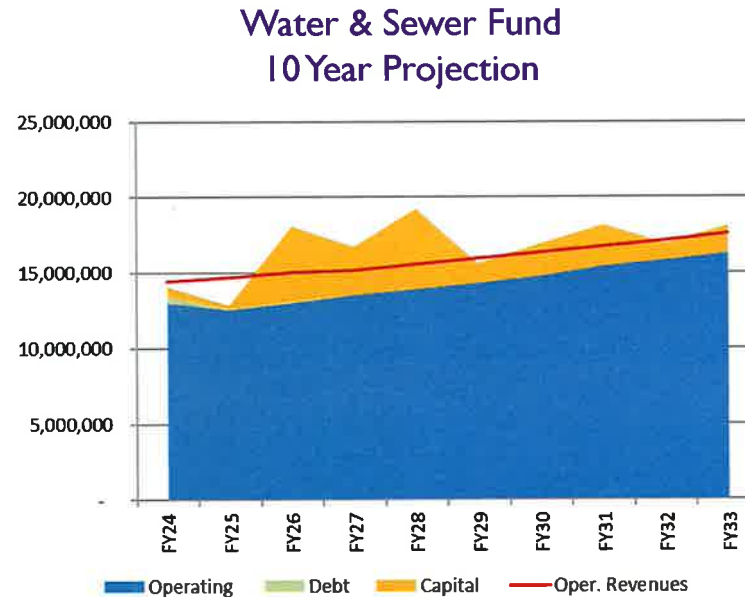
Operating Cost Center	Actual		Notes
	Average Annual Incr.	% Used in Model	
Payroll Costs	6.9%	5.0%	assumes steady staffing levels
WRC Contract	2.5%	2.5%	
Water Costs (DWC)	2.5%	2.5%	assumes steady consumption
Contractual Services	12.3%	not used*	modified projection used
Commodities	15.0%	not used*	modified projection used

* actual experience is skewed by AMR program, tower maintenance projects, etc.

- Also includes 100% of all programmed WRC facility capital improvements and allowance for water system capital improvements.
- Assumed annual rate increases of 2.5% per year.

Water & Sewer Fund – FY24

The Long-Term Perspective



- Gradual rate adjustments of 2.5% annually fully fund operations and projected capital improvements over the next decade without the need for borrowing.
- Without regular rate adjustments, under this model, the fund's position deteriorates rapidly. Will not meet minimum 25% operating reserve by year 5 and fund insolvency by year 7.



Water & Sewer Fund – FY24

The Long-Term Perspective

- The 10 year model generates an average of \$1.53 million per year for capital improvements after operating expenses are paid. This \$15.3 million over 10 years compares to \$23.1 million in programmed capital projects.
- Fund balances decline by \$7.8 million during this period, from \$13.5 million to \$5.7 million.
- Required rate adjustments are lower than otherwise would be needed due to two events:
 1. Receipt of \$5.3 million in ARPA funds that have been assigned for use in the Water/Sewer Fund.
 2. FY24 is the final year of debt payments on our 2002 \$6.5 million IEPA WRC Loan so we now save an additional \$428,650 into reserves each year. Even with this below market loan (2.57%), a total of \$1.7 million in interest costs were paid by rate payers during the life of the loan.

Water & Sewer Fund – FY24

RATE RECOMMENDATION

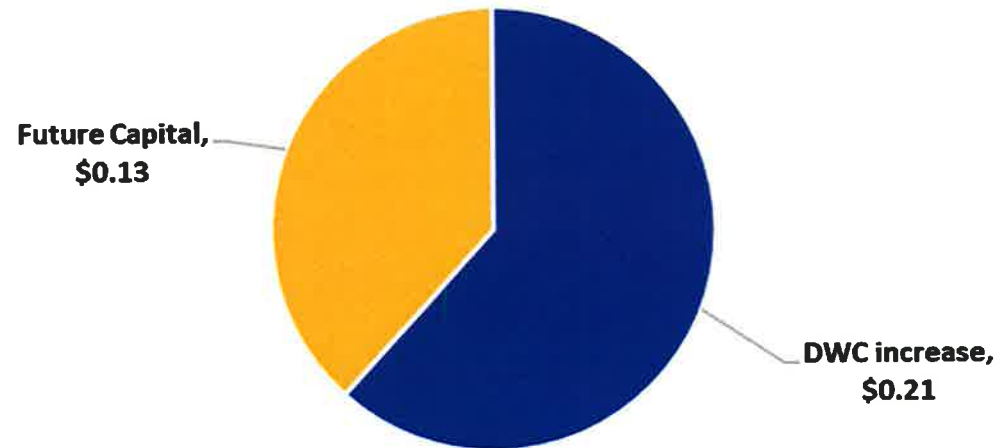
	5/1/23			
	<u>Current</u>	<u>Proposed</u>	<u>Incr.</u>	<u>%</u>
Water	\$ 8.69	\$ 9.03	\$ 0.34	3.9%
Sewer	<u>4.90</u>	<u>4.90</u>	<u>-</u>	0.0%
Total	\$ 13.59	\$ 13.93	\$ 0.34	2.5%

Monthly impact to a customer using 6,000 gallons of water:

\$2.04

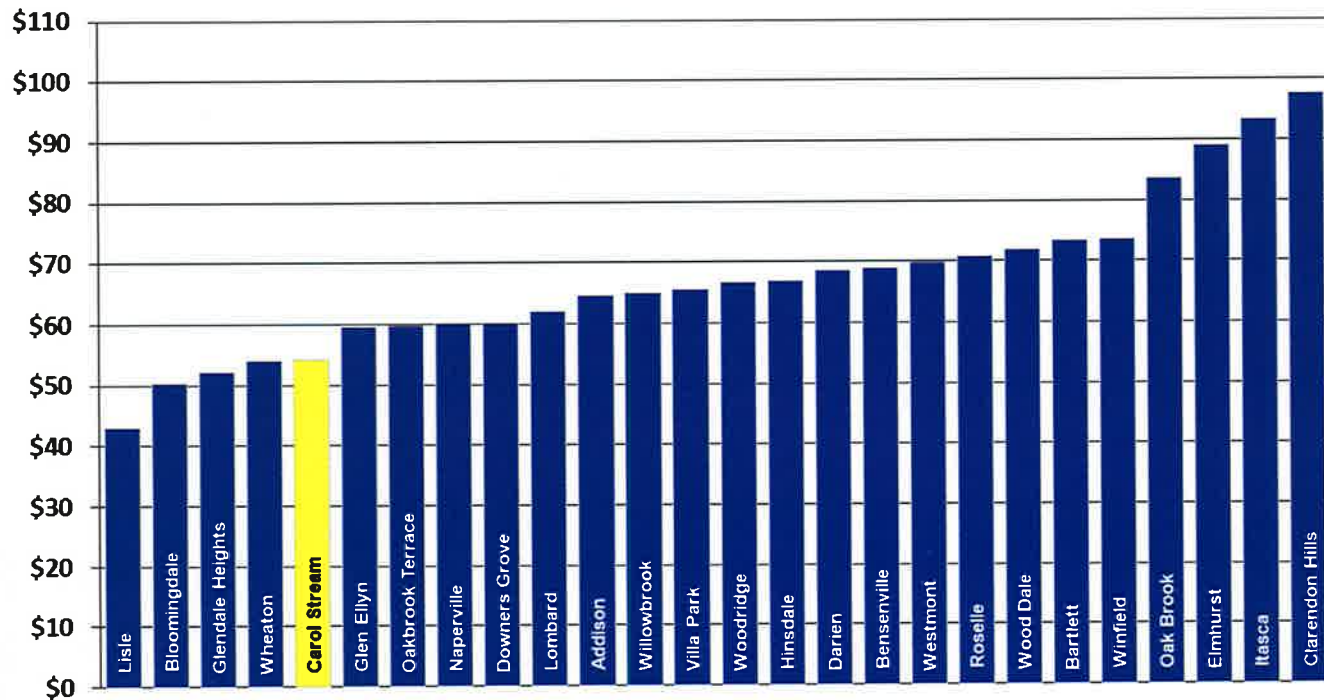
Water & Sewer Fund – FY24 RATE RECOMMENDATION

Application of Proposed 5/1/2023 Water Rate Increase



Water & Sewer Fund Proposed FY24

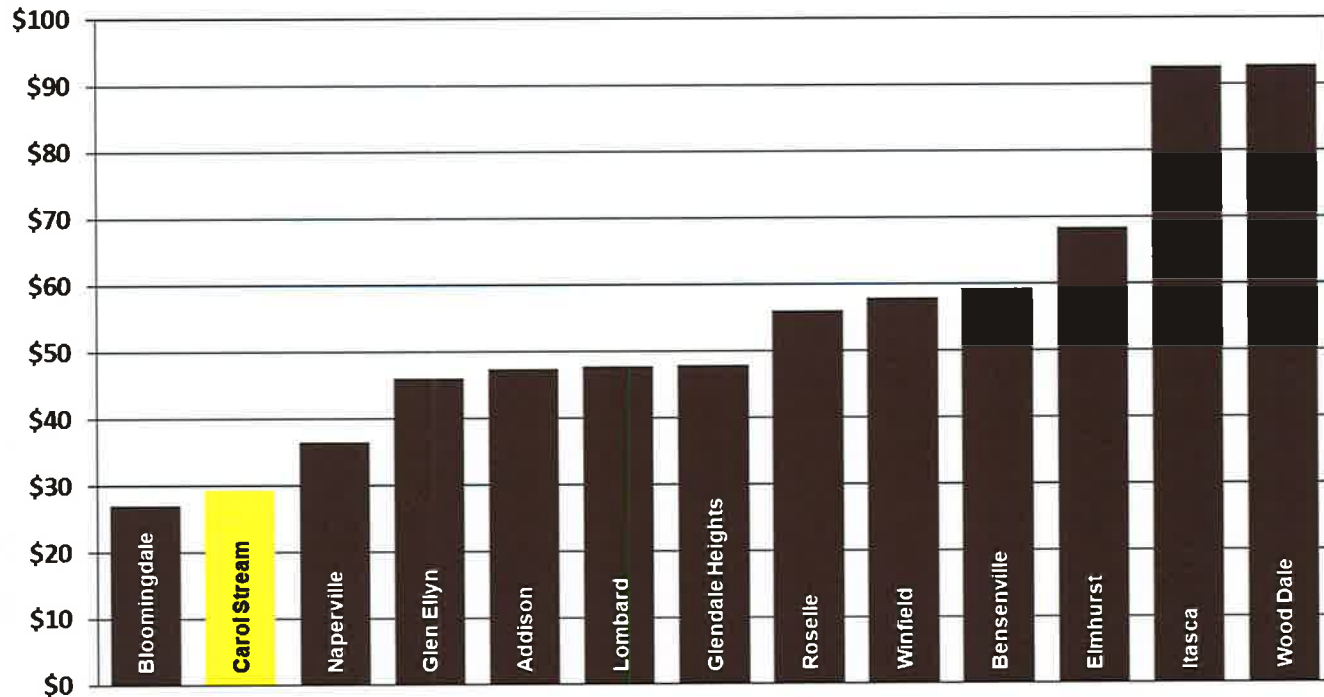
Typical Monthly Water Bill 5/1/2023
DWC Member Customers (Based on consumption of 6,000 gallons)



Source: Municipal Websites - 3/1/2023

Water & Sewer Fund Proposed FY24

Typical Monthly Sanitary Sewer Bill 5/1/2023
DWC Member Customers (Based on water consumption of 6,000 gallons)



Source: Municipal Websites - 3/1/2023

Includes those municipal members that bill for sewage treatment or operate sewage treatment facilities.



SPECIAL FUNDS



Police Pension Fund

- Pension Fund consolidation of all investment assets to the Illinois Police Officers' Pension Investment Fund (IPOPIF) per P.A. 101-0610.
 - Original asset transfer date was April 1, 2022.
 - Due to delays/extensions, actual asset transfer date was August 1, 2022. All assets transferred successfully.
- Fund Net Position in FY22 declined by \$3.1M or 4.7% from \$64.8M to \$61.7M (68% funded at 4-30-2022).
- Current assets as of 1-31-2023 = \$62.6M only about 1.5% return YTD.



Other Special Funds

North Avenue / Schmale Road TIF

- FY24 represents year 9 of 13 for sales tax sharing and 9 of 15 for property tax increment under the current redevelopment agreement.
- As of 4-30-2023 a total of \$768,658 in principal has been paid on the \$3.5 million developer note. Total P&I paid = \$1,849,790.

Equipment Replacement Fund

State and Federal Asset Seizure Funds

American Rescue Plan Act (ARPA) Fund



Next Steps

- **Friday, March 31, 2023**
 - Distribution of draft FY24 Budget and FY24-FY26 Financial Plan to the Village Board and availability for public review.
- **Monday, April 17, 2023**
 - 6:00 pm Regular Village Board Meeting
 - **Budget Public Hearing**
 - **Budget Adoption**