

Village of Carol Stream

SPECIAL WORKSHOP MEETING

MONDAY, MARCH 4, 2024

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 25 BUDGET WORKSHOP – WATER AND SEWER FUND AND OTHER FUNDS
4. OTHER BUSINESS
5. ADJOURNMENT



Village of Carol Stream

FY25

Budget Workshop #3

**WATER & SEWER FUND
AND SPECIAL FUNDS**

March 4, 2024



Agenda

Water & Sewer Fund and Special Funds

- **Water & Sewer Fund**
 - Background and Historical Metrics
 - Proposed FY25 Budget
 - Expenses and significant areas of focus for FY25 and beyond
 - Capital Improvements Program
 - 10 Year Financial Trend Model
 - Water / Sewer Rate Recommendation
- **Special Funds**
 - Police Pension Fund
 - North Avenue / Schmale Road TIF Fund
 - Equipment Replacement Fund
 - State and Federal Asset Seizure Funds



Water & Sewer Fund Background and Historical Metrics

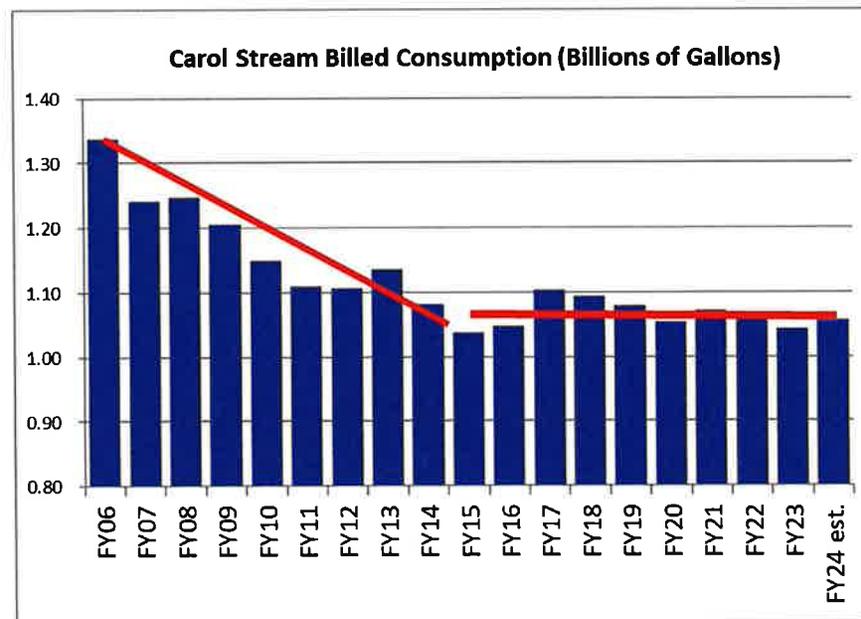


Water & Sewer Fund Background

- 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.
- 93% 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 FY24 is estimated to increase by 1.3% compared to FY23, from 1.043 to 1.056 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.

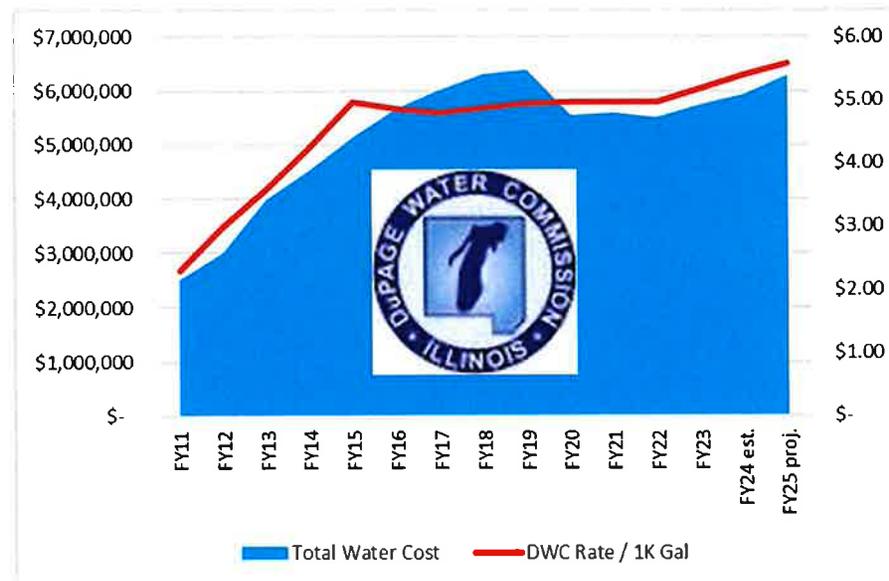


Water & Sewer Fund

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 3 years FY23, FY24 and FY25 at +4.2%, +4.1% and +3.5%.

Historical Water Purchase Costs
and DuPage Water Commission Member Rates

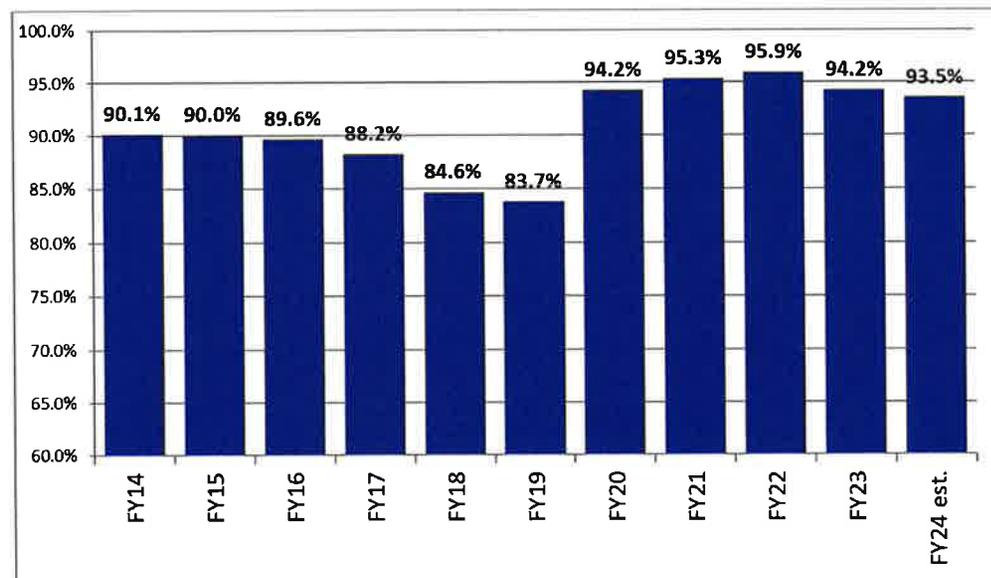


Water & Sewer Fund

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 FY25 and beyond.
- A ratio of 90% or better is the benchmark for a “tight” system.

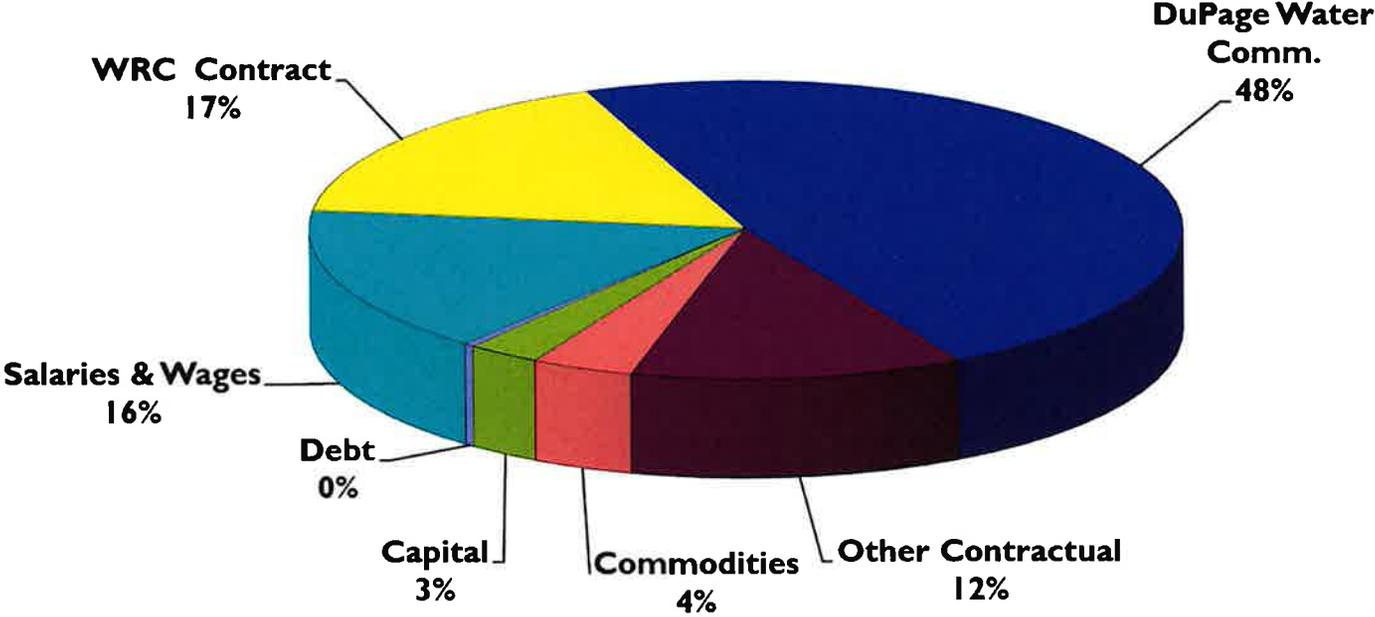
Gallons Billed to Customers
as a Percentage of Total Water Purchases





Proposed FY25 Budget

Village of Carol Stream Water & Sewer Fund Proposed Expenses by Category FY25



Total Expense Budget = \$13,128,520



Water & Sewer Fund – FY25

REVENUES

- Operating Revenues - Includes rate based revenues generated by sales of water and sanitary sewer services plus connection fees, expansion fees, late charges and administrative service fees.
 - Includes proposed water/sewer rate adjustment for May 1, 2024.
 - Includes impact fees associated with the Villas of Fair Oaks Development.
- Non-Operating Revenues - Includes interest income, telecom tower rental fees, DuPage County reimbursement for Water Commission loan to bring water to Judith/Riviera Courts, and miscellaneous income.
- Transfer from General Fund – In lieu of a water rate increase on May 1, 2023 a portion of FY23 General Fund surplus was transferred to cover FY24 DuPage Water Commission increase. (Estimated actual water cost increase for FY24 is about \$350,000).



Water & Sewer Fund – FY25

OPERATING EXPENSES

- Salaries & Wages - decrease of 8.1% compared to FY24 budget due to turnover of a number of staff positions.
- Water Purchases - the DuPage Water Commission (DWC) is proposing a \$0.19 May 1 rate increase to the current rate of \$5.39 per 1,000 gal. (+3.5%). Combined with a 2.3% increase in water purchases from FY24 budget (1.125B gal.), the year-over-year cost increase is 5.9%.
- WRC Contract - projected 2.8% increase over FY24 budget amount.
- Contractual Services, Other - decrease of \$577,468 or 26.3% due to the completion of multi-year projects to repair/repaint water towers.
- Commodities - increase of \$34,775 or 7.6% over FY24 budget mainly related to purchase of diagnostic equipment, vehicle upfit costs and employee safety equipment.

Village of Carol Stream
Draft Water & Sewer Fund Budget Expenditures
FY25 Proposed Compared to FY24 Budget

	Revised Budget FY24	Estimated FY24	Proposed Budget FY25	FY25 proposed to FY24 Budget	
REVENUES					
Operating Revenues	\$ 13,350,000	\$ 13,601,000	\$ 14,041,500	\$ 691,500	5.2%
Non-Operating Revs.	791,500	1,193,486	839,500	48,000	6.1%
Tfr. from Gen. Fd.	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	-100.0%
Total Revenues	\$ 14,441,500	\$ 15,094,486	\$ 14,881,000	\$ 439,500	3.0%
OPERATING COSTS					
Salaries & Wages	2,275,989	1,966,165	2,092,587	(183,402)	-8.1%
Contractual Services					
Water Commission	5,929,000	6,085,000	6,278,000	349,000	5.9%
WRC Contract	2,176,000	2,190,000	2,237,530	61,530	2.8%
All Other	<u>2,197,150</u>	<u>2,187,080</u>	<u>1,619,682</u>	<u>(577,468)</u>	-26.3%
Total Contractual	10,302,150	10,462,080	10,135,212	(166,938)	-1.6%
Commodities	459,940	527,658	494,715	34,775	7.6%
Debt	<u>420,421</u>	<u>420,421</u>	<u>51,006</u>	<u>(369,415)</u>	-87.9%
TOTAL OPERATING	13,458,500	13,376,324	12,773,520	(684,980)	-5.1%
Net G/(L) Before Capital	<u>983,000</u>	<u>1,718,162</u>	<u>2,107,480</u>		
CAPITAL COSTS					
Total Expenses	\$ 14,070,500	\$ 13,927,324	\$ 13,128,520	(941,980)	-6.7%
Fund Income/(Loss)	\$ 371,000	\$ 1,167,162	\$ 1,752,480		



Water & Sewer Fund – FY25 NOTABLE OPERATING EXPENSES

- Hydrant Painting Program - Year 2 of a 5-year program that began in FY24 via joint-bid with other agencies. (\$50,000 per year)
- Hydrant/Valve/Pipe Repairs - Significant price increase seen in repair and replacement parts. (\$100,000)
- Fence at Fullerton Water Tower - Replace and expand fence to secure the property at the Fullerton Water Tower. (\$35,000)

Water & Sewer Fund – FY25

NOTABLE OPERATING EXPENSES

- Water Sampling Stations - Installation of water sampling stations in locations that are difficult to access. (\$50,000)
- Water Main Leak Detection Equipment – Purchase equipment to move annual leak detection in-house (\$32,000)



Water & Sewer Fund – FY25 UPCOMING CAPITAL EXPENSES

- Pickup Truck Replacement - Replacement of current 2011 Ford pickup truck with the addition of a utility body. (\$78,000 – Equipment Replacement Fund)
- Crane Truck Replacement - Replacement of current 2000 GMC crane truck used for pulling pumps. (\$190,000 – Equipment Replacement Fund)





Water & Sewer Fund – FY25 UPCOMING CAPITAL EXPENSES

- Water Reclamation Center (WRC) Electrical Assessment
Evaluating the many components of the power distribution equipment that are at the end of useful life. This evaluation will prioritize electrical improvements, provide a rough schedule for replacement of equipment, and a cost estimate for design and construction of replacement or equipment/systems. (\$30,000)

Water & Sewer Fund – FY25

UPCOMING CAPITAL EXPENSES

- Water Reclamation Center (WRC) Headworks Final Design & Bidding
 - The 2022 WRC Facility Assessment recommended Headworks improvements to be completed within 5 years due to the equipment nearing or beyond its useful design life.
 - The Headworks was originally constructed in 1993.
 - Design FY25 (\$225,000)
 - Construction FY26 (\$5,300,000)





Upcoming Water & Sewer Capital Improvements

- Water Reclamation Center (WRC) Headworks Improvements
 - Construction (\$5,300,000) FY26
- WRC Sand Filter Replacement
 - Design/Construction (\$2,550,000) FY26-FY28
- Phosphorus Removal Improvements
 - Design/Construction (\$3,761,000) FY28
- Aeration Systems Improvements (Basins 1 & 3)
 - Design/Construction (\$828,000) FY30
- Aerobic Digesters Dome Replacement
 - Construction (\$2,496,000) FY31

Water & Sewer Fund – FY25

CAPITAL PROGRAM EXPENSES

	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
WRC Electrical Assessment	30,000				
Evergreen Lift Station Generator	-	60,000	-	-	-
Bulk Fill Water Station	-	60,000	-	-	-
Headworks Design/Construction	225,000	5,300,000	-	-	-
Sand Filter Repl. Design/Construction	-	50,000	1,250,000	1,250,000	-
Non-Potable Water System Replace	-	285,000	-	-	-
Clarifier / Digester Improvements	-	-	881,000	-	-
Phosphorous Removal	-	-	-	3,761,000	-
Various Small Capital Projects	100,000	-	-	-	24,000
Subtotal	\$ 355,000	\$ 5,755,000	\$ 2,131,000	\$ 5,011,000	\$ 24,000

Total Investment - FY25 to FY29

\$ 13,276,000

	<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>	<u>FY34</u>
RAS Station Improvements	370,000	-	-	-	-
Aeration Systems - Basins 1 & 3	828,000	-	-	-	-
Digester Dome Replacements	-	2,496,000	-	-	-
Chlorine Contact Tank Improvements	-	-	789,000	-	-
Digester Pump Replacement	-	-	-	173,000	-
Disinfection Systems Improvement	-	-	-	241,000	-
SCADA Replacement	-	-	-	750,000	-
	1,198,000	2,496,000	789,000	1,164,000	-

Total Investment - FY30 to FY34

\$ 5,647,000

10 Year Capital Investment

\$ 18,923,000

Water & Sewer Fund – FY25

10 YEAR PROJECTIONS

	Fund G/(L)	Projected Reserve Balances	Minimum 25% Operating Reserve
FY25	\$1,752,480	\$ 16,925,148	\$ 3,180,629
FY26	(3,867,803)	13,057,345	3,263,444
FY27	(244,449)	12,812,896	3,331,612
FY28	(3,719,729)	9,093,167	3,500,748
FY29	1,161,451	10,254,618	3,597,578
FY30	215,464	10,470,082	3,697,842
FY31	(688,975)	9,781,107	3,801,670
FY32	(1,358,167)	8,422,941	3,909,200
FY33	328,571	8,751,512	4,020,575
FY34	(426,096)	8,325,416	4,135,941

1. Includes known planned WRC capital improvements,
2. Average annual growth in operating expenses of 2.9% and,
3. Annual aggregate rate adjustments of 2.5%

Water & Sewer Fund – FY24

Under Discussion but Not Funded

At 65, the Village's utility infrastructure is continuing to age.



- Completion of Water Study and future assessment of system wide water main infrastructure.
- Hydrant Replacement Program
- Sewer Televising Program
- Advanced Water Meter Reading Technologies
- DWC Alternative Source Water Project



Water & Sewer Fund – FY24

The Cost of Debt

This month, we will complete repayment of an Illinois Environmental Protection Agency (IEPA) 20 year loan taken out in 2002 to fund improvements at the Wastewater Reclamation Center (WRC).

Total Loan Disbursements:	\$6,289,738
Below Market Interest Rate:	2.57%
Total Interest Paid:	\$1,999,728



Water & Sewer Fund – FY24

The Cost of Falling Behind

Illinois American Water seeks rate hike *(2/13/24 Daily Herald)*

Authorities say the hike would increase residential monthly water service bills by about \$24 per month depending on a customer's service area, while the average residential wastewater bill would increase by about \$5 per month.

The breakdown includes \$421 million in water system infrastructure improvements and \$136 million in wastewater system infrastructure improvements to be made over the next two years.

Elmhurst residents can expect to see an increase in their water bills *(2/14/24 Daily Herald)*

A family of four typically consumes 10,000 gallons of water per billing period. The total bimonthly water and sewer bill for the same household will likely go up by \$66.98 or 28% compared to current rates.

Water & Sewer Fund – FY25 RATE RECOMMENDATION

	<u>Current</u>	5/1/24 <u>Proposed</u>	<u>Incr.</u>	<u>%</u>
Water	\$ 8.69	\$ 9.09	\$ 0.40	4.6%
Sewer	<u>4.90</u>	<u>4.90</u>	<u>-</u>	0.0%
Total	\$ 13.59	\$ 13.99	\$ 0.40	2.9%

Basis for Increase:

5/1/23 DWC Increase Not Captured	\$ 0.21
5/1/24 Proposed DWC Increase	<u>0.19</u>
	\$ 0.40

**Monthly impact to a customer using 6,000 gallons of water:
\$2.40**



SPECIAL FUNDS



Police Pension Fund

- Despite two consecutive years of lackluster returns, (FY22 = -4.10%, FY23 = 1.94%) the percentage funded increased from 66.79% to 70.58% as of April 30, 2023.
- 9 months into or current year FY24 (as of 1/31/24), assets invested in the Illinois Police Officers' Pension Investment Fund (IPOPFI):
 - Have grown by \$4.9M or 7.5%, from \$65.4M to \$70.3 following an extended market drought.
 - Total return since inception (8/1/22) = 6.24%.
- Village contribution for FY25 increases by only 1.5% from FY24.
- Beginning 1/1/24 benefit payments and plan administration has been transferred to an external accounting firm selected by the Pension Board.
 - 55 current plan beneficiaries.
 - Annual benefit payments totaling \$4.7 million.



Other Special Funds

North Avenue / Schmale Road TIF

- FY25 represents year 10 of 13 for sales tax sharing and 10 of 15 for property tax increment under the current redevelopment agreement.
- As of 4-30-2023 a total of \$980,957 in principal has been paid on the \$3.5 million developer note. Total P&I paid = \$2,169,292.

Equipment Replacement Fund

State and Federal Asset Seizure Funds



Next Steps

- **Monday, March 18, 2024**
Budget Workshop #4 – Capital Improvement Program (CIP)
- **Wednesday, March 20, 2024**
Distribution of draft FY25 Budget and FY25-FY27 Financial Plan to the Village Board and availability for public review.
- **Monday, April 1, 2024**
6:00 pm Regular Village Board Meeting
 - **Budget Public Hearing**
 - **Budget Adoption**