

VILLAGE OF LIBERTYVILLE
BOARD OF TRUSTEES
WATER & SEWER COMMITTEE

Tuesday, February 9, 2016
7:00 pm
Village Hall

Minutes

Attendance

Committee: Trustee Scott Adams, Trustee Donna Johnson, Trustee Rich Moras
Village Board: Mayor Terry Wepler
Staff: Village Administrator Kevin Bowens, Finance Director Pat Wesolowski, Director of Public Works Paul Kendzior, Assistant to the Director Laura Ditanto, Police Chief Clint Herdegen, Fire Chief Rich Carani
Others: Eric Callocchia – Municipal and Financial Services Group (MFSG)
Absent: None

Agenda

1. Call to Order at 7:00

2. Minutes of January 12, 2016 Meeting

The minutes were approved as written.

3. Water & Sewer Capital Improvement Projects Updates

911 & 915 W. Park Avenue Watermain Easements:

The Board at the January 26th meeting authorized Staff and the Village Attorney to move forward with eminent domain proceedings in order to obtain the necessary watermain easements.

2016 Underground Utility Improvements Program:

Watermain replacement work is proposed on Johnson Avenue, Merrill Court, Wheeler Court, West Ellis Avenue, East Ellis Avenue, Lange Court and Fourth Avenue at Paddock Lane. Sanitary sewer replacement work is also proposed on Lange Court. The project Pre-Bid was held on February 1st. The Bid Opening is scheduled for February 12th.

4. Water & Sewer Rate Study

Eric Callocchia with Municipal and Financial Services Group (MFSG) attended the meeting to update the Committee on their findings since the last meeting. Callocchia stated that since the last meeting, they have been digging into the information given to MFSG on the number of bills, consumption and types of utility customers. Callocchia provided the Committee with the following:

Projected Cost Summary – Water: Operating expenses average an increase of 1.5% per year until 2020 when JAWA rates drop from paying off capital debt.

Projected Cost Summary – Sewer: Operating expenses average an increase of 3.8% per year. There is more debt service projected because of capital needs at the WWTP due to new regulations. Long term capital improvements funded with bonds is “smart debt” because these upgrades will last decades and are not funding operations & maintenance.

Consumption Summary: Billed sewer usage is lower than bill water consumption due to the cap on sewer usage based on winter water consumption. There are minor increases in consumption due to customer growth projected in 2017 and 2018; otherwise there is 0% growth. There is no revenue growth tied to sewer consumption growth.

Projected Revenue Needs – Water: MFSG is projecting a 3% increase (each year on average) at the proposed rate to meet future operating and capital expenses. Over the next several years, this would produce a surplus in the utility fund. The projected revenue at the existing rates would not meet projected expenses over the next several years.

Projected Revenue Needs – Sewer: MFSG is projecting a 3% increase (each year on average) at the proposed rate to meet future operating and capital expenses. Over the next several years, this would produce a surplus in the utility fund. The projected revenue at the existing rates would not meet projected expenses over the next several years.

Projected Utility Fund Cash Balance: MFSG showed the Committee a graph with a Projected Balance under current rates which would run out after fiscal year 2019; Projected Balance under proposed rate which will start to build a cash balance in the first three years and keeps building a balance for all the years following; and a Minimum Cash Balance which is at just under \$2 million.

Impact of Rate Structures: MFSG showed the Committee the impact of the three rate structures being discussed: the Village’s current rate structure, Inclining Block and Declining Block and the percentage increase to meet projected expenses in fiscal year 2017.

- Under the current rate structure, residential rates would need to increase 10.2 percent.
- Under the inclining block structure, residential rates would increase 3.3 percent. Residential rates would “decrease” under this rate structure. MFSG stated that most communities that change rate structures choose the inclining block rate structure with tiered consumption billing.
- Under the declining block rate structure, residential rates would increase 33.6 percent. Under this rate structure, the largest water consumer’s rates would decrease.
- Each block rate structure has a fixed rate as well.

If the Committee decides to change rate structure, staff would need to be able to implement the new rate structure on the finance software. Also, Staff can work with MFSG to advertise and explain the rate change. MFSG stated that customers care about the bill and not the rate structure and want any changes to be fair.

Finance Director Pat Wesolowski requested that MFSG look at the Summer Sewer Rate. Currently the Village charges residents 100% of the winter sewer usage + 10 percent, or 110 percent. Staff would like to see the impact of raising the Summer Sewer Rate to 125 percent.

Wesolowski stated that the BS&A finance software should be able to accommodate a new rate structure.

Trustee Moras asked if MFSG had experience of implementing utility capital upgrades through property taxes versus fees based on consumption. Utilities are driven by usage unlike the general fund. Tagging capital improvements to property value is usually done because of an unwillingness to raise utility rates stated Callocchia.

The Committee was asked what direction they'd like to proceed with the rate structure. Trustee Moras said that he prefers the inclining block rate and we get to keep the Senior Discount. Trustee Johnson supported the inclining block structure alternative. Trustee Adams stated that he prefers the inclining block rate structure. Mayor Wepler stated that he prefers the inclining block rate structure. Finance Director Wesolowski stated that she likes the inclining block rate but is fine with keeping the current rate structure.

Village Administrator Kevin Bowens requested that MFSG conduct a water and sewer rate comparison of surrounding communities and use the inclining block structure rate. Trustee Adams concurred.

MFSG will provide a final recommendation at the March Water & Sewer Committee meeting.

5. Update on Fats, Oils & Grease (FOG) Program

The grease trap violations have all been resolved for the restaurants and other food preparation establishments in the Village, Public Works and Community Development Staff have been working together to update the master list and beginning to schedule inspections with our Plumbing Inspector for all the applicable establishments (a total of 173). The goal is to complete all initial inspections over a period of one year. Depending upon the amount of grease produced and the size of the grease trap, inspections may continue on a yearly basis or an interval of every other year.

Public Works Utility crews will continue to inspect all public sanitary sewers immediately downstream of the establishments on the list on a monthly basis. If grease build-up is observed in the line, follow-up inspections will be made by the Plumbing Inspector for those establishment's grease traps that may be contributing to the grease problem. Depending upon compliance, follow-up inspections and enforcement procedures will be undertaken.

Staff will also be revising and updating Section 25 of the Municipal Code (Water, Sewers and Sewage Disposal) to add language for the inspection and enforcement procedures as outlined on the attached Standard FOG Protocols.

The FOG Program introductory letter was mailed to all new establishments since the initial letter was mailed in 2014. The Village also has information on the FOG Program and Ordinance on our website.

Staff will publish the FOG Do's and Don'ts in the Village newsletter.

6. Adjournment at 7:50 pm.

Respectfully Submitted,

Laura Ditanto, Assistant to the Director