

**MINUTES
COMMITTEE-OF-THE-WHOLE
PRESIDENT AND BOARD OF TRUSTEES
VILLAGE OF ARLINGTON HEIGHTS BOARD ROOM
MONDAY, OCTOBER 14, 2019 7:30 P.M.**

BOARD MEMBERS PRESENT: President Hayes; Trustees: LaBedz, Rosenberg, Scaletta, Canty, Padovani, Baldino

BOARD MEMBERS ABSENT: Tinaglia, Schwingbeck

STAFF MEMBERS PRESENT: Randy Recklaus, Village Manager; Tom Kuehne, Director of Finance; Cris Papierniak Assistant Director of Public Works; Jeff Musinski, Superintendent of Utilities; Becky Hume, Village Clerk

FIVE-YEAR WATER AND SEWER RATE ADJUSTMENT

Mr. Recklaus said a stretch of water main should last 100 years. The average age of the Village's water mains is 65 years and staff hopes to lower that average to 50. Through a series of recommended improvements in 2014, the Village tried to get to an average age of 50 years old, but this goal was not accomplished. The hope is to get to a replacement rate of 1% a year to extend the life of our system. It is the Village's responsibility to maintain the infrastructure. An audit of the water mains was conducted and after many discussions, a plan to stabilize the aging water mains is being presented tonight.

Mr. Papierniak said the Village needs to increase its funding to allow for replacement of at least 1% of our system per year. This requires an increase in annual water main replacement cost from the current average of about \$2.5 million per year to an estimated annual program cost of \$4.5M. He summarized the recently completed water tank repairs and repainting which cost \$3.77M. The revenues have not kept up with the 1% goal of yearly water main replacement.

Additionally, the Illinois Department of Natural Resources (IDNR) has implemented changes to the Lake Michigan Water Allocation program. Now, any system with a Maximal Unavoidable Leakage (MUL) above 8% is required to submit a plan on how to reduce the total loss. The Village's MUL is 12.8%. The Consultant was charged with recommending ways to reduce the Village's water loss. Their recommendations are:

- Increase funding for water main replacement
- Increase the leak detection program to 100% annually (currently 25% is done annually)
- Perform a "right sizing" analysis of our water meters to capture as much flow as possible
- Investigate new metering technology and the replacement of water meters in residential properties.

Mr. Papierniak said the meter system was implemented in 2004 and 2005. It is time to be replacing the existing meters to ensure accurate readings.

Mr. Kuehne conducted a water and sewer rate survey of neighboring municipalities in September, 2019. The Village is on the lower end with an average combined rate of \$10.10. Over time residents' usage of water has gone down. This is due to water conservation and wetter springs/summers. In 2007, the Village's usage was 2.75 trillion gallons per year, now it is 2.330 trillion.

Because of a bond maturing in 2021, the Village will have an opportunity to sell \$14 million in bonds in late 2020 without increasing our debt service property tax levy. Capital needs that could be funded include: water main replacement, public parking lot elevators, and building infrastructure improvements. Mr. Kuehne said he believes the Village needs to get to 1% replacement now, not later. Doing it only by increasing rates is expensive and difficult. By doing a bond issue, the Water & Sewer Fund does not pay the interest. It's important to consider how we ramp up to reach \$4.5M in 2020. In the 1960-70's the town grew a lot, and those are the mains that are prematurely failing. This puts more pressure on our system. Mr. Kuehne described four options to cover the costs of improving the system.

1. Five year increase amounts of 8.5%-5%-5%-5%-5% + an \$8.5 million bond issue. This would allow the Village to attain the proposed 1% water main replacement level in 2020. It would also provide sufficient funding to maintain a working cash balance of over 20% per year.
2. 5% per year increase over 5 years + an \$8.5 million bond issue. This would allow the Village to attain the proposed 1% water main replacement level in 2020. However, it would only provide sufficient funding to maintain a working cash balance of about 10% a year. Traditionally, the Village likes to have a 25% reserve balance.
3. 3% per year over 5 years + \$8.5 million bond issue. This would not allow the Village to attain the required 1% water main replacement level in 2020, as the working cash balance would be negative by 2023.
4. Five year percent increase amounts of 16%-5%-5%-5%-5% with no bond issue. This would allow the Village to attain the proposed 1% water main replacement level in 2020. However, it would not provide sufficient funding to maintain a working cash balance of nearly 20% per year until 2024.

Mr. Kuehne said it is important to remember that if we get to \$4.5 million, that doesn't mean it's all done. It's going to take 10-15 years to be where we want to be. The idea is to replace the 1950's and 60's water mains first, because of their premature failure, and then replace the 1930's and 40's mains. This proposal stops the bleeding. We could consider doing another bond issue down the road to keep chipping away at it.

Mr. Recklaus said if option #1 was chosen, at the end of the 5 year increase the rate would be \$10.60 in 2024. Our neighboring communities would be increasing too. We would still be below or average in comparison. By using the bonds, the property tax rate doesn't increase. Staff is recommending #1 which allows the Village to accrue \$4.5 million and keep a working cash balance of a little over 20%. By the 5th year, the increase equals roughly \$100 extra per homeowner.

President Hayes asked when the consultant submitted their report. Mr. Papierniak answered August of 2019.

Trustee Rosenberg asked how much of the system was being checked for leaks. The answer was 25% a year. The meters are tagged during the day, and the readings occur overnight. They put speakers on the valves, then listen at night so that other noises do not interfere. The trouble areas get narrowed down

to a block, then the leak detector contractor submits a work order for us to complete. Mr. Musinski said these detectors are very accurate and get within inches of the leaks. In July, after the series of water main breaks, they found a dozen breaks. There are specific areas the Village would like to improve, but we don't have the time and expertise to get it all done. Mr. Musinski said when you leak detect and stick with it, after 10 years, the number of leaks you find is drastically less.

Trustee Rosenberg asked about the right sizing of meters. He asked if the Village could mandate the installation of new meters. Mr. Papierniak said we will analyze their current use, look at what they used when the meter was first installed, and then change the meter size if appropriate. The recommendations will be based on usage. By ordinance, new construction is responsible for buying a meter. The Village maintains it after that, as long as it is not mistreated. The budget was increased to accommodate the right sizing of the meters which the Village currently pays for. When there is a change in ownership, we analyze and add a new meter. A couple of years would fully fund meter replacement for the entire Village. Mr. Kuehne said 2018 was a down year in water usage. This year is more normal.

Trustee Rosenberg proposed another alternative. He suggested an increase of 7% the first year, then 5-5-5, with a bond issue. The fund balance would be 17% and would save the residents money. He thought a 17% reserve would be sufficient.

Trustee Scaletta said the Cypress mains are lined. He asked if this was new. Mr. Papierniak said it is to the Village but not new in the industry. The Cypress basin provided the perfect opportunity to try the technology. People were on temporary water for an average of 2 months while this project was going on. Their bill reflects an average of their previous usage. General area meters were connected to the temporary water mains, so the water volume will be accounted for. The amount of money we bill compared to the amount we pumped will be different for this time period for that neighborhood.

Trustee Scaletta said it doesn't seem that people water their lawns anymore. Mr. Papierniak said the Village got a significant rain event every 10 days this year. The 12.8% of unaccounted flow is the result of broken mains, inaccuracies in the meters, and the age of the system. The IDNR's goal is to save lake water, they don't care at what cost.

Mr. Recklaus said the consultants' perception was that most of the leakage is due to water main breaks, the Village can't meter its way out of this.

Trustee Scaletta asked for more information on the meters. Mr. Papierniak said the majority were replaced in 2004. The life span of a meter is dependent on volume and temperature. As a general rule, they last 15 years. Their accuracy at the lower range diminishes over time. As an example, if they function at 90% accuracy at a rate of .5 gallons a minute, then water is flowing out and not being measured or billed. Basically, they underreport usage. The Village tests 200 old residential meters a year and does a battery analysis to make sure we are accurate in our billing. Trustee Scaletta asked if the meters were on the same cycle. Mr. Papierniak said it's a nationwide standard.

Mr. Papierniak said all municipalities' MUL rates are listed by the State online and 12.8 % not a number to be proud of. The Village is not under mandatory audits as are some other communities, but if it were to hit 18-20% the State would crack down. The IDNR has the ability to raise water rates based on MUL numbers. Trustee Scaletta asked when right sizing analysis would be complete. Mr. Papierniak said 2020, but he believes it's a small component of the problem.

Trustee Scaletta asked if the storm sewer charge and the service charge were part of the analysis. Mr. Kuehne replied no, the numbers just consider raw rates of water. To goal was to keep the comparisons as similar as possible as municipalities have different kinds of fees and charges. When asked if other municipalities subsidize water, Mr. Kuehne said Palatine did, but he did not know of any others. Trustee Scaletta asked for that information to be included in future comparisons.

Trustee Scaletta asked if the Board was made aware that the 1% goal was not going to be reached before tonight. Mr. Kuehne said yes, it was covered in the budget meetings and in memos. Trustee Scaletta noted that not only are people not using as much water, appliances and fixtures are more water efficient. He asked why there isn't a contingency out to 2024. Mr. Kuehne said this is how all funds are presented. The contingency is there for a year and it rolls over. If you include it over all the years, you accrue money and over charge.

Trustee Scaletta asked if the bond payments were being made out of the proposed increase. Mr. Kuehne said no, so in a way the Village is subsidizing the cost, but is not taking money from the General Fund to reduce the rate. Mr. Kuehne said the rate increase is not for sustainability, it is a ramp up for 4 years.

Mr. Recklaus explained that in some communities, the whole cost of water main replacement is born by a water fund when a road and water main are replaced. In others it is split between funds. Trustee Scaletta asked if there will be more linings in the future. Mr. Papierniak said there are several more major crossings where it is being considered. Trustee Scaletta asked if the Village will be looking at replacing meters while we are in homes in the Cypress area. Mr. Papierniak said it is in the 2019-2020 Budget to have that project complete. It was better to have it all done in one year. Trustee Scaletta said he was not fond of big bumps in fees because a lot of people are on fixed incomes. Mr. Kuehne said the financing was looked at it a lot of different ways. The goal is to make up \$2 million in one year. A jump needs to be made, it's a strategy to get to where we have to.

President Hayes asked how many meters were checked a year. Mr. Papierniak said 200 random checks are done a year. If the meters under report, they are replaced instantly. Residents are not charged.

Trustee LaBedz said it's like having a lot of leaky faucets. She asked if the new meters are "smart meters" that some believe over communicate. Mr. Papierniak said no, our meters are on a fixed system and they are only read the evening the readings are taken. The meters are radio read and that is what is planned versus a fixed base station which reads meters constantly. With this system, we are able to give people alerts and get the readings we need.

Trustee LaBedz asked if we will be able to prevent leaks like what happened when the Thomas tank was taken out. Mr. Papierniak said we are rotating to a pressure based system which will reduce the water main breaks. The changes to our system and processes will reduce the water main breaks. Mr. Recklaus said we had 244 breaks in 2018 and many of those are an overtime call. Leak detection allows us to catch those in advance, so is more efficient, saves hassle for the community, and saves money. According to Mr. Papierniak potential staff increases are being analyzed now. Short term needs will be addressed contractually. If long term needs are identified, a proposal will be made to the Village Manager.

Trustee LaBedz raised concern that there are other fees on the water bill and they add to it. Trustees hear complaints about the high bill. The storm water control fee is also on the water bill. For some, the storm water fee is hard to understand because it is not based on usage.

Trustee Padovani summarized that the Village is trying to account for the water usage more accurately. Mr. Musinski said if leaks occur between the curb and the house, the homeowner has to replace the line. The new yet-to-be-built developments are not included in the water projections, a historical 5 year average was used. Mr. Papierniak said if we sell more, it's good for the system, but there are no assumptions. As leaks are fixed, leakage should go down. Mr. Papierniak said the combination of sounding, right size meters, and accuracy on residential meters will help the accuracy all around. Water loss should go down. Gallons purchased by the Village would go down.

Mr. Musinski estimated that the cost of fixing a parkway break is \$2,500, if a break is in the road it is \$5,000. If we have to use a contractor, it is between \$10,000 and \$15,000, plus add road construction on top of that. That has happened twice. Other things don't get done when we need to pay for water main breaks. It's one of the most hazardous things Public Works does. Staff is not sized for breaks and everyone is used. Staff will not be reduced if we eliminate breaks.

President Hayes agreed with staff recommendation #1. He asked for reaction to the Rosenberg plan. Mr. Kuehne said 8.5% helps us on our working cash at the end. Also, if we went down to 7% you are in effect losing a 1.5% each year, so there is less money in the system. In 5 years, we might have to have a higher increase. Also, costs are going to go up. The Village will need an accelerator eventually. If we want to invest in the water and sewer system long term, this gets us there.

Mr. Recklaus said staff sharpened their pencils on this plan. This plan stops the bleeding, it's not a Cadillac. This plan is the least we can do to hold down the fort.

Trustee Scaletta expressed concern that we didn't accomplish our goal the last time this was addressed. If we go at a lower percent now, we will set up the next water increase and it will be a more drastic one. We don't have the analysis of the right sizing. There are so many unknowns and there are a lot of hurdles to stop the leaking. He said he wants to get to a point where it is not crisis management. He said he was okay with the 8.5%.

Trustee Scaletta moved, seconded by Trustee Baldino, to concur with Alternative 1: Five year percent increase amounts to the Water and Sewer Rate of 8.5-5-5-5-5 + \$8.5 million bond issue.

Trustee Rosenberg said a lot of the saving measures over the next 5 years should raise some of the revenues. He sees additional revenue, and the newer developments coming on line for the generation of revenue. Some residents think our fund savings are too high.

Mr. Recklaus said the water line that connects us to the main line from Evanston will need to be replaced eventually. Mr. Papierniak said people used to consume 125 gallons per person per day. Now it is 70-75 gallons.

Trustee Padovani said the Village demographics are shifting more towards seniors. There are more empty nesters who use less water. Mr. Recklaus said the 2020 Census will help us with the data and have some projections. This plan does not look longer than 5 years and a tremendous change over 5 years is not expected.

Resident Melissa Cayer asked if any entities do not pay water and sewer. Mr. Papierniak said the Senior Center. All other entities including the Library, Park District (which pays at a fixed rate) and the Hospital pay. Ms. Cayer asked how the debt service is funded. Mr. Kuehne said the property tax levy. Ms. Cayer asked why there are short and tall water fountains and said they were a waste of resources. Mr. Recklaus said it was a legal ADA requirement, it's a standard we have to maintain. Ms. Cayer suggested limiting the number of parades to save Public Works staff costs. She asked if the pumping of the water was audible to the public in the evening. Mr. Musinski said the pumps are not near residential neighborhoods and there is minimal sound. If you stand outside the building you can hear it. There have been no complaints. With the new meters, the sound will go down further.

Resident Keith Moens said residents are being penalized on water usage. He said his bill does not reflect the average and shows a 14-15% increase per year. He said he didn't really care what the other towns charge.

The question was called:

Ayes: Scaletta, Baldino, Labedz, Canty, Hayes

Nayes: Rosenberg, Padovani

The motion passed.

ADJOURN

Trustee Baldino moved to adjourn at 8:53 p.m. Trustee Canty seconded the motion. The motion carried.