AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
33 S. Arlington Heights Road, Arlington Heights, IL 60005
March 14, 2022
7:00 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Lead Service Line Compliance Discussion

B. Proposed 2021 General Fund Surplus Transfer

V. OTHER BUSINESS

VI. ADJOURNMENT

Any member of the public wishing to speak will be given the opportunity to do so. If the item is on the Agenda, that opportunity will be while that Agenda item is being discussed. Any member of the public wishing to speak on an item not on the Agenda will be given the opportunity during the Other Business portion of the meeting. Please limit comments to three minutes.

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Committee-of-the-Whole
3/14/2022

Item: Lead Service Line Compliance Discussion

Department: Public Works

Lead Law Compliance

Starting January of 2022, the Lead Service Line Replacement Notification Act changes some of our normal procedures and places financial stress on the Water & Sewer Account.

Staff will be presenting an overview of the Act and how it affects our normal Capital planning, operating procedures, and residential notifications.

Staff is not looking for final decisions on Monday, March 14th, just general guidance so Staff can continue to develop a plan. An initial Lead Service Line Replacement Plan is not formally due until April 15, 2024.

ATTACHMENTS:

Description	Type
Lead Law Compliance memo	Memorandum
Lead Law Compliance memo - EXHIBIT 1	Exhibits
Lead Law Compliance memo - EXHIBIT 2	Exhibits

Village of Arlington Heights
Public Works Department

Memorandum

To: Randy Recklaus, Village Manager

From: Cris Papierniak, Director of Public Works

Date: March 9, 2022

Subject: Lead Law Compliance

In August of 2021 the State of Illinois approved Public Act 102-0613. It is being referred as the Lead Service Line Replacement (LSLR) Notification Act. The Act requires removing and replacing every lead water service line in the State by 2067. Individual municipalities may have to comply in advance due to their number of lead service lines. Public Works estimates roughly 5,000 lead or partial lead service lines within the Village. Based on this number of service lines, the Village has until 2044 to replace the lines. It is essential to note the law does not specify who has to pay for the replacement.

A water service line is a private connection to the Village's watermain. There are two service components: the public side and the private side. The public side consists of the connection to the main, the pipe from the watermain to the water valve (known as the b-box), and the b-box itself. The private side is the pipe from the b-box to the water meter inside the house (as shown in Exhibit 1). It is standard practice in the industry for the service line up to and including the b-box to be municipality's responsibility to maintain. The connection from the b-box to the house meter is the homeowner's responsibility to maintain. This standard practice is codified in Municipal Code Chapter 21 as listed below:

Municipal Code Chapter 21 - Water

Section 21-109 Shut-Off Valves

A primary shut off vale shall be installed on every water service pipe and shall be located within the public right-of-way, where practical. The primary shut-off valve shall generally be located between the public street and the public sidewalk or property line. Upon acceptance of the water service pipe by appropriate Village departments, the primary shut off valve will be owned and maintained by the Village.

Section 21-203 Service Pipes

All repairs and replacement of the water service pipes between the primary shut off valve and the building shall be the responsibility of the property owner. The Village shall own and maintain the water service pipe between the Village-owned watermain and the primary shut off valve.

Lead has been researched for its adverse effects on the human body for decades. The Federal Government has been contemplating lead's use in the water lines and fixtures since 1986. It has slowly been controlling its use in manufacturing plumbing fixtures, pipes, and other water systems. The Village has also successfully tested for lead since we made the Lake Michigan supply connection. The Village receives lake water through the Northwest Water Commission (NWC). NWC receives water from the Village of Evanston, whom treats the water with polyorthophosphates. Over time, this treatment lines the inside of all watermains and internal plumbing systems. This lining protects the lead from leaching into the water. This treatment is a well-established best practice in the water industry. Per Illinois Environmental Protection Agency (IEPA), lead and copper samples are taken every three years from approved sample sites. The Village has never exceeded the IEPA action level of 15 parts per billion.

Overview of the Act

The requirements of the Act will require us to review our current practice of requiring residents to maintain their portion of the service line. Beginning January 1, 2022, municipalities must fully replace lead service lines (including the private side), or get a waiver from the property owner indicating that they do not want the private side replaced. Total lead service line replacements are also required during watermain projects (again unless the property owner waives). The Village is not required to pay for the replacement of private service lines in these scenarios, just to initiate them or receive a waiver.

On the other hand, if a property owner initiates replacing a private service line in a non-emergency situation, they must notify the Community Water System (CWS) 45 days in advance of replacement so the two parties can schedule the full-service replacement. However, there is no deadline for the Village to replace the public side in this scenario. Again, who pays for the replacement is not mentioned.

Included in the law is the following milestones:

April 15, 2024	Complete public lead service line inventory, must be completed and submitted to the IEPA Initial Lead Service Line Replacement Plan (LSLR) must be completed and submitted to the IEPA
April 15, 2025 & April 15, 2026	Updated LSLR Plans are due
April 15, 2027	Complete and Final LSLR Plans are due
April 15, 2027 – 2044	CWS / Village will have to annually update the progress of LSLR Plan.

LSLR Plan is a public document that identifies how a municipality plans to fund and replace the lead service lines within its community. The law states the Village has to have continuous improvement with a minimum of 6% of existing lead services replaced per year. This percentage is based on our estimated number of lead services. The Village can always do more but has to meet this minimum continually. The amount of lead service line replaced and funded each year would be a part of the LSLR plan.

Required elements of the plan include:

- Name of CWS
- Total # of service lines connected to the CWS
- Total # of lead service line connections in the CWS

- Total # of lead service lines replaced each year
- Analysis of costs and financing for replacing lead service lines
- A plan for prioritizing high-risk facilities and high-risk areas
- A map of expected lead service lines
- Measures for informing public of the plan and providing opportunity for comments
- Measures for encouraging diversity in hiring work force to implement the plan

Village Impact

The Village must develop an inventory of water service lines within the community and identify material of each line. Historical documentation, construction plans, and all means necessary to prepare a best-case estimate of the material inventory within the community are required besides excavation. Numerous communities have developed online surveys to help with this component.

Once completed, this inventory will be made public and most likely placed on the website. However, some residents have been unhappy about publicly displaying their homes as having a lead service and reportedly believe it could impact home value.

Based on the number of services estimated in the community, the TOTAL COST of replacement in today's value is $41,478,000. If the Village were only responsible for the public side (main to b-box), the Village's share of this program cost would be $27,258,000.

This cost differential occurs because the Village has some full lead service lines, some partial lead lines that are lead on the private side, copper on the Village side, and some service lines that consist of copper on the private side and lead on the public side.

This program cost is based on $6,000 for the public side and $6,000 for the private side replacement, or $12,000 per full lead service line. These estimates are based on structural building repairs only. Numerous homeowners will have finished basements that will increase the cost to the private replacement portion. This estimate only includes concrete floor or wall patching, and minor plumbing connections to the existing plumbing system.

Potential Funding Source

The Federal and State Governments have partial funding available through the IEPA State Revolving Fund (SRF) Program. Reportedly to date, $72 million is available up to $4 million per year in forgivable grants for municipalities with an IEPA approved Project Plan. This funding is first-come, first-serve, and only available until it runs out. It is estimated that funds will not last beyond 2022.

The Federal Infrastructure Plan reportedly has made $15 billion available for LSLR. Illinois and Ohio have the most lead services in the Midwest. Illinois is reportedly in line to receive $106 million for LSLR as part of the plan. Although details have not been finalized yet, it is believed the Federal Government will utilize the IEPA SRF Program to distribute the money. The current belief is that the loans will have a 49% forgivable portion until the funding runs out, but nothing has been finalized to date.

With current material shortages and the flux of federal money becoming available, it is anticipated that contractor availability and therefore cost will rise considerably in the beginning years of this program. However, there is hope that technology and material improvements will be developed in the long-term to keep costs manageable after the Federal money dries up.

To potentially take advantage of Federal funding, staff contracted with EEI Engineering to prepare a Project Plan for the IEPA. This plan is the first step to getting in line for the SRF program and forgivable loans. It is staff's assumption that any grants received would be applied to public lead replacements only as the complexities of completing private work could delay application / grant award.

Village Board Feedback

The majority of the lead service lines in the Village are either full lead (lead on both public and private sides) or lead on the public side.

It is important to note that the current Water / Sewer Fund and rate structure cannot handle the cost of complying with this law without a substantial increase in rates. The Village needs to discuss whether it is advisable to continue its current practice and established maintenance responsibilities where property owners are fully responsible for the cost for replacement of the private side. If the Village does decide to subsidize all or a portion of the private side replacement costs, some residents without lead service lines may question why all residents would be required to pay for a small portion of the population whose property have a lead private service. A map indicating the estimated lead service area can be seen in Exhibit 2.

Options to Consider

Public Side

1. The Village is currently planning on a trial basis where Village staff will have a crew replace public lead services full time. This trial will occur in the spring of 2022. Public Works can utilize existing staff to complete approximately 100 public side services per year. This small project can be achieved with minimal budget impact but will take a full 20 years to complete if required to replace all public lead service lines.

   After a trial period, staff can evaluate whether more services per crew can be handled or if additional crews can feasibly be deployed.

   It will have to be determined if a 20-year schedule is acceptable to the Village Board.

2. The Village could hire a contractor to replace the public side lead services and run a yearly program to achieve a minimum of 6% as required under the law either in conjunction with #1 above or as a stand-alone endeavor.

Private Side

If the existing Ordinance that continues property owner responsibility for private lines remains in effect, the Village could provide residents with a timeline for which they would be responsible for replacing the lead services. The Village would then either pay the private contractor for the corresponding public side service replacement so that they can occur together, or schedule a Village contractor to replace the public side at no cost to the resident.

The Village has a successful Overhead Sewer Program that shares the cost with the resident for private flood protection.

A similar program could be created that offers residents a cost-sharing option to replace the private side of the lead service line.

The Village could also offer low or no interest loans to residents. This process is more complicated than it appears as the Village is not set up to review, approve, and administer a loan program of this magnitude. If this option is requested, Staff will most likely request to partner with a local bank to help establish a loan program. Such a program would have a management fee, as well as subsidy expense for a reduced interest rate loan.

Capital Improvement Program Impacts

Historically, the Village's Watermain Replacement Program includes service line replacement from the main to the new b-boxes. However, this practice is no longer acceptable under the current law as staff cannot install partial services. Therefore, when the Village replaces a public side lead service line, the following options occurs:

1. The Village could require the homeowner to replace private side service through Village or private contract. The resident would then be responsible for the cost.
2. Village could obtain an easement and replace private side at no cost to the resident.
3. If the homeowner refuses to allow the Village to perform the work or to fund the replacement privately, the Village can request a waiver that the homeowner must sign stating they do not want their service line replaced.

Unfortunately, the Village's worst watermain scheduled for replacement do not generally have lead services associated with them, as lead has proven to be less problematic and is a resilient material. As a result, there are roughly only 100 of the 5,000 lead services in the community that the 5-year Watermain Replacement Program impacts. So merely replacing lead service lines as their watermains get replaced will not allow the Village to achieve compliance at a fast enough pace. Moreover, some residents may find it unfair that services geographically located near Watermain Replacement Programs have their service lines replaced by the municipalities. Yet, at the same time, others are required to replace it independently.

It should be noted, IEPA requires notification to residents that new watermain installation can temporarily affect the adequacy of the chemical treatment of the water lines with polyorthophosphate.

Staff Recommendations

Staff would like to introduce this topic and present these options to the Village Board at the March 14th Committee of the Whole Meeting. At the meeting, Staff is happy to answer any questions the Board has. We would also like to get some general feedback on the following items:

- Does the Village Board wish to utilize any Village funds to replace private water services during a watermain project?
- Does the Village Board wish to explore a cost-sharing concept like the Overhead Sewer Program, or low-interest loans to help property owners pay for the private lines?

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Attachments

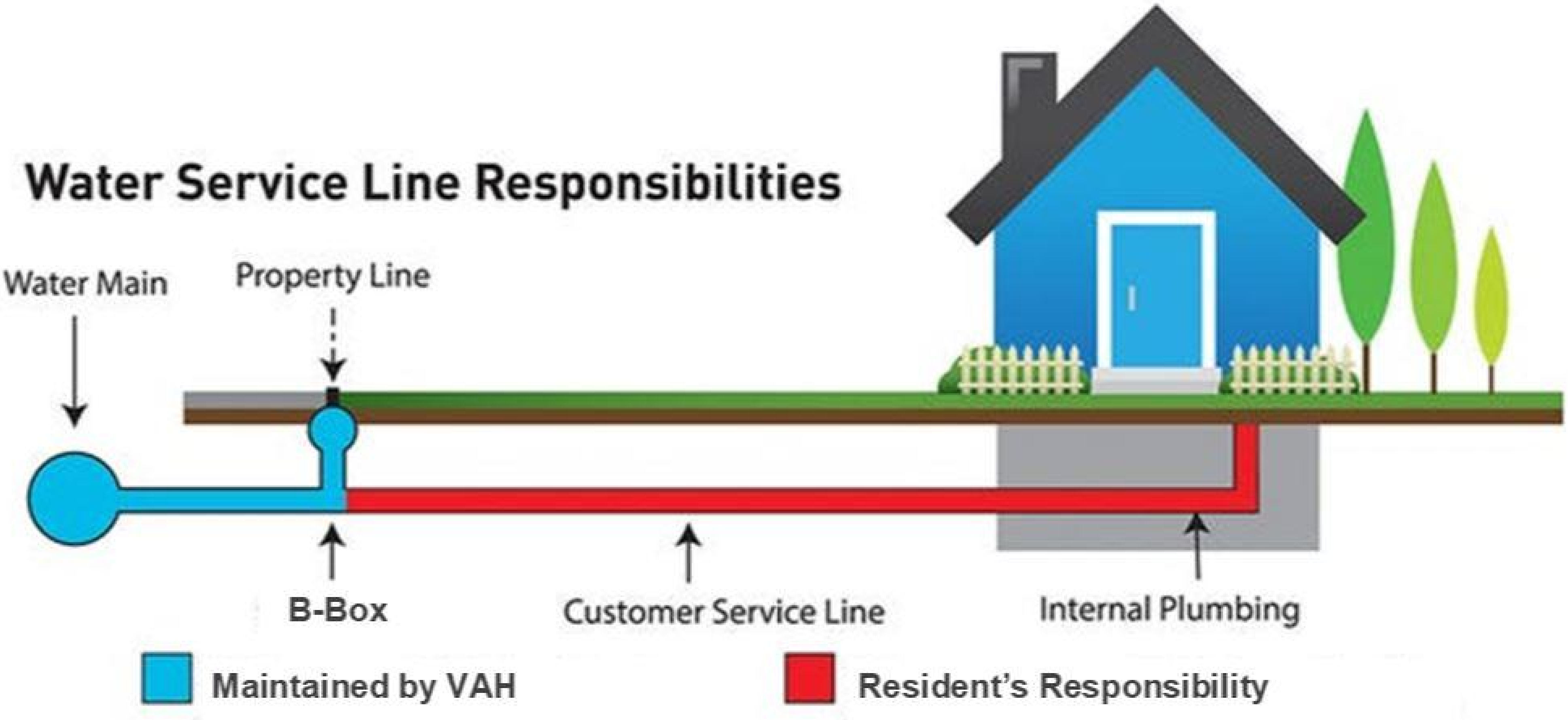
Water Service Line Responsibilities
Water Main
Property Line
B-Box
Customer Service Line
Internal Plumbing
Maintained by VAH
Resident's Responsibility

EXHIBIT 1

EXHIBIT 2

Committee-of-the-Whole
3/14/2022

Item: Proposed 2021 General Fund Surplus Transfer

Department: Finance

Discussion of the proposed transfer of 2021 General Fund surplus funds to various other Village funds. The quick economic recovery and expenditure savings during 2021, resulted in the Village significantly outperforming its original 2021 operating projections finalized in the fall of 2020.

ATTACHMENTS:

Description	Type
Proposed 2021 General Fund Surplus Transfer	Memorandum

I N T E R
O F F I C E

MEMO

To: Randy Recklaus, Village Manager
From: Tom Kuehne, Finance Director/Treasurer
Date: March 9, 2022
Subject: **PROPOSED 2021 GENERAL FUND SURPLUS TRANSFERS**

Background

Through 2021 the Village successfully worked through the operational and financial challenges of the second year of the pandemic. Our service delivery continued to be maintained and innovated, and we have been able to maintain a strong reserve balance in the General Fund. Preliminary 2021 year-end financial results show that some of the Village's funds have come through the pandemic thus far very well, while others have struggled. A key bright spot is the General Fund, which will come in with a significant $7.55 million surplus for 2021. This surplus is due to a few key revenue and expenditure accounts outperforming our projections for 2021.

On the expenditure side, the Police and Public Works Departments are a combined $1.9 million under budget. During the first quarter of 2021 when the ongoing effects of the pandemic were more unknown, the Village maintained a large number of vacancies as a way to balance revenues that were expected to improve slowly over the year. As the year progressed and revenues bounced back much quicker than anticipated, the hiring freeze was lifted and the Village's Departments worked to get back to full strength over the balance of the year. 2021 revenues were projected conservatively, as the thinking in late 2020 was that the recovery in 2021 would be more U-shaped. However, Village revenues bounced back in a very strong V-shaped recovery, with sales, home-rule sales, and income tax receipts leading the way. On the next page is a summary of the General Fund's results for the past three years:

General Fund	2019 Actual	2020 Actual	2021 Proj	% Inc
Revenues				
Sales Tax	12,914,676	12,480,915	15,162,957	21%
Home-Rule Sales Tax	5,401,119	4,654,737	6,567,847	41%
Use Tax	2,488,121	3,290,912	2,961,695	-10%
Income Tax	7,993,678	8,161,144	9,939,827	22%
All Other Revenue	49,762,080	46,342,387	50,113,051	8%
Total Revenue	78,559,674	74,930,095	84,745,377	13%
Expenditures				
Police	25,823,223	25,771,270	26,408,436	2%
Public Works	14,753,358	14,301,998	14,593,625	2%
All Other	34,556,934	35,498,587	36,393,643	3%
Total Expenditures	75,133,515	75,571,855	77,395,704	2%
Other Financing Sources (Uses)				
Transfers In	200,000	350,000	200,000	
Transfers Out	3,452,670	-	-	
Surplus (Deficit)	173,489	(291,760)	7,549,673	

The extraordinary General Fund revenue improvement from one year to the next has been the largest increase in memory. The economy was juiced to a much quicker recovery than anyone expected, due to near 0% short-term interest rates prescribed by the Federal Reserve and large pandemic rescue packages and expanded unemployment benefits provided by the Federal government. Cheap, available cash coupled with low unemployment rates, resulted in increased spending during 2021. Sales and home-rule sales tax revenue increases were driven up by increased car sales, and due to the new State law effective January 1, 2021 requiring the collection of sales and home-rule sales taxes from internet transactions. Total sales tax receipts from car sales increased by nearly $1 million, due in part to the addition of a Carvana sales location in town. Internet sales receipts from Amazon totaled $1.2 million in new revenue, and other internet sales providers such as E-Bay, Google, Etsy, Door Dash, etc. generated an additional $400,000 in new revenue. As expected, the Local Use tax declined as internet sales taxes were implemented, but the $300,000 decline was less than the estimated $1.6 million increase attributable to new internet sales taxes noted above. While these revenue gains have contributed to an unprecedented 2021 surplus, there are headwinds facing the Village in 2022 and 2023, due to higher inflation and upcoming labor contract negotiations.

Other Village funds did not fare as well as the General Fund did in 2021. The Municipal Parking Fund revenues continued to underperform, as many downtown Chicago businesses continued to have their employees work remotely. Some businesses have found that they can use a smaller office space footprint by having employees share workspace, thus reducing their office rent payments. At this point, it is still too early to say if this practice will continue at the current level, or if businesses will expect their employees to come into work at least a few days per week. Once the pandemic subsists, companies will have to consider whether remote work offers a sufficient ability to create the successful teams and social connections they need to compete. As a result of this ongoing change, parking revenues have remained much lower than normal. In 2019 Village public parking fees brought in $1.3 million. In 2020 these revenues amounted to $885,000, and dipped lower to about $797,000 in 2021. In 2021, to cover the 2020 and a portion of the 2021 parking fee revenue reduction, the Village transferred $580,000 to the Parking Fund from the Public Building Fund due to the closure of that fund.

Another fund that is expected to struggle in the near future is the Fleet Fund. Per the ARPA grant plan approved by the Village Board last year, in 2022 the Fleet Fund will receive $2.5 million in ARPA grant funds to improve its vehicle replacement schedule to a 75% funded position. However, due to inflation and supply chain issues, Public Works is starting to see significant 10% to 15% increases in vehicle costs, especially with public safety specialty vehicles. These projected cost increases will put future pressure on the Fleet Fund's funded position, and on future internal service charges to the General Fund.

As of the beginning of 2021, General Fund reserves were already at a sufficient 40% level. The projected 2021 General Fund surplus allows the Village a unique opportunity to bolster the abovementioned funds, as well as to address other one-time capital projects that have been identified by Department Heads. It is proposed that the Village consider making the following 2021 transfers totaling $7.55 million from the General Fund:

1. **$1,200,000 General Fund Transfer to the Fleet Fund**

   As noted above, costs for larger public safety specialty vehicles are rising by 10%-15%, and these higher costs expected to be maintained for at least two years. This cash infusion would cover some of the additional cost of the planned vehicle purchases over the next two years. This would help protect the Fleet's Fund's funded position which was planned to increase to 75% in 2022 due to the allocation of ARPA grant funds.

2. **$370,000 General Fund Transfer to the Municipal Parking Fund**

   To help maintain the Parking Fund's financial position by replacing revenue lost to the pandemic in 2021.

3. **$1,980,000 General Fund Transfer to the Capital Projects Fund:**

   $1,500,000 for Police Body-Worn Cameras. This has been budgeted in the 2022 Criminal Investigations Fund, but there has been a slow-down in receiving seizure funds during the pandemic. This would cover the first five-year period, or the $300,000 annual cost of this program. This would provide the Village with more time to plan for the ongoing annual cost of this program after the first five-years. Requires amending the 2022 Capital Projects Fund and Criminal Investigations Fund budgets to reflect the proposed funding change.

   $180,000 for Fire Department turnout gear. Once a firefighter's turnout gear has been exposed to a fire it needs to be cleaned of potential carcinogens. Another set of turnout gear will provide a consistent level of cleaned gear throughout the year. The Fire Department was planning on proposing an additional $60,000 per year to initiate this program during the upcoming CIP discussions. This additional funding would allow the Fire Department to reach the goal of providing a second set of turnout gear for each Firefighter by 2024 instead of 2026. Requires amending the 2022 Capital Projects Fund budget.

$300,000 to Capital Projects Fund reserves. Spending on future projects will be determined during the upcoming CIP process.

4. **$4,000,000 General Fund Transfer to a new Lead Service Line Replacement Fund**

   By State law, the Village is required to submit an inventory of all lead water service lines in the water distribution service to the IEPA no later than April 15, 2024. The legislation requires further that the Village remove and replace these lines by 2044. Lead water service lines are located on about 5,000 or 24% of the services in the Village. This includes lines on just public property, on both public and private property, and just private property. Public Works/Water Staff have been developing an inventory list with the help of a consultant.

   The Village has been advised that the IEPA has funds available for a 0% interest loan program to help address the removal of lead service lines. Subject to availability and future annual appropriation, grant funding of $4 million per year may be available in lieu of a loan. In addition, it is expected that the new federal infrastructure program will provide matching grant funds for such a program. This transfer would provide initial seed money for the lead line removal program, which is expected to have a total cost of $41 to $45 million. Requires amending the 2022 Budget to create a new Lead Service Line Replacement Fund.

In addition to the proposed General Fund transfers, there is still a final transfer of $171,000 needed from the Public Building Fund to officially close this fund in 2021. It is proposed that the Village make the following transfer from the Public Building Fund:

5. **$171,000 Public Building Fund transfer to Capital Projects Fund reserves.** Spending on future projects will be determined during the upcoming CIP process.

If approved, these transfer recommendations would be included in the 2021 year-end adjustment period through a 2021 budget amendment, which would need to be approved by the Village Board. By including these transfers in 2021, we would avoid showing a large General Fund surplus in 2021 and a subsequent deficit in 2022.