
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: MATT ANASTASIA, FINANCE DIRECTOR
SUBJECT: DISCUSSION: UTILITY RATE COMMITTEE RECOMMENDATION
AGENDA: JUNE 20, 2017 REGULAR BOARD MEETING
DATE: JUNE 9, 2017

ISSUE

Shall the Village Board discuss the Utility Rate Committee recommendation.

DISCUSSION

The Public Utilities Rate Committee met on May 11, 2017 and June 8, 2017, to discuss the financial needs of the water and sewer system. The Committee recommended a 3-year rate plan which will end in FY2019-2020. The Staff recommended a 6.25% increase each year in the 3-year plan. There were two additional recommendations that came out of the Committee for Staff:

- To perform an annual review the Village's expenses and revenues for the Water & Sewer Fund to determine if the 6.25% is still needed or if this can be reduced.
- To research the financing options available at the time for future projects, as to not use all the reserves on hand to pay for needed projects.

At this time, Board approved an operating rate increase of 6.25% which went into effect for the June 1, 2017 utility bills and does not need to be modified.

ATTACHEMENTS

- May 11, 2017 Utility Rate Committee Meeting Minutes
- June 8, 2017 Utility Rate Committee Meeting Minutes
- Support for Operational Rate Increase

COST

There is no cost to discuss the recommendation of the Utility Rate Committee.

RECOMMENDATION

There is no further action needed at this time.

VILLAGE PRESIDENT

P. Sean Michels

VILLAGE ADMINISTRATOR

Brent M. Eichelberger

VILLAGE CLERK

Cynthia Galbreath



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June 8, 2017

Utility Rate Committee Meeting

3:00 p.m.

Present:

Bill Gain, Prestbury Resident; Dick Sackett, Prestbury Resident; Lee Boergadine, Prestbury Resident; Sean Michels, Village President; Lisa Lund, First National Bank; Deana Lanham, Wells Fargo Advisors; Matt Anastasia, Finance Director; Brad Merkel, Utilities Supervisor; Tony Speciale, Public Works Director

Meeting Minutes:

Committee Chair Matt Anastasia called the meeting to order at 3:05 p.m., a quorum was established. The meeting materials were disbursed to the group, which included: Updated recommendation sheets, fund summary and revenues, requested information from the first meeting of debt service information, utility bill comparison for surrounding communities and the meeting minutes from the previous meeting held on May 11, 2017. The Committee was given detail by the Finance Director as to what each sheet meant, how the numbers changed and were derived and another explanation why the Village felt the need for the recommended operating rate increase.

Bill Gain discussed his review of the documents, along with some changes he made to the utility bill comparison worksheet. He discussed how he made different scenarios based on water rates, sanitary sewer rates and water treatment rates. The Debt Service was discussed first, with questions asked about bonding for past projects along with bonding for the future projects instead of using reserve funds. Having the residents at the time pay for the projects the future residents would benefit from was a point made by Bill Gain. Bonding for these projects would allow the residents it is benefitting pay for the work that was completed. A quick discussion happened regarding the reasons behind not bonding on the Prestbury Water Main project in the past. A recommendation was made by the Committee to look at financing for future projects.

The Committee discussed as whole the expenses and trends the Village has experience on a year to year basis. Bill Gain brought up his concern with the water and sewer sales revenues from fiscal year to fiscal year. He would like that to be reviewed further along with, if possible, the average usage numbers to be provided from past fiscal years. Specifically, for fiscal year 2014-2015 which seemed to be the most average year for rainfall.

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President Michels presented his reasons and support for the operational rate increase that was recommended by Village Staff. Those reasons are attached to the meeting minutes. During the discussion, Utilities Supervisor, Brad Merkel, updated the Committee on the ongoing projects and the annual preventative maintenance the Village conducts to be proactive instead of reactive.

The Committee made a recommendation for 3-year plan of 6.25% for FY17-18, FY18-19 and FY19-20 with an annual evaluation of the rate to make sure it needed to stay at 6.25% and could not be reduced and to look at financing future projects rather than funding with reserves and cash on hand. The motion was made by President Michels with a second by Lisa Lund from First National Bank. All in favor – yes.

Meeting adjourned at 4:07 p.m.

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May 11, 2017

Utility Rate Committee Meeting

3:00 p.m.

Present:

Bill Gain, Prestbury Resident; Dick Sackett, Prestbury Resident; Lee Boergadine, Prestbury Resident; Sean Michels, Village President; Lisa Lund, First National Bank; Deana Lanham, Wells Fargo Advisors; Matt Anastasia, Finance Director; Brad Merkel, Utilities Supervisor; Tony Speciale, Public Works Director

Meeting Minutes:

Committee Chair Matt Anastasia called the meeting to order at 3:03 p.m., a quorum was established. The meeting materials were disbursed to the group, which included: Copy of the Prestbury and Village of Sugar Grove Settlement, budget breakdown by department, fund summary for the Waterworks & Sewerage department and a summary of recommended operating rate increase. The Committee was given detail by the Finance Director as to what each sheet meant, how the numbers were derived and why the Village felt the need for the recommended operating rate increase.

There was a quick discussion regarding the settlement document that was passed out. Lee Boergadine asked about an update regarding the Settler's Ridge to Prestbury water main project. Public Works Director Tony Speciale explained the current situation and complications that have happened with the project. Dick Sackett inquired if the Village has looked into refunding some of the outstanding debt to try and save money to smooth out the increase more. There was a discussion regarding the reason and thought behind not financing the current water main project. The pros outweighed the cons at the time. Noting that they fund balance would take a hit for the next few years and would need to be made back up in the future.

The water meter replacement program was discussed at great length. With the increased demand for the water meters and how quickly they are going bad, the Village did not anticipate them to go bad as quick as they are. Utilities Supervisor Brad Merkel discussed all the current projects, past projects in which we financed, along with an in-depth explanation of the equipment replacements that are in the near future. The equipment replacement schedule was discussed at length and as to what goes into the schedules.

Bill Gain asked the why the Village felt the need to increase the rate. President Michels mentioned the equipment and vehicle replacements to maintain the level of service for the residents, projects which

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require Village attention by being proactive rather than reactive to incidents, and lastly, the water quality the Village provides to the residents.

A concern raised by Bill Gain was why the increase of 6.25% was still so high after it was 6.25% the last 3 years from the Committee, stating that Cost-of-Living does not go up that much every year. Also asked when they would start to see the rates smooth out rather than having large percentage increase annually.

There were a few items that were asked of the Committee Chair/Finance Director to prepare for the next meeting, those items included:

- A bullet point listing of reasons/items to support the operating rate increase to the Village residents.
- Comparison of average bills for surrounding communities (Montgomery, Aurora, North Aurora, Yorkville, Batavia, Geneva, Elburn, St. Charles)
- Details regarding the current outstanding debt for the Waterworks & Sewerage Fund

Meeting adjourned at 4:14 p.m.

Next Meeting: June 8, 2017 3:00 p.m.

Reasons for Rate Increase

- Maintain and improve the water quality provided to all customers including residents of the Village and Prestbury and commercial users.
- In order to reduce unexpected and expensive emergency repairs, proactively provide regular maintenance on all wells, lift stations and other infrastructure used in the delivery of safe, clean water to citizens.
- Continue to fund debt service payments resulting from past improvements to the system.
- The equipment replacement schedules are a large expense, but without replacing the equipment and being able to do work in-house, the operational expenses would increase by outsourcing.