

**SYCAMORE CITY COUNCIL**

**AGENDA**

**February 4, 2019**

**CITY COUNCIL COMMITTEE MEETINGS**

**No meetings are scheduled.**

**REGULAR CITY COUNCIL MEETING**

**7:00 P.M.**

- 1. CALL TO ORDER**
- 2. INVOCATION**
- 3. PLEDGE OF ALLEGIANCE**
- 4. APPROVAL OF AGENDA**
- 5. AUDIENCE TO VISITORS**
- 6. CONSENT AGENDA**
  - A. Approval of the Minutes for the Regular City Council Meeting of January 22, 2019.
  - B. Payment of the Bills for February 4, 2019.
- 7. PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS**
- 8. REPORTS OF OFFICERS**
- 9. REPORTS OF STANDING COMMITTEES**
- 10. PUBLIC HEARINGS—None**
- 11. ORDINANCES—None**

## 12. RESOLUTIONS

### A. Resolution 778—A Resolution Approving and Accepting Certain Public Improvements on Aster Road related to the Sycamore Prairie Business Park.

Ideal Industries recently completed the final roadway surface on Aster Road, within the City of Sycamore corporate boundaries.

The scope of work included roadway improvements and the installation of the final surface in August of 2018. According to section 4.7.10-6 of the City's Unified Development Ordinance, the City Engineer shall forward a recommendation to the City Council if the improvements are acceptable.

City Engineer Mark Bushnell has conducted an inspection of the final surface application and recommends the City Council accept the roadway improvements as shown in this resolution. Once the improvements are accepted, the City will reduce the letter of credit requirement, as appropriate, for this portion of the project.

City Council approval is recommended.

## 13. CONSIDERATIONS

### A. Consideration of an Administration Recommendation Regarding a Contract for Independent Financial Audit Services for the City of Sycamore, Illinois.

Earlier this month, the City invited proposals from professional accounting firms to perform the annual independent audit of the City's combined financial statements (including the component unit library and pension funds) for the fiscal years 2019, 2020 and 2021. Fiscal years 2022 and 2023 are included as options the City Council can exercise in future years.

Three firms responded to the City's RFP: Lauterbach & Amen, LLP of Warrenville, Sikich, LLP of Rockford, and Wipfli, LLP of Rockford. All three firms have the professional experience and expertise to satisfactorily meet the City's annual audit requirements. The costs proposed were as follows:

Firm/Audit Year	FY19	FY20	FY21	FY22	FY23
Lauterbach & Amen	\$28,500	\$29,300	\$30,100	\$31,000	\$31,900
Sikich	\$35,000	\$34,000	\$34,000	\$35,020	\$36,070
Wipfli	\$31,900	\$32,600	\$33,300	\$34,000	\$34,800

For all proposals an additional fee applies if a single audit is required

Lauterbach & Amen, the lowest responsible bidder, has provided audit services to the City for the past three years. The City Manager is recommending the City Council approve a three-year contract (with options for FY22 and FY23) with Lauterbach & Amen to perform the City's audit.

City Council approval is recommended.

**A. Consideration of an Administration Request for Direction Regarding the 2019-2020 Water and Sewer Fiscal Year Budgets.**

In January, the City Manager introduced preliminary assumptions about revenue trends and spending priorities for general fund operations in the fiscal year beginning on May 1. The following report highlights the key revenue and spending features of the FY20 Water Fund and Sewer Fund budgets. These funds are commonly referred to as Enterprise Funds, meaning that they are self-supporting.

**WATER FUND**

**Revenue**

The Water Fund is self-supporting and receives revenue from user fees which serve as the principal funding source for the operations of the City’s water system. The fund also pays the debt service utilized for capital improvements or repairs to the City’s wells, two elevated water storage tanks, and 110 miles of water main.

Sycamore’s water fee schedule charges a progressively lower per unit fee as the volume rises. Residents with the lowest rate of use—i.e. those using 400 cubic feet or less per billing period—pay \$3.34 per 100 cubic feet or a \$3.69 minimum bill. FY20 marks the second year of a gradual flattening of the seven-tier system to two tiers in 2028. As a result, the first two tiers are reduced resulting in a slight savings for an average user. With the exception of Edgebrook mobile home park residents and users outside the City limits, the current schedule as of May 1, 2019 (less meter maintenance charges) is as follows:

First 400 cubic feet	\$3.34 per 100 cubic feet (\$3.69 minimum bill)
Next 300 cubic feet	\$3.22 per 100 cubic feet
Next 700 cubic feet	\$2.97 per 100 cubic feet
Next 1,300 cubic feet	\$2.59 per 100 cubic feet
Next 6,900 cubic feet	\$2.06 per 100 cubic feet
Next 7,400 cubic feet	\$1.78 per 100 cubic feet
All over 17,000 cubic feet	\$1.34 per 100 cubic feet

With an average monthly usage of 800 cubic feet (1,600 cubic feet used over the two-month billing cycle) the estimated water portion of the bi-monthly water bill would be \$49.00 every two months, or \$24.50 per month based on the FY20 rates.

**Operations**

No new full-time hires are proposed in the Water Division. The Water Division will continue to operate and maintain approximately 110 miles of water main throughout the system. Bringing Well #7 back on-line will be an operational emphasis. Well #7, which is located in the Electric Park subdivision recently exceeded the point where radium treatment is required and went off-line.

## Capital Improvements

Necessary capital improvements include maintenance and painting of water tower #1, bringing Well #7 back on-line, a comprehensive meter replacement program and general maintenance and replacement of water main, valves and hydrants.

Well #7 has reached the point where radium treatment is required and is currently off-line. Options including WRT radium removal equipment, an ion-exchange system and a shallow blending well were reviewed to determine the most cost effective and sustainable option. The City conducted a study that suggests a shallow blending well would be the most cost-effective method to ensure compliance with radium standards. Planning for the improvements will begin in FY20 with the project utilizing an Illinois Environmental Protection Agency (IEPA) low interest loan.

## Radium Treatment

A monthly radium treatment fee is charged based on the size of the water meter to offset the cost of the treatment. Accounts with meters that are either 5/8<sup>th</sup> inch or 3/4<sup>th</sup> inch were charged \$6.00 per month in FY19. Looking ahead to FY20, the monthly base fee would need to increase by seventy-five cents per month, to \$6.75 for 5/8<sup>th</sup> inch or 3/4<sup>th</sup> inch meters to offset the projected cost for radium removal within the water distribution system. The chart below illustrates the proposed schedule by meter size:

Meter Use/Size:	First 14:	Next 13:	Next 69	Next 74:	Over 170:	Total:	Average Usage:
0.625	\$6.75					\$6.75	<14
0.75	\$6.75					\$6.75	<14
1	\$6.75	\$4.26				\$11.01	26.55
1.5	\$6.75	\$4.41	\$9.39			\$20.55	65.96
2	\$6.75	\$4.41	\$16.64	\$6.28		\$34.08	127.31
3	\$6.75	\$4.41	\$16.64	\$12.57		\$40.37	158.67
4	\$6.75	\$4.41	\$16.64	\$14.84	\$51.46	\$94.10	514.51
6	\$6.75	\$4.41	\$16.64	\$14.84	\$420.02	\$462.66	2982

These accounts include nearly every residential user and some small businesses. As the size of the meter increases, the average use for that meter class and the tier structure is used to calculate a monthly fee.

## Meter Maintenance

Currently, the City's Water Division reads approximately 7,500 meters via three separate reading systems (Orion, Sensus and Trace) for water and sewer billing. A significant portion of meters require "walk-up", or manual readings.

Many of the older water meters have been in service for at least 10 to 15 years and have reached the end of their useful lives. The life expectancy is dictated by an internal battery system that

cannot be changed out and are failing at an accelerated pace. To compound matters, the equipment needed to read many of the meters is no longer available to purchase, replacement parts for repairs are not available, and the technology is obsolete. This has caused a tremendous strain on resources for the division, and has resulted in an increase in the number of estimated reads. In order to provide a more cost effective and efficient service to the residents, the Water Division began replacing meters that require manual reading and meters that utilize the Trace system in 2016.

The new water meters will allow for the consolidation of the reading systems, drastically increasing the efficiency of the meter reading process. The new meters are designed to have a 20-year battery life. Once these meters have been replaced, all the meters in Sycamore will have a wireless device that transmits the meter readings on a licensed radio frequency over a short distance to a handheld or mobile device. This program is expected to take approximately 4-5 years to complete with the necessary resources allocated in the preliminary Water Division budget.

The meter maintenance fee should be reviewed annually to keep pace with the resources needed to complete this program.

**Financial Forecast**

The tables below illustrate the FY20 revenues and expenditures associated with operating the water system in Sycamore (using the projected increase in the radium treatment fee).

Revenues:		Expenditures:	
User Fees	\$2,094,868	Personnel	\$720,887
Radium Treatment Fees	\$680,000	Commodities	\$114,750
Water Meters	\$25,000	Contractual	\$290,000
Permits/Fees	\$7,000	Radium Treatment	\$680,000
Reserve Transfer	\$0	Other	\$290,000
Other	\$10,500	Equipment	\$289,000
Total	\$2,817,368	Perm. Improvements	\$100,000
		Debt Service	\$251,460
		Transfers Out	\$80,000
		Total	\$2,816,097

The Water Fund debt service is as follows:

- 2003 IEPA Loan. The Water Fund will pay \$49,737 on the 2003 IEPA loan that funded the drilling of Well #9 on Airport Road.
- 2005 IEPA Loan. The Water Fund will pay \$55,022 in debt service related to the borrowing that funded the construction of the building and equipment of Well #9 on Airport Road.

- 2006 IEPA Loan. The Water Fund will pay \$66,697 on the 2006 IEPA loan which financed the radium removal equipment at wells 6 & 8.
- New IEPA Loan. The FY20 budget includes an allocation toward debt service associated with Well #7 and maintenance of Tower #1. The loan issuance and repayment schedule (estimated \$90,000 per year) is dependent on when improvements are made. In FY20, this allocation may be used for plan and design of the improvements.
- Sewer Fund. The Water fund will reimburse the Sewer Fund \$40,000 per year for 20 years as a result of prior transfers for liquidity.

The Water Fund as presented is balanced with an increase of \$0.75 to the base monthly radium treatment fee. Any changes would need to be in ordinance form at a future meeting.

City Council direction is requested.

## **SEWER FUND**

### **Revenue**

Like the Water Fund, the main source of revenue for the Sewer Fund comes from user fees. These user fees serve as the principal funding source for the operations of the City's wastewater treatment plant. The fund also pays the debt service for loans and bonds involving repairs or upgrades to the City's collection and wastewater treatment systems.

### **Operations**

No new full-time hires are proposed in FY20. Staff will work to extend the useful life of the current activated sludge system until Phase III of the treatment plant expansion and improvements are completed over the next 18-24 months.

### **Capital Projects**

A phased expansion of the treatment plant began in 2009 with mechanical equipment upgrades as part of the first phase. The second phase was completed in 2015 with the installation of a disinfection system for the excess flow clarifier and a centrifuge to assist in the de-watering process. The third and final phase of the treatment plant project addresses the actual expansion from a plant rated to treat 2.97 million gallons per day (MGD) to 4.90 MGD. The current activated sludge technology will be replaced using sequencing batch reactors. The sequencing batch reactor technology uses essentially the same process as the conventional activated sludge process, but the separation of solids from the liquid is accomplished in the same tank as the aeration process. This results in fewer tanks constructed, less site piping, and a smaller footprint.

The project is utilizing a low interest loan from the Illinois EPA revolving loan program. The low interest loan program is currently offering a 1.84% interest rate for the 20-year term. Between the

City’s Sewer Fund and the Sewer Connection Fee Fund, roughly \$10 million in accumulated reserves will be used to reduce the amount borrowed.

In January, the City Council took action to proceed toward awarding contracts for the third phase, expected to begin this spring. When the bids are combined with additional aspects of the project (engineering, building improvements, pumps purchased separately and contingency) the project is estimated to be 3.5% less than the engineer’s estimate. As a result, staff is recommending that the sewer rate be decreased by 3.5% to \$4.535 per 100 cu. ft. Any action to decrease rates will require IEPA review to ensure that the projected revenue sources meet debt obligations. Staff will work with the IEPA over the next couple of months in an effort to meet all of the requirements to bring a rate ordinance back for action in April.

An allocation of \$250,000 per year is again included in the budget to maintain the collection system. The collection system is the series of underground sewer mains and manholes that direct wastewater to the treatment plant. Collection system improvements include replacing and lining underground infrastructure that in some cases is over 100 years old.

**Financial Forecast**

Staff is recommending a 3.5% reduction in the sewer user fee resulting in \$4.535 per 100 cu. ft. (748 gallons) pending review by the IEPA. The average homeowner (1,600 cubic feet used over two-month billing cycle) would pay \$36.28 per month for sewer service. User fees account for 97.0% of Sewer Fund revenues.

A recap of the Sewer Fund revenues and expenditures are listed below:

Revenues:		Expenditures:	
User Fees	\$3,449,606	Personnel	\$869,394
Permits/Fees	\$7,000	Commodities	\$281,750
Investment Interest	\$60,000	Contractual	\$422,500
Other	\$40,000	Other	\$221,600
Reserve Transfer	\$0	Equipment	\$218,800
Total	\$3,556,606	Perm. Improvements	\$125,000
		Transfers Out	\$244,852
		Total	\$2,383,896

The Sewer Fund debt service is as follows:

- 2009 IEPA Loan. The Sewer Fund will pay an estimated \$194,852 on the 2009 IEPA loan that has funded the Phase I project at the treatment plant, focusing on sludge de-watering. This debt will not be retired until 2031.
- 2019 IEPA Loan. The Sewer Fund will combine a portion of reserves with a low-interest IEPA loan to fund Phase III. The debt repayment will not begin until FY21 at the earliest.

## Sample Utility Bill

An average monthly usage of 800 cubic feet of usage (1,600 cubic feet used over two-month billing cycle) and a ¾” meter are used to illustrate the estimated monthly and bi-monthly costs to demonstrate a sample City Utility Bill with the schedules outlined above:

### Sample City Utility Bill

*Using 1,600 cubic feet per 2-month billing period*

	Per Month	Per Bill
Water User Fee	\$24.50	\$49.00
Meter Maintenance	\$1.54	\$3.08
Radium Treatment	\$6.75	\$13.50
Sewer User Fee	\$36.28	\$72.56
Refuse and Recycling	\$21.48	\$42.96
Total	\$90.55	\$181.10

With the proposed adjustments, the City portion of the utility bill decreases by roughly 1.09% for the average monthly user. Even with the pass-thru refuse and recycling costs from Waste Management, average users will still see a small decrease in their bill.

## Summary

Certain assumptions were made regarding operating revenues, connection fee revenue, operating expenditures and anticipated debt service associated with the plant expansion. These figures anticipate a positive net position, which will be used to reduce the ultimate borrowing for the phase III improvements. Current year estimates and budget projections for next year are in-line with these assumptions and the budget remains in balance.

City Council direction is requested.

### 14. OTHER NEW BUSINESS

### 15. APPOINTMENTS

### 16. ADJOURNMENT