

VILLAGE OF TOLONO
BOARD OF TRUSTEES SPECIAL MEETING
June 13, 2017 – 7:30 p.m. - Village Hall

The Special Meeting of the Village of Tolono (“Board”) was held on Tuesday, June 13, 2017 p.m. Trustees present: Vicki Buffo, Jacquie Miller, Anna Morris, Ryan Perry, and Terrence Stuber. President Rob Murphy, Gerald Hartman, PE, BCEE, ASA, Management Consulting/Appraisal/Expert Testimony. Those absent: Dixie Phillips, Clerk, and Jared Ping, Trustee. ERH John McBride was in attendance. The meeting was called to order at 7:30 p.m.

President Murphy led the attendees in the Pledge of Allegiance.

Terrence Stuber, Trustee, presented the invocation.

Gerald Hartman addressed the Board on his expert information on Village of Tolono, water and sewer system as a Consultant Engineer. Mr. Hartman said that the Village has the classic distribution system totally dependent upon supplier. There are three areas predominantly 4” or smaller, not good circulation, worse quality. Good area of circulation and hydraulic blocking because of undersized pipes causing water to sit longer, chlorine drops off, bacteria and film grows. He suggested having a hydraulic analysis done of the system and that Farnworth Group could do that. He said that, based upon his review, if the plans prepared in 2014 are correct, the looping and restricting areas would cost around \$310,000, hydraulic analysis with a report would cost around \$20,000; the pipeline restoration areas would cost about \$60,000 - areas needing replacements from 2” pipes to 6” pipes to fire hydrants – most hydrants along US Route 45 are off a 12” main. The Village could do joint projects with IAW, which the Village should think about, would cost \$135,000. The CIP for water would be about \$600,000 which isn’t bad for an under sized system but still a good size number. The Village has a lot of 2” pipes it’s relying on and they should be a minimum to 4”, if not 6” pipes. Hydrants at dead-ends should be linked together in a loop

Waste water plant should have an I & I study to prioritize the improvements; good for lift stations and treatment plant. He suggested using inserts in manholes to catch rainwater instead of it running down through the system – fairly inexpensive – flooding, staining or problem areas use them in those areas – the water evaporates – no percolation; system wide besides the inserts, based on the age of the system estimate, over time needs around \$600,000 of improvements. He checked all four lift stations and one could be upgraded, some corrosion but the big stuff works; it’s the small stuff that should be looked at. It’s acceptable equipment but there’s a lot of corrosion and screws missing - nickel and dime stuff – about \$40,000 to upgrade all four lift stations.

He said one option was to stay at the current level, which is close to capacity but a small expansion would be better at a cost of \$1,090,000.

Existing facility operates fine but the drying beds are in disrepair; Walker process equipment needs replaced at a cost of \$100,000; Dove Co package roughing filters (2) need replaced operating marginally disk filters much more efficient at a cost of \$160,000; chemical room lacks various

deficiencies containments; one blower has undersized motor at 40 horsepower on it; should be 75 and two 60s. Hoffman blowers will last as long as they're maintained but could be changed out for more efficient blowers w/soft starts; general maintenance due to age of the plant. The total just to keep plant with proper equipment and not expanding the plant would be about \$360,000 of construction cost - total cost could be \$1,050,000 just to maintain system but to renew for the next few years but with expanding at a \$1,750,000 which includes around \$390,000 that doesn't get done because it's been replaced with something else. The entire project costs for both systems would be between \$2,000,000 and \$3,000,000.

He gave the Board comparative options for ownership and said that the Village has very good rates even with the 20% rate increase in the area. He suggested that the Village could:

1. maintain ownership with the underlying decay, not providing facilities for operation
2. maintain ownership with appropriate rate increases, structured rate
3. leasing systems to private company
4. private public partnership
5. selling the systems
6. selling one system could that include a buy back options
7. create a non-for-profit entity

He also said that the Village has a low book value for the number of customers because the auditors are doing standard state wide method and that residual value if still usable could be used to increase the book value. Using that method lowers your debt to asset ratio which then makes you pay higher interest rates and it lowers ability to bonding capacity or loan capacity because of less equity, as well as it lowers credit rating. He suggested the Village could restate the book value just by simply having an original cost study and depreciation study and the residual value once fully depreciated could bring the book value from \$1,000,000 to \$2,000,000.

He also looked at the Village's reserves stating that as of April 30, 2016, the Village had \$433,000 cash meets industry standards; water fund had \$21,000 in cash; \$32,000 in accounts receivables, and \$12,800 in supplies. He suggested review water rates yearly and President Murphy said that the Village's future plan is to increase the water rate at 3% each year, which Mr. Hartman said was an inflationary increase. He reported that the total book value for the water/sewer systems was around \$972,000, which is way too low.

Rates are low; projected revenues at 6/2018 was \$880K w/s combined revenues, probably about \$70K short – showed only actual cost of running utility – 62-63% purchase water; but allocated overhead is not in there. How much time does each person spend on each item, i.e. reading meters that won't read; should look at rate full recovery of cost of service, probably \$70 to \$100K light right now. All water systems leak, V is probably high but could not find documentation for accuracy.

Reasonable inventory in sewer system; understand what you own

He stated that at the current market value approximately two-thirds of the Villages do not do a utility disposition and that the State grades the average small system between a D+ and a C- at best to an F - very few under 2,000 customers are even an average C or better.

You need to look at financial comparison and Mr. Hartman was unable to do it because the Village has so many things to correct and too many problems in our financial disclosures and documents to do a good financial comparison. Investment utilities will be drastically higher.

He will make a recommendation to us if we want: he'd like to see first our book value changed and then a few other things changed then the Village would be in a better posture. He spoke of the Systems Liability Act ("SLA") sun-setting in June 2018, if it doesn't get extended; what is our prognosis – it means we'll probably have to sell at rate base, which is original cost – SLA gives full market value in the systems highest and best use.

Mr. Hartman will mail his final report when it is finished to Mr. Miller which stays privileged. Mr. Hartman is not advocating any options at this time because of work that needs to be done. The worse thing to advise is that if the SLA does not get extended, then the Village could be in trouble.

John McBride took exception to what Mr. Hartman said about the sewer plant and that his company has run the Tolono plant for 20 years and told him to look at the DMRs. He also said that their company has received more awards than anybody else in the State of IL. Mr. McBride gave Mr. Hartman some of his and his company's accolades.

Trustee Perry asked if a tour of the sewer plant would be advisable with all the new trustees. The Board said yes and Trustee Perry will make the arrangements and send the date and time to the Board members.

Trustee Buffo made a motion with a second by Trustee Stuber to adjourn.
The Village of Tolono Special Board Meeting adjourned at 9:10 p.m.

Submitted by Trustee J. Miller

Additional language added by D. Phillips from audio per President Murphy