

**MINUTES OF A COMMITTEE OF THE WHOLE MEETING  
OSWEGO VILLAGE PRESIDENT AND BOARD OF TRUSTEES  
OSWEGO VILLAGE HALL  
100 PARKERS MILL, OSWEGO, ILLINOIS  
August 20, 2019**

**CALL TO ORDER**

President Troy Parlier called the meeting to order at 6:04 p.m.

**ROLL CALL**

Physically Present: President Troy Parlier and Trustees James Marter, Terry Olson (attended at 6:50 p.m.), Pam Parr, Luis Perez, Judy Sollinger and Brian Thomas.

Staff Present: Dan Di Santo, Village Administrator; Christina Burns, AVA/HR Director; Tina Touchette, Village Clerk; Jeff Burgner, Police Chief; Jennifer Hughes, Public Works Director; Mark Horton, Finance Director; Rod Zenner, Community Development Director; Julie Hoffman, Community Engagement Coordinator, Special Events; Jay Hoover; B&Z Manager; Joe Renzetti, IT Manager; Karl Ottosen, Village Attorney; and Ryan Morton, Village Attorney.

**CONSIDERATION OF AND POSSIBLE ACTIONS ON-ANY REQUESTS FOR ELECTRONIC PARTICIPATION IN MEETING**

There was no one who attended electronically.

**PUBLIC FORUM**

Public Forum was opened at 6:04 p.m.

David Edelman addressed the Board regarding water rates. Rates should not be lowered because of future projects; concerns with future supply needs; frustrated with delaying projects; timeline of aquifer; what other communities are charging for rates; continuing to plan for the future; a lot to be proud of; what the vision is going forward.

Jerry Bannister addressed the Board regarding sale of property. Property is in a flood plain; is for sale by contract; lease back to help with budgetary constraints; a map was provided to the Board; Village can call for more information and/or to inspect the property.

Colleen Schmidt addressed the Board regarding vacant lot next to Steeplechase. Grass and weeds are growing; eyesore; no one has mowed the property; issues with animals; flooding problems; decreasing home values; what can be done.

There was no one else who requested to speak; the Public Forum was closed at 6:16 p.m.

**OLD BUSINESS**

There was no Old Business.

**NEW BUSINESS**

F.1. Review the Police Pension Fund Actuarial Report Dated July 10, 2019.

Director Horton addressed the Board regarding the report. The Village contributes an amount each year to support the Police Officers Pension Fund. The amount contributed must be based on an actuarial valuation completed each year. The Illinois Compiled Statutes state how a municipality shall finance the Police Pension Fund. The Village contracted with Lauterbach & Amen, LLP to complete the required annual actuarial valuation. The actuarial report determined the Village must contribute a minimum \$1,542,957 to the pension fund in fiscal year 2021. The Village has been contributing more than the minimum annually to offset any given year's spike in the contribution amount. The Village is contributing \$1,400,000 this fiscal year and will budget to contribute \$1,600,000 for fiscal year

2021 if funding is available. Police Pension Board members, Mark Horton, Shane Yackley, Chad Vargas and James Bennett were in attendance. Kevin Cavanaugh, from Lauterbach & Amen, LLP, presented the valuation:

**Recommended Contribution**

	Prior Valuation*	Current Valuation
Recommended Contribution	\$1,398,759	\$1,542,957
Expected Payroll	\$4,482,053	\$4,639,613
Recommended Contribution as a Percent of Expected Payroll	31.21%	33.26%

*The Recommended Contribution has Increased by \$144,198 from the Prior Valuation.*

**Funded Status**

	Prior Valuation*	Current Valuation
Normal Cost	\$1,034,093	\$1,179,004
Market Value of Assets	\$29,120,577	\$31,949,415
Actuarial Value of Assets	\$29,322,454	\$31,972,635
Actuarial Accrued Liability	\$41,693,805	\$43,017,055
Unfunded Actuarial Accrued Liability	\$12,371,351	\$11,044,420
Percent Funded		
Actuarial Value of Assets	70.33%	74.33%
Market Value of Assets	69.84%	74.27%

*The Percent Funded has Increased by 4.00% on an Actuarial Value of Assets Basis.*

Asset growth is important in the long-term. Long-term cash flow out of the Pension Fund is primarily benefit payments, and expenses are a smaller portion. The Plan should monitor the impact of expected benefit payments on future asset growth. In the next 5 years, benefit payments are anticipated to increase 70-75%, or approximately \$640,000. In the next 10 years, the expected increase in benefit payments is 180-185%, or approximately \$1,700,000.

**Actuarial Recommended Contribution – Reconciliation**

Other increases or decreases in Actuarial Accrued Liability will increase or decrease the amount of Unfunded Liability in the plan. To the extent Unfunded Liability increases or decreases unexpectedly, the contribution towards Unfunded Liability will also change unexpectedly

Actuarial  
Liability

Salary Increases Less than Expected	(126,934)
Demographic Changes	415,705
Assumption Changes	1,110,093
Funding Policy Changes	-
Asset Return Less than Expected *	-
Contributions Greater than Expected	-
Total Actuarial Experience	<u>\$ 1,398,864</u>

### Actuarial Accrued Liability

	Current Valuation
Active Employees	<u>\$ 25,652,941</u>
Inactive Employees	
Terminated Employees - Vested	583,888
Retired Employees	16,780,226
Disabled Employees	-
Other Beneficiaries	-
Total Inactive Employees	<u>17,364,114</u>
Total Actuarial Accrued Liability	<u>\$ 43,017,055</u>

*The Total Actuarial Accrued Liability has Increased by from the Prior Valuation (See Management Summary).*

### Funded Status

	Current Valuation
Total Actuarial Accrued Liability	\$ 43,017,055
Total Actuarial Value of Assets	<u>31,972,635</u>
Unfunded Actuarial Accrued Liability	<u>\$ 11,044,420</u>
Total Market Value of Assets	<u>\$ 31,949,415</u>
Percent Funded	
Actuarial Value of Assets	<u>74.33%</u>
Market Value of Assets	<u>74.27%</u>

*The Percent Funded as of the Actuarial Valuation Date is Subject to Volatility on Assets and Liability in the Short-Term.*

### Recommended Contribution

	<u>Current Valuation</u>
Employer Normal Cost*	\$ 765,967
Amortization of Unfunded Accrued Liability/(Surplus)	<u>776,990</u>
Recommended Contribution	<u>\$ 1,542,957</u>

*The Recommended  
Contribution has  
Increased by from  
the Prior Valuation  
(See Management  
Summary).*

Board, staff, Attorney and accountant discussion focused on assumptions; base mortality; mortality rates; funding policy changes; investment returns; statutes in place; contribution greater than expected; saves taxpayers in the long run; average percent funded is 55%; asset returns; best practice; property tax levy pays the pension; funded valuation is 74.27%; how is the percentage ranked; funding for the future; should be fully funded by year 2040; not likely to see life expectancy going down; mortality study done; implementing new mortality tables specific to public safety; looking at a blend of statewide and nationally; policy has always been to overfund; funding will lower with a tighter budget. There was no further discussion.

#### F.2. Discussion on Water Rate Reduction

Director Horton addressed the Board regarding water rates. The Village had an engineering firm complete a water rate analysis in 2017. The analysis reviewed historical water usage, projected water usage and the cost of identified system improvements to determine the amount of total revenue needed to complete all system improvements and operating expenses of the water distribution system. The analysis determined water rates needed to be increased with the November 15, 2017 billing and every May 1<sup>st</sup> for the next five years. Rate increases of \$0.80 cents were adopted for the first three increases and \$0.10 cents for the subsequent three increases.

The Village President requested staff to review the current water rates to determine if a reduction in the water rate could be accomplished. Staff compared the actual billed total water revenue for the past few years with the projected total water revenue from the 2017 water analysis. The actual billed total revenues have been greater over the past few years, suggesting that the Village is receiving more total revenue than projected which gives the basis for a rate reduction. Staff prepared four rate reduction options and discussed the options with the Village President. Two options were compared to the current water rate over the next four years to determine the revenue loss and possible effects on operations and capital improvements for the water distribution system. After some discussion, it was determined to present water rate reduction scenarios as follows:

- A \$0.20 rate reduction effective with the September 15, 2019 billing showed the revenue loss for the current fiscal year would be \$142,000 and a cumulative four-year total revenue loss of \$778,000.
- A \$0.20 rate reduction effective with the November 15, 2019 billing showed the revenue loss for the current fiscal year would be \$96,000 and a cumulative four-year total revenue loss of \$733,000.

Going forward, water rates will be reviewed on an annual basis during the budget review process. The water rates are assumed to change as scheduled with \$0.10 cent increases on May 1, 2020, 2021 and 2022. The revenue loss will not influence normal operating costs of the waterworks system but will reduce the amount of money able to be transferred annually to the Water and Sewer Capital Fund to support the costs of all the improvements needed to maintain the distribution system. For the most part, budgeted capital projects over the next five years would remain funded even after the reduction. However, accumulation of funds for the un-funded alternative water source project, Wolfs Crossing water main project, and Minkler Road water main project would be reduced by more than \$750,000.

Director Horton presented additional information:

- Current water rates per Ordinance over the next four fiscal years
  - Increase rates with each May 15th billing; \$0.80 (May 1, 2019), \$0.10, \$0.10, \$0.10
  - Allows for all identified capital projects to be completed for next five years
  - Water & Sewer Fund transfers to Water Capital Fund are \$1.8, \$3.0, \$3.0, \$3.0 million each of the next 4 years
- Reduce rate \$0.20 cents
  - Resulting rates with each May 15th billing; \$0.60 (effective September/November 2019), \$0.10, \$0.10, \$0.10
  - Results in \$96,000 to \$142,000 less in estimated total revenue for the current fiscal year
  - Allows for all identified capital projects to be completed for next five years

Five Year Capital Improvement Projects	FY 20	FY 21	FY 22	FY 23	FY 24	Total Next 5 Yrs
<b>WATER &amp; SEWER CAPITAL FUND</b>						
<b>Infrastructure</b>						
Fox River Water Treatment Facility - Preliminary Engineering & Land Acquisition	405,600					405,600
Lead Service Line Replacement	50,000	50,000	100,000	100,000	100,000	400,000
Sanitary Lift Station - Decommission Woolley Road LS	110,000					110,000
Sanitary Lift Station - Generators	120,000	105,000				225,000
Sanitary Sewer Lining & Televising	160,000	180,000	200,000	200,000	200,000	940,000
Water Main, New - Minkler Road Watermain				375,000	1,950,000	2,325,000
Water Meter & Reader Replacement	1,533,000	1,593,000	1,665,000			4,791,000
Water Tower - Fox Chase			750,000			750,000
Water Tower - Hunt Club		1,000,000				1,000,000
Water Tower - Village Center				675,000		675,000
Water Towers - Cleaning (every 5 years)				45,000		45,000
Wells 3 & 4 - Generators			450,000			450,000
Wells 6 & 8 - Electrical Upgrades	350,000					350,000
Water Main, New - Brock/Sedgwick/Faro Ct	330,000					330,000
<b>Infrastructure Total</b>	<b>3,058,600</b>	<b>2,928,000</b>	<b>3,165,000</b>	<b>1,395,000</b>	<b>2,250,000</b>	<b>12,796,600</b>
<b>WATER &amp; SEWER CAPITAL FUND Total</b>	<b>3,058,600</b>	<b>2,928,000</b>	<b>3,165,000</b>	<b>1,395,000</b>	<b>2,250,000</b>	<b>12,796,600</b>

Water Fund Revenues

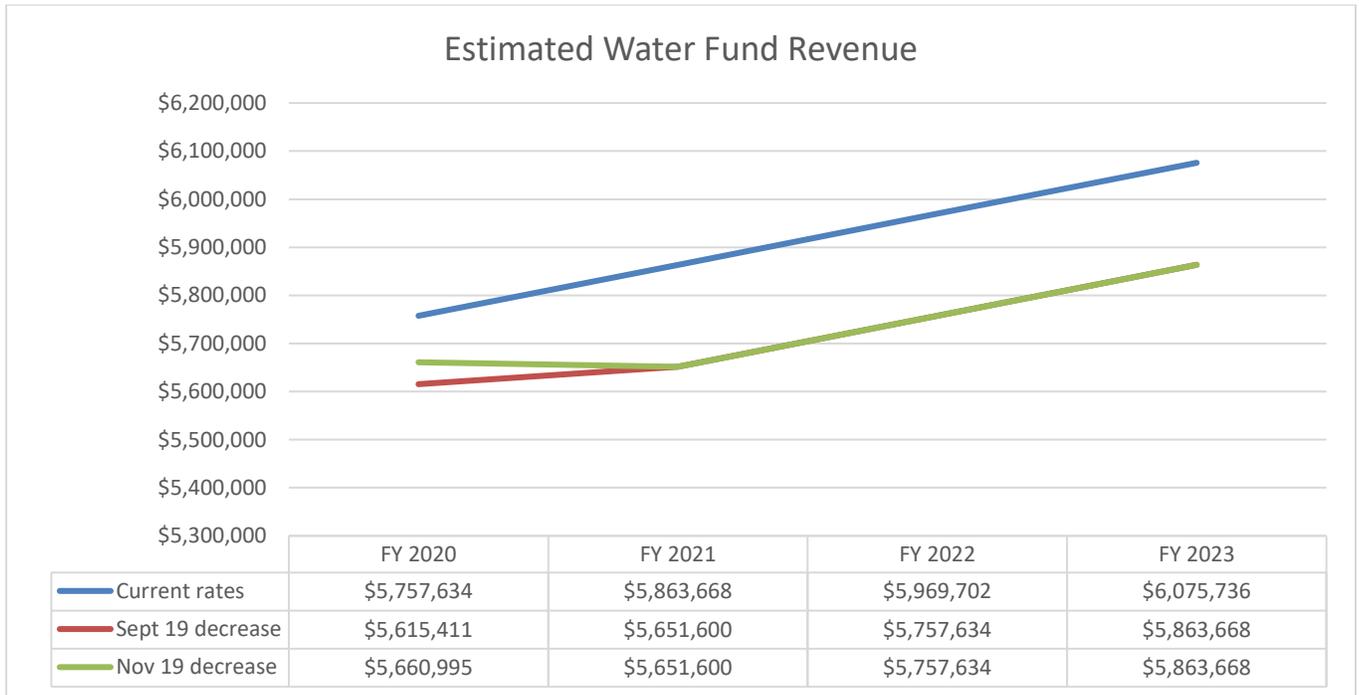
Fiscal Year		2017	2018	2019	2020	2021	2022	2023
Consultant projections	(1)	n/a	\$3,700,000	\$4,687,669	\$5,207,354	\$5,193,152	\$5,178,856	\$5,164,475
Actuals-unaudited	(2)	\$3,762,070	\$4,477,286	\$5,584,557	n/a	n/a	n/a	n/a
Projections based on FY 2019 usage	(3)	n/a	n/a	n/a	\$5,757,634	\$5,863,668	\$5,969,702	\$6,075,736

(1) Consultant projections;

FY 2018 was the first fiscal year with a rate increase (first rate increase was in October (2) 2017)

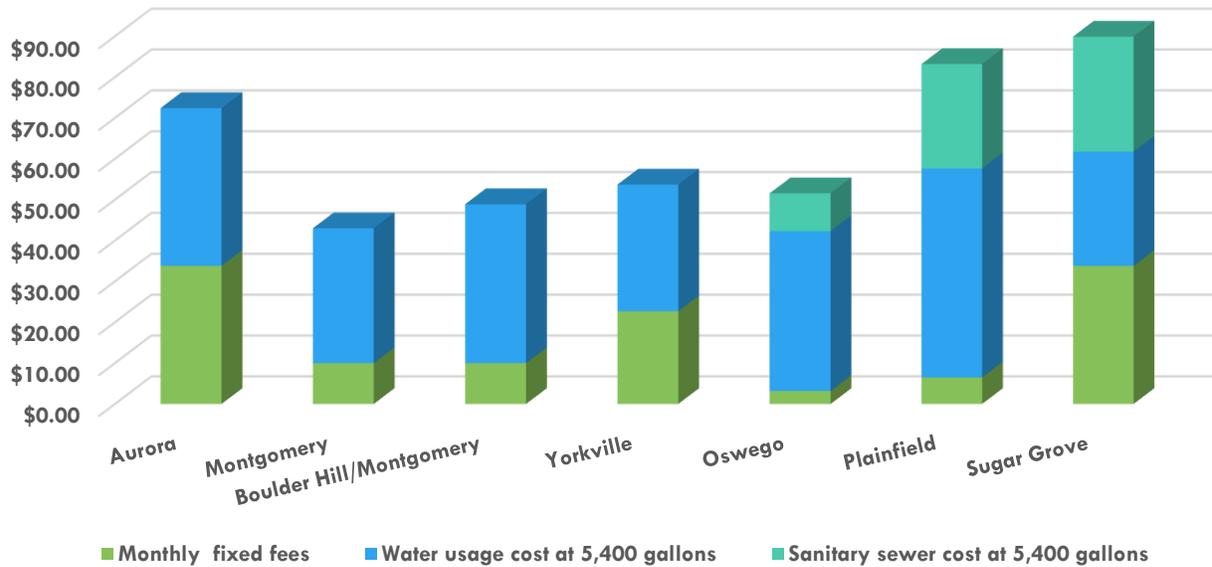
(3) Projections based on actual FY 2019 billed water usage.

- Projections based on current scheduled rate increases
- 2017 and 2018 actual revenue greater than projections by \$777,000 and \$890,000
- 2020 through 2023 staff projections greater than earlier consultant projections



Rates	FY 2020	FY 2021	FY 2022	FY 2023	total revenue	Cumulative difference
Current	\$0.80	\$0.10	\$0.10	\$0.10		
Sept 19 decrease	\$0.60	\$0.10	\$0.10	\$0.10		
Nov 19 decrease	\$0.60	\$0.10	\$0.10	\$0.10		
Current	\$5,757,634	\$5,863,668	\$5,969,702	\$6,075,736	\$23,666,739	
Sept 19 decrease	\$5,615,411	\$5,651,600	\$5,757,634	\$5,863,668	\$22,888,313	
Diff vs current \$	\$142,224	\$212,068	\$212,068	\$212,068		\$778,426
Nov 19 decrease	\$5,660,995	\$5,651,600	\$5,757,634	\$5,863,668	\$22,933,898	
Diff vs current \$	\$96,639	\$212,068	\$212,068	\$212,068		\$732,841

### Monthly Utility Charge Comparison With Other Communities



Water Rate per 1000 gallons	Water usage cost at 5,400 gallons	Sanitary sewer rate per 1000 gallons	Sanitary sewer cost at 5,400 gallons	Monthly fixed fees	Monthly Total
\$7.15	\$38.61			\$33.80	\$72.41
\$6.11	\$32.99			\$10.00	\$42.99
\$7.20	\$38.88			\$10.00	\$48.88
\$5.74	\$31.00			\$22.69	\$53.69
\$7.25	\$39.15	\$1.71	\$9.23	\$3.17	\$51.55
\$9.47	\$51.14	\$4.73	\$25.54	\$6.50	\$83.18
\$5.18	\$27.97	\$5.21	\$28.13	\$33.79	\$89.90

EPA -  
Mandated  
Long Term  
Control  
Plan

Entity	Per 1,000 gallons	Billing Cycle	Monthly Fee	Sanitary Sewer Rate	Sewer flat fee	Water flat fee	Meter charge	Sewer Infrastructure Fee	Water Infrastructure Fee	Stormwater Mgmt. Fee	EPA - Mandated Long Term Control Plan
Aurora	\$7.15	Bi- monthly	\$21.05							\$6.90	\$5.85
Montgomery	\$6.11	Bi- monthly			\$4.00	\$6.00					
Boulder Hill/Montgomery	\$7.20	Bi- monthly			\$4.00	\$6.00					
Yorkville	\$5.74	Bi- monthly	\$10.44					\$4.00	\$8.25		
Oswego	\$7.25*	Bi- monthly	\$3.17	\$1.71							
Plainfield	\$9.47	Monthly		\$4.73					\$6.50		
Sugar Grove	\$5.18	Monthly	\$32.29	\$5.21			\$1.50				

first 350 gallons is \$17.00 then rate  
kicks in

\*

- Revenue estimates based on Fiscal Year 2019 actual billed water usage
- Water revenue includes actual late charges and disconnection revenue from Fiscal Year 2019
- Rate reduction may reduce the amount available to transfer funding to the Water Capital Fund to support projects beyond the next five years
- Capital projects slated within the next five years can easily be rearranged to accommodate the loss of revenue; (ex: extend water tower rehabilitation to one every other year)
- Analysis does not account for any major million-dollar emergencies which may occur in any given year
- No funding is included in any rate option for the Alternative Water Source (\$8.6 million), Wolf's Crossing Water Main (\$5.8 million) or Minkler Road Water Main (\$2.3 million) projects listed in Fiscal Years 2021 – 2024

Board and staff discussion focused on costs by month; costs of projects; usage down because of wet spring; transfer to the Capital Fund; what the goal is on reducing the water rate; not wanting the Village to be a bank of excess funds; reviewing fees; exceeding the model; reduction would be for both residential and commercial; monitoring every year; rates kept low in 2017 and then had no money to pay for projects and emergencies; concerned with known projects and no others; reviewing again during the budget process; rates will likely go up in the future; increased as part of conservation initiative; can't afford to squander; future water source; giving residents a break; grants for future projects. Due to time constraints, the discussion will be continued at the August 20, 2019 Regular Village Board meeting under Staff Reports. There was no further discussion.

**CLOSED SESSION**

There was no Closed Session held.

**ADJOURNMENT**

The meeting adjourned at 7:07 p.m.

Tina Touchette  
Village Clerk