

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE
MINUTES OF MEETING – **May 5, 2018**

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Saturday, May 5, 2018 at 8:00 AM in the Village Hall Conference Room, 40 E. Center Ave., Lake Bluff, Illinois.

Members Present: Trustee Mark Dewart, Chair
Trustee Barbara Ankenman, Member
Trustee Paul Lemieux, Member (arrived at 8:20 AM)

Others Present: Kathleen O'Hara, Village Board President
William Meyer, Village Board Trustee (departed at 9:25 AM)
Aaron Towle, Village Board Trustee (arrived at 8:35 AM)
Joy Markee, Village Clerk
R. Drew Irvin, Village Administrator
Bettina O'Connell, Finance Director
Marlene Scheibl, Assistant Finance Director
Jeff Hansen, Village Engineer (departed at 8:50 AM)

II. Approval of Minutes

Member Ankenman made a motion to approve the minutes of the March 17, 2018 meeting as presented; seconded by Chair Dewart and approved unanimously on a voice vote.

III. Business Items

1. Discussion Regarding Capital Improvement Plan (CIP) Process Development

VA Irvin said there had been some questions on the CIP process. In response to those questions, staff would like to explain how the CIP budget has been prepared historically. More than a decade ago the Village developed a 10-year CIP to maintain, replace and when appropriate, divest certain assets. The process has remained unchanged over the years and involves the following steps:

- 1). Project Identification-can be done by staff, residents, business owners, and others. The Village has been completing planning studies to ensure maximum yield on investments.
- 2). Project Ranking/Prioritization/Evaluation-done initially by staff, reviewed by Finance Committee (oversight), and then full Village Board. The ranking criteria include many factors.
- 3). Authorization/Funding-Finance Committee recommendations to the Village Board for inclusion in biennial budget based on available funding and debt schedule.
- 4). Reporting/Monitoring-Village staff monitors assets.

VA Irvin said some communities use priority ranking, number projects with a point system. The Village follows the GFOA Best Practice but stops short of assigning points since they would be somewhat subjective. Village Clerk Markee asked if assigning points would make the process more transparent. VA Irvin responded that the assignment of points would be so subjective they would lose meaning. President O'Hara said since the Village has criteria set and is small, the prioritization is based on judgement. Chair Dewart suggested if residents share comments with individual Board members those

comments should be shared with the Board as a whole.

VA Irvin suggested the committee discuss the Arbor Drive subdivision. The subdivision was improved before the fire hydrant was installed. Engineer Hansen said the hydrant off Sheridan could be extended down Arbor. If this extension ever broke, the residents could be without water for 3-4 weeks because the pipe runs under the railroad. Chair Dewart asked if the residents are on their own well and septic. Engineer Hansen said they were. The water main was run under Sheridan and a fire hydrant put at Sheridan and Arbor. The water main is west of Sheridan. To the north the Village has access to water by the Naval Base. Chair Dewart asked what the alternatives were. VA Irvin said the Village could bring water in and loop it but the cost is extremely high. It would cost about \$600,000 to run the water down by extending the pipe or double that cost (\$1,200,000) to loop it. Chair Dewart asked if there was any difference if it was for fire service only and not potable water. Trustee Meyer questioned whether the Village should spend \$600,000 to protect against an incremental, infrequent risk.

President O'Hara asked if the service is extended for hydrants, would it decrease the water pressure for houses. Engineer Hansen said it would not. President O'Hara opined the homeowners were aware of the situation when they purchased their homes and any additional improvements should be paid by the homeowners through a special service area or similar method. Chair Dewart agreed improvements over and above those at the time of purchase are homeowners' responsibilities and added Campbell and Signe Courts also need work. Member Ankenman asked how many households were involved in each project. Engineer Hansen said there are about ten homes on Arbor and eight on Campbell Court.

Trustee Meyer asked what the Fire Department has said about the project, should there be an extension for fire purposes or is it currently adequate. VA Irvin replied Chief Graf said it would have an impact on the water supply but not enough to impact fires the size of the most recent one. The Fire Department has an operating plan for water required in the event of a fire. Trustee Meyer asked how many homes are within the specified feet of the hydrant. Chair Dewart asked if there was a new home built, would a sprinkler be required. VA Irvin said it would. Chair Dewart asked if the households are put in a situation of non-compliance such as not complying with being within 1000 feet.

Chair Dewart asked what the process is if the Village were to consider a Special Service Area. Engineer Hansen said that 51% of the residents would need to agree in order to establish a SSA. Trustee Meyer asked if the Village would incur any costs of the SSA. VA Irvin said the Village may incur expenses to establish the SSA, such as legal fees. Member Ankenman said an individual property owners' cost of participation in a SSA would be greatly affected by the number of residents in the area to be improved. Chair Dewart asked if there would be any economies of scale on the project. Engineer Hansen said there really wouldn't be any economies of scale since labor and pipes are set prices. Village Clerk Markee asked if there have been any fires in that area. Chair Dewart said there was a fire in Shore Acres and one other in the last 50 years. Trustee Meyer said that the money would be spent on something very infrequent.

Chair Dewart asked the members what the Village's approach should be. VA Irvin said staff could provide a map to see how many homes are affected. Member Dewart asked if the Village should address the project as part of a SSA or if the Village should contribute to the project. Trustee Meyer opined if the Village offers assistance to the Arbor Drive residents, it must be offered to everyone. VA Irvin added this project could take decades if it requires easements. Chair Dewart asked if there was an SSA, would it include the whole quadrant, would others be compliant with the easement. Member Ankenman said if the project costs \$600,000 and is split between 10 houses it would cost each household \$60,000. What will happen if residents don't want to pay the \$60,000, would they then be able to purchase their own self-contained systems? Member Dewart noted that with the recent change in the tax laws, homeowners likely will not be able to deduct the same

amount of property taxes as in recent years. Also, the EAV would increase. VA Irvin said it is likely self-contained systems would cost more than \$60,000. Village Clerk Markee asked what happens if 5 of the homes would want the project and the other 5 would not. Chair Dewart asked how the Village would proceed with a SSA and how the residents would vote on a SSA. VA Irvin said the Village would not pursue the project if the residents were not interested. The registered voters at a household would vote and it is residents driven so the Village would know how to move forward. Some residents would be required to be in the SSA if the majority of the registered voters approve it. The consensus of the Committee was to not pursue a Village project but rather let the benefitting residents pursue a SSA independently.

The Committee then discussed the Park/Simpson alley flooding issue. Engineer Hansen said for the Park & Simpson flooding there could be a 10-inch pipe run up to extend past the Lenzke home. This would provide some level of service but would not stop all the storm water. Chair Dewart asked what level of protection this would provide. Engineer Hansen said these residential homes were flooded over windows so the real impact would be difficult to measure. There are 3 options to consider 1). Repave alley 2). Pay Peter Baker \$25-30K and then repave alley 3). Delay paving alley and get more quotes.

VA Irvin said historically, there has been \$25,000 included in budgets to cure neighborhoods infrastructure if improvements are needed. Member Lemieux stated there are lots of people making requests from the Board and the Village Board needs to make sure all decisions are equitable. Engineer Hansen said this particular project is different in that the homes where water is coming in is because no storm sewer is provided or there is such a low level of service provided. President O'Hara said it is different because it is an alley and not a street. Engineer Hansen agreed the alley is likely why sewer improvements were not prioritized. Village Clerk Markee asked how many residents this project would benefit. Engineer Hansen said there are 6 homes, 3 home which would directly benefit because they get water in their homes and 3 residents who use the alley. Member Ankenman inquired if the Village has ever done a project where the Village asks residents to participate. Engineer Hansen replied the Village could assist by contributing. Member Ankenman said it may lessen the burden if the Village involves residents. Engineer Hansen said if we put in a pipe, Susie McMurray must put in a pipe to the low spot in her yard. The problem would not be solved but it would be a big help. It would still only provide minimum service. VA Irvin added that in this particular case, it also helps prolong the life of the Village infrastructure-the alley itself. Chair Dewart stated the committee has a staff recommendation. Engineer Hansen said there will be a change order if it meets the threshold. The contract is for \$550,000 but if it reaches \$570,000, it will be brought to the Board for approval. Peter Baker will need to provide a firm price. VA Irvin said based on the recent CBBELL Stormwater Study, there isn't a solution to the Campbell Court issues that is economically feasible or generates improvements. Engineer Hansen said the backyards are higher. Referring back to Arbor Drive fire hydrant project, VA Irvin said staff will prepare a map of the other houses that are 600-1000 feet from a hydrant and pricing alternatives.

VA Irvin said for the past several years, the Finance Committee and Village Board have based infrastructure investment in Village roadways using a standard developed by the previous Village Engineer and Committee. Now the question has been raised-what is the correct amount or necessary revenue stream to spend on water mains and sanitary and storm sewers. Over the next 5 years, there will be debt service retired and the water fund is getting stronger. In response to a question from Member Ankenman regarding revenue for a large project-VA Irvin said the Committee may not want to adopt a new revenue stream without a developed plan of action. Chair Dewart said if after planning, there is not enough of a revenue source then the Village will need to establish a revenue source or revise the plan.

In a discussion regarding the Scranton Underpass/Viaduct, VA Irvin described a recent meeting with IDOT. He explained that the existing pipe draining the viaduct goes under tennis courts and under 2 homes. The pipe is 100 years old. The cost would be \$2M to

replace or \$3M to enlarge the pipe to 34-36 inches. Member Dewart asked if the pipe could be relined. VA Irvin said if so it would lose volume. IDOT doesn't know the correct solution nor do they have funding. There may be other projects to provide synergy. There is the possibility that 10 years from now CLCJAWA will have a project. There will be another meeting with IDOT in July. The state is motivated to do something given the age and condition of the infrastructure. Member Ankenman asked if the water could be pumped out faster. VA Irvin said that would add burden to the ravine. A discussion was had about the project. Trustee Meyer said he encourages thinking towards a long term solution. President O'Hara said the frequency of flooding is another issue. Last summer a 140 year storm event flooded the viaduct. The Committee discussed the value of pursuing a solution for a low frequency problem. VA Irvin said the Committee will also need to consider how a large tunnel project may solve other localized flooding problems and public safety concerns; he noted that the pending Village-wide study will offer insight into this matter.

2. Discussion Regarding the New Water Meter Specifications

The Siemens Water Meter Audit Program update provided at the January 15, 2018 Finance Committee meeting reviewed the scope of the December 2017 meter testing and the financing options available. The goals of the program are a). To increase the accuracy of the meter readings; b). To obtain readings more frequently and efficiently; and c). To improve meter inventory/connection information. These objectives can help align water consumption and purchases by mitigating unaccounted for water and also reduce operating costs. The Sensus iPerl meters presented by Siemens automatically transmit data wirelessly and eliminate the need to manually read each meter, allowing for greater efficiency and operational savings. Increasing revenue and the ability to account for water supplies make low-flow accuracy of residential water meters an important factor in selecting meters. Member Lemieux had inquired as to the accuracy of the meters. A Sensus Data sheet provided detailed diagrams and specification on the Sensus iPerl meters. Since Sensus is owned by Xlem, Member Lemieux disclosed that he is a vendor of Xlem. He asked if the water flows around the meter or through it and since the meters are plastic, are there any concerns with leaching. VA Irvin said it flows through it, and he would find out about leaching. Member Lemieux asked if a 20 year life was standard for the meters, as that seems like a short time. VA Irvin said a 20 year life is standard.

3. Balanced Budget Definition Information

Chair Dewart opened a conversation regarding this topic. Director O'Connell said that most states and municipalities are required to pass balanced budgets each year. Typically a balanced budget is defined as when planned revenues match or exceed planned expenses. VA Irvin said there is no state standard definition. Director O'Connell said the Government Finance Officers Association (GFOA) identifies specific policies and procedures to achieve a structurally balanced budget. As a first step, the government should identify key items related to a structural balance. These items include recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves. Director O'Connell revised the Revenues and Expenditures by Fund and Category pages of the budget and separated the revenues and expenditures into the recurring and nonrecurring categories. Member Lemieux asked if this was a snapshot in a given year or how often will it be revised. Director O'Connell said this will be updated with actuals for review at year-end so there can be a comparison of actuals to budget. Member Ankenman said this is a good way to understand how government used money segregated for one thing for a different purpose. VA Irvin asked if committee wanted to issue policy on structurally balanced budget. Member Lemieux said he would like to see this as a policy. Member Ankenman said it is a different format of same information. President O'Hara said it does improve accountability and transparency. The consensus was to have staff develop a policy for the Committee's consideration at a future meeting.

Village Clerk Markee inquired how the Village could educate the community on financial information and its benefit to the community. A discussion was had by the Committee regarding this topic.

4. Residential Program Initiative Update

Director O'Connell updated the committee on the auto-debit program for utility billing. She described how the Village is divided into three sections for utility billing. The first two sections have had auto debit forms included in their billing, with the third section to be sent this week. Approximately 15% of the residents in the first two sections have enrolled in auto debit. Typical enrollment in other communities is 20%. With a third section of customers still left to receive enrollment forms, it is anticipated the Village will likely be close to 20% enrollment. In response to a question from Member Lemieux regarding what hinders us from reaching the 20% target, Director O'Connell responded some people will use other systems of bill paying and some are hesitant of providing the required information. She went on to say the next phase will be sending out the e-bill applications to residents and to rollout an introduction to an on-line portal. This will allow residents to view their utility bills and account history on-line.

IV. Next Meeting

The next meeting is to be determined.

V. Adjournment

Member Ankenman made a motion to adjourn the meeting at 9:50 AM; seconded by Member Lemieux and all members voted aye.

Respectfully submitted,

Marlene Scheibl
Assistant Finance Director