

Lost Lake Utility Special Meeting
404 Lake Court, Dixon, Illinois
May 26, 2007

- I. Call to Order and Roll Call:** Joe Olliges called the meeting to order at 10:00 am. Trustees Present: Joe Olliges, Jerry Pohlman, George Kersten, Ron Berger and Nadine Portner. Absent: Bill Weronko. Also present: Sheila Warner, Treasurer; Susan Steffens, Secretary; Betsy Young, Financial Planner; Hans Anderson of Fehr-Graham & Associates, LLC; Jamie Rachlin of Griffin, Kubik, Stephens & Thompson, Inc.; and members of the community.
- II. Pledge of Allegiance.**
- III. Approval of the Agenda:** George made a motion to approve the agenda. Jerry seconded the motion. The motion was approved by unanimous roll-call vote (5-26-07-1).
- IV. Community Meeting:**

- **Overview of components in the Acquisition of New Landing Utility Assets:** Joe Olliges presented to the community an update. The final draft of the purchase agreement has been prepared and is awaiting the Status Hearing on June 13, 2007.

On May 30, 2007, Illinois Rural Water will send a survey for all property owners to fill out and return by June 15, 2007.

The professional groups that have been hired are as follows: Fehr-Graham who completed Phase I of the Environmental Assessment and Engineering review of the NLU water and wastewater. Bond Counsel: Chapman & Cutler. Finance Company: Griffin, Kubik, Stephens & Thompson. Municipal Attorney firm: Smith, Tucker, Coghlin & Smith. Attorney Ralph Lowe: Litigation. Elizabeth Young: Volunteer Financial Advisor.

March 20, 2007, the District adopted Ordinance 01-07, Notice of the right to issue bonds and file petitions. The community had a right to file a petition on the bond issue. No petitions were filed. All Notices appeared in the paper.

We are waiting on renewal of discharge permit and a transfer permit by the EPA. A Sale Order Agreement is being drafted.

- **Operations Overview:** Nadine Portner reported typical operations will be based on the District's priorities. 1. Certified Operator: One certified operator will be responsible for the entire operation. 2. Meter Reading and Billing: Equip each home with a functional, accurate meter by an Automated Meter Reader. The billing system will be upgraded, online bill payment or paperless will eventually be available. 3. Emergency Conditions: alarm at water tower and transferable back-up generator for the water tower or treatment plant.
- **Proposed Wastewater Technology:** Hans Anderson, Engineer, presented the Wastewater Plan: His recommendation is the Recirculating Sand Filter. There are new regulatory requirements since the existing plant was built, which is in permit violations. A RSF is in essence a septic tank. This is a low technology solution. It is very efficient and has a simple operation and high quality effluent. There is minimum odor and no noise. It is a proven technology and is IEPA accepted. Some of the existing technology from the existing building can be recycled.

Capital improvement in the first five years include: treatment facility, Flagg Road main looping, meters, well-house and lab improvements.

- **Long Range Financial Plan:** Betsy Young presented District's Financial Plan. There is a 20-year Capital Plan to provide for debt service. There are some changes, and there will be other changes. Priorities are as follows: wastewater treatment plant, meters, Flagg Road looping, water-tower buy-out agreement, back-up well, lab improvements, generator. The existing rate structure is going to change. It is important that all meters work. 30 percent of meters do not work or do not work properly. Projections are based on the meters in the homes. An example of the water rate structure for an example customer was given, and the increase is \$16.86. Lost Nation customer will be charged an availability fee which is not currently being charged. Waste-water structure example increase of \$16.86 per household. There are going to be rate increases every three to four years as necessary to maintain system. Long-term improvements included replacing lines, flushing system. Joe added that after discussions with the EPA, there are compliance mandates.
- **General Obligation Bonds:** Jamie Rachlin explained the Capital Costs. Rates are to maintain and improve systems. The existing rates are too low and this allows the District to make improvements. General Obligation Bond is a loan. It needs to be paid back. Payments from bills will be used for debt service. An Alternative Revenue Bond

allows for a tax levy if rates aren't sufficient to cover debt service and operations. It is not the intention of this structure. It is assurance for the investor. Rates may be adjusted to avoid this. Rates of Bonds are better because of this assurance. Authorized bond amount is \$3.5 million. \$2 million is being used. The remaining amount may be accessed if needed. The interest rate is approximately 4 ¾ percent. The annual debt service is approximately \$160,000 per year. It is budgeted into the rate structure.

- **Question and Answer:**

Will any future rate increases take into consideration the existing rates? **All considerations were taken into account for the current rate increase.**

Do you anticipate main extension will be the same under the uniform extension laws? **The ordinance will discuss that issue as to who will pay for what part of the extension and as to how far. An availability fee does not guarantee service.**

There are lot owners who are in default. Will the District go after delinquent monies? **Yes, non-payments become automatic liens. There is an allotment for bad debt.**

How long will the liner last on the sand filter system? **At least 20 years.**

What is meant by minimal odor? Will there be an odor? **If there is an odor, it would smell musky. Because the current system was not taken care of, that is why there is an odor. When the system is properly maintained, there is virtually no odor.**

Where would the filter bed be located? **On the existing site. There is room.**

Is it safe to assume that the water and sewer rate combined will be approximately 15 to 20 Percent increase? **The increase is 17%.**

Will Lost Nation homeowners with septic be required to pay a sewer availability charge? **No.**

What provisions in the plan for the operator are there when primary operation is not available? **Initially IRW will use their operator during the transition.**

When you say adequately-sized, would that cover build out in the current district. **The size takes everyone now plus all homes on the other side of the lake and 20 years of growth as occurring.**

Where would the proposed RSF be placed as the current sewer system is on a flood plane. **There is a flood plane, but the system would not be placed on it. Discharge is allowed on the flood plane.**

Where would you place the ponds? **There are no ponds.**

The existing building is behind the dam. Will the existing plant and RSF be damaged if the dam needs to be opened? **There is no emergency plan for the dam. Overflow would go down the creek. The plant sits higher. The RSF pits are only 40 inches deep; it would not destroy it, there may be a violation.**

Could you address office and lab space requirements? **Currently there is no office. We are looking in the community. We are looking at the existing treatment plant. Nothing has been decided. There is lab space in the building and additional space available.**

Please point out property values could be affected positively with a sound water and sewer system.

Will any of the existing plant be used? **Yes, the tanks will be used, and the building. The life of the filter should be 20 years. Media has a similar life and can be replaced without completely reconstructing the system.**

How many square feet will be required? **I don't remember square footage, but it fits.**

What are the odds for securing grants? **Right now there are no grants available. An EPA low interest revolving loan application has been submitted.**

What will a new home hook-up fee be? **That will be in the ordinance. It has not been set. Right now, we are thinking \$1500 for water and \$1500 for sewer.**

What is the water quality here? Is it high Iron, high Lime content? Is a water softener necessary? **Water quality is good. Contact IRW for content. It may be posted on the web-site.**

Who will pay for the inadequate delivery system, the mains in Lost Nation? **The District and users through the money we borrow.**

Will there always be a requirement to have a grinder pump at every house. **Yes. Modifications have been made to the specifications in the ordinances**

Will the Utility District require a modern toilet or water-saving shower heads? **No.**

How will one generator accommodate two facilities when the distance is over two miles? **It will be driven to both facilities. It was EPA agreed upon.**

Why hasn't IRW flushed the newly installed hydrants? **One person works a full-time job and only works a couple hours a day.**

Would the RSF be a large as the one in the picture? **No. Ours is 50,000 gallons a day.**

According to your plan the bond amount needed is \$2 million; your outline shows \$1.1 million for the total. Is the \$900,000 used to pay debt approved by the Board to purchase and assumption of New Landing debt? **Of the \$2 million, \$1.2 million is capital improvements. When the bonds are issued there will be public document as to what the district has incurred in start-up expenses, payments dues.**

What is the salary for a certified operator? **Anywhere from \$20,000 to \$50,000 according to the Bureau of Labor Statistics.**

Is a residential meter required? **Yes. A flat rate could have been done. An appointment has been scheduled to locate water leaks in the system.**

Can any equipment from the existing sewer plant be salvaged? **There is a lot of rust. It may cost more to remove.**

Can you expand the District, or are we restricted. **Other areas or villages can be annexed in by State Statute. Others can be served outside the district, there are no restrictions on boundaries.**

During the time of repair of the sewer plant, is there an alternate procedure in place to treat sewer? **While the sand filter is being constructed, the plant will continue to operate as is. When tanks are modified, individual tanks will be taken out of service; there will be enough in operation to service.**

What is the cost of new meters? **Approximately \$300 per house depending on the technology. There will be no assessment to existing homeowners. The meter remains property of the District.**

Does the financial plan consider present debt and fines? **We are buying only assets. Mr. Armstrong will settle his own debts and fines.**

What happens to the rates when the bonds are paid off? **No rate decreases are contemplated.**

In the example rate structure, your example had an attached lot, what about a house without an attached lot, is the availability fee only on attached lots? **Yes. The fee is for unbuilt lots.**

How many homes will the treatment plant handle? **Around 1100.**

How will the new meters handle sand in the lines? **The district will correct any problems through the operator. The system will regularly be flushed to avoid that.**

Can we obtain copies of the slides presented? **It was decided because the rates are under consideration there would be no hand-outs of the financial slides. The slides of the RSF can be obtained.**

Please explain, if the LLUD Board started out with no money, does this explain why this has taken so long. **It took up some time, because there were no assets. This was a volunteer system, and Mr. Armstrong took a while settling with his creditors. The time-frame for this acquisition is pretty common.**

The statement, “availabilities fees may not guarantee service” is disturbing, please explain? **The district will not deny service, but if 1500 feet is needed, the availability fee would not cover that. Fifty percent of the revenue is provided by availability fees.**

Doesn't availability fee mean something is available? **The question again is who is going to pay for it.**

Are there any plans for a special assessment? **No.**

Can we sue, class action, Gene Armstrong for neglect? **No. We are not legal experts, but the community could explore that.**

What is the proposed purchase price of the Utility? **\$385,000.**

Will he (Gene Armstrong) end up in jail? **No. probably not.**

- V. Adjournment:** Jerry made a motion to adjourn the meeting. Ron seconded the motion. The motion was approved by unanimous roll call vote (5-26-07-2) The meeting adjourned at 12:04 pm.

5-26-07-1 Approval of the Agenda

5-26-07-2 Adjourn Special Meeting

sfs 6/12/07