

Jerilee Hopkins
City Clerk



City of Mt. Vernon
1100 Main PO Box 1708
Mt. Vernon, IL 62864
cityclerk@mvn.net

618-242-5000
FAX 618-242-6867
www.mtvernon.com

**CITY OF MT. VERNON, ILLINOIS
CITY COUNCIL WORKSHOP MEETING
Monday, March 9, 2015**

The Mt. Vernon City Council met in a Workshop Meeting on Monday, March 9, 2015 at 3:00 p.m. at the Rolland W. Lewis Community Building, 800 S. 27th Street, Mt. Vernon, IL.

Mayor Mary Jane Chesley called the meeting to order.

Roll call showed present: Council Members Ron Lash, Todd Piper, David Wood and Mayor Mary Jane Chesley. Council Member Dennis McEnaney was absent. Also present were City Manager Ron Neibert, City Attorney David Leggans, and City Clerk Jerilee Hopkins.

The following representatives from Illinois American Water were present: Bruce Hauk, President; Karen Cotton, Communications; Barry Suits, VP of Operations; Ken Jones, Corporate Counsel; Jeff Kaiser, Engineer; and Grant Evitts, Operations Manager.

**DISCUSSION REGARDING AN ORDINANCE APPROVING AN ASSET PURCHASE AGREEMENT
WITH ILLINOIS AMERICAN WATER CORPORATION FOR THE SALE OF THE
CITY OF MT. VERNON WATER AND WASTEWATER SYSTEMS**

Mayor Chesley announced that members of the public that have questions and/or concerns pertaining to the proposed sale should complete a card located by the doors and Council will attempt to answer all the questions.

In 2008, comprehensive information regarding the condition of our roads, travel patterns, water and sewer systems, economic development potential, condition of our parks, City finances, personnel, maintenance, and equipment was gathered and reviewed the operation of the City. In 2009, the Comprehensive Plan was created by committees comprised of citizens and department heads. Projects and concerns were listed in the Comprehensive Plan. In 2014, a five year review was conducted to look at accomplishments and the direction in which the City wanted to go. City staff and citizens were involved in the five year review. Both of these plans are on the City's website at www.mtvernon.com. It became clear there were problems with the water and sewer systems — 97 miles of cast-iron water mains and 82 miles of clay sewer mains that are old, outdated and deteriorating.

How does the City deal with an antiquated system? 1) Keep it; 2) Sell it; or 3) Patch it?

Council Member David Wood explained water rate increases over the last five years and the revenues needed to make major upgrades in the water mains. He explained a side by side analysis of selling and keeping the water system.

SELL IT? KEEP IT?

	MT.VERNON	ILLINOIS AMERICAN WATER
SYSTEM IMPROVEMENTS	\$30M	\$30M
INCURRED DEBT	\$39M	\$0
CITY IMPROVEMENTS & ECONOMIC DEVELOPMENT	\$0	\$30M

PROPOSED WATER & SANITARY SEWER SALE

City Workshop
March 9, 2015



Wood explained that he will propose to the City Council to approve an additional three percent increase in water rates in November, in addition to the annual increase of three percent effective May 1, 2015, equaling a six percent increase for five years. About \$13 million dollars would be raised for future improvements by issuing 20-year bonds that must be repaid in 20 years. The \$13 million in bond money will be added to the existing \$9 million of existing debt in the water and sewer department totaling \$22 million in debt. He wants the community to understand what that means in real dollars and rate increases and leaving no money for street improvements.

SELL IT? What is financial benefit?

	MT.VERNON	ILLINOIS AMERICAN WATER
ECONOMICS OF SCALE: Customer Base	6500	300,000
INCURRED DEBT	20-YRS	50-YRS

PROPOSED WATER & SANITARY SEWER SALE

City Workshop
March 9, 2015



The sale price of the water system will be set between \$33.5 - \$40.3 million; the actual price will be determined by three appraisals performed by appraisers approved by the Illinois Commerce Commission and the entire process supervised by the ICC. Assuming for this discussion that the sale price is \$35 million. The City has \$550,000 in reserve pursuant to the City's fiscal policies. If the system is sold that \$550,000 will be freed up. The City's water treatment department is managed by EMC and they have a reserve of \$800,000-\$900,000, one half of which is the City's - \$450,000. IAW would be contractually bound to \$30 million in water main improvements over the next 10 years including the \$3 million the City has set aside for the replacement water mains on Broadway and Main Street. A future council would make decisions about what to do with the \$39

million accumulated after the sale to IAW but the present Council would pay off the \$9 million water and sewer debt leaving \$30 million to spend on improvements for economic development, set money aside for the Summersville overpass/underpass/bypass project for the matching grant and others, and payment of the underfunded liabilities on the Fire and Police Pensions.

At the end of the day, the Council will make a decision between having \$13 million for improvements – not \$30 million in improvements. Paying off \$9 million or gaining \$13 million in new debt.

Council Member Wood believes this is the right deal for the City – payment of \$22 million in debt; \$30 million in improvements; and \$30 million available for capital projects throughout the City. He asked, “Do you think this community is better today than it was eight years ago?” The vast majority of people believe that the improvements made in the last eight years are good improvements. The Council believes that this is the right direction for the City and the decision is very straight forward. They’re not even close.

Karen Cotton, of AIW, cleared up some misinformation that has been shared in the community

Myth: Rates were increased in Shiloh and other communities by over 100 percent.

Fact: This is an example of the false information distributed by F&WW. Customers in our Interurban District have experience a 3.57 average annual increase in rates over the last 20 years. Shiloh has had the same rates as the Interurban District (part of Zone 1) since it was acquired in 1998. It took over 100 years to get to the current rates customers are paying. And though these rates represent significant infrastructure investment, they are still comparable to Mt. Vernon rates. Illinois American Water's rate cases are a part of public information made available on the Illinois Commerce Commission (ICC).

Barry Suits, Vice President of Operations, answered several questions:

Local contractors are used as often as possible. IAW awards bids for projects to the lowest bidder similar to the City. IAW wants to retain the City's employees because they are the experts on the City's system. IAW plans to recognize the three Union Contracts that are in place covering the City's utilities employees and negotiate with them on future labor contracts.

Myth: Champaign residents just had their rates increased by 60%.

Fact: Illinois American Water hasn't filed a base rate change since 2011. In 2008, prior to being included in Zone 1, the Champaign District experienced a 46% rate increase to help fund a more than \$70.8 million investment to improve the Champaign water system. Today, Champaign is included in Zone 1 and that same investment of over \$70 million would result in an approximate 6% increase. This illustrates customer benefits with pricing across large customer groups like Zone 1.

Approximately 47 questions from the audience were read aloud and answered by Mayor Chesley, Council Members Lash, Piper, Wood and City Manager Neibert. The following audience members submitted questions:

1. Eugene Shemonic, 17325 E Fairfield Rd
2. Dexter Edmison, Belle Rive
3. Donna Perjenski, 14919 N County Farm Ln
4. John Metcalf, 15210 N Morton Ln
5. George Bean, RR, Waltonville
6. Steve Bundy, 2 Mile Creek Ln
7. Brenda Torrez, 18516 E Saddle Club Rd, Belle Rive
8. William Warner, McCauley Rd
9. Linda Grothoff, 16911 E Liberty Rd
10. Don Bounds, 20493 N Jacob Ln, Dix

11. James Robinson, 11309 E Harrison Rd
12. Chris Bunting, Woodlawn
13. Justin Patton, 15268 E Fairfield Rd
14. Paul Rainwater, 12630 N Liebengood
15. Mike Bullard, 106 Woodworth Dr, Bluford
16. Virginia Shemonic, 17325 E Fairfield Rd
17. Nicholas Lemay, 1716 Isabella
18. Richard Acklin, 23 Country Club Rd
19. Dick Jones, 3909 Victoria
20. Dan Black, #7 Sunset
21. Bill Wallis, 329 Marteeny St
22. Jane Gibson, 11 Windsor Dr
23. Don Ulrich, 15th St
24. Dave Jennings, 40 Royal Place
25. Vickie York, 9277 E Richview Rd
26. Ina Rae Drake, 3805 Robin Dr
27. Carol Thomas, Curtis Court
28. Kent Southers, 4340 Lilac Ln
29. Ray Botch, 1013 Birdie Dr
30. Bob Frakes, 106 S 42nd (Rental Property)

The term "Executive Session" is on every City Council Agenda whether an Executive Session is called or not.

Why does the City refuse to consider other options – the Coop that has been suggested? The Coop would have to purchase the system for \$35 million and commit to make \$30 million in improvements to the City's system. In addition, water rates would be increased by \$17 per month to pay for the debt service.

Ken Jones, IAW Corporate Attorney, stated that all water supply contracts entered into by the City of Mt. Vernon are assignable.

Direct customers, meaning you receive a bill from the City who are not in the corporate limits of the City, will receive a 30% reduction in their water rates. Currently, residents who live out of the corporate limits pay 30% more than a City customer who lives in the corporate limits because of the tariff pricing rules. Water customers cannot be treated differently or billed different rates. This situation would affect approximately 200 customers.

The City has a map of the water and sewer system showing what lines need major repair contained in the City's Comprehensive Plan which can be found on the City's website.

The Comprehensive Plan 5-year review lists the prioritized projects that the Council wants to complete with money from the sale of the water system.

Attorney Jones stated:

Myth: Some cities want to buy their system back.

Fact: There is no eminent domain case filed against Illinois American Water. You might be referring to a case filed against a sister company, American Lake Water, which transports Lake Michigan water to the Chicago Metro suburbs. But that is not Illinois American Water. In addition, most of Illinois American Water's systems were never owned by the cities, they were always private systems - so it is a misnomer to say they could be "bought back."

Contracts within IAW would be the obligation and responsibility of an outside business purchasing IAW. They are still required to go before the ICC for rate increases.

IAW agreed to all of the following regarding the City's existing public utilities employees: 1) recognize the three Unions presently representing City employees; 2) agree to hire all existing employees provided that they pass the employee review process (criminal background check, drug testing); 3) only 2 or 3 public utilities employees are not vested in the IMRF pension plan but the others will receive pensions from IMRF upon reaching the age of 55.

The City can still apply for grants for water projects under the economic development scenario but the City would have to maintain ownership of that line. The IAW contract will require them to provide operations and maintenance of that line.

The Time Square Mall water tower was built taller than the physical capacity provided for in the system. The level of water in all the tanks is 573 feet leaving it more susceptible to corrosion and degraded at a quicker pace.

IAW employees have a very competitive retirement program and very affordable. Employees have the opportunity to voluntarily request transfers to other IAW locations if the need arises. Tuition reimbursements, training certification and employee development are offered.

The four outlying community water contracts with the City will be honored by IAW. The Waltonville and Bluford contracts would also be assumed by IAW if they sign a contract with the City before ICC approval of the water system sale.

There is no franchise fee in the City's contract with IAW (franchise fees are collected by the utility on behalf of the City) and no plans for a municipal tax in the future (cities impose municipal taxes). Under the next rate increase, Fire Protection District charges will be adopted in Zone 1.

Jaycee Lake, Miller Lake and the L & N Reservoir will not be sold to IAW.

IAW has no plans for a rate increase at this time. It generally takes 11 months for the ICC to issue a decision regarding the proposed rate increase.

Outlying communities currently under contract to purchase water from the City would be able to set whatever rate they desire over and above the rate charged by Mt. Vernon. Those contracts would not include the capital improvements in Mt. Vernon or Zone 1.

IAW provides materials to low bid contractors and have nationwide purchase agreements with suppliers.

Does IAW require MTBF (mean time between failures) performance standards? They utilize the highest standards of procurement in the industry.

Does the City have proposed contract terms with IAW? Yes.

Has the City considered a public/private partnership which IAW uses? No.

Water main breaks will be repaired by local employees with a target response time in less than 1 hour. IAW has a 24-hour 800 telephone number for customer service and convenience.

The agreement states that IAW will incur all costs of repairs to streets and/or sidewalks in the wake of a break as well as providing professional landscape when necessary.

The Mayor asked for citizens to submit in writing their questions pertaining to the proposed water and sewer system sale.

IAW will not own the community's water, but will own the system used for the transportation of the water. Water will still come from the Rend Lake Conservancy District.

May the outlying community's contract dates be changed to coordinate with the sale of the water system? Can't answer that question at this time.

Franchise fees are agreed to by the City and IAW with ICC approval. There is no franchise fee at this time.

Maybe one-half of all IAW contracts contain franchise fees.

The City is not selling any of the rolling assets (trucks, vehicles) in the Public Utilities Department.

Second reading of an Ordinance Approving An Asset Purchase Agreement With Illinois American Water Corporation For The Sale Of The City Of Mt. Vernon Water And Wastewater Systems will be on the Agenda for the Regular City Council Meeting to be held on Monday, March 16, 2015, at 7:00 p.m. at the Rolland W. Lewis Community Center, Veterans Park, 800 S. 27th St., Mt. Vernon, IL.

EXECUTIVE SESSION

No Executive Session was held.

ADJOURNMENT

Council Member Wood made a motion to adjourn. The motion was seconded by Council Member Piper. Yeas: Lash, Piper, Wood and Chesley. Absent: McEnaney.

The Workshop Meeting adjourned at 4:56 p.m.

Respectfully submitted,

Jerilee Hopkins
City Clerk