

# **ARCOLA/TUSCOLA JOINT WATER AGENCY MEETING**

## **October 11, 2018**

Drew Hoel called the meeting to order at 4:30 PM at Tuscola City Hall. Roll call: Tuscola –Troy Rund, Alan Shoemaker, Drew Hoel, Alta Long; Arcola – Ed Fidler, John Guyot, Bill Wagoner.

**AGENDA:** Hoel requested that an addition be made to the agenda to ratify the current water rate sheet. Motion was made by Guyot with a second by Rund to amend the agenda to include approval of the rate sheet. All in favor, motion carried.

**MINUTES OF PREVIOUS MEETING AND THE SPECIAL MEETING:** Hoel presented minutes from the July 10, 2018 regular meeting. Motion by Rund, second by Guyot to approve as presented. All in favor, motion passed.

**FINANCIAL STATEMENTS:** Wagoner presented the Financial Statements dated September 30, 2018. Motion by Fidler, second by Shoemaker to approve as presented. All in favor, motion passed.

**OLD BUSINESS:** None

### **NEW BUSINESS**

**West Prairie Billing Error:** Long reported that there has been a journal entry created into the Joint Agency books reflecting the amount owed by the City of Arcola to the Joint Agency. The City of Arcola will make a capital purchase this fall for new AMI meters for the customers on the Joint Agency line and beginning in January, will begin making payments to the Joint Agency towards the \$168,457.06 owed.

Long presented a list of procedures that will be implemented moving forward. Additionally, the committee briefly discussed establishing a reserve policy, but no final determination was made.

**Sadorus Pump Station Upgrades:** Hoel and Wagoner reported that they have been working with Illinois American Water on the pump station. Initial efforts were focused on adding a second VFD drive to one of the pumps. After meeting with Illinois American and their vendors, they are proposing a major renovation of the existing pump station and upgrade to the telemetry system. Illinois American presented cost options ranging from \$350,000+ for a rehab to \$700,000 for a new pump station structure. Motion was made Shoemaker with a second by Guyot to seek proposals from engineers to evaluate the station, develop a scope of work and cost determination independent of Illinois American. Hoel will amend an RFP that Tuscola has used previously with a not to exceed figure of \$10,000 for the project.

**Invoices for Service:** The invoice from the City of Arcola for services to the Joint Agency in the amount of \$2,320.96 was presented. Motion by Shoemaker, Second by Fidler to approve and pay the invoices as presented. All in favor, motion passed.

The invoice from the City of Tuscola for services to the Joint Agency was in the amount of \$2,248.68. Motion by Rund, second by Guyot to approve and pay the invoice as presented. All in favor, motion passed.

Next Meeting: The next regular meeting will be on Tuesday, January 8, 2019 at 4:30 p.m. at Arcola City Hall. Motion by Shoemaker, second by Guyot to adjourn. All in favor, meeting adjourned at 5:10 p.m.

Respectfully submitted,

Bill Wagoner

## Arcola/Tuscola Joint Water Agency Recommendation for Procedural Improvements

As a follow-up to the billing errors involving the Joint Water Agency and West Prairie Water Company, and the resulting vast change in the overall worth of the Joint Water Agency operation, the staffs of both cities have met and discussed the following improvements to the various operational functions performed in support of Joint Agency (JA) accounting and billing functions. In addition, there are some pressing capital needs that will need attention sooner than later.

1. Residential customers along the JA line are served by manual-read meters that are, in some cases, original to the water pipeline. We have obtained a quote of approximately \$9,000 to replace these with auto-read meters. This should improve accuracy and reduce billing loss, and it will reduce operational costs of monthly manual reads.
2. Hoel and Wagoner will meet with representatives of West Prairie to point out their usage trend which is at or near their contractual allocation of water from JA. Also, Hoel and Wagoner will request an annual, written update of their system schematic and further expansion plans.
3. Long will continue investigation into cloud-based, common accounting software that can be accessed by either/both municipality, such as QuickBooks, at an approximate cost of \$35/month. This common software should allow for more consistent financial reporting to the board, regardless of which city is performing the accounting function. Additionally, we will work to develop standardized budget, expense & revenue vs. budget, balance sheet, and billing reports to the board.
4. Hoel and Wagoner have met with Illinois-American representatives concerning possible maintenance/upgrades to the master meter/pumping station at Sadorus Road. It is apparent that substantial investment is needed soon to restore the functionality of the station and to address some major vulnerabilities. The cost is not yet known, but may be \$150-200,000 to address completely.
5. Once the full extent of the meter station upgrade is known, we will need to conduct capital planning to support the meter replacements (#1), the meter station itself, and any other known capital requirements.
6. After the capital planning is completed, we can develop a cash management policy to provide for 1) minimum cash balance in support of normal operating costs; 2) monthly or annual allocations to the capital spending plan; 3) an appropriate maintenance reserve fund; 4) an investment policy; and 5) distribution of surplus.
7. The office staffs of both cities are working together to refine the water meter reading and billing process for West Prairie to ensure that we capture timely, accurate and complete readings and billings for West Prairie. This includes Arcola reading all three West Prairie meters (including the by-pass meter), along with the West Prairie residential customers meters monthly and transmitting those readings to Tuscola within the first week of each month, for the prior month. Tuscola then bills West Prairie for all usage over 100,000 gallons per day, applying quality control procedures to ensure accurate billing. Additionally, Arcola personnel will work with West Prairie to ensure that any added West Prairie customers, who are connected directly to the Arcola pipeline, and whose usage does not directly flow through a West Prairie meter, are added to the billing procedures for the Joint Water Agency to bill that amount of water to West Prairie.
8. Consider conducting an independent, third-party review of accounting practices annually.

9. The accounting firm we hired provided an opinion in support of our earlier, mutual conclusion as to the amount of the billing error involving West Prairie. That number is \$168,457.06. We have discussed and will develop a proposal to provide for repayment of that amount by the City of Arcola to the JA. This proposal will necessarily depend upon both the estimated cost and the urgency of the meter station upgrades, and, as such, cannot be finalized until that is known. However, it will include the following components:
- a. The JA will “book” an accounts receivable entry from the City of Arcola for the full amount of the error.
  - b. Arcola will fund the replacement of the water meters as partial payment.
  - c. Arcola will pay \$1,000 per month, starting in January, 2019.
  - d. Arcola’s “share” of future revenues is estimated to pay back the remaining balance in approximately 3 years, absent needed capital expenditures.
    - e. We will finalize and present a full payback plan for board consideration and for consideration by both city councils once capital spending is known.

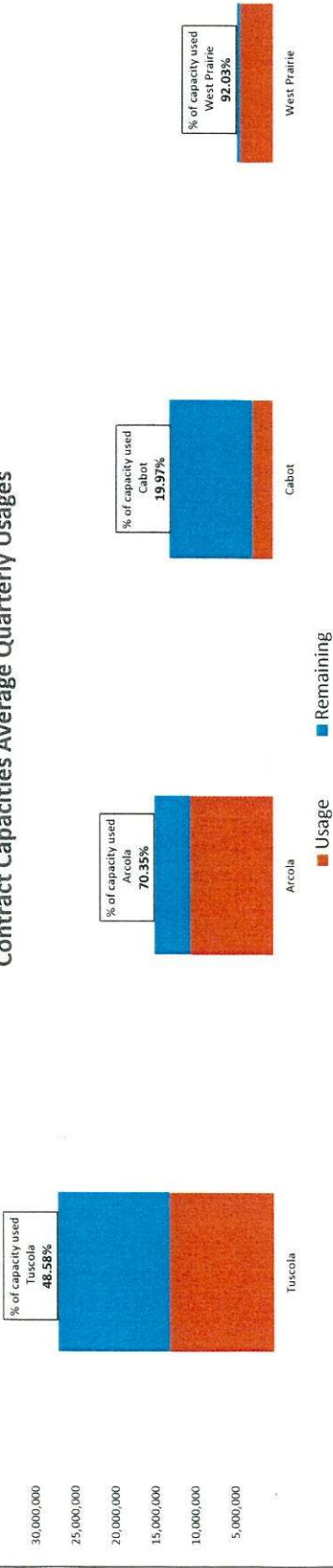
Arcola / Tuscola Joint Waterline Agency Contract Capacities

TOTAL			TUSCOLA		ARCOLA		CABOT		WEST PRAIRIE							
	Total Capacity	Total IAWC Usage	% of capacity used	Tuscola Allotment	Tuscola Usage	% of capacity used	Arcola Meter Usage	Arcola Allotment	Arcola Net Usage*	% of capacity used	Cabot Allotment	Cabot Usage	% of capacity used	West Prairie Allotment (from JA)	Joint Agency Bill to West Prairie Usage	% of capacity used
Jan-17	60,480,000	23,936,748	39.58%	27,000,000	10,123,432	37.49%	14,232,944	14,850,000	9,805,852	66.03%	12,960,000	2,228,292	17.19%	4,500,000	2,198,800	48.86%
Feb-17	60,480,000	23,091,112	39.20%	27,000,000	10,046,388	37.21%	14,531,396	14,850,000	10,023,904	67.50%	12,960,000	2,415,292	18.64%	4,500,000	2,092,200	46.49%
Mar-17	60,480,000	23,707,508	38.18%	27,000,000	9,766,636	36.17%	14,780,480	14,850,000	9,982,944	67.23%	12,960,000	2,286,636	17.64%	4,500,000	2,510,900	55.80%
Apr-17	60,480,000	27,379,792	45.27%	27,000,000	11,497,508	42.58%	17,538,356	14,850,000	12,705,060	85.56%	12,960,000	2,395,096	18.48%	4,500,000	2,438,200	54.18%
May-17	60,480,000	25,323,540	41.87%	27,000,000	11,091,344	41.08%	15,610,760	14,850,000	10,092,740	67.96%	12,960,000	2,760,120	21.30%	4,500,000	2,757,900	61.29%
Jun-17	60,480,000	30,084,560	49.74%	27,000,000	13,435,576	49.76%	18,327,496	14,850,000	11,930,184	80.34%	12,960,000	2,763,112	21.32%	4,500,000	3,634,200	80.76%
Jul-17	60,480,000	27,841,308	46.03%	27,000,000	12,620,256	46.74%	16,944,444	14,850,000	10,535,128	70.94%	12,960,000	3,135,616	24.19%	4,500,000	3,273,700	72.75%
Aug-17	60,480,000	29,539,268	48.84%	27,000,000	12,794,540	47.39%	18,772,556	14,850,000	10,873,508	73.22%	12,960,000	4,582,248	35.36%	4,500,000	3,316,800	73.71%
Sep-17	60,480,000	27,934,060	46.19%	27,000,000	12,944,888	47.94%	17,031,212	14,850,000	10,943,192	73.69%	12,960,000	2,872,320	22.16%	4,500,000	3,215,700	71.46%
Oct-17	60,480,000	22,359,964	36.97%	27,000,000	10,433,852	38.64%	13,418,372	14,850,000	8,342,820	56.18%	12,960,000	2,168,452	16.73%	4,500,000	2,907,100	64.60%
Nov-17	60,480,000	25,586,836	42.31%	27,000,000	11,906,664	44.10%	15,158,220	14,850,000	10,175,448	68.52%	12,960,000	2,123,572	16.39%	4,500,000	2,859,200	63.54%
Dec-17	60,480,000	23,550,032	38.94%	27,000,000	10,748,760	39.81%	14,100,548	14,850,000	9,072,628	61.10%	12,960,000	2,535,720	19.57%	4,500,000	2,492,200	55.38%
Jan-18	60,480,000	25,206,852	41.68%	27,000,000	12,954,612	47.98%	13,819,300	14,850,000	8,981,940	60.48%	12,960,000	2,535,760	19.57%	4,500,000	2,301,600	51.15%
Feb-18	60,480,000	25,616,008	42.35%	27,000,000	13,525,336	50.09%	13,994,332	14,850,000	9,599,022	64.64%	12,960,000	1,969,110	15.19%	4,500,000	2,426,200	53.92%
Mar-18	60,480,000	22,437,756	37.10%	27,000,000	10,955,208	40.57%	13,078,780	14,850,000	7,871,520	53.01%	12,960,000	2,181,160	16.83%	4,500,000	3,026,100	67.25%
Apr-18	60,480,000	26,632,540	44.04%	27,000,000	13,065,316	48.39%	15,410,296	14,850,000	10,013,316	67.43%	12,960,000	2,261,180	17.45%	4,500,000	3,135,800	69.68%
May-18	60,480,000	26,782,888	44.28%	27,000,000	12,485,616	46.24%	16,048,340	14,850,000	9,377,020	63.14%	12,960,000	2,138,020	16.50%	4,500,000	4,533,300	100.74%
Jun-18	60,480,000	30,379,272	50.23%	27,000,000	13,975,632	51.76%	18,377,612	14,850,000	11,961,972	80.55%	12,960,000	2,522,540	19.46%	4,500,000	3,893,100	86.51%
Jul-18	60,480,000	28,198,852	46.63%	27,000,000	12,889,536	47.74%	17,103,020	14,850,000	10,000,810	67.35%	12,960,000	3,103,910	23.95%	4,500,000	3,998,300	88.85%
Quarterly Average	60,480,000	28,453,671	47.05%	27,000,000	13,116,928	48.58%		14,850,000	10,446,601	70.35%	12,960,000	2,588,157	19.97%	4,500,000	4,141,567	92.03%

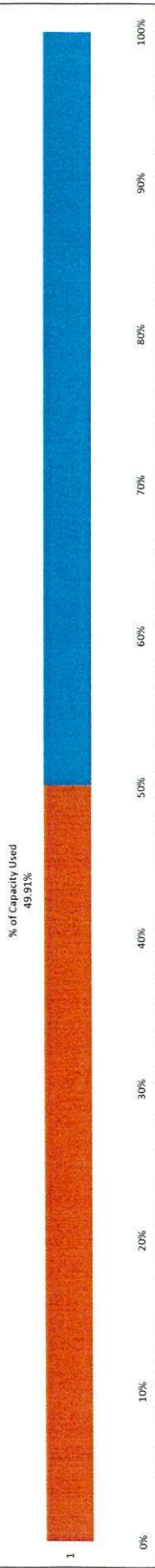
\*\* Arcola Net usage is Arcola meter less Cabot and West Prairie usages since those meters are downstream of Arcola's meter

\*\* Billing error left off one day of usage. Actual May usage billed by Joint Agency should be 4,533,300 or 100.74%

Contract Capacities Average Quarterly Usages



Total Line Contractual Capacity



\* Total Capacity used is the sum of Contract participants and users, Tuscola, Arcola, Cabot and West Prairie

Arcola/Tuscola Water Transmission Main-Douglas County Cashflow projection  
Facility Number: 0410020

PROJ						
Fiscal Year (May1-April 30)	2019	2020	2021	2022	2023	2024
<b><u>Operating Account Beginning Balance</u></b>	<b>\$86,795</b>	<b>\$141,577</b>	<b>\$68,927</b>	<b>\$52,402</b>	<b>\$50,502</b>	<b>\$48,602</b>
<b><u>Revenues</u></b>						
Line User Receipts	\$21,730	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Cabot Receipts	\$136,076	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000
West Prairie Receipts	\$196,896	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Tap Fees	\$0					
Other Income	\$95	\$50	\$50	\$50	\$50	\$50
<b>Total Revenues</b>	<b>\$354,796</b>	<b>\$337,050</b>	<b>\$337,050</b>	<b>\$337,050</b>	<b>\$337,050</b>	<b>\$337,050</b>
<b><u>Expenditures</u></b>						
Legal / Prof Fees	\$3,120	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Office Supplies	\$1,340	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Phone Charges	\$2,485	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
Postage	\$222	\$200	\$200	\$200	\$200	\$200
Power Bills	\$19,163	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000
IAWC Water Charges	\$240,410	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000
Maintenance / Repairs	\$4,646	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Arcola Billing	\$9,236	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
Tuscola Billing	\$9,345	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
CSX Easement fee	\$4,048	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200
Miscellaneous						
<b>Total Expenditures</b>	<b>\$294,014</b>	<b>\$297,700</b>	<b>\$297,700</b>	<b>\$297,700</b>	<b>\$297,700</b>	<b>\$297,200</b>
<b>Rev Over (Under) Exp</b>	<b>\$60,782</b>	<b>\$39,350</b>	<b>\$39,350</b>	<b>\$39,350</b>	<b>\$39,350</b>	<b>\$39,850</b>
<b><u>Arcola AR Beginning Balance</u></b>	<b>\$168,457</b>	<b>\$155,457</b>	<b>\$93,457</b>	<b>\$50,332</b>	<b>\$17,582</b>	<b>-\$15,168</b>
Payments from Arcola	\$4,000	\$12,000	\$12,000	\$12,000	\$12,000	
Arcola Purchase JA meters	\$9,000					
Arcola Contribution to Meter Station Repairs		\$50,000				
Distribution of Surplus- Arcola portion		\$0	\$31,125	\$20,750	\$20,750	\$12,035
<b><u>Capital Reserve Fund Beginning Balance</u></b>	<b>\$0</b>	<b>\$6,000</b>	<b>-\$2,000</b>	<b>\$10,000</b>	<b>\$22,000</b>	<b>\$34,000</b>
Monthly Allotments from Operating Account	\$6,000	\$112,000	\$12,000	\$12,000	\$12,000	\$12,000
Arcola AR payments	\$9,000	\$50,000				
Capital Expenses	\$9,000	\$170,000				
<b><u>Contributed Capital/(Surplus Distribution)</u></b>						
Arcola Contributions (Distributions)	\$0	\$0	-\$31,125	-\$20,750	-\$20,750	-\$12,035
Tuscola Contributions (Distributions)	\$0	\$0	-\$43,875	-\$29,250	-\$29,250	-\$16,965
<b>Total Contributions (Distributions)</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$75,000</b>	<b>-\$50,000</b>	<b>-\$50,000</b>	<b>-\$29,000</b>

\* Minimum of \$20,000- Max of \$60,000

\*Includes annual accountant review  
\*Includes QB annual fees; UB/ACH  
software purchase/annual fees

AR repaid in FY 2023; Arcola would then  
begin receiving distributions

Assumes Arcola 41.5% and Tuscola 58.5% Split

## Drew Hoel

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**From:** Steven S Wegman <Steven.Wegman@amwater.com>  
**Sent:** Thursday, October 4, 2018 9:31 AM  
**To:** Drew Hoel; Bill Wagoner  
**Cc:** David R Farrar; Brian M Wiemers; Ron P Ragle; Aaron Dreas  
**Subject:** Pump Station Rehab

Drew, Bill:

EFI gave us the following estimates on the Sadorus Road Pump Station work:

- Rehab the existing station \$175-185,000, which does not include work on the floor, doors, and HVAC, or telemetry.
- Build a new station \$400-450,000, which does not include site work, demolition, or telemetry. One possible option for a new station would be to use the old station's foundation, which would save a lot on site work. This would require the station to be off line for a couple days. Several building options would play into the cost, but all current EFI building types are significantly heavier duty and designed to last longer than the existing station.
- Telemetry \$125-150,000, based on 6 sites at \$20-25,000 each (2 in Tuscola, 2 in Arcola, 1 at pump station, 1 in Champaign). EFI would need to do a radio path study and would use products of our choosing.

They need 4-6 weeks from when we place the order to design. After we approve the design submittal it will take 14-16 weeks to deliver. The main long-lead item is the pumps. If we gave them an order in December, construction of a new station would probably be in April or May, or in March for a rehab.

Adding the components this is what the total cost look like:

\$175-185,000 – Rehab  
\$125-150,000 – Telemetry  
\$50,000 – Floor, doors HVAC (my guess)  
\$350-385,000 – Total

\$400-450,000 – Build new  
\$125-150,000 – Telemetry  
\$50,000 – Demo, reset, hookup on existing foundation (my guess)  
\$575-650,000 Total using existing foundation

\$400-450,000 – Build new  
\$125-150,000 – Telemetry  
\$100,000 – New foundation, piping, site work, demo (my guess)  
\$625-700,000 Total on new foundation

These are rough estimates. I'd recommend adding a 10-15% contingency for budgeting purposes. We're available to meet again at your convenience to discuss how you'd like to proceed.

Thanks,  
Steve

Steve Wegman, P.E.  
Senior Engineer  
Illinois American Water  
1406 Cardinal Court  
Urbana, Illinois 61801  
[Steven.Wegman@amwater.com](mailto:Steven.Wegman@amwater.com)  
217-373-3255