

MINUTES  
VILLAGE OF LA GRANGE  
SPECIAL MEETING OF THE  
VILLAGE BOARD OF TRUSTEES

Village Hall Auditorium  
53 South La Grange Road  
La Grange, IL 60525

Monday, April 2, 2012 - 7:30 p.m.

1. CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE

The Board of Trustees of the Village of La Grange special meeting was called to order at 7:33 p.m. by President Asperger. On roll call, as read by Village Clerk Thomas Morsch, the following were present:

PRESENT: Trustees Holder, Horvath, Kuchler, Langan, Nowak and Palermo

ABSENT: None

OTHERS: Village Manager Robert Pilipiszyn  
Finance Director Lou Cipparrone  
Public Works Director Ryan Gillingham  
Assistant Public Works Director Mike Bojovic

President Asperger requested the Board and audience to stand for the Pledge of Allegiance.

2. WATER FUND — Continued discussion concerning the Water Meter Replacement Program, Improvements to the Village's Water Pumping Station, and Water Rates

President Asperger gave an overview of a previous workshop whereby the Village Board noted their consensus for the proposed water pumping station improvements and to continue discussion regarding financing options for the Water Meter Replacement Program. She requested Finance Director Lou Cipparrone to summarize additional funding options available for the Water Meter Replacement Program.

Mr. Cipparrone explained that the Village's water rates need to be adjusted to pass through a series of water rate increases from the City of Chicago and to reflect the funding decisions related to these capital improvements. Mr. Cipparrone presented to the Village Board additional information and further analysis of funding options for the water meter replacement program and pumping station improvements.

Mr. Cipparrone noted that staff is recommending the following funding options for the water meter replacement program:

1. Pay-as-you-go financing is not recommended due to the delay in addressing the water meter accountability issue and operations efficiencies, and no funding provided for future main replacement during the duration of the project.
2. As sufficient funds are not available to pay for the cost of the projects and interest rates are at historical lows, a 20-year G.O. alternate revenue bond, with a 10-year call provision is recommended to fund the water fund projects.

By issuing bonds, the Village is able to: 1) complete these projects within the next fiscal year while amortizing the expenditures over the useful life (20 plus years) of the improvements; 2) address the water accountability issue in a timely fashion; 3) utilize the new meter technology which eliminates reading meters manually; and 4) bill residents for actual water usage in an equitable manner.

Also by issuing bonds, the cost of the improvements is allocated to residents who receive the benefit over the useful life of the new meters. In addition, current financial conditions are such that the Village will benefit by financing these projects with municipal bonds while interest rates are at historical lows.

3. Staff also recommends an escrow account be established to accumulate revenue from the "water loss" recaptured by the water meter replacement program in order to retire the bonds at the earlier possible opportunity.

Mr. Cipparrone introduced Mr. Phil McKenna of Kane McKenna & Associates, the Village's financial consultant. Mr. McKenna gave an overview of the Village's bond rating, stating that the Village's Aa3 bond rating is very good with only a few municipalities achieving a higher bond rating. In response to questions from the Village Board, Mr. McKenna explained the differences and similarities of various financing options (e.g., Alternate Revenue Bonds, a back door referendum and G.O. Bonds.) Mr. McKenna also stated that he concurs with staff recommendations of funding options for the water meter replacement program.

The Board initiated numerous questions related to the funding options for the water meter replacement program. Mr. Cipparrone and Mr. McKenna responded to their inquiries.

President Asperger requested Trustee thoughts on the funding of the water meter replacement program.

Trustee Langan stated that even though raising fees is a difficult decision to make, the Village has exhausted its problem solving initiatives. He stated that the Village should move forward with the water meter replacement program because existing meters continue to age. To not support this proposal would be to push off necessary infrastructure improvements. The escrow account option is a good solution to addressing

Trustee Horvath's comment in utilizing savings gained to pay off the bond early. If it were not for the City of Chicago rate increases, this would probably be a different conversation.

Trustee Holder expressed his support for the replacement of the water meters as soon as possible to stop the loss of water meter revenues; the meters need to be replaced; and the historically low interest rates offered for the issuance of bonds presents a tremendous funding opportunity for the Village. The proposal as structured will also aid in replenishing reserves, and fund continued water main replacement and water system operations.

Trustee Nowak was also in favor of the bond issuance recommendation. He felt that the inequality to residents with old meters v. properly functioning meters was an important factor. He was concerned with taking a piecemeal approach to replacing water meters. While reluctant to increase water rates, this is an important water system infrastructure improvement.

Trustee Kuchler stated that there was no proof to support the claim of inequality between residents and that he is not in favor of a tax increase to residents. He felt that other measures could be taken by adjusting salary allocations to the General Fund to alleviate the need to raise taxes and still replace water meters as necessary. He also objected to the shift in policy from pay-as-you-go to financing. The real problem is cost increases and salary allocations to the fund.

Trustee Horvath also was not in favor of raising taxes and that the project should be financed on anticipated revenues from increased water accountability. He also said that the Village needs to look at salary allocations. He also did not agree with the equity issue. He could support a bond issue if it did not require an increase in water rates. He also suggested going to referendum.

Trustee Palermo expressed his thoughts that the Village should consider identifying which residents are the lowest users of water and target the need to replace water meters as necessary. Move forward with an annual pay-as-you-go method and only replace the most unreliable meters. He also suggested that perhaps residents should have an opportunity to vote on the bond issue.

At this point in the meeting, President Asperger noted that the Village Trustees are split evenly regarding the recommended funding option for the water meter replacement program. President Asperger indicated that the difficult part of the proposal is the City of Chicago's water rate increase. The total cost of the proposed water rate increase is \$100 per year to the average household in La Grange. Two-thirds of this total is related to the City of Chicago. The remaining \$33 per year cost to residents is what is being discussed.

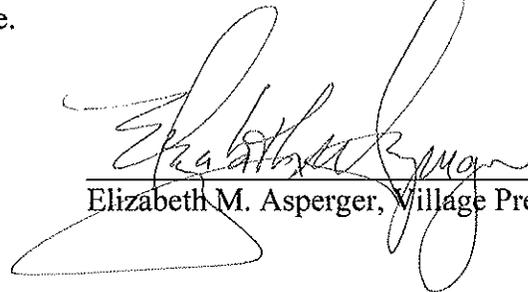
President Asperger proceeded to remind the Village Board of core values and strategic priorities related to this discussion — enhance and preserve the quality of life in La Grange; maintain a strong financial position; and investment in the Village's

infrastructure. The project and its corresponding funding proposal support these goals. She also commented about the need to improve water accountability and that the underlying in-equity is a significant issue. President Asperger stated this bond financing has been used before to fund infrastructure projects, citing the residential streetlight project as an example. Finally, the current challenges of the economy have created an opportunity to fund the project now, because the cost of borrowing will be greater in the future. For all of these reasons, President Asperger indicated her support for the project and its funding recommendation.

President Asperger stated that the action items associated with the project and its funding will be on the April 23 Village Board meeting agenda. President Asperger also asked Mr. McKenna to push to the bond markets, the opportunity for anticipated new revenues to the Village from the installation of the new water meters.

3. ADJOURNMENT

At 9:05 p.m. it was moved by Trustee Holder to adjourn, seconded by Trustee Langan. Motion approved by voice vote.



Elizabeth M. Asperger, Village President

ATTEST:



Thomas Morsch, Village Clerk

Approved Date: April 23, 2012