

April 3, 2018

WATERWORKS SYSTEM REPORT

OF THE

**CITY OF HIGHLAND
MADISON COUNTY, ILLINOIS**

THE CITY OF HIGHLAND

MAYOR

Joseph R. Michaelis

COUNCIL MEMBERS

Peggy Bellm
Neill Nicolaides

Rick J. Frey
Aaron Schwarz

CITY MANAGER

Mark Latham

DIRECTOR OF FINANCE

Kelly Korte

FINANCIAL ADVISOR

WM Financial Strategies
St. Louis, Missouri

THE CITY OF HIGHLAND

General

The City was incorporated in 1884. Located in west central Illinois, the City is approximately 40 miles east of downtown St. Louis and covers an area of approximately 7.4 square miles. The City is a growing community characterized by a strong commercial/industrial base, an abundance of public facilities and a variety of attractive residential developments. Founded in 1831 by Swiss settlers, the City functioned as a service center for the surrounding agricultural areas. Today, Highland not only retains this function, but also serves as an attractive suburban community providing employment opportunities both locally and in other employment centers in the St. Louis Metropolitan Area. The City's proximity to interstate highways and to a major metropolitan area has enhanced the City's growth and development and offers residents the opportunity to enjoy the cultural advantages of a large metropolitan area.

Government

The City is a non-Home Rule Unit and operates under the Managerial Form of municipal government. The legislative body of the City is the City Council. The City Council is comprised of the Mayor and four council members. Council members are elected at large to serve four-year terms, one-half of which expire biennially. The Mayor, elected at large to serve a four-year term, is the presiding officer of the City Council. The Mayor has the right to vote on all questions coming before the City Council, but has no power to veto any ordinance, resolution or motion of the City Council.

The Mayor, with the advice and consent of the City Council, appoints the City Manager. The City Manager is the chief administrative officer of the City and is responsible for implementing council directives and policies, hiring all department heads, managing the administrative and operating functions of the government.

Employees

The City currently has 112 full-time and 224 part-time employees. City paramedics, electric linemen, police officers, telecommunicators, sergeants and operating engineers are members of one of six unions; the Fraternal Order of Police Labor Council ("FOP Patrol"), International Union of Operating Engineers ("IUOE"), International Brotherhood of Electrical Workers ("IBEW"), Fraternal Order of Police Labor Council-Sergeants ("FOP Sergeants"), Fraternal Order of Police Labor Council-Telecommunicators ("FOP Telecommunications") or International Association of Firefighters ("IAFF"). Union contracts with the IBEW and FOP Patrol expire on April 30, 2019 and all other contracts expire on April 30, 2018. The terms of new contracts are not known at this time. The City has no record of a strike or labor dispute.

THE WATERWORKS SYSTEM

Description of System

The City's waterworks facilities include a treatment plant, distribution facilities and storage facilities. Storage facilities, with a combined capacity of 2,950,000 gallons, consist of a 1 million gallon ground storage tank, a 1.5 million gallon standpipe tank, a 200,000 gallon elevated storage tank, a 150,000 clear well and a 100,000 gallon clear well. The City's treatment plant was upgraded in 1993 and has a maximum capacity to treat 4,200,000 gallons per day. Average daily demand is 1,221,000 gallons per day and peak demand is 2,100,000 gallons per day.

Management of the System

The City Council is responsible for all basic policy decisions relating to the Waterworks System including budgetary matters, bidding, construction, and rates and fees for services. The Director of Public Works manages the City's Waterworks System and the City sewerage system under the direction of the City Manager. Responsibilities of the Director of Public Works include management of water and sewer operations and maintenance staff, budget development, negotiation contracts, developing bid specification, and otherwise planning and directing all activities of the public works department. Daily operations and maintenance of the Waterworks System are performed by 4 operators at the water treatment plant and by 6 line maintenance personnel that are also responsible for the maintenance of the City's sewerage system lines.

Rates and Charges

Rates and charges are established by the City Council and are not subject to regulation by any other jurisdiction. Water bills are based on a minimum monthly charge and water usage.

The City imposes rates based on several classifications of customers as follows: (i) residential in-city, (ii) commercial in-city, (iii) industrial in-city, (iv) nonresidents receiving both water and sewer service, and (v) nonresidents receiving only water service. The following table sets forth the current charges for water service for residential customers.

	Residential Within City <u>Limits</u>	Outside City <u>Limits</u>
Minimum Charge	\$9.270	\$16.260
Per 100 Gallons of Water Used		
First 10,000 Gallon	\$0.632	\$1.106
Next 60,000 Gallons	0.582	1.019
Over 70,000 Gallon	0.324	0.568

The rates above were approved as part of a multi-year user charge ordinance that went into effect on February 1, 2016 with rate increases that went into effect on January 1, 2017 and January 1, 2018. The City is considering implementing a multi-year rate increase during the 2018 calendar year with the first increase to be effective beginning in January 2019.

Service Area and Customers

The Waterworks System serves all City residents and 274 customers located outside the City limits. The following table sets forth the number of customers for the Waterworks System and total water usage for the last five fiscal years:

<u>Fiscal Year</u>	<u>Number of Customers</u>	<u>Gallons of Water Sold</u>
2013	4,595	309,156,200
2014	4,618	294,527,800
2015	4,670	279,530,300
2016	4,693	274,063,100
2017	4,682	276,224,600

Source: Public Works Department.

The Waterworks System also sells water at wholesale rates to 5 water districts. The following table sets forth the total water purchased by these districts for the last five fiscal years.

<u>Fiscal Year</u>	<u>Gallons of Water Sold</u>
2013	84,983,400
2014	74,911,200
2015	76,784,900
2016	71,809,800
2017	62,787,200

The following table sets forth information regarding the ten largest customers of the Waterworks System based on water usage for the 2017 Fiscal Year.

<u>Customer</u>	<u>Gallons Purchased</u>	<u>% of Total Gallons Billed</u>
Aramark	\$14,876,300	5.39%
Clean Uniform	13,388,300	4.85
City of Highland	5,812,400	2.10
Faith Care	4,719,000	1.71
Highland Community Schools	3,768,900	1.36
Cooper Industries	3,176,000	1.15
Highland Select	2,593,000	0.94
Highland Health Care Center	1,611,300	0.58
Splish Splash Auto Bath	1,591,000	0.58
Faith Countryside Homes	1,224,000	0.44

Source: Public Works Department.

Obligations Secured by Revenues of the Waterworks System

The City has no bonds or other obligations secured or paid for with revenues from the Waterworks System.

Summary of Operating Results

The following table sets forth certain operating results of the Waterworks System for the Fiscal Years ended April 30, 2014 through April 30, 2017.

	Fiscal Year Ended April 30			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenue:				
Charges for Services	\$1,986,365	\$1,951,684	\$2,001,861	\$2,275,644
Connection Fees	<u>16,850</u>	<u>20,006</u>	<u>26,262</u>	<u>33,665</u>
Total	<u>2,003,215</u>	<u>1,971,690</u>	<u>2,028,123</u>	<u>2,309,309</u>
Operating Expenses (Excluding Depreciation, Amortization and Bond Issue Costs)	<u>1,501,036</u>	<u>1,560,177</u>	<u>1,584,038</u>	<u>1,499,367</u>
Operating Income Prior to Depreciation	<u>\$ 502,179</u>	<u>\$ 411,513</u>	<u>\$ 444,085</u>	<u>\$ 809,942</u>