

**MINUTES OF SPECIAL MEETING
BOARD OF TRUSTEES
FOUR RIVERS SANITATION AUTHORITY
JANUARY 09, 2023
12:00 PM**

The Four Rivers Sanitation Authority (FRSA) Board of Trustees and staff met in-person at Four Rivers Sanitation Authority, 3501 Kishwaukee Street.

Members of the public were invited to participate in-person or listen via GoTo by dialing (877) 309-2073 (toll-free) or (646) 749-3129 (toll); access code: 628 620 029. No members of the public attended in person.

Pollack called the Regular Meeting of the Board of Trustees to order at 12:00 p.m. and advised that the meeting was being recorded.

The following Trustees were present:

Rick Pollack	President
Ben Bernsten	Vice President
Ginger Haas	Clerk/Treasurer
Don Massier	Trustee
Elmer Jones	Trustee

Staff present: Timothy S. Hanson, Executive Director; Christopher Baer, Director of Engineering; Julia Scott-Valdez, Director of Management Services; Ed Fitzgerald, General Counsel/Director, Internal Services; Greg Cassaro, Director, Plant Operations; Jim Reader, Director of Collection Systems; Ashley Bernard, Assistant Director, Plant Operations/Customer Service, Kwame Calvin, Assistant Director, Internal Services; Lisa Mittel, Assistant Director of Management Services; Gerard White, Senior Finance Analyst; and Susan Skinner, Executive Services Coordinator.

Under Reports from Board Members, Haas moved to approve Total General Fund Expenditures for the month of December 2022, in the amount of \$339,851.55; with Total Special Assessments at \$0; seconded by Jones; motion passed upon roll call as follows:

Ben Bernsten	Aye
Elmer Jones	Aye
Rick Pollack	Aye
Ginger Haas	Aye
Don Massier	Aye

Under Management Services/Finance, Hanson, Scott-Valdez and Mittel introduced discussion of the FY 2023-24 Proposed Budget. Hanson explained that the process was a laborious

endeavor, with the detail being evaluated line-by-line, resulting in reduction of approximately \$2.4M. Following this reduction, necessary projects surfaced that required a portion of this funding, resulting in an adjustment to the original reduction. After additional consideration of anticipated upcoming fuel costs, chemical costs and other costs, the reduction now stands at \$1.5M. Of primary concern is the CIP Plan recently passed by the City of Rockford that is, likely, the largest in its history. The City has many projects that need to be completed using the recent funding awarded to the City from various sources. This presents FRSA with the challenge of being certain it has the funds to meet its obligations of the various roadwork and other projects requiring FRSA action. Another large concern is the EPA mandate, along with other costs expected to increase. Currently, FRSA is keeping to budget, but two large projects are coming up (approximately March) for additional expenditures: 1) the building on the hill; and 2) the AGS Project. FRSA anticipates that timing will provide good pricing for the projects. Hanson advised that, through “unsteady waters,” the FRSA team has done a very good job of managing the business, which is not always the case in many organizations. He expressed his gratitude to the team. Hanson also thanked the Board for its support.

Scott-Valdez thanked the trustees and leadership team for the opportunity to present this very “high-level view” budget summary. It is being presented to the Board at this meeting in order for the trustees to advise now whether items need to be adjusted or the direction changed in any way before it is presented for passage at the January 23 meeting. This allows the FRSA team to make the required adjustments in time for the vote. Scott-Valdez reminded that, in 2020, the Board approved a 10-year CIP with the intention of meeting all permit requirements for the removal of phosphorus. In 2021, during discussions regarding FY2022, the Board gave staff direction to implement a 10-year rate plan that would include a 10% nominal rate increase for the first five years of that plan. (We are currently in year three of the plan.) Scott-Valdez stated that she mentions these as these are the parameters within which staff has been working when developing the budget. Scott-Valdez then introduced Gerard White, Senior Finance Analyst, who joined this meeting and works closely with Mittel on preparing the budget.

Mittel provided a high-level presentation addressing Operations & Maintenance, CIP Projects & Equipment, Revenues, Capital Financing Plan, User Fee Rates, Existing and New Debt Service Annual Principal & Interest Payments and Current Cash and Investments. At the conclusion of the presentation, Mittel reiterated Scott-Valdez’s comments that staff is seeking direction from the Board as to whether the plan is acceptable or if changes need to be made before the tentative budget is presented for consideration at the January 23 meeting. Mittel reminded that the rates and tentative budget are typically presented for vote in January, followed by a Public Hearing no sooner than 30 days later, followed by approval of final budget at the February meeting. Mittel then invited any questions.

The Trustees then engaged in conversation regarding Government mandates and FRSA’s decision whether to raise real estate tax and user rates.

Scott-Valdez then asked the trustees if there were additional questions and reiterated once again that staff is looking for confirmation from the trustees that this is the direction they wish to continue in terms of the budget, that there are a lot of deadlines impending, and staff wants to be

sure the deadlines are met in time. The sooner the budget is approved, the easier it will be for the Engineering team to get bids out.

Pollack stated that, in the past, prior to the current Finance team being in place, the budget was presented and, in some cases, was like “the forest through the trees”. Pollack complimented Mittel for her good job of explaining [the process and data]. Pollack continued that, when one does a good job, it creates a problem because now [the Board] understands what staff is doing. Pollack continued that one of the changes made by the current team was moving the budget process up, which made sense to him in the past. He asked staff if now, however, with the City’s CIP out there, whether FRSA be hurting itself with the unknowns. He asked staff if it would provide a better picture and better flexibility for Engineering if FRSA waited (for example) two months. Hanson answered his question by stating that approving the budget now is best because planning has to take place in terms of what to send out for bid. It’s important to send out earlier rather than later because construction companies fill their books fast. It’s best to send out in February/March before they are filled with work. If FRSA waits until later, the construction companies work schedules are full. Although they make take on the work, the cost will be a lot more.

Cassaro then stated that, after his 25 years’ experience at the City of Rockford, he can say that he is glad the City has the well-needed CIP funds; however, there is not a clear picture at this time of specific roads, etc., to be addressed at specific times, etc. Therefore, FRSA could not plan specifically. There would not be a clear-cut plan by the time FRSA needed to pass its budget even if FRSA waited a few months.

Scott-Valdez stated during her time at the City, she was part of the team overseeing the budget process and, for the years the City delayed passing its budget, it was like “using MasterCard to pay Visa.” It ends up costing a lot more money. The City is suffering the same as FRSA in terms of delivery of goods, costs, etc.

Pollack then asked Baer whether he is knowledgeable as to which roads are the City’s highest-level priority. Baer replied that, beginning last September, FRSA has met with the City five times, as recently as last week. By working so closely with the City, FRSA has an idea of which roads they are most trying to rebuild. Baer stated that, truth be told, FRSA is not prepared to keep up with the City of Rockford much less any municipality that received the CARES money, as FRSA just doesn’t have the money. The needs identified by FRSA Collection Systems over the years are based on an aging infrastructure, so what FRSA has tried to do is work very closely with municipalities. This includes not only the City of Rockford. For example, \$78K last year and another \$30K the year before working in Cherry Valley on a 27” trunk main that was washing out. Baer stated that these are the types of projects that haunt FRSA, and these are just the tip of the iceberg. Baer explained that FRSA had to change its attitude over the years to a proactive approach of meeting very early on with municipalities. One advantage of working with the City of Rockford is that they put together a solid five-year plan. Anything beyond three years is a bit of a moving target, the same as for FRSA projects. The objective is to stay as flexible as possible, as some of the City’s projects suffer from the same obstacles (i.e., easements, designs, DOT changes) as FRSA’s. Baer stated that, while it doesn’t make sense to go in a great deal earlier than the City, it definitely is not beneficial for FRSA to go after the City spends a great deal of money to rebuild a road. He cited Charles Street as an example. Baer further reminded that the City of Rockford Public Works in not

the same as the City of Rockford Water Department, which has its own separate projects with which FRSA is trying to keep up. The CIP is there, and FRSA continues to work with the City to align projects. Passage of the City's budget required FRSA to re-allocate some of its originally planned budget reductions so FRSA has a fighting chance to obtain as many City projects as possible. Baer advised the Board that he does not wish to give the impression that FRSA is keeping up with every City project, as it is not. The funding is just not sufficient.

Reader added that because infrastructure is old, FRSA has thousands of work order tickets that multiply as Engineering investigates reconstructs and discovers additional issues. Overlay projects produce challenges as well, particularly if FRSA cannot resolve the issue before it breaks. FRSA can't get to everything in advance, but the team does its absolute best to provide the most it possibly can with the funding available.

Pollack expressed his appreciation for all the hard work and confirmed that his questions had been answered. He noted his awareness that staff has considered everything from all levels. The EPA mandates has the highest priority because, if we don't have a permit, we can't operate. Second to that, FRSA needs to save money where it can but, at the same time, it takes money to save money. We need to focus on our facility, then work the best we can with the funding we have. If we take a hit on the chin because we cannot resolve every issue, then too bad. We did the best we could. Pollack again expressed his appreciation for all the effort.

Scott-Valdez asked again for the Board's direction/confirmation regarding the budget. Pollack stated he remains committed to the 10 percent increase he agreed to previously because he did not want to leave debt to future generations. His challenge this year was "because of the year." (i.e., Covid, etc.) While the FRSA team is family, he felt that, "No one is sticking up for the other people out there." His stated his intention was to keep the debt low and not be careless. Now, with increased demand and cost, value engineering is needed, and he sees that FRSA staff is already practicing it. Scott-Valdez assured him that keeping the debt ratio low is an important factor in the budget preparation.

Bernsten commended the level of work in creating the budget, confirmed that he is clear on what is needed for the coming year and is supportive of the budget.

Jones advised that all his questions had been answered, and he supports the budget. He stated that, "We are in the middle of a 10-year plan, we have to keep moving forward, we have a plan, let's let the staff work it. We hire good people, and we expect them to do their job, and doing their job, so let them do it. Keep going, guys... you're doing a hell of a job."

Haas asked how FRSA was left out of receiving CARES funds. Hanson advised that FRSA is upset that it was left out of CARES. The only assistance FRSA has been able to receive is through State Revolving Loans. In that regard, there is talk of this loan program stopping. A lot depends on which way the new Congress moves. The State has the same amount of funding available every year, and grants are made based on the need. Currently, the State awards freshwater facilities over wastewater facilities. FRSA is consistently seeking grants. Currently, FRSA has two sources of


money: user rates and State Revolving Loans. Unfortunately, facilities such as FRSA are not front and center in legislator focus. Often, the awareness is not there until there is a problem. Cassaro advised that no wastewater treatment received money. Hanson also pointed out that no other sanitary district has the amount of sewer as that which is covered by FRSA. The closest is Naperville, covering approximately 500 miles, which is less than half of FRSA's coverage. The short answer is that FRSA should not have been left out of receiving CARES funding.

Scott-Valdez asked one final time if there were additional questions/comments from the trustees regarding the budget. If not, she advised, staff will move forward on preparing a tentative budget to present at the January 23 meeting. Trustees confirmed their support.

Massier moved to adjourn the Regular Meeting; seconded by Jones; motion passed upon roll call vote as follows:

Ben Bernsten	Aye
Elmer Jones	Aye
Rick Pollack	Aye
Ginger Haas	Aye
Don Massier	Aye

The Special Meeting of the Board of Trustees adjourned at 1:10 p.m.



Clerk

