



Alternative Water Source Evaluation

Part 6 – Village Board Decision

Village of Oswego, Illinois

January 13, 2022

BAXTER & WOODMAN
Consulting Engineers

Village of Oswego, IL

Alternative Water Source Evaluation – Part 66

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- A December 14, 2021 Board Packet for Alternative Water Source Selection

LIST OF ABBREVIATIONS

avg	-	average
CDWM	-	Chicago Department of Water Management
CMAQ	-	Chicago Metropolitan Agency for Planning
DWC	-	DuPage Water Commission
EPA	-	Environmental Protection Agency
ft	-	feet
ft ²	-	square feet
ft ³	-	cubic feet
gpd	-	gallons per day
gpm	-	gallons per minute
gpcpd	-	gallons per capita per day
IAWC	-	Illinois American Water Company
IDNR	-	Illinois Department of Natural Resources
IEPA	-	Illinois Environmental Protection Agency
ISWS	-	Illinois State Water Survey
max	-	maximum
MG	-	million gallons (or mil gal)
MGD	-	million gallons per day
mg/L	-	milligrams per liter (parts per million in dilute solutions)
min	-	minimum
PRV	-	pressure reducing valve
psi	-	pounds per square inch
US EPA	-	United States Environmental Protection Agency

30. PART 6 INTRODUCTION

Part 6 of the Alternative Water Source Evaluation (Study) includes a summary of the Village Board meeting approving DuPage Water Commission (DWC) as the preferred water source and is a companion document to the Part 1 through Part 5 reports. The purpose of the Study is to update and align the previous source water analyses completed for the Fox River Option (Engineering Enterprise, Inc., 2017) and Lake Michigan Water via DuPage Water Commission Option (AECOM, 2018) with two new Lake Michigan Water alternatives: the proposed Joliet Water Commission Option and the Illinois American Water Option. The specific design recommendations from the previous Fox River and DuPage Water Commission (DWC) studies have not been altered as part of this study.

The Village is partnering with the Village of Montgomery and United City of Yorkville to evaluate several alternative water supply sources. The alternatives evaluated in the Study are sized to meet the 2050 demands of Montgomery, Oswego, and Yorkville, with consideration given to the ultimate demand when the three communities are fully developed.

Part 1 of the Study provided the following:

- A summary of the existing water source in Montgomery, Oswego, and Yorkville
- An analysis of population and water demand projections and water conservation efforts
- A summary of Oswego's existing water system
- The results of the Illinois State Water Survey analysis
- An overview of the Fox River and Lake Michigan alternative water sources
- A description of the comprehensive Study approach and next steps

Part 2 of the Study provided the following:

- An overview of the key considerations used for evaluation
- A detailed discussion of the identified water source options
- The internal system improvements necessary when changing water sources

Part 3 of the Study provided the following:

- A discussion of the need and requirements for water conservation
- Examples of conservation measures in other areas
- An overview of current conservation practices in Oswego
- Examples of proposed conservation measures

Part 4 of the Study provided the following:

- An overview of the public information meeting held with Montgomery and Yorkville

Part 5 of the Study provided the following:

- An overview of study assumptions
- A detailed discussion of the cost estimate methodology
- Descriptions of proposed funding alternatives
- Detailed cost estimates for each alternative
- The rate impact for Oswego residents

Part 6 of the Study provides the following:

- An overview of the Village Board meeting approving the DuPage Water Commission as the Village's preferred water source

31. VILLAGE BOARD MEETING

The Study included five presentations to the Village Board in 2021. Part 1 (Purpose, Need, and Options) was presented at the June 8, 2021, Committee of the Whole meeting. Part 2 (Water Source Options and Key Considerations) was presented at the June 22, 2021, Committee of the Whole meeting. Part 3 (Water Conservation Measures) was presented at the July 13, 2021, Committee of the Whole meeting. Part 5 (Cost Analysis) was presented at the October 5, 2021, Committee of the Whole Meeting. On November 16, 2021, the Village Board held pre-final discussions regarding the four water source alternatives at the Committee of the Whole meeting.

At the December 14, 2021, Village Board meeting, the Board unanimously approved the resolution designating Lake Michigan as the preferred water source and the DuPage Water Commission as the preferred water supplier for the Village of Oswego. The Board packet memorandum and supporting information presented by Jennifer Hughes is included as Appendix A. The resolution declares that it is in the best interests of the Village and its public health and safety to designate Lake Michigan water through the DuPage Water Commission as the preferred water source.

32. CONCLUSION

32.1 Oswego Next Steps

The Village plans to execute the following steps:

- Continuing to work with Montgomery and Yorkville to minimize the collective costs for connecting to Lake Michigan water;
- Assisting DWC to expeditiously obtain legislative approval from the State of Illinois during the Spring 2022 legislative session to allow the municipalities to become members of the Commission;
- Continuing to work with DWC to evaluate infrastructure sizing and value engineering;
- Negotiating and drafting agreements with DWC to facilitate the municipalities' connection to the DWC system;
- Applying for and obtaining a Lake Michigan Water Allocation Permit from the Illinois Department of Natural Resources;
- Developing and performing a corrosion control study/water source transfer plan;
- Developing a project financing plan;
- Performing a comprehensive water rate study to determine the appropriate rate structures, rate schedules, and rate increases to fund the upcoming projects;
- Completing all other tasks as necessary to effectuate the connection to Lake Michigan water through DWC.

32.2 Study Conclusion

Part 1 of the Study established the existing regional water source limitations and risk of well depletion. Part 2 of the Study described the four water source alternatives available to Montgomery, Oswego, and Yorkville. Part 3 of the Study detailed the importance of water conservation and provided examples of conservation measures that could be implemented to reduce water demands. Part 4 of the Study described the Public Information Meeting held with Montgomery and Yorkville. Part 5 of the Study provided detailed cost estimates for the water source alternatives. Part 6 of the Study summarized the Village Board's selection of the DuPage Water Commission as the Village's preferred water source.

Montgomery, Oswego, and Yorkville have partnered to develop a regional solution for long term water supply and have selected the DuPage Water Commission to provide reliable, safe drinking water for the future of Montgomery, Oswego, and Yorkville.

APPENDIX A



AGENDA ITEM

MEETING TYPE: Village Board

MEETING DATE: December 14, 2021

SUBJECT: Alternative Water Source Selection

ACTION REQUESTED:

Approve a Resolution Designating Lake Michigan as the Preferred Water Source and the DuPage Water Commission as the Preferred Water Supplier for the Village of Oswego

BOARD/COMMISSION REVIEW:

N/A

ACTION PREVIOUSLY TAKEN:

Date of Action	Meeting Type	Action Taken
6/8/21	Committee of the Whole	Update on the Alternative Water Source Evaluation – Part 1: Purpose, Need and Options
6/22/21	Committee of the Whole	Update on the Alternative Water Source Evaluation – Part 2: Water Source Options and Key Considerations
7/13/21	Committee of the Whole	Update on the Alternative Water Source Evaluation – Part 3: Water Conservation
9/15/21	Open House	Open House to present project to residents of Montgomery, Oswego, and Yorkville
10/5/21	Committee of the Whole	Update on the Alternative Water Source Evaluation – Part 5: Cost Analysis
11/16/21	Committee of the Whole	Update on the Alternative Water Source Evaluation

DEPARTMENT: Public Works

SUBMITTED BY: Jennifer M. Hughes, P.E., CFM, Public Works Director/Village Engineer

FISCAL IMPACT:

To Be Determined

BACKGROUND:

We followed a schedule to decide on the new water source by the end of 2021. This schedule was established in part by Joliet's request that we declare our intent to join their newly formed commission by the end of this year. The other key factor driving this schedule is the need to determine whether the need for a new well to support continued growth can be avoided by connecting to a new source, and if so, by what date. The schedule shown below may be adjusted based upon project needs.

- Part 1 – [Purpose & Need w/ Identification of Options](#)
- Part 2 – [Option Details & Key considerations](#)
- Part 3 – [Conservation Measures](#)
 - [COW Presentation](#) - 7/13/21
 - [Ordinance Adoption](#) – 8/3/21
- Part 4 – [Joint Public Meeting for all three communities](#)
 - Open House – 9/15/21
- Part 5 – [Cost Analysis](#)
 - [COW Presentation](#) – 10/05/21
- Part 6 – Final Decision
 - [COW Presentation](#) - 11/16/21
 - VB Presentation – 12/14/21 ← **TONIGHT**
 - Adopt Ordinance to Join if Joliet is selected – January 2021

At the June 8, 2021, Committee of the Whole meeting, staff examined the condition of the Village's existing water source: the deep groundwater aquifer. We learned from the Illinois State Water Survey that the Village's wells are already at risk for declining performance. More importantly, the ISWS model shows the wells will be at severe risk of depletion and no longer able to meet the Village's maximum daily water demand sometime between 2030 and 2050.

The Village has four viable options for a new groundwater source. One option is to obtain water from the Fox River and blend it with ground water from the aquifer. The other options are to obtain Lake Michigan water via three different providers: DuPage Water Commission; the Joliet area group; or Illinois American. The key considerations, that are the pros and cons of each option, were discussed on July 13, 2021.

We adopted conservation measures on July 13, 2021, which will help us reduce costs by implementing measures to minimize wasteful use of water. This action will allow us to reduce the size of new infrastructure, thereby minimizing costs.

We held an open house on September 15, 2021, for our residents along with residents of our WaterLink partners from Yorkville and Montgomery. Staff met with residents on a one-on-one basis to answer questions about the project.

Staff presented to the Village Board on October 5, 2021, a cost comparison of the alternatives.

Factors that we addressed included the capital cost of construction; internal system improvements; financing; purchase or production of water; and staffing and other overhead. We have carefully reviewed costs to ensure that assumptions are consistent across each alternative. The costs assume that Oswego will partner with Yorkville and Montgomery.

The Village Board held pre-final discussions regarding the options at the November 16, 2021, Committee of the Whole meeting. The purpose of this meeting was to answer any remaining questions the Village Board had prior to making the decision in December.

DISCUSSION:

The Mayors, Village Administrators, Village staff and the municipal consultants have been meeting for more than a year to evaluate the options for the new water source. We evaluated one Fox River option and three Lake Michigan options. In making a recommendation, we looked at multiple key factors including:

- **Sustainability of Water Source** - *The ability of the water option of have sufficient water quantity to meet demand projections in 2050 and beyond*

The Fox River does not solve the sustainability issue since we will still need to rely on ground water to meet projected demand during periods of low flow. Several of our existing wells will need to be operated and maintained throughout the year.

Although not totally immune from climate change, Lake Michigan provides a more predictable and sustainable option. Existing wells could remain in place for emergencies without operation and maintenance of the radium removal system and remain in compliance with IEPA requirements.

- **Water Quality and Permitting** - *The quality and variability of the raw water source*

The water quality of the Fox River has a higher variability in water quality due to algae and flow volume. Lake Michigan water quality is less variable.

There is an established permit process for requesting Lake Michigan water. Since no new withdrawal permits have been issued for riverine plants in more than twenty years, the process to obtain a river permit is less clear and may require more sampling and pilot testing. We anticipate that it will require a similar permit process to Lake Michigan.

- **Governance & Operational Responsibility** - *The ability to maintain complete control of the water source, including operations and maintenance of infrastructure*

All options considered assumed partnering with another organization. Although the Village could construct the Fox River plant on its own, it is cost prohibitive to do so. The Fox River option does not require legislative approval from the State and would provide the Village the most governance autonomy.

Joliet recently received legislative approval from the State of Illinois to form a water commission. Village Staff has participated in discussions with potential members of the Joliet commission regarding the terms under which the commission would function and has no issues with the proposed commission terms.

The DuPage Water Commission (DWC) will need state legislative authority to expand outside of DuPage County. We anticipate this approval could be granted during the Spring 2022 session. In terms of membership, DWC has agreed in writing that a new seventh district will be created for Oswego and our partners to join the commission. DWC is an established and reliable source of water for their members since 1992.

- **Internal System Improvements** - *The improvements required to each community including new water main, water storage, and pumping facilities*

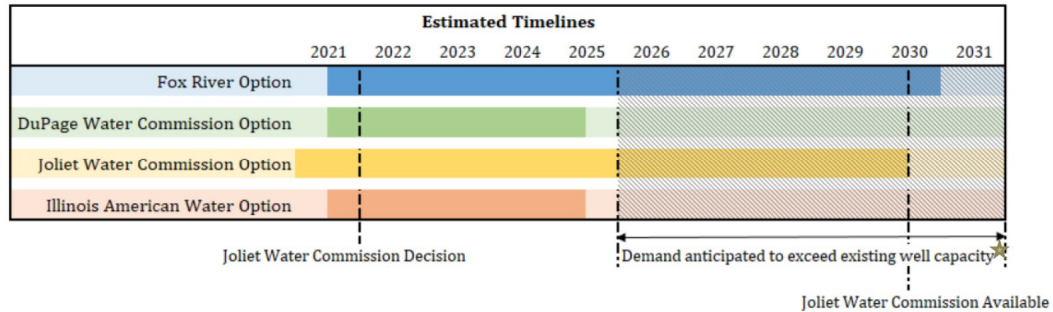
The Fox River option will require us to build new transmission mains from existing wells to feed raw groundwater to the plant for mixing with the river. Treated water transmission mains will be required to return the processed water to the distribution system. The internal improvements required by the Fox River alternative are the most expensive of all options.

Internal improvements for the Lake Michigan options are similar except for the Joliet option. The Joliet option will likely require the Village to construct a new deep aquifer well to supply the projected water demand prior to the Joliet system coming online in 2030. For the DWC option, internal improvements are the least expensive of all the options.

- **Timeline** - *The total project schedule, including design, permitting, easement acquisition, contract negotiations, and construction*

The DuPage Water Commission option and the Illinois American Water Option present the quickest path for connection to a new water source since the pipeline to Lake Michigan is already within 7-10 miles of the Village of Oswego. It is estimated the DuPage connection can be constructed prior to the Village needing to construct a new well to meet future demand. The Joliet option needs to construct a 30+ mile pipeline to get to Lake Michigan. This line will take more time to construct. The Fox River option requires significant testing of the river prior to design. In addition, the required internal improvements will add time to the project. The timeline for the project is presented in the [Key Considerations](#) presentation.

Water Supply Alternatives Estimated Timelines



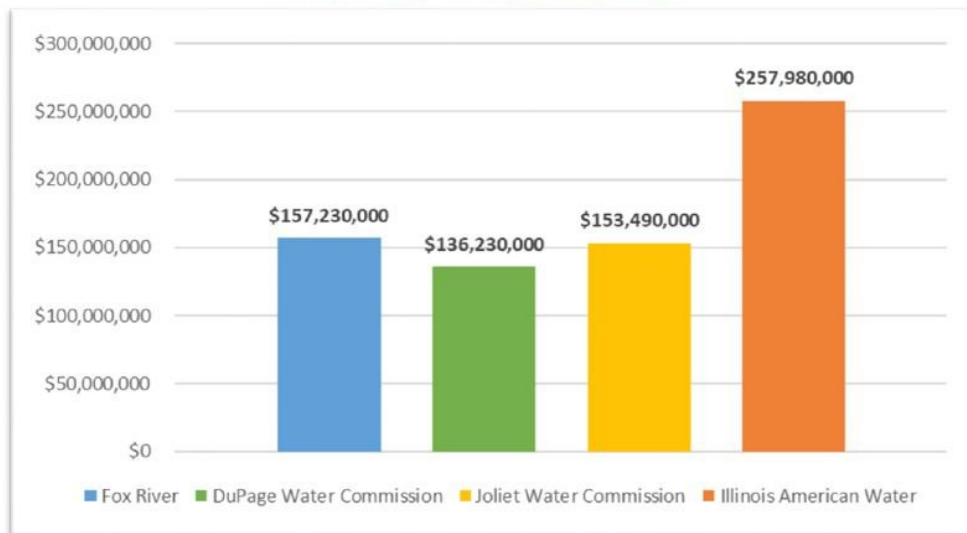
★ Estimated well capacity timeline for Oswego only. Montgomery and Yorkville well capacity timelines are under review at this time.



- **Cost** - The total project cost including capital infrastructure, financing, water purchase, and other costs which translate into a rate charged to customers

The DuPage Water Commission provides the lowest total cost of water through 2050 for Oswego based upon partnership with Montgomery and Yorkville. The total cost includes the capital costs needed to construct and connect to the system, the debt financing, the cost to produce/purchase water, and the cost to operate and maintain the system. The final cost of the project depends upon the selected option and the partnerships established with neighboring communities.

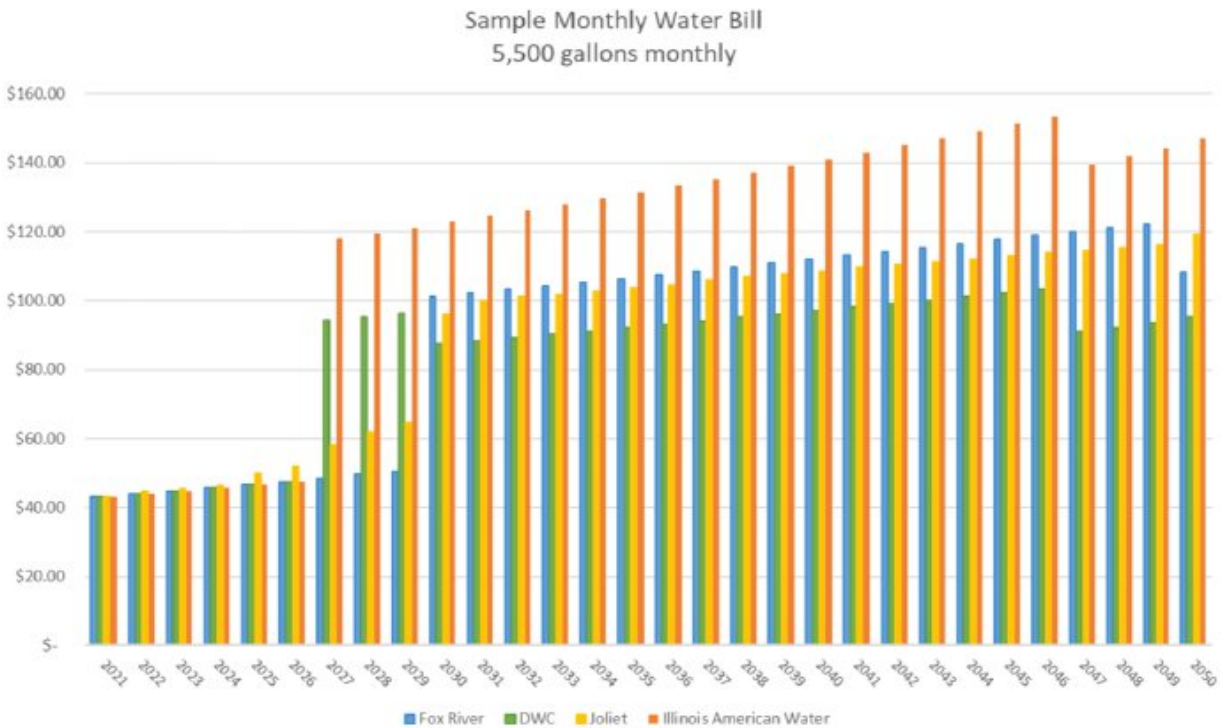
Oswego Total Cost of Water Summary



The project will be financed over many years to spread the burden to future water customers who will benefit from the system. While the exact rate increase is not known

at the time, it is expected that customer bills will likely double by the time we connect to the new system. The rates differ significantly for each option based upon when the system comes online as well as the financing mechanisms, and cost of water.

Sample Monthly Water Bill for Each Alternative



RECOMMENDATION:

Based upon the analysis discussed above, the working group that includes the Mayors, Village Administrators, and Public Works Directors of all three communities recommend designating Lake Michigan as the preferred water source and the DuPage Water Commission as the preferred water supplier.

Staff recommends approval of the attached resolution supporting this decision.

Our next steps will be:

- A. Preparing an Intergovernmental Agreement among Municipalities declaring the Village’s intention to continue to work with Montgomery and Yorkville to minimize the collective cost for connecting to Lake Michigan water;
- B. Assisting the DuPage Water Commission to expeditiously obtain legislative approval from the State of Illinois during the Spring 2022 legislative session, to allow the Municipalities to become members of the Commission;

- C. Negotiating and drafting agreements with the DuPage Water Commission to facilitate the Municipalities' connection to the DuPage Water Commission's system;
- D. Applying for and obtaining a Lake Michigan Water Allocation Permit from the Illinois Department of Natural Resources;
- E. Developing a project financing plan; and
- F. Completing all other tasks as necessary to effectuate the connection to Lake Michigan water through the DuPage Water Commission.

ATTACHMENTS:

- Resolution 21-R- Selecting Lake Michigan as the Preferred Water Source and the DuPage Water Commission as the Preferred Water Supplier for the Village of Oswego
 - Exhibit A – DuPage Water Commission Memorandum of Understanding Dated June 30, 2021
 - Exhibit B - DuPage Water Commission Memorandum of Understanding Dated November 19, 2021

RESOLUTION NO. 21 - R - 101

**RESOLUTION
DESIGNATING LAKE MICHIGAN
AS THE PREFERRED WATER SOURCE AND
THE DUPAGE WATER COMMISSION AS THE
PREFERRED WATER SUPPLIER
FOR THE VILLAGE OF OSWEGO**

WHEREAS, the Village of Oswego (“Village”) has a population of more than 25,000 and is therefore a “Home Rule Unit” under the 1970 Illinois Constitution; and

WHEREAS, the Illinois Constitution of 1970 provides that a Home Rule Unit may exercise any power and perform any function pertaining to its government and affairs, including but not limited to the power to regulate for the protection of the public health, safety, morals and welfare; to license, to tax; and to incur debt; and

WHEREAS, the existing water source of the Village of Montgomery, Village of Oswego, and United City of Yorkville (collectively, the “Municipalities”) is anticipated to be at a severe risk of depletion and no longer able to meet the region’s maximum daily water demand sometime between 2030 and 2050; and

WHEREAS, the Municipalities have agreed to jointly hire engineers, lawyers, and other experts to advise them on the advantages and disadvantages of potential water supply sources; and

WHEREAS, the City of Joliet is currently designing a new pipeline that will bring Lake Michigan water to the area by approximately 2030 which could be utilized by the Municipalities; and

WHEREAS, the City of Joliet notified the Municipalities that in order to connect to the new pipeline, a commitment would need to be made before January 31, 2022; and

WHEREAS, the Municipalities authorized Baxter and Woodman of Mokena, IL to conduct an Alternative Water Source Evaluation (the “Study”) to evaluate the feasibility of obtaining a sustainable water supply from the City of Joliet, the DuPage Water Commission, Illinois American Water, and the Fox River; and

WHEREAS, the Municipalities evaluated key considerations of the potential water supplies, including: the sustainability of the water source, water quality, permitting, governance, responsibility, internal system improvements, project timing, and cost; and

WHEREAS, the Municipalities held a joint public open house on September 15, 2021, at the Grand Reserve Elementary School in Yorkville to present the alternatives and answer questions from the public; and

WHEREAS, the President and Board of Trustees of the Village of Oswego discussed the Study, alternative water sources, and the factors for consideration in public at their June 8, 2021, June 22, 2021, July 13, 2021, October 5, 2021, and November 16, 2021 Committee of the Whole meetings; and

WHEREAS, the Municipalities have all committed to working together to share the system distribution costs so that the chosen water source is the least expensive option for each community; and

WHEREAS, the DuPage Water Commission has issued two Memoranda of Understanding dated June 30, 2021 and November 19, 2021 (collectively, the “Memoranda”, attached hereto as Exhibit A and B, respectively) outlining the proposed terms of the Municipalities’ connection to the Commission; and

WHEREAS, after reviewing the key considerations, including water quality, sustainability, costs, system reliability, operational record, and other key information and terms detailed in the Memoranda, the President and Board of Trustees of the Village of Oswego hereby declares that it is in the best interests of the Village and its public health and safety to designate Lake Michigan as the Village of Oswego’s preferred water source, and the DuPage Water Commission System as the Village of Oswego’s preferred water supplier;

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF OSWEGO, KENDALL AND WILL COUNTIES, ILLINOIS, as follows:

SECTION 1. INCORPORATION OF RECITAL

That the recitals set forth above are incorporated by reference as legislative findings of fact as if fully set forth here.

SECTION 2. DESIGNATION OF PREFERRED WATER SOURCE

The Village President and Village Board of Trustees hereby designate Lake Michigan as the preferred water source to supply the Village of Oswego, and the DuPage Water Commission as the preferred water supplier for the Village of Oswego. The Village President and Village Administrator are authorized and directed to take all necessary steps to facilitate the connection with DuPage Water Commission, including but not limited to:

- A. Preparing an Intergovernmental Agreement between the Municipalities declaring the Village's intention to continue to work with Montgomery and Yorkville to minimize the collective cost for connecting to Lake Michigan water;
- B. Assisting the DuPage Water Commission to expeditiously obtain legislative approval from the State of Illinois during the Spring 2022 legislative session, to allow the Municipalities to become members of the DuPage Water Commission;
- C. Negotiating and drafting agreements with the DuPage Water Commission to facilitate the Municipalities' connection to the DuPage Water Commission's system;
- D. Applying for and obtaining a Lake Michigan Water Allocation Permit from the Illinois Department of Natural Resources;
- E. Developing a project financing plan; and
- F. Completing all other tasks as necessary to effectuate the connection to Lake Michigan water through the DuPage Water Commission.

SECTION 3. REPEALER

All Resolutions or parts of Resolutions in conflict with any of the provisions of this Resolution shall be, and are hereby repealed.

SECTION 4. SEVERABILITY

This Resolution and every provision thereof shall be considered severable. In the event that any court of competent jurisdiction may find and declare any provision invalid, all provisions not ruled invalid shall continue in full force and effect.

SECTION 5. EFFECTIVE DATE

This Resolution shall be in full force and effect from and after its passage.

PASSED by the Board of Trustees of the Village of Oswego, Kendall and Will Counties, Illinois, this 14th day of December 2021.

TOM GUIST	<u>AYE</u>	TERRY OLSON	<u>AYE</u>
KIT KUHRT	<u>AYE</u>	JENNIFER JONES SINNOTT	<u>AYE</u>
JAMES MARTER	<u>AYE</u>	BRIAN THOMAS	<u>ABSENT</u>

APPROVED by me, Troy Parlier, as President of the Village of Oswego, Kendall and Will Counties, Illinois this 14th day of December 2021.



Troy Parlier, Village President



Tina Touchette, Village Clerk

STATE OF ILLINOIS)
)
COUNTY OF KENDALL)

SS

CLERK'S CERTIFICATE
(RESOLUTION)

I, Tina Touchette, the duly qualified and acting Village Clerk of the Village of Oswego, Kendall and Will Counties, Illinois, do hereby certify that I am the keeper of its books and records and that the attached hereto is a true and correct copy of a Resolution entitled:

RESOLUTION
DESIGNATING LAKE MICHIGAN AS THE
PREFERRED WATER SOURCE AND
THE DUPAGE WATER COMMISSION AS THE
PREFERRED WATER SUPPLIER
FOR THE VILLAGE OF OSWEGO

which Ordinance was duly adopted by said Board of Trustees at a special meeting held on the 14th day of December 2021, approved by the Village President on the 14th day of December 2021 and thereafter published in pamphlet form.

I do further certify, in my official capacity, that a quorum of said Board of Trustees was present at said meeting and that the Board complied with all requirements of the Illinois Open Meetings Act.
IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of December 2021.



Tina Touchette

Tina Touchette, Village Clerk
Village of Oswego



DU PAGE WATER COMMISSION

600 E. BUTTERFIELD ROAD • ELMHURST, IL • 60126-4642
(630) 834-0100 • FAX: (630) 834-0120

June 30, 2021

Mr. Dan Di Santo
Village Administrator
Village of Oswego
100 Parkers Mill
Oswego, IL. 60543

RE: Terms and Conditions to Join the DuPage Water Commission

Dan:

The DuPage Water Commission appreciates the opportunity to continue our discussions with the Village of Oswego regarding the possibility of Oswego joining the Commission. In the report below, we tried to give you an overview of the DuPage Water Commission and outlined some of the key terms of joining the Commission. We were not certain exactly what Oswego was looking for on the term sheet for comparison. We attempted to focus on important factors that others have used to determine the best option. These factors include financial status, management and staff, governance, costs, water quality and sustainability. We also tried to include a very important factor which would be risk associated with joining the Commission verses other possible options. Additionally, the Commission would greatly appreciate the opportunity to explain these terms and provide a presentation to Oswego Board member and/or representatives.

Since these terms are preliminary, we ask that you keep these terms confidential and not share them with anyone other than the Village of Oswego.

Commission's Financial Position

The DuPage Water Commission current bond rating is AAA.

The Commission is debt free.

The Commission has a very strong reserve position with over \$200M in cash equivalence.

The Commission has a robust 5-year Capital Improvement Plan which is fully funded.

The Commission's employee's IMRF pension is fully funded.

The Commission does not collect any sales or property taxes.

The Commission supplies a large and diverse service area.

The Commission is a self-sustaining water utility which operates almost entirely on its water sales.

Important to note that Oswego could be joining the Water Commission that is currently in an exceptional financial position and would not be burdened with any previous or outstanding debt.

Management and Staffing

The DuPage Water Commission's Board, management and staff are considered one of the best of any public water utility.

Management is made up of some of the top professionals in the water industry, with some exceeding 25 years of experience operating large water utilities (such as the City of Chicago) prior to joining the Commission.

The Commission also has supervisors with over 25 years of experience with the Commission.

The Commission is actively promoting, training, mentoring and developing new engineers, operators, technicians, and other professionals.

The DuPage Water Commission received, in 2019, a national award for exceptional utility performance from the Association of Metropolitan Water Agencies (AMWA). AMWA is an organization of the largest publicly-owned drinking water system in the United States. AMWA's membership serves more than 156 million people from Alaska to Puerto Rico with safe drinking water. The DuPage Water Commission was one of two utilities recognized in the nation for their exceptional utility performance. This award spotlights the innovative management practices, executive leadership and outstanding employee commitment.

Governance

The DuPage Water Commission is an independent State of Illinois organization formed under the Water Act of 1985. The Commission Board is made up of 1 Chairman and 12 Commissioners representing 6 districts.

If Oswego or any other community outside DuPage County were to join the Commission, it would be the intent of the Commission to modify the Water Act of 1985 to make sure that the new communities would have the same representation as current DuPage County communities have on the Commission Board.

Important to note that any new communities to join would not just be a purchaser of water but would be a part of the Commission.

COSTS

The DuPage Water Commission could be the lowest capital investment cost compared to other options. Below is a breakdown of some of these costs.

Capital Cost Recovery Charge

Capital Cost Recovery Charge (also called buy-in cost) are the costs for Oswego's portion of the Commission's current system to get water to the point of connection to the Oswego system. These assets include a portion of tunnel systems, Lexington Pumping Station, redundant transmission mains from Lexington Pumping Station to the Commission's Pumping Station, Commission's Pumping Station, storage tanks, and redundant Commission distribution mains to get pressurized water to 75th Street and Book Road.

These Capital Recovery costs are based on the number of common asset values multiplied by Oswego's daily average water usage for the last 2 years as a percentage of the Commission's daily average total pumpage (including the addition of Oswego). This Capital Cost Recovery Charge is calculated at the time Oswego would join the Commission. It could change slightly

based on changes in Oswego and the Commission's flows and changes in the net assets. See below Example 1 of the calculated cost for Oswego from May 1, 2018. (estimated at \$9.6 million).

Example 1: Capital Cost Recovery Charge Calculation (as estimated in 2018)

DuPage Water Commission's Total Net Worth (as audited on 04/30/2018):	\$313,962,124
Village of Oswego's daily average water usage (average approximated from 2016-2017)	2.351 MGD
DuPage Water Commission's daily average water usage (average approximated from 2016-2017)	74.702 MGD

$$\text{Total \% of Oswego's use over DWC's (including Oswego)} = \frac{2.3505 \text{ MGD}}{2.3505 \text{ MGD} + 74.70167 \text{ MGD}} = \text{approx. } 3.051\%$$

$$\text{Capital Cost Recovery Charge} = 3.051\% * \$313,962,124 = \text{approx. } \$9,578,984.00$$

Important to note that the Commission's assets were purchased approximately 30 years ago at a much lower cost.

The Capital Cost Recovery Charge is calculated at the beginning of your water purchase agreement and is paid over the life of the purchase water agreement (generally 40 years) or another payment arrangement that would have to be approved by the Commission Board (example: Bartlett 30-year loan from the Commission).

Important to note this Capital Cost Recovery Charge does not change after Oswego joins the Commission. Oswego can continue to grow and increase their water usage without incurring any additional Capital Cost Recovery Charges.

The cost for these assets needed to get water from the City of Chicago to 75th Street and Book Road would be significantly less than the cost to build a new system or any of the current alternatives that Oswego is considering. It is estimated that these assets would cost well over \$100 million to install today.

Connection Facilities Cost to Oswego's System

These are the costs to connect to the Commission's existing distribution system (75th Street and Book Road) to 10 feet past the new Commission metering station/s for Oswego. These costs are dependent on Oswego's decision as to where they prefer their metering stations. If Oswego chooses to install its metering station/s, in or near the Village of Oswego, the Commission would install and maintain all water mains to 10 feet past the new metering station/s. This is the normal arrangement the Commission has with most of its customers. Also noted, Oswego would not be charged for any leakage or maintenance prior to their new metering station/s.

Based upon an agreed upon water purchase agreement, the Village of Oswego will have to pay the Commission for all connection facility costs which include any engineering, construction, legal, administrative, consulting costs associated with building these facilities.

Based upon the Commission Board approval, the Commission may be able to offer the Village of Oswego a low interest rate loan for a portion of these costs. This would be negotiated as part of the water purchase agreement.

The connection facility costs to join the Commission should be significantly less than any of the current alternatives that Oswego is considering.

These connection facility costs do not include any internal improvements that Oswego would need to make to their system to connect to the Commission.

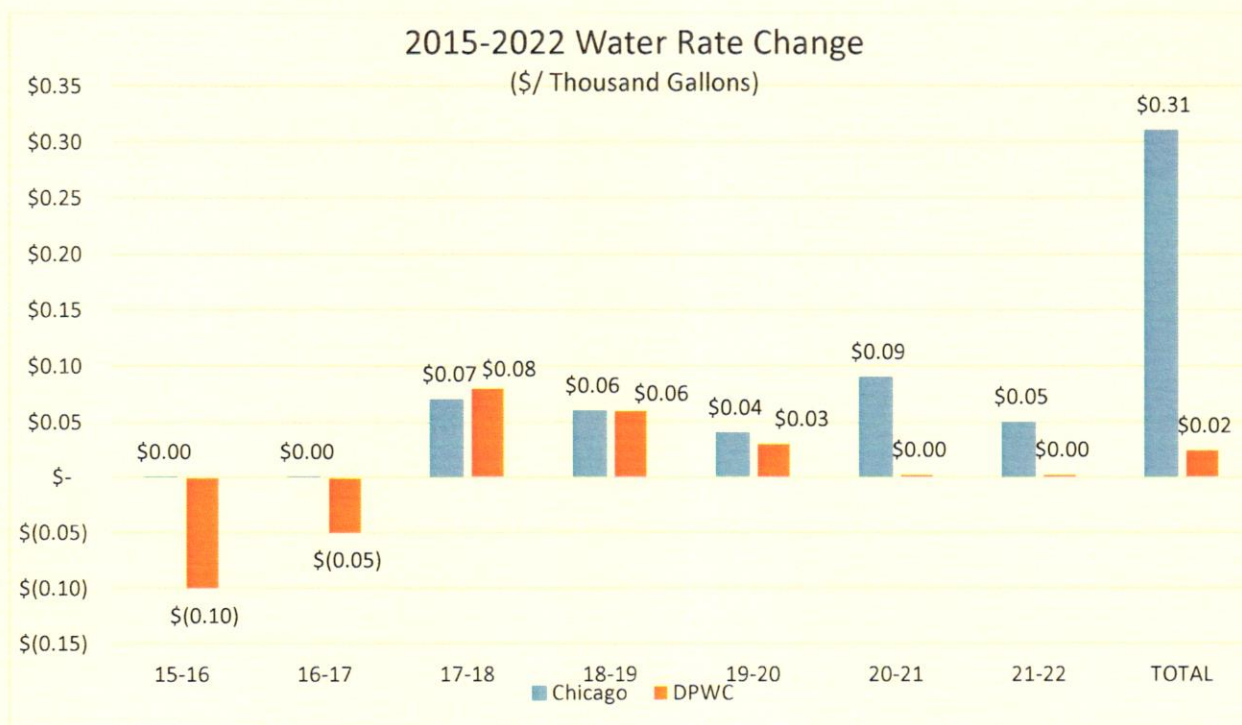
Monthly Operation and Maintenance Costs

This is the monthly charge based upon Oswego’s monthly water usage. This cost is based upon the quantity used by Oswego multiplied by the Commission’s current water rate. The Commission’s current water rate is \$4.97/per 1,000 gallons. This is the same rate that all Commission customers are charged. The Commission, as Chicago’s largest wholesale customer, has done an excellent job at holding their rates down.

See the chart below for a comparison of the Commission’s water rate and the City of Chicago’s water rate from January 2015 through April 2022.

Chicago versus DWC Rates 2015-2022

Year	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
CHICAGO	\$3.81	\$3.81	\$3.81	\$3.88	\$3.94	\$3.98	\$4.07	\$4.12
DPWC	\$4.95	\$4.85	\$4.80	\$4.88	\$4.94	\$4.97	\$4.97	\$4.97



Important to note that the Commission's total water rate has only increased \$0.02/per 1,000 gallons over the last 7 years. During this same period, the City of Chicago has raised their water rates \$0.31/per 1,000 gallons. The Commission has absorbed most of the City of Chicago's increases.

The DuPage Water Commission, as the City of Chicago's largest customer and through exceptional financial performance, charges one of, if not, the lowest water rate for any Chicago direct connect wholesale customer.

The monthly operation and maintenance costs (excluding any possible new customer capital cost recovery charge and connection facilities cost) is currently the only charge that the Commission charges its customers.

Remember, the DuPage Water Commission is a public water agency and we do not operate for or collect any profit. Any additional revenue the Commission acquires goes directly back to keeping our customers water rates low.

Important to note that the Commission's water supply contract with the City of Chicago affirms that the Commission gets the lowest water rate the City charges for water (this includes all other customers as well as residents of the City of Chicago).

Water Quality and Sustainability

Since the Commission has begun its operations in 1992, we have continually been able to supply our customers their full water requirements of the highest quality. The Commission continually meets or exceeds all federal, state, and local EPA requirements and regulations.

Currently, the Commission has additional available capacity to add Oswego as well as other similar communities without modifications to our existing distribution system.

Timeline

The Commission estimates that it could design, construct and commission all needed facilities to connect Oswego to the Commission's distribution system within 4 to 5 years.

The Commission is confident that this timeline could be accomplished provided Oswego makes a decision and an agreement is negotiated before years end.

Oswego has already completed an engineering study that includes the routes and transmission main sizes to connect to the Commission's distribution system.

The Commission believes that this timeline could save Oswego considerable capital costs compared to the other alternatives.

RISKS

The Commission is a well-established and well-run organization which should minimize any risk. There is very little unknown with joining the Commission. This is not the case with the other alternatives that Oswego is considering. These risks will include financial, operational, capital construction as well as many other unknown risks.

The Commission currently has no debt and adequate reserves. Other options could require that Oswego undertake significantly more debt or be part of a different organization that would be taking on significantly more debt.

Dan Di Santo, Village Administrator
Village of Oswego
June 30, 2021

Capital Cost Recovery Charge, Connection Facilities Costs and Monthly Operation and Maintenance Costs to join the Commission are reasonably well known. These costs with the other options would cost significantly more and are also unknown.

The Commission has been operating flawlessly since 1992. Operations and controls for the other options are totally unknown at this time. Experienced personnel would need to be developed and trained to operate these new facilities under the other options.

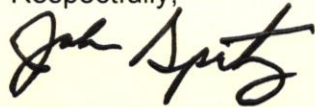
The Commission has redundant transmission mains to Chicago and our system has redundant distribution mains to our customers. Other options may not include this redundancy and could result in single point failures.

The capital construction costs as well as construction completion timeline for the Commission option is much better defined. The other options construction costs and timelines would cost significantly more and take significantly longer. The longer the construction takes to complete the more likely Oswego could run into other adverse unknowns.

The Commission's customer base is well established, therefore, minimizing any unknowns. The other options could have unknown risks related to customers of a possibly newly formed water organization. Problems with these other customers could possibly delay Oswego from getting their water supply.

If you need further clarification or would like to discuss in more detail, please feel free to call me at (630) 834-0100.

Respectfully,

A handwritten signature in black ink, appearing to read "John F. Spatz, Jr.", written in a cursive style.

John F. Spatz, Jr.
General Manager



DU PAGE WATER COMMISSION

600 E. BUTTERFIELD ROAD • ELMHURST, IL • 60126-4642
(630) 834-0100 • FAX: (630) 834-0120

November 19, 2021

Mr. Dan DiSanto
Village of Oswego
100 Parkers Mill
Oswego, IL 60543

**Revised Clarification by Second Memorandum of Understanding
between the
DuPage Water Commission (DWC) and Montgomery/Oswego/Yorkville (MOY)**

As discussions continue regarding the Memorandum of Understanding and its final form, this information should be kept CONFIDENTIAL and only discussed with the leadership of MOY.

On Friday, October 22, 2021 and Monday, October 25, 2021, the DuPage Water Commission Board of Commissioners ultimately gave their consent to the following concepts between DWC and MOY with clarifications to the previous Memorandum of Understanding from the items brought up by MOY on Thursday, October 21, 2021.

Item 1: If Montgomery, Oswego, and Yorkville (MOY) decide to join the Commission and enter into a Water Purchase Agreement and Sale Contracts in early 2022, could Montgomery delay taking their water supply from the Commission for up to three years from the date that Oswego and Yorkville are projected to take their water supply from the Commission?

Response: Yes, the Commission would consider the possibility of up to a three-year delay in supplying water to Montgomery with the following understanding:

- MOY all enter into Water Purchase and Sale Contracts/Agreements in the first half of 2022.
- Oswego and Yorkville take their water supply from the Commission based on the projected date.
- MOY all would begin paying back any funds borrowed from the Commission for improvements and Capital Cost Recovery Charge (buy-in) from the date agreed upon based on the projections from when Oswego and Yorkville would be required to start paying their portions of the loans per their agreements.

Item 2: Would the Commission consider increasing the term length of the loans for the Capital Cost Recovery Charge (buy-in) and the improvements for Connection Facilities to Implement Water Service to MOY?

Response: Yes, the Commission would consider MOY request in part as follows:

- DWC would consider increasing the term length of the loan for Improvements for Connection Facilities to Implement Water Service to MOY, originally would have been a 25-year term length. The Commission would agree to extend the term to a 30-year term.
- DWC offered MOY terms similar to the Village of Bartlett for the Capital Cost Recovery Charge (buy-in) of 30 years with a 0% interest rate. The Commission would not increase the term length for this loan.

Revised Clarification by Second Memorandum of Understanding between the DuPage Water Commission (DWC) and Montgomery/Oswego/Yorkville (MOY)
November 19, 2021

Item 3: Based on the input from the mayors of MOY, would the Commission give more clarification on the modification proposed for the Illinois Water Act of 1985. Also, would the Commission work with MOY to complete this in early 2022?

Response: DWC agrees to work with MOY to modify the Illinois Water Act of 1985 in early 2022. DWC is willing to work with MOY as soon as they have made their decision and begin drafting the language for the modification to introduce in the spring. The language should include the following:

- DWC agrees that MOY would become part of the Commission.
- DWC would work with MOY to modify the Illinois Water Act of 1985 to ensure that MOY would get the same representation on the Board of Commissioners as any other community that DWC currently serves.
- The modification of the Illinois Water Act of 1985 should require the creation of a seventh district outside of DuPage County.
- The mayors of the municipalities that join the Commission in the new seventh district would elect a new municipal representative for that district to serve as a Commissioner on the DWC Board.
- If the seventh district population continues to grow, either through the included municipals growth or more municipals joining, the seventh district would possibly get a second representative to serve as a Commissioner on the DWC Board for that district.

Item 4: Would DWC provide MOY additional Commission reliability reports, if they exist.

Response: Yes. See attached report.

Item 5: Should the Commission and MOY work together to urge the City of Chicago to implement their new regional wholesale rates sooner than the year 2030?

Response: Yes

Item 6: Would DWC consider increasing the not to exceed amount of the \$50 million loan (Commitment Amount) to a \$60 million loan for Connection Facilities?

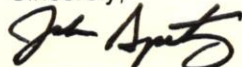
Response: Yes, but the loan agreement between DWC and MOY would be drafted with the not to exceed \$50 million loan (Commitment Amount) and include language that DWC would consider increasing the Commitment Amount by an additional \$10 million if the additional funding is needed.

Item 7: Would DWC work with MOY to obtain WIFIA funding for this project, either jointly or separately?

Response: Yes

If you need any other clarifications, please don't hesitate to call me.

Sincerely,



John F. Spatz, Jr.
General Manager