

GIVING WATER A SECOND CHANCE

2018 Popular Annual Financial Report

Fiscal Year ended May 31, 2018



SERVICE COMMUNITIES:

Aurora, North Aurora, Boulder Hill, Montgomery, Oswego,
Sugar Grove, and portions of Yorkville and Batavia.



LETTER FROM THE FOX METRO DISTRICT MANAGER

Fox Metro is pleased to present this **2018 Popular Annual Financial Report (PAFR)**. Originally formed in 1925 as the Aurora Sanitary District, Fox Metro is an independent, special district dedicated to operating and maintaining the community’s publicly-owned sewer system. We are not part of a city or county government, but we coordinate our services closely with these entities to provide seamless service to the public. The services provided by Fox Metro include meeting the day-to-day needs of residences and businesses through the conveyance, treatment and disinfection of wastewater, along with planning and delivering multiyear, large scale improvements that benefit the community long-term. Our focus is to protect the public’s health, safety, and environment through responsible wastewater management. We also strive to recover resources, such as recycled water and energy that benefit the community.

This report is intended to be a brief but meaningful summary of the services that Fox Metro provides for our ratepayers, and a way for ratepayers to look transparently at how their contributions in the system are bringing benefit to the community through system maintenance, rehabilitation, and investment in the infrastructure of the future.

The information contained in this report is presented in a less technical format for ease of reading and comprehension by non-financial experts. A more in-depth financial review of our operations can be found in the Annual Financial Report (AFR). The AFR was prepared under generally accepted accounting principles and is available by contacting our accounting department at (630) 301-6824.

Thank you for your interest in Fox Metro, and we hope you find the information contained in the following pages helpful.

Respectfully,

Thomas Muth,
District Manager

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2018 BOARD OF TRUSTEES

Judith Sotir,
President

Michael Funkey,
Vice President

Chris Childress,
Secretary/Clerk

Dave Krahn,
Treasurer

Al Heriaud,
Trustee

ABOUT US

Today, Fox Metro serves over 300,000 residents and businesses in Aurora and the surrounding communities. The service area encompasses 130 square miles over portions of 4 counties. Fox Metro owns and operates all intercepting sewers over 15-inches in diameter within the service area, as well as smaller sewers in unincorporated areas. The wastewater treatment plant on Illinois Route 31 near Oswego includes filtration, biological treatment, chemical treatment, and disinfection that conform to rigorous compliance standards upheld by state and federal government agencies and is the primary focus of this PAFR.



Fox Metro serves over **300,000 residents** in Aurora, North Aurora, Boulder Hill, Montgomery, Oswego, Sugar Grove and portions of Yorkville and Batavia.

FAQS

Why is wastewater treatment important? Before wastewater treatment facilities like Fox Metro, sewage was discharged directly into streams and rivers without any treatment and resulted in disease transmission. Wastewater treatment facilities became standard throughout the United States in the 20th century, resulting in dramatically improved water quality and public health.

What is Fox Metro responsible for?

- Conveyance and treatment of sanitary sewer discharge
- Ownership and maintenance of pipes over 15" in diameter
- Protecting the environment while providing effective wastewater treatment

What is Fox Metro NOT responsible for?

- Drinking water
- Storm water conveyance or treatment
- Sanitary sewer lines under 15" in incorporated areas
- Private connections from residences to sanitary service

DEPARTMENTS

Administration: High-level decision making and district management.

IT: Upkeep and maintenance of technological needs.

Billing: Customer service responsible for billing, payments, and mailings to approximately 80,000 households and businesses.

Operations: Day to day operation of the wastewater treatment system.

Maintenance: Maintenance and repairs of the wastewater treatment system including the buildings, grounds, and equipment.

Automation & Electrical: Installation, maintenance, and repair of electrical and controls equipment.

Pretreatment: Coordinates with local industries to protect the wastewater treatment system and environment from industrial waste.

Laboratory: Sampling, analysis, and reporting for internal and external compliance.

Engineering: Coordinates connections and extensions of the collection system via ordinances and permits.

Field Operations: Maintains the collection system and pump stations within the service area.

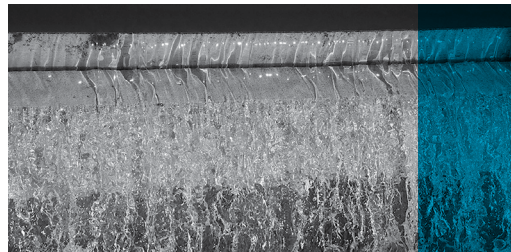
DISTRICT ACHIEVEMENTS

FOX METRO EMPLOYEES TAKE PRIDE IN THEIR ROLE TO PROTECT PUBLIC HEALTH AND THE ENVIRONMENT.

Nutrient Reductions: Fox Metro's newest improvement projects are to reduce phosphorus entering the Fox River by approximately two-thirds. The reduction in phosphorus represents Fox Metro's commitment to help resolve nuisance algae and dissolved oxygen levels in the Fox River and the Gulf of Mexico.

Biosolids as Fertilizer: Fox Metro's treated solids are reused by farmers primarily in Kendall County for fertilizer. This local land application reduces the trucking costs, reduces agricultural needs for conventional fertilizers, and conserves space in landfills.

Effluent Reuse: Fox Metro reuses an average 3 million gallons per day of treated effluent at the wastewater treatment plant for heating, cooling, and landscape watering.



Effluent
is reused for heating, cooling and landscape watering.

Collection System Maintenance: Fox Metro televises approximately 125,000 linear feet of sewer lines per year on a rotating basis to proactively address problems. Maintenance and corrective actions include heavy jetting, debris vacuuming, and sewer lining.

Regulatory Compliance: Fox Metro successfully complies with regulatory permits. One notable achievement includes the continuous meeting of the National Pollutant Discharge Elimination System permit limits, which are intended to protect the Fox River water quality. Another achievement is Combined Sewer Overflow compliance. Fox Metro is authorized to discharge combined sewer flow at a frequency of 4 times per year but instead has only discharged one time over the past 3 years.

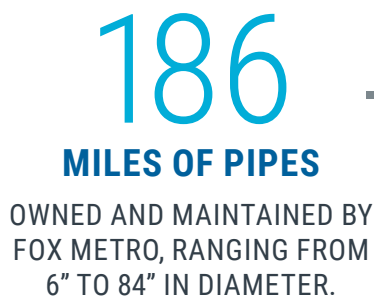
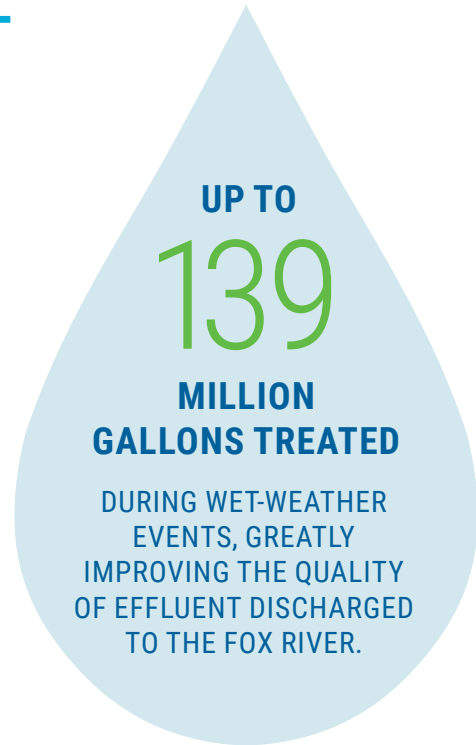
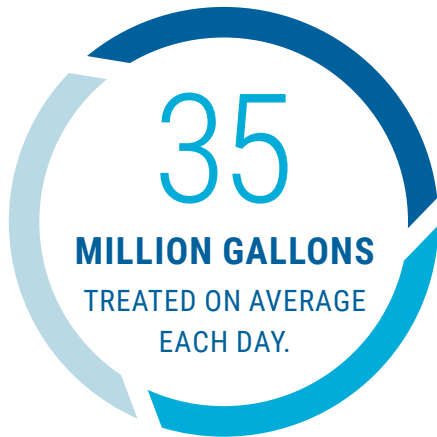
Green Landscaping: Fox Metro has a comprehensive landscaping plan that includes bioswales and native plantings. Reduced mowing and maintenance on these areas allow staff hours to be reallocated to other tasks.

Biosolids
are reused by farmers for fertilizer.



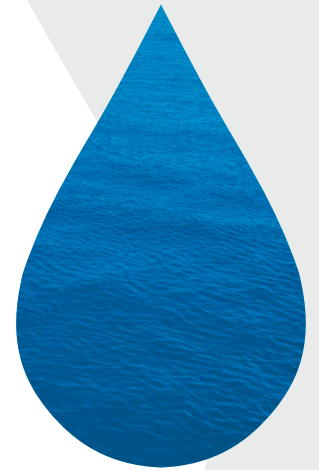
STATISTICAL SNAPSHOT

WASTEWATER TREATED AND RETURNED TO THE ENVIRONMENT:



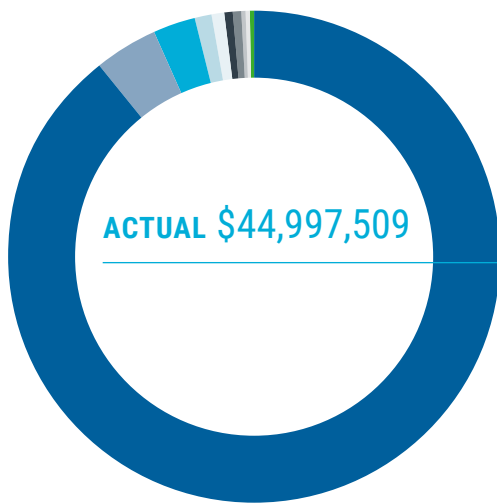
REVENUES

Fox Metro is proudly, solely and effectively funded by user fees and have not levied property taxes in over 25 years. Fees are collected based on water usage, fees for new connections and annexations, and pretreatment fees for businesses with large outflows. This means users are only charged for their actual usage, and not subjected to additional costs on behalf of other users in Fox Metro's District.



BUDGET \$41,944,200

May 31, 2018



	ACTUAL	BUDGET
Wastewater Fees	\$40,806,654	\$37,957,000
Connection fees	1,621,295	2,500,000
Other Income	1,315,453	866,000
Replacement taxes*	378,910	300,000
Investment Income	358,901	80,000
Pretreatment recovery revenue	254,712	135,000
Annexation Fees	229,236	86,000
Sewer T.V. inspection charges	22,713	10,000
Montgomery pump station operation	6,050	6,600
Lien processing fees	3,585	3,600
TOTAL REVENUES	\$44,997,509	\$41,944,200

REVENUES VARIANCE

Other Income – Municipal taxes were incorrectly charged to Fox Metro and were repaid in Fiscal Year 2018. Intergovernmental Agreement Investigation reimbursements from City of Aurora were larger than budgeted.

Investment Income – Interest rate improvements over prior years resulted in a positive variance over expectations.

Pretreatment Recovery – Improved collection methods.

Annexation Fees – New construction developments.

Sewer T.V. Inspection Charges – New construction developments.

* Replacement taxes are income taxes collected by the State of Illinois from businesses and distributed to local governments. These taxes are not levied directly by Fox Metro.

** Revenues and Expenditures have been adjusted to exclude State Revolving Fund (SRF) Budgets of \$45,000,000 offsetting revenues and expenditures.

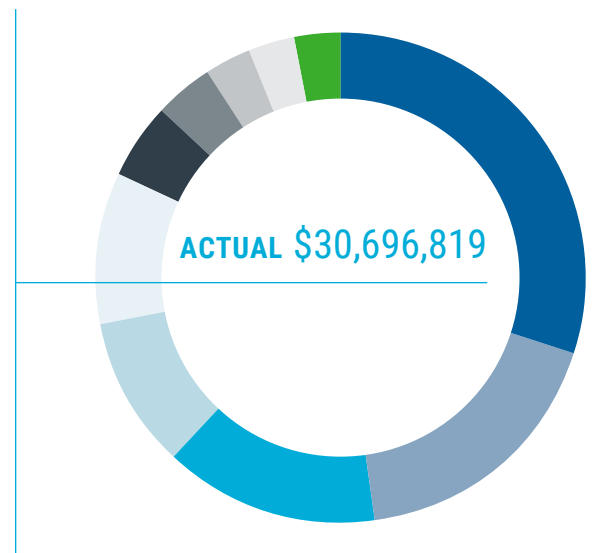
EXPENDITURES

Fox Metro apportions the funds collected by user fees for continued operations and capital improvements. Fox Metro takes many well considered steps to be proactive to changes, rather than reactive, to keep costs low. Fiscal Year 2018 Expenditures were under budget by over \$10M.

BUDGET \$45,148,569

May 31, 2018

	ACTUAL	BUDGET
Depreciation & Capital Expenditures	\$9,106,279	\$16,158,833
Administration & IT	5,702,568	5,710,550
Operations	4,267,215	4,699,500
Maintenance	2,991,273	3,198,200
Field Operations	2,976,538	3,173,210
Engineering	1,680,365	4,831,025
Lab & Pretreatment	1,244,118	1,260,645
Other	975,616	4,144,906
Automation & Electrical	970,505	1,188,250
Billing	782,343	783,450
TOTAL EXPENDITURES	\$30,696,819	\$45,148,569



EXPENDITURES VARIANCE

Depreciation & Capital Expenditures – Actual expenditures appear low because as projects are completed; their costs are capitalized as assets and excluded as expenditures.

Engineering – Actual expenditures in this account appear low because as larger projects are completed, the related engineering costs are capitalized as assets and excluded as expenditures.

Other – The budget includes an account for “Revenue Bond Requirement” for debt payments, which are adjusted to the liability and excluded as expenditures.

* The budget is created on an Other Comprehensive Basis of Accounting (OCBOA). The OCBOA basis budgets capital projects and debt payments as expenditures. These costs are adjusted out of actual expenditures at the end of the year, but the budget reflects the original OCBOA basis.

** Revenues and Expenditures have been adjusted to exclude SRF Budgets of \$45,000,000 offsetting revenues and expenditures.

CAPITAL ASSETS

Fox Metro has developed a comprehensive long-term capital improvement plan and several other planning documents that have been approved by Fox Metro's Board of Trustees and the Illinois Environmental Protection Agency. The decision-making for these projects is predicated upon the age of the asset, its overall condition and an assessment of the year-to-year maintenance costs versus the cost of rehabilitating or replacing the asset. Additionally, the performance of the asset is evaluated in terms of meeting Fox Metro's level of service goals when considering rehabilitation, improvement or replacement. All capital improvements, their funding, and implementation schedule are based upon needs of satellite partners and projected population growth as well as the age and condition of assets.

WHILE NOT ALL INCLUSIVE, THE FEATURED PROJECTS HIGHLIGHT SOME OF THE MAJOR CAPITAL ACTIVITIES, IN EXCESS OF \$282 MILLION, PLANNED FOR THE NEXT SEVERAL YEARS.

New Water Well, Building, and Piping: This potable water system was needed serve both the existing North and new South Wastewater Treatment Facilities. The improvements consist of two new wells and a new well house.

Aeration System Improvements: The existing aeration system was past its useful life span. System improvements were needed to serve the North Wastewater Treatment Facility. These upgrades have already provided a 35% reduction in energy consumption and were partially paid for with a Com-Ed efficiency grant.

Sewer Lining Projects: Fox Metro is in the process of lining deteriorated sewer lines throughout the service area, especially in the oldest areas of downtown Aurora. Approximately 5,000 linear feet each year are lined to reduce infiltration and inflow and to provide structural stability within the existing pipe.

Phase 2 Capital Improvement Projects: See the next page for a detailed description of the phosphorus reduction requirements fulfilled by this project.

CAPITAL ASSETS (IN MILLIONS)

CAPITAL ASSETS NOT BEING DEPRECIATED

Land and land rights	\$10.7
Construction in progress	99.8
TOTAL	110.5

CAPITAL ASSETS BEING DEPRECIATED

Buildings and improvements	97.2
Sanitary sewers and improvements	133
Plant machinery, vehicles, and equipment	82
Office furniture and equipment	1
Capitalized engineering and other costs	4.4
Less accumulated depreciation	(145.7)
TOTAL	171.8

CAPITAL ASSETS, NET

TOTAL	282.3
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CAPITAL IMPROVEMENT

Beginning in November 2015, the first stage of Phase 2 – South Wastewater Treatment Facility Improvements – began construction to provide additional hydraulic capacity and adds the capability of nutrient removal. The project offsets the reduction in capacity at the North Facility resulting from a conversion to biological phosphorus removal. The purpose of this project is to meet state and federal mandates for environmental compliance. Phase 2 is being constructed under four separate projects:



Phase 2 – South Wastewater Treatment Facility Improvements.

1) Waubonsie Interceptor River Crossing:

The Waubonsie Interceptor was modified to cross the Fox River at a new location to allow for discharge into the new South Facility. Construction on the river crossing began in December 2015 and the project was substantially complete by April 2017.

2) South Wastewater Treatment Facility Improvements:

The South Facility includes raw sewage pumping, grit removal, primary clarifiers, primary sludge pump station, secondary treatment facilities, secondary clarifiers and solids thickening with a chemical feed facility for supplemental phosphorus reductions. All facilities have been designed to allow for expansion in order to construct future phases. Construction on the South Facility began in December 2015 and is scheduled to be completed in May 2019.

3) North Wastewater Treatment Facility Improvements:

The North Facility upgrades are needed for phosphorus reduction and include construction of a chemical storage area and modifications to aeration tanks for biological phosphorus removal. Construction on the North Facility began in April 2018 and is scheduled to be completed in October 2019.

4) Tertiary Filter System Enhancements:

Tertiary filter system improvements are needed to raise the effluent quality before it is discharged to the Fox River. The final filter replacement is scheduled for 2023.

As required by the United States Environmental Protection Agency and Illinois Environmental Protection Agency via Fox Metro's discharge permit, Fox Metro is on schedule to meet the phosphorus limit of 1.0 mg/l annual average by June 2021. These improvements will reduce Fox Metro's phosphorus loadings to the Fox River by approximately 2/3.

DEBT STATUS

Fox Metro has the ability to issue long-term debt to finance the construction, acquisition, and replacement of capital assets as well as provide short term cash flow if necessary. The only form of debt held by Fox Metro are Eight Illinois Environmental Protection Agency (IEPA) Loans. These loans are low interest and funded by the IEPA Revolving Loan Fund. A reserve account is maintained by Fox Metro in the amount of annual principal and interest payments. At May 31, 2018 this reserve had a balance of \$3,439,103.

SPECIFIC CAPITAL IMPROVEMENT LOANS UNDERTAKEN BY FOX METRO:

Upgrade and Expansion of Fox Metro Wastewater Treatment System

INITIATED: 2000

STATUS: Project complete. Loan in repayment through 2021.

Temperature Phased Anaerobic Digestion System (TPAD)

INITIATED: 2008

STATUS: Project complete. Loan in repayment through 2029.

Excess Flow Pump Station and Disinfection Improvements

INITIATED: 2009

STATUS: Project complete. Loan in repayment through 2030.

Excess Flow Treatment Facility

INITIATED: 2011

STATUS: Project complete. Loan in repayment through 2032.

Cedar Glen Subdivision Sanitary Sewer Improvements

INITIATED: 2012

STATUS: Project complete. Loan in repayment through 2032.

Montgomery/Sugar Grove Interceptor Extension

INITIATED: 2014

STATUS: Project complete. Loan in repayment through 2033.

South Wastewater Treatment Plant and Waubonsie Interceptor River Crossing

INITIATED: 2016

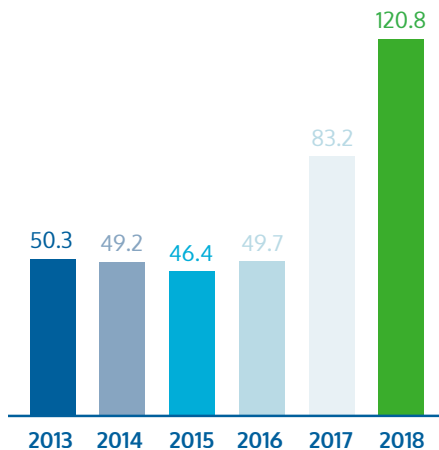
STATUS: Currently receiving disbursements, will enter repayment after the project is complete.

North Facility Improvements

INITIATED: 2018

STATUS: Currently receiving disbursements, will enter repayment after the project is complete.

TOTAL DEBT* (IN MILLIONS)



*The capital improvements detailed on the prior page have necessitated the debt increase.

RECENT SUCCESSES

AWARDS

Through the hard work and dedication demonstrated by our employees, Fox Metro had the honor of receiving several awards in the past few years. These awards recognized individual employees, innovations in the field, and operational practices. The awards received by Fox Metro were:

- Received the **National Association of Clean Water Agencies Gold Award for 2015, 2016, 2017, and 2018** by meeting all Illinois EPA effluent requirements, which demonstrates the Board's and Staff's environmental commitment.
- Operated the treatment plant and collection system **accident-free for 2017** with no OSHA-reportable incidents.
- **2018 Operator of the Year** from the Fox Valley Operators Association
- Received a **Commonwealth Edison Energy Efficiency grant** of over \$475,000 for energy-efficient turbo blowers in September 2018. These new turbo blowers and associated air main replacements are estimated to save over \$500,000 per year in energy costs.
- **Peak Performance Award** from NACWA
- **2018 Golden Manhole Award** from Illinois Water Environment Association



ENVIRONMENTAL OUTREACH AND EDUCATION

Fox Metro's staff dedicates time and effort to educate residents about wastewater issues and Fox Metro's services. These local events include the Aurora Kiwanis One-Day Event, Aurora Greenfest, STEM conference at Fermilab, and many plant tours throughout the year. The unwanted medication collection is also offered at several of these programs.





Fox Metro

Water Reclamation District

TOM MUTH

District Manager

JIMMIE DELGADO

Business Services Manager

MATT WOODIN

Plant Manager

Protecting the environment one drop at a time.

We at Fox Metro strive for continuous improvement and transparency, so we welcome input for future Popular Annual Financial Reports. Comments, questions, or suggestions can be sent to linnea@foxmetro.org.

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