



Lake Michigan Water Update

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LAKE MICHIGAN WATER UPDATE

- Show the Magnitude and Scope of the Process to Bring Lake Michigan Water to Wauconda
- Show Where We Are Now in This Process
- Share Our Next Step in This Process

PROJECT PLANNING TEAM

- Mayor Frank Bart
- Village Trustee John Barbini
- Public Works Director & Interim Village Administrator Brad Fink
- Village Attorney Rudy Magna
- Village Engineer Bill Rickert

PROCESS FOR OBTAINING LAKE MICHIGAN WATER *

1. Obtain Allocation from IDNR (January, 2011)
2. Pass Referendum
3. Investigate Alternative Water Suppliers
4. Investigate Potential Partnering Opportunities
5. Negotiate Intergovernmental Agreements
with Supplier and Partner(s) **
6. Route Study
7. Easement Acquisition

PROCESS FOR OBTAINING LAKE MICHIGAN WATER *

8. Final Design
9. Permitting
10. Bidding
11. Construction
12. Startup

NOTE: * Steps listed are for external water transmission facilities.

Significant improvements to the Village's internal water distribution system will also be required.

** Remainder of process after negotiation of agreements is estimated to take 3 to 4 years.

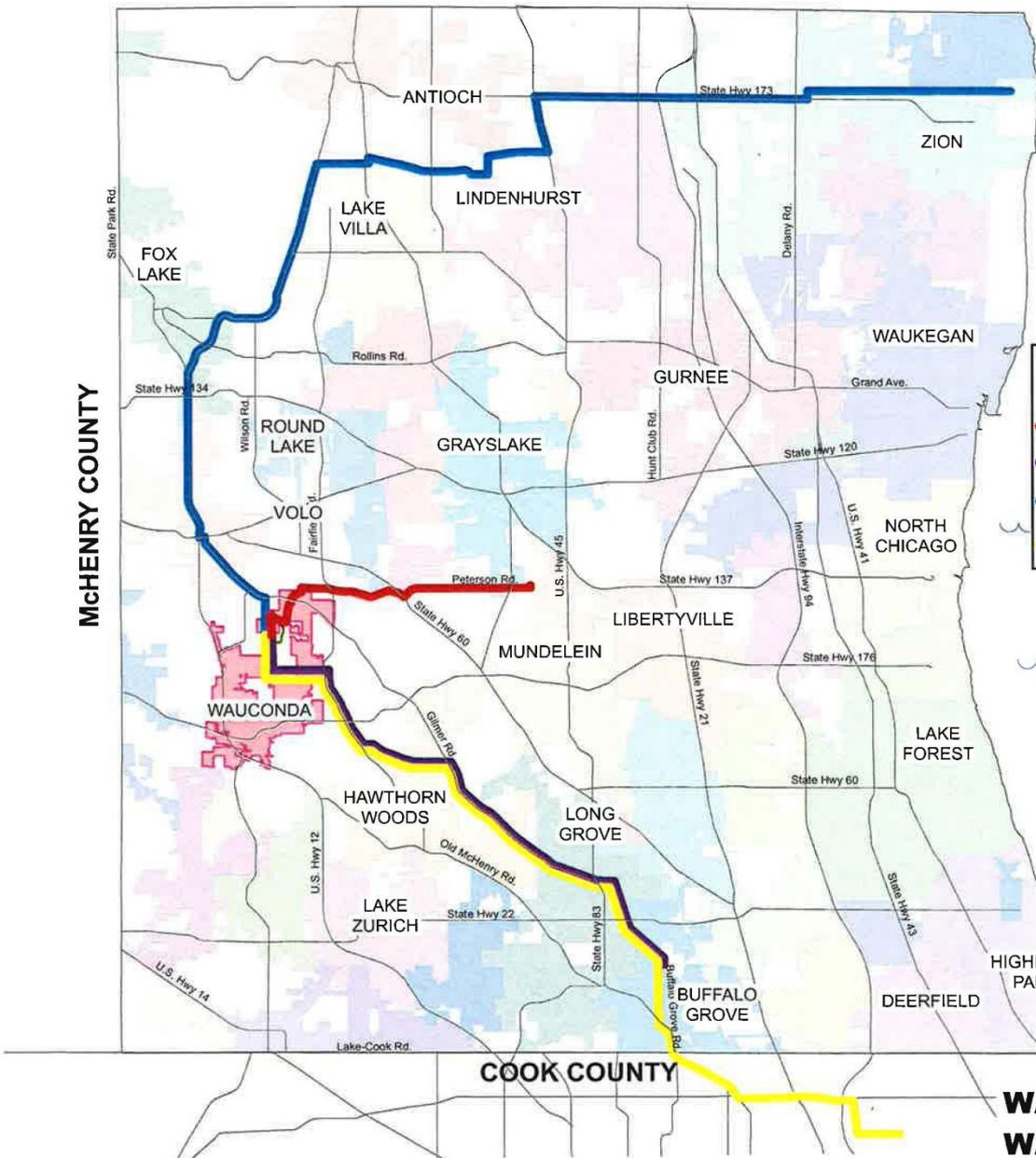
ALTERNATIVE LAKE MICHIGAN WATER SUPPLIERS

1. Initial Investigations

- a. North and West Lake Michigan Water Planning Group
- b. Central Lake County Joint Action Water Agency (CLCJAWA)
- c. Northwest Water Commission (NWC)
- d. Village of Northbrook

2. Detailed Investigations

- a. Central Lake County Joint Action Water Agency (CLCJAWA)
- b. Northwest Water Commission (NWC)



McHENRY COUNTY

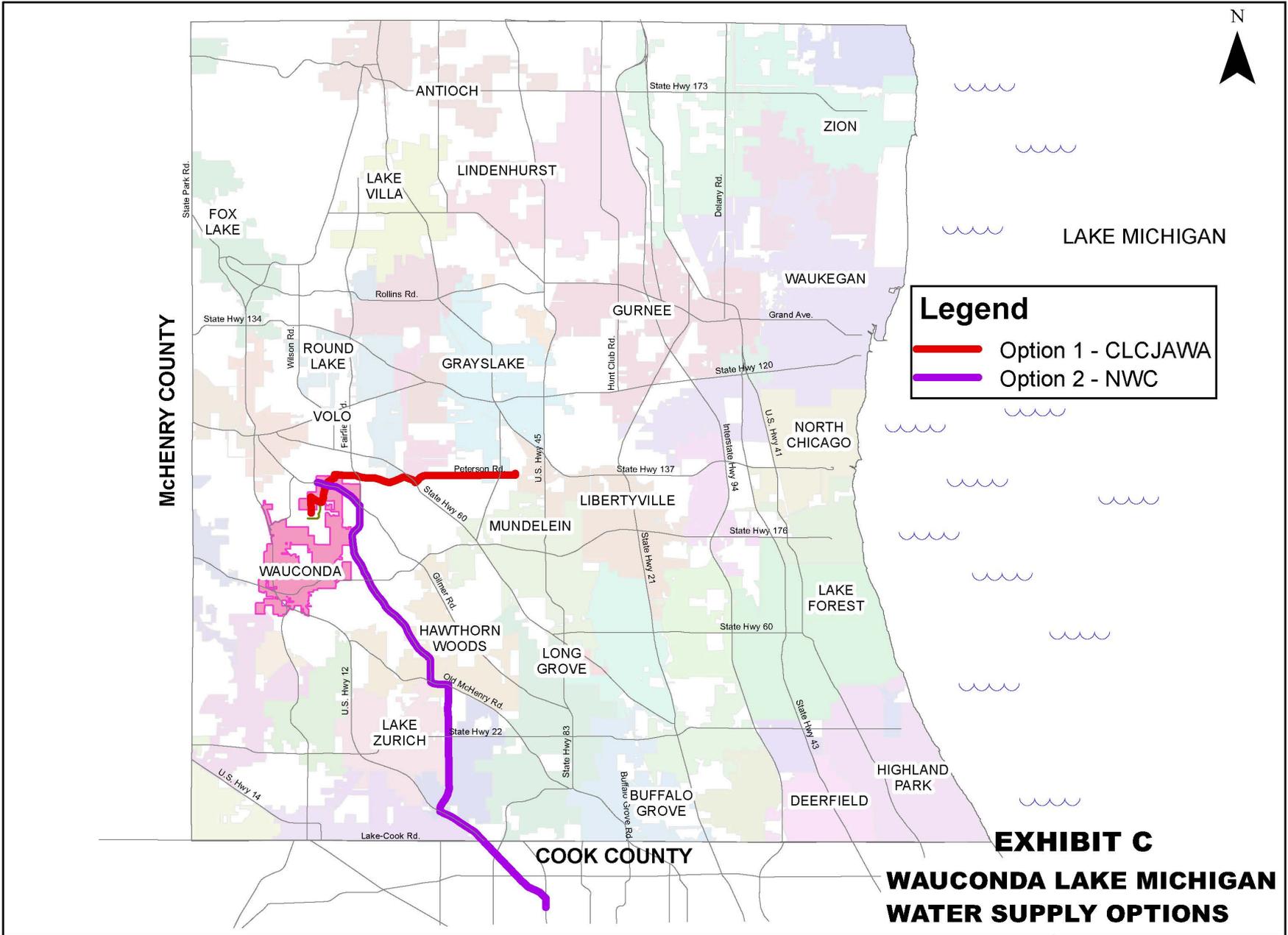
COOK COUNTY

Legend

-  Option 1 - CLCJAWA
-  Option 2 - NWC
-  Option 3 - N&W GROUP
-  Option 4 - NORTHBROOK

EXHIBIT B
WAUCONDA LAKE MICHIGAN
WATER SUPPLY OPTIONS

LAKE MICHIGAN



Legend

- Option 1 - CLCJAWA
- Option 2 - NWC

EXHIBIT C
WAUCONDA LAKE MICHIGAN
WATER SUPPLY OPTIONS

FACTORS TO CONSIDER IN SELECTING SUPPLIER

1. Construction Cost
2. Connection Fees (Member vs. Customer)
3. Wholesale Cost of Water
4. Transmission Maintenance Costs
5. Ability to Recapture Costs
6. Impact of Village's Internal Distribution System
7. Long Term Ability of Supplier to Meet Needs

POTENTIAL PARTNERING OPPORTUNITIES

- Volo
- Lake Zurich
- Hawthorn Woods

INTERGOVERNMENTAL AGREEMENTS

- Define Terms and Conditions of Agreements
- Attorney Magna Will Address in a Few Minutes

ROUTE STUDY SCOPE

1. Identify Potential Alternative Routes
2. Initial Meetings with Key Agencies/Entities
3. Coordination with Utilities
4. Fine Tune Alternative Route Alignments
 - a. Field reconnaissance/verification
 - b. Identify approximate number of easements required
 - c. Identify areas with special environmental issues
 - d. Prepare alignment map/exhibits
5. Prepare Preliminary Cost Estimates
6. Prepare Report with Recommendations

EASEMENT ACQUISITION

1. Identify Easement Parcels
2. Obtain Appraisals
3. Negotiations with Property Owners

FINAL DESIGN

1. Hydraulics and Surge Analysis
2. Topographic Survey
3. Geotechnical Investigations
4. Establish Number of Bid Packages and Construction Contracts
5. Prepare Detailed Plans
6. Prepare Technical Specifications
7. Traffic Control Plan
8. Construction Cost Estimate

POTENTIAL PERMITTING AGENCIES

1. Illinois EPA
2. Lake County Department of Transportation (LCDOT)
3. Illinois Department of Transportation (IDOT)
4. Lake County Forest Preserve District
5. Municipalities and Townships
6. U. S. Army Corps of Engineers
7. Lake County Storm-water Management Commission
8. Railroads
9. Utility Companies

LAKE MICHIGAN WATER TIMELINE

November 20, 2007 - Wauconda passes prepares application for an allocation of Lake Michigan water.

November 2009 - Initial feasibility study completed.

September 2008 - Amendment made to feasibility study to reflect withdrawal of some communities from the endeavor.

LAKE MICHIGAN WATER TIMELINE

February 17, 2009 - Wauconda adopts Resolution 2009-R-03 entering into a Memorandum of Understanding (MOU) with the Villages of Antioch, Fox Lake, Lake Villa, Lindenhurst, Long Grove, Lake Zurich, Volo, Hawthorn Woods, Old Mill Creek and with Lake County to explore the feasibility of forming a Municipal Joint Action Water Agency among the communities and develop a project to bring Lake Michigan Water to the communities through expanding the delivery system of the Lake County Public Water Agency from Zion west to Antioch and south to Lake Zurich. The MOU formalizes a project working group called the “Northern Lake County Lake Michigan Water Planning Group.”

LAKE MICHIGAN WATER TIMELINE

January 5, 2010 - Wauconda formally ratifies its application for a Lake Michigan water allocation and also expresses support for the allocation applications of the other Planning Group members.

LAKE MICHIGAN WATER TIMELINE

January 14, 2011-

- Wauconda is awarded a Lake Michigan water allocation for 1.5 million gallons per day in the year 2015 to 2.320 million gallons per day in the year 2030.
- Project costs for the Planning Group effort are estimated by the Group's engineering firm (Applied Technologies). Total estimated project costs presented under testimony to IDNR estimated to be approximately \$238,690,000.00.

LAKE MICHIGAN WATER TIMELINE

May 17, 2011

- After several months of negotiation among the Planning Group members, Wauconda passes Ordinance 2011-0-23 which adopts the First Amendment to the MOU and commits funds of up to \$50,000 to engage the next feasibility study steps for the regional water agency. By agreement, the Group engineering and Group legal efforts are managed by Lake County. Lake County administers the funds committed by the MOUs.

LAKE MICHIGAN WATER TIMELINE

July 12, 2011-Wauconda's Village engineer, Robert Devery, completes a "Lake Michigan Water Status Interim Report." The Devery Report addressed the initial feasibility of selecting among alternative wholesale suppliers of Lake Michigan water. The potential water suppliers were CLCJAWA, The Northwest Water Commission and the Village of Northbrook. CLCJAWA's water rate was \$2.46/1,000 gallons, Northwest Water Commission was \$1.90/1,000 gallons (per Buffalo Grove Website at the time) and Northbrook wholesale water rates were \$3.06/1,000 gallons (current rate is \$4.08/1,000 gallons).

LAKE MICHIGAN WATER TIMELINE

Devery notes that a November 2007 “LMW Feasibility Study” indicated that if Special Service Area financing were used a property tax of \$188.00 would be levied as well as a \$3,000.00 connection fee would be charged. The Water rate would be \$2.63/1,000 gallons. Devery contrasts the water rates represented in the 2009 applications for the Lake Michigan Water Allocation which were at the time estimated to be \$7.23/1,000 gallons.

LAKE MICHIGAN WATER TIMELINE

- The Devery report further states that CLCJAWA most likely will charge a connection fee for Wauconda connections in order to partially reimburse CLCJAWA's existing members for the existing facilities which were paid for by the existing members.
- The report recommends continuing to maintain communication with existing members, explore pluses and minuses for each option, pursue partnering with other communities and begin preparation of a financial plan to meet anticipated external and internal costs.

LAKE MICHIGAN WATER TIMELINE

July, 2011

The Villages of Lake Zurich, Long Grove and Old Mill Creek drop out of the Northern Lake County Lake Michigan Water Planning Group. The loss of these members requires recalculation of the costs of the project to the remaining communities. The financial impact on Wauconda is not known at this time.

LAKE MICHIGAN WATER TIMELINE

August, 2011 to June, 2012

Numerous meetings with the Village of Volo exploring partnering options. Numerous meetings with CLCJAWA to explore the ability of CLCJAWA to provide sufficient volume of water to meet Village estimated needs through year 2040. Volo pursues a similar plan. The Villages of Antioch and Hawthorn Woods withdraw from the Planning Group. The remaining Planning Group members (Volo, Lake Villa, Lindenhurst, Lake County) abandon the plan to form a new Municipal Joint Action Water Agency and determine that CLCJAWA is a “preferred provider” of LM water.

LAKE MICHIGAN WATER TIMELINE

- Wauconda remains clear and vocal that it is still assessing its options before committing to a wholesale provider. The Planning Group splits into two divisions with Lindenhurst, Lake Villa and the County designating itself as the “North Group” and Wauconda and Volo designating themselves as the “West Group.” These communities reach a consensus that as to joint issues attendant to a CLCJAWA water supply, they will continue to communicate and plan jointly. CLCJAWA is the apparent and only logistical choice available for supplying LM water to the North Group. Volo “prefers” CLCJAWA, Wauconda keeps its options open.

LAKE MICHIGAN WATER TIMELINE

April 17, 2012

Meeting held among Wauconda Mayor, Village Attorney, County Board Chairman, County Public Works Director and Project Manager for Group to discuss Wauconda concerns over a lack of a more formal administrative/governing structure for the Planning Group as a whole. Current draft of MOU amendment not acted upon unless concerns are addressed. Wauconda makes clear that it will continue to evaluate alternative sources of water supply and is not wholly committed to CLCJAWA until options are assessed. Wauconda informs County that the question of bringing in Lake Michigan water, and paying for it, must be approved by the Wauconda voters in a Referendum. Under those conditions Wauconda will move forward with the Planning group until it makes a final decision on the water supplier.

LAKE MICHIGAN WATER TIMELINE

July 2, 2012 - Wauconda passes Ordinance 2012-0-36 approving a second MOU for the purpose of continuing the joint planning for the CLCJAWA option. The MOU contains provisions for refunding deposited funds to any community which withdraws from the planning group. The project evolves to where the North Group has unique planning issues which are distinct from the West Group's planning issues.

LAKE MICHIGAN WATER TIMELINE

July, 2012- Wauconda studies and then commences preparation to place the question of financing a Lake Michigan water project on the November 6, 2012 election ballot.

LAKE MICHIGAN WATER TIMELINE

August through October, 2012 - All efforts are directed to presenting information to the public for its information on voting on the referendum question. Numerous meetings and presentations between Village staff and various citizen groups as well as general public meetings on the question.

Nov. 6, 2012 - Referendum passes

LAKE MICHIGAN WATER TIMELINE

Nov. 22, 2012 - Wauconda adopts Resolution 2012-R-22 expressing intent to CLCJAWA to continue to negotiate in good faith to have JAWA supply Lake Michigan water to Wauconda. General items for negotiation are included with the Resolution. The resolution contains three key clauses: 1. Wauconda's bond funds are to be used for the "immediate and direct benefit of the taxpayers and residents of Wauconda," 2. Wauconda shall continue to assess and pursue all available options for the supply of water 3. Wauconda reserves its right to withdraw from negotiations with CLCJAWA.

LAKE MICHIGAN WATER TIMELINE

Nov. 30, 2012 - Wauconda and Volo negotiators meet to discuss clarifying details of financing pipelines to each community and reasonably allocating costs of a project. Volo proposes allocating based on existing population or assessed valuation. Wauconda proposes allocating based on the projected water demands of each community. Since the design and the construction costs are based upon projected water needs a proportion of costs could be established in the same proportion represented by the respective water needs. No decision is reached and the parties agree to meet again soon for further negotiation. All parties reaffirm that no “Agreement” can be formally reached until reduced to a writing and approved by the respective Village Boards.

LAKE MICHIGAN WATER TIMELINE

Early December, 2012- Mayor provides letter to Volo outlining details of terms for prospective intergovernmental agreement. Terms not accepted by Volo. Negotiations continue.

Early 2013 - Wauconda and Volo come to conceptual understanding that the total cost of the project shall be divided 60% to Wauconda and 40% to Volo. Many details remain to formalize such an understanding in an intergovernmental agreement. Volo suggests that CLCJAWA be a party to the Agreement.

LAKE MICHIGAN WATER TIMELINE

February 13, 2013

Representatives from Wauconda, Volo and CLCJAWA jointly meet to discuss a general scope of a project to bring in Lake Michigan water from CLCJAWA. Wauconda proposes that there be a recapture provision for Wauconda and Volo expenditures in the event another community or entity connects to the improvements paid for by Wauconda/Volo and obtains the benefit of these expenditures without having to contribute a reasonable proportional share from the beginning. CLCJAWA states that it will only allow recapture for the limited expense of the plus one pipe size but not for design and installation of the facilities. A Volo representative comments that Volo may wish to pursue negotiations with the Village of Fox Lake for Volo to provide Lake Michigan water to Fox Lake through the new project and the Volo system.

LAKE MICHIGAN WATER TIMELINE

February 27, 2013 - Wauconda sells the first of its Lake Michigan Water Bonds.

March 7, 2013 - CLCJAWA's attorney provides an outline draft of an "Admissions Agreement" to CLCJAWA. Requests comments.

LAKE MICHIGAN WATER TIMELINE

March 8, 2013 - Representatives from Wauconda, Volo and CLCJAWA jointly meet to further discuss a general scope of a project to bring in Lake Michigan water from CLCJAWA. CLCJAWA confirms that Volo and Wauconda can proceed independently from Lindenhurst and Lake Villa. The Agency has sufficient water delivery capacity to meet the needs of Wauconda and Volo. The Agency would permit Volo and Wauconda to proceed ahead of the North Group. To proceed CLCJAWA will provide a discussion draft of an “Admissions Agreement” which will state the obligations of the parties and the terms of admission to membership in the Agency. It was estimated that the Agency’s attorney would have a draft of the Admissions Agreement sometime in May.

LAKE MICHIGAN WATER TIMELINE

CLCJAWA will need to receive from Wauconda and Volo a yet-to-be-determined amount of money to be deposited in escrow to fund anticipated costs of the Agency's engineers to participate in the "Route Study" determining where the pipes will be placed from Grayslake to Wauconda and Volo and determine the number and locations of easements needed. There may actually be three escrow accounts: 1) an initial escrow for the route study, 2) a second escrow for the engineering, and 3) a third escrow for construction. CLCJAWA would award contracts and make disbursements from the escrow accounts.

LAKE MICHIGAN WATER TIMELINE

The discussion then focused on Volo and Wauconda being able to have the right of recapture, if at some point in the future it is determined that the transmission mains sized in accordance with the plus 1 standard pipe size criteria have capacity for one or more new additional members. It was agreed that Volo and Wauconda should have this right of recapture; however, there was extensive discussion as to the basis of the recapture fees. CLCJAWA's original position was that the recapture payments should be limited to the actual cost increase attributable to the plus 1 pipe size oversizing. However, it was eventually agreed that a more equitable basis would be to proportion the total cost of the transmission mains based on the capacity utilized as expressed in population equivalents (P.E.).

LAKE MICHIGAN WATER TIMELINE

March 26, 2013 Wauconda provides Volo with a draft of a “Term Sheet” for developing the terms of an intergovernmental agreement between the two communities for the project.

LAKE MICHIGAN WATER TIMELINE

March 29, 2013 - Representatives of Volo and Wauconda meet at the Volo Village Hall to discuss engineering, routing and legal document tasks. Brief discussion was held on the Term Sheet provisions for the development of a final intergovernmental agreement between the communities. Comments will be shared on the Admissions Agreement draft received from CLCJAWA earlier in the month. Volo again mentioned the possibility of it wheeling water to another community.

LAKE MICHIGAN WATER TIMELINE

Consensus was reached that Volo and Wauconda should have the right of recapture, if at some point in the future it is determined that the transmission mains sized in accordance with the plus 1 standard pipe size criteria do have capacity. Furthermore, the basis of any recapture should be in proportion to the capacity of the transmission mains utilized as expressed in population equivalents (P.E.). A recapture agreement with CLCJAWA would be necessary to preserve any right to recapture.

LAKE MICHIGAN WATER TIMELINE

April 9, 2013 - Municipal elections.

April 26, 2013 - Wauconda prepares final draft of detailed comments, revisions and suggestions to CLCJAWA's March 18 draft of its Admissions Agreement. Prominently contained in this comment document was Wauconda's proposal and technical formula providing for a recapture of reasonable costs by Wauconda and Volo in the event another community or entity obtains a benefit for connecting to the water facilities financed, bought and paid for by Wauconda and Volo.

LAKE MICHIGAN WATER TIMELINE

The principle applicable is to recapture an amount similar to that which the entity would have had to expend if that entity was an original partner in the construction project. The recapture formula is based on “PE” (“Population Equivalent”) capacity of the entity’s main water line connecting to the Wauconda/Volo transmission main or a main tributary thereto. Since the financing of the project will be through the sale of bonds, a reasonable interest rate would also be recaptured tied to the interest rate of the bonds. Numerous other comments, revisions and suggestions are also contained in this document.

LAKE MICHIGAN WATER TIMELINE

June 11, 2013 - The Comment document is authorized to be sent to the attorney for CLCJAWA. It is sent this day and a reply from CLCJAWA is awaited. Copy to Volo. No comments from Volo to the Admissions Agreement are received by Wauconda. It was stated at the March 29, 2013 joint meeting that Volo likely has no comments to the Admissions Agreement.

LAKE MICHIGAN WATER TIMELINE

June 13, 2013 - Mayor Bart meets with Volo Mayor Russell and invites Volo to participate with Wauconda in thoroughly studying and evaluating the potential of the Northwest Water Commission to provide Lake Michigan water. No further expenditure of Wauconda funds would be made for the CLCJAWA option until the Northwest Water Commission option is thoroughly studied. -

LAKE MICHIGAN WATER TIMELINE

June 18, 2013 - Volo sends a letter to Wauconda stating that it is committing to CLCJAWA and will not join Wauconda in exploring the Northwest Water Commission option.

LAKE MICHIGAN WATER TIMELINE

July 1, 2013 - CLCJAWA sends Wauconda a letter which recognizes that due diligence in assessing options is understandable, but that the CLCJAWA “planning window” is beginning to close. CLCJAWA requests that Wauconda pass a resolution stating that CLCJAWA is its “preferred provider” and further stating that the Village shall begin to make financial contributions to the planning expenses necessary to go forward as outlined in the Nov. 22, 2012 Resolution. CLCJAWA states that these commitments be “clearly stated” in the requested resolution and that the resolution be provided to the Agency no later than August 21, 2013. CLCJAWA states that its ability to serve new members is “limited” and “... should CLCJAWA reach an agreement with another community [it] will “not likely be able to serve the Village of Wauconda in the future.”

LAKE MICHIGAN WATER TIMELINE

July 22, 2013 - CLCJAWA Executive Director telephone calls the Village Attorney inquiring about a response to his July 1, 2013 letter. The Village attorney responds that Wauconda has not yet received a response from CLCJAWA on Wauconda's April 26 comments to the CLCJAWA draft Admissions Agreement which were sent to CLCJAWA on June 11. Before considering going forward, Wauconda must know how its comments to the Admissions Agreement will be received by the Agency.

LAKE MICHIGAN WATER TIMELINE

July 25, 2013 - Wauconda receives the CLCJAWA responses to Wauconda's comments to the Admissions Agreement. While many of Wauconda's comments were accepted in whole or in significant part, CLCJAWA rejected the recapture provision suggested by Wauconda. Wauconda's internal Lake Michigan working group evaluated this response and determined that the rejection of the recapture provisions is problematic because recapture has been a main element of negotiations throughout the discussions with CLCJAWA. The Agency's response also stated that there would be an "engineering option" for Volo in the Admissions Agreement. It is unknown what that "engineering option" means.

RECAPTURE

- **Principle of recapture:** To be reimbursed for expenditures which eventually benefit a third party.
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- **Methods Vary:** Most narrow method is to measure the third party benefit as fraction of the total cost.
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- **Use:** Generally recapture used for projects where one party must advance the total cost of a project and then a third party comes along in the future to use and benefit from the original project expenditures.

RECAPTURE

- **Formula:** Varies according to the nature of the project costs. Water project recapture usually measured in terms of “Population Equivalents.” (“PEs”)
- **Terms:** A recapture agreement clearly defines the elements of the formula to compute recapture and allocates the responsibilities for collection of the recapture as well as the rights to receive the recapture.

LAKE MICHIGAN WATER

Wauconda will continue to negotiate with all parties.

Wauconda will continue to evaluate our best options to secure a viable, affordable source of Lake Michigan water.