



**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 3b

Title:

**Discussion of the West Side Sanitary Sewer Connection Fee**

Presenter:

Chris Minick, Finance Director

Meeting: Planning & Development Committee

Date: February 6, 2017

Proposed Cost: \$-0-

Budgeted Amount: \$ N/A

Not Budgeted:

**Executive Summary** *(if not budgeted please explain):*

During the last P&D meeting, there was significant discussion about the West Side Sanitary Sewer Connection Fee. As a result of the discussion and the questions raised, staff was asked to provide additional information on the Connection Fee and how it was calculated; what it represents.

The attached memo re-creates the calculation and provides the pertinent data. In short, the fee for the West Sanitary Sewer Service Area was intended to cover the costs of acquiring and expanding the West Side Treatment Plant (WSTP) to its full sewer treatment capacity based on anticipated development in the West Side Service Area. This fee was discussed at the December 20, 1999 Government Operations Committee Meeting and approved by the City Council on January 3, 2000. Relevant sections of the minutes for those meetings are also attached.

Based on costs incurred and expected, it is likely that revenues from the connection fee imposed per the Building Code will not be sufficient to cover the City's costs for acquisition and expansion of the West Side Treatment Plant as detailed in the staff memo.

It would be appropriate for the Committee to provide feedback and informal comment as to whether the Committee might be inclined to consider a connection fee reduction or waiver request in the event that a formal request would be made in the future. We are not requesting any formal action, but feedback and comments would be appropriate.

**Attachments** *(please list):*

- Staff Memo**
- Sanitary Sewer Connection Fee Section from City Code**
- Excerpt of Minutes of December 20, 1999 Government Operations Committee Meeting**
- Excerpt of Minutes of January 3, 2000 City Council Meeting**

**Recommendation/Suggested Action** *(briefly explain):*

**Staff and Committee Discussion – No action is required**

February 1, 2017

To: Chairman Todd Bancroft and the members of the Planning and Development Committee

From: Chris Minick, Finance Director

Subject: West Side Sanitary Sewer Connection Fee

At the latest Planning & Development Committee Meeting various questions arose in relation to the Sewer Connection Fees that are currently in effect for the West Side Treatment Plant (WSTP) Service Area, noting that there is a difference between connection fees for the east side treatment plant as compared to those for the West Side Plant. Most of the questioning concerned the calculation of the fee for the West Side Treatment Plant.

The West Side Treatment Plant Connection Fee currently in effect is \$853 per population Equivalent (PE). One PE equates to 100 gallons of flow. Questions were raised as to whether this fee is reasonable based on costs and conditions to acquire and expand the WSTP given expected development of the West Side Service Area. Based on my research and calculations, it appears unlikely that the current WSTP Connection Fee will cover the costs to acquire and expand the WSTP to its ultimate design capacity at buildout. This conclusion is explained below.

The calculation and implementation of the WSTP Connection Fee predates my tenure here at the City. I have not been able to locate any records that directly calculate the fee although I believe that I have been able to re-create it. I have been able to determine the following based on discussion with City Administrator Koenen and a search of relevant City files.

There are four Phases of the WSTP Project. Phases I and II are complete as of today with Phases III and IV to be completed as necessitated by future development. Current capacity of the plant is 7,000 PE or 700,000 gallons of flow per day. Phases III and IV would add an additional 700,000 gallons of flow capacity daily for 1.4 million gallons of flow or 14,000 PE at ultimate buildout of the plant.

Phase I of the WSTP Project involved purchase of the treatment plant. The City purchased the WSTP from the State during the late 1990's. The cost was \$716,000. Phase II consisted of an expansion of the WSTP which was undertaken in 1999. The expansion cost \$7,140,688 (exclusive of interest costs) which was financed by a low interest loan from the Illinois Environmental Protection Agency (IEPA). Based on a review of the minutes of the December 20, 1999 Government Operations Committee Meeting, the intent at that time was for the City to be reimbursed for the purchase and expansion of the WSTP by the WSTP Connection Fee.

Phases III and IV were expected to cost \$2,993,000 and \$1,080,000 respectively in 1999 when the estimates were prepared and the WSTP Connection Fee was calculated. Each phase was also anticipated to provide an additional 3,500 PE capacity at the plant (7,000 for both phases in total). These phases have not been undertaken at this time, although Phase III improvements are likely imminent given recent development proposals within the WSTP Service Area. Phase III and IV costs were also anticipated to be recovered by imposition of the WSTP Connection Fee against new development.

The attached summary reflects the calculation of the WSTP Connection Fee as performed in 1999. The total costs of the 4 phases of the project (\$11,929,688) are divided by the number of PE capacity provided by the ultimate buildout of the WSTP at full capacity (14,000 PE). This calculation results in a PE cost of \$852.12 to cover the construction costs of the four planned improvement phases at the WSTP. I believe that this was rounded to \$853.00 or \$8.53 per gallon of flow produced (\$853 / 100 gallons per PE).

In imposing the fees, certain assumptions are made regarding the number of PE in the various types of housing stock. A single family home assumes a PE of 3.5 in calculating the fee and a multi-family home assumes 3.0 PE for fee calculation purposes. In the case of a multi-family development, the \$853 charge per PE is multiplied by 3.0 to arrive at the Connection Fee per unit of \$2,559.00 per unit.

It is likely that the revenue generated by the WSTP Connection Fee will not be sufficient to reimburse the City for its expenses related to the WSTP for the following reasons:

- Interest and financing costs are not included in the calculation
- Anticipated construction costs for Phases III and IV have risen significantly since the original calculation of the fees in 1999 due to the following reasons:
  - Inflation in construction costs
  - New effluent standards promulgated by the IEPA.

Given these factors, it is staff's opinion that the revenue that will ultimately be generated from connection fees within the west side sewer treatment service area will not be sufficient to cover the costs of acquisition and buildout of the WSTP.

<b>WEST SIDE SPECIAL CONNECTION FEE</b>					
	<b>Project Cost</b>				<b>PE</b>
<b>Phase I</b>			<b>Phase I Available</b>		<b>3500</b>
Plant Purchase	716,000.00				
<b>Total Phase I</b>	<b>716,000.00</b>		<b>Phase II Capacity</b>		<b>3500</b>
<b>Phase II Construction</b>	7,140,688.00		<b>Phase III Capacity</b>		<b>3500</b>
<b>Phase III Construction</b>	2,993,000.00		<b>Phase IV Capacity</b>		<b>3500</b>
<b>Phase IV Construction</b>	<b>1,080,000.00</b>		<b>Availabe PE for new connection Fee</b>		<b>14000</b>
<b>TOTAL PROJECT</b>	<b><u>\$ 11,929,688.00</u></b>		<b>Connection Fee/PE unit</b>		<b><u>\$ 852.12</u></b>
<b>Calculation of Connection Fees for Building Permit:</b>					
<b>Single Family Dwelling Unit</b>		<b>3.5 PE</b>	<b>Cost per PE</b>	<b>\$ 852.12</b>	<b>\$ 2,982.42</b>
<b>Multi-Family Dwelling Unit</b>		<b>3.0 PE</b>	<b>Cost per PE</b>	<b>\$ 852.12</b>	<b>\$ 2,556.36</b>
<b>Fee Imposed per City Code:</b>					
<b>Single Family Dwelling Unit</b>		<b>3.5 PE</b>	<b>\$</b>	<b>2,985.50</b>	
<b>Multi-Family Dwelling Unit</b>		<b>3.0 PE</b>	<b>\$</b>	<b>2,559.00</b>	

## 13.12.820 – Connection fees

A. The fees for each permit allowing connection with the City sewer systems and tributary to the Fox River Wastewater Treatment Facility located

1. Residential Dwelling Units

Single and multiple family dwelling units.

Class	Description	Square Feet	Connection Fee
1	Dwelling Unit	Over 1,000	\$1,520
2	Dwelling Unit	Under 1,000	\$1,120
3	Dwelling Unit	800 Maximum	\$1,000

2. Other Uses

- a. All Users other than residential dwelling units, described above, shall pay a connection fee based upon the estimated daily maximum (i.e., peak) water usage as determined by the City Engineer. The Building Commissioner and/or City Engineer may require the applicant to provide an estimate certified to by an engineer licensed in the state of Illinois. The charge per gallon of the daily maximum (i.e., peak) water usage for calculating the connection fee is \$4.30. In no case shall the connection fee be less than the fee for a Class 1 dwelling unit.
- b. Once the actual usage begins and it is determined that the actual daily maximum (i.e., peak) water usage is larger than the estimated daily maximum (i.e., peak) water usage, there will be an additional fee for the gallons per day over the original estimated daily maximum (i.e., peak) water usage based on \$4.30 per gallon. There will be no rebates if the actual daily maximum (i.e., peak) water usage falls below the estimated daily maximum (i.e., peak) water usage.

B. The fees for each permit allowing connection with the City sewer systems and tributary to the West Side Wastewater Treatment Facility located along IL Route 38 shall be as follows:

1. Residential Dwelling Units

Single and multiple family dwelling units.

Description	Connection Fee
Single Family Detached	\$2,985.50
Single Family Attached	\$2,559.00

2. Public Land District – Correctional Facility

- a. A Public Land District – Correctional Facility shall pay a connection fee based upon fifty percent (50%) of the estimated daily wastewater discharge as determined by the City Engineer. The Building Commissioner and/or City Engineer may require the applicant to provide an estimate certified to by an engineer licensed in the state of Illinois. The charge per gallon of the daily wastewater discharge for calculating the connection fee is \$8.53.
- b. After twelve (12) months of full occupancy the balance of the connection fee shall be paid based on the actual daily wastewater discharge at the facility. The charge per gallon of the daily wastewater discharge is \$8.53.

3. Other Uses

- a. All Users other than residential dwelling units and public land district – correctional facility described above, shall pay a connection fee based upon the estimated daily maximum (i.e. peak) water usage, as determined by the City Engineer. The Building Commissioner and/or City Engineer may require the applicant to provide an estimate certified to by an engineer licensed in the state of Illinois. The charge per gallon of the daily maximum (i.e. peak) water usage for calculating the connection fee is “\$8.53. In no case shall the connection fee be less than the fee for a single-family detached dwelling unit.

- b. Once the actual usage begins and it is determined that the actual daily maximum (i.e. peak) water usage is larger than the estimated daily maximum (i.e. peak) water usage, there will be an additional fee for the gallons per day over the original estimated daily maximum (i.e. peak) water usage based on \$8.53 per gallon. There will be no rebates if the actual daily maximum (i.e. peak) water usage falls below the estimated daily maximum (i.e. peak) water usage.

[\(2008-M-23: § 1](#); [2000-M-3: § 1](#); [1998-M-117: § 1](#); [1998-M-30: § 1](#); [1997-M-65: § 1](#); [1996-M-36: § 1](#); [1995-M-18: § 1](#))

Aldr. Krieger noted that we have been establishing longer-term parking. This lease is for 3-hour parking. She thought those lots were either 12- or 24-hour parking.

Pam Colby said that this is the renewal of a lease we had for 20 years. The parking time limit specified in the lease should be the same as previously specified.

Aldr. Krieger said that they were trying to get that changed.

Aldr. Haines said that we might want to change the parking time limit. They did cover that on the parking and traffic task force.

Aldr. Penny suggested that we just amend the lease.

Larry Maholland suggested that it may make sense not to have the parking time limit specified in the lease agreement so that we can change it. This is a 10-year lease, and this might give us more flexibility.

**Motion by Aldr. Haines, seconded by Aldr. Silkaitis to amend the motion on the floor to recommend to Council approval of the Baker Community Center Parking Lot Lease Agreement with the amendment to remove the hour limitation and add language to indicate that the hour limitation on the parking lot will be specified in the City Code.**

Aldr. DeWitte asked about the deletion of the hold harmless paragraph.

Pam Colby said that this paragraph was struck from the previous lease. The lease has been reviewed by Tim O'Neil.

**Voice vote: unanimous. Motion carried.**



**6. West Gateway Sewer Connection Charge Study**

Aldr. DeWitte abstained from the discussion.

Larry Maholland said that the report from Virchow Krause, the independent consulting firm, was included in the agenda packets. They reviewed the fee requirements of the west gateway sewer plant. The fees are supposed to offset the cost of purchasing the plant.

Aldr. Martin asked if we can impose a cap to these increases.

Pam Colby responded that the fees are based on the current actual costs and projections of what the budget will be for the rest of the improvements. This is something that we are going to review every year. We did an extensive review of what the actual costs are to date and we looked at what the bids were. The engineers worked on the projections for phases 2 and 4.

**Motion by Aldr. Grathoff, seconded by Aldr. Penny, to recommend to Council approval of the West Gateway Sewer Connection fee adjustment as recommended. Voice vote: unanimous. Motion carried.**

**7. Industrial Revenue Bond Allocations - Mason Corporation and Compact Industries**  
Pam Colby said that we do not have our allocation from the State yet, but it will probably be about \$1,300,000. We have two companies that are interested. Information on both companies was included in the agenda packets. Representatives from each company requesting the funding are also present to answer questions.

Aldr. Stellato clarified that the recommendation is that we split the allocation between the two companies.

Larry Maholland said that typically we handle these on a first-come, first-served basis.

**Motion by Aldr. Stellato, seconded by Aldr. Grathoff, to recommend to Council approval of the Industrial Revenue Bond allocations to Mason Corporation and Compact Industries as presented.**

Chair. Martin invited the representatives in the audience to address the Government Operations Committee.

Tom from Compact Industries addressed the Government Operations Committee. Compact Industries has been in St. Charles for at least 10 years of the 36 years the company has been in business. Compact Industries packs dry beverage powders like cappuccino, cocoa and any other dry beverage. They have experienced tremendous growth over the last 5 years as cappuccino has become popular. They pack for a division of Sara Lee and just built a 150,000 square foot building. The IRB allocation will help with the financing.

**Voice vote: unanimous. Motion carried.**

**8. City Codebook Revision**

Larry Maholland said that these are just clean-up issues to change the titles to the current titles. There are probably more places in the code that contain incorrect titles. We found a couple places and thought they should be changed as we find them.

**Motion by Aldr. Stellato, seconded by Aldr. Silkaitis, to recommend to Council approval of the code book revisions as presented. Voice vote: unanimous. Motion carried.**

- ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
2.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE FUNDS  
TRANSFER RESOLUTION 2000-T-1 TRANSFERRING \$75,000 FROM THE  
GENERAL FUND TO THE REFUSE FUND.  
ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
3.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE THE INSURANCE  
PAYMENT AND RECOVERY REGISTER FOR NOVEMBER 1999.  
ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
4.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE BUDGET  
REVISIONS FOR NOVEMBER 1999.  
ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
5.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE AND AUTHORIZE  
MAYOR AND CITY CLERK TO EXECUTE AN ORDINANCE 2000-M-1  
AUTHORIZING EXECUTION OF A PARKING LOT LEASE AGREEMENT WITH THE  
HENRY ROCKWELL BAKER MEMORIAL COMMUNITY CENTER INC., AN  
ILLINOIS CORPORATION.  
ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
6.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE AND AUTHORIZE  
MAYOR AND CITY CLERK TO EXECUTE A RESOLUTION 2000-1  
REALLOCATING ALL OF THE CITY OF ST. CHARLES, ILLINOIS, PRIVATE  
ACTIVITY BOND ALLOCATION TO THE ILLINOIS DEVELOPMENT FINANCE  
AUTHORITY.  
ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
7.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE AND AUTHORIZE  
MAYOR AND CITY CLERK TO EXECUTE AN ORDINANCE 2000-M-2 AMENDING  
THE ST. CHARLES MUNICIPAL CODE.  
ROLL CALL VOTE      Aye: Stellato, Silkaitis, Lemke, Penny, DeWitte, Nippert, Martin,  
Krieger, Haines, Grathoff  
Nay: 0    Absent: 0    MOTION CARRIED (Omnibus Vote)
8.    MOTION BY MARTIN, SECONDED BY KRIEGER, TO APPROVE AND AUTHORIZE  
MAYOR AND CITY CLERK TO EXECUTE AN ORDINANCE 2000-M-3 AMENDING  
CHAPTER 13.12, "SEWERS," OF THE ST. CHARLES MUNICIPAL CODE.

