

AUTHORIZING THE MAYOR OF THE CITY OF DEKALB, ILLINOIS TO SIGN AN AMENDED INTERGOVERNMENTAL AGREEMENT WITH THE DEKALB SANITARY DISTRICT FOR THE ISSUANCE OF PERMITS, INSPECTIONS, BILLING AND COLLECTION OF MONIES.

WHEREAS, the City of DeKalb entered into an agreement with the DeKalb Sanitary District on June 25, 2007 for the issuance of permits, inspections, billing and collection of monies, that ends on April 30, 2017; and,

WHEREAS, the City of DeKalb and the DeKalb Sanitary District wish to amend said agreement in a way that the water bill reflects the entire cost of billing for both water and sanitary service while the sanitary sewer rate is reduced by an amount equal to the increase in the water rates, resulting in a neutral impact on the customer; now,

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL of the City of DeKalb, Illinois, as follows:

Section 1. That the Mayor of the City of DeKalb be authorized and directed to execute an amended Intergovernmental Agreement with the DeKalb Sanitary District for the Issuance of Permits, Inspections, Billing and Collection of Monies, that ends April 30, 2017 a copy of which is attached hereto and made a part hereof as Exhibit "A".

Section 2. That the City Clerk of the City of DeKalb be authorized and directed to attest the Mayor's signature.

PASSED BY THE CITY COUNCIL of the City of DeKalb, Illinois at a regular meeting thereof held on the 27th day of June, 2011 and approved by me as Mayor on the same day. Adopted by roll call vote: 6-1. Aye: Jacobson, Teresinski, Lash, Gallagher, Baker, O' Leary. Nay: Naylor.

ATTEST:


STEVE KAPITAN, City Clerk




KRIS POVLSSEN, Mayor

**INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF DEKALB
AND DEKALB SANITARY DISTRICT FOR THE ISSUANCE OF PERMITS,
INSPECTIONS, BILLING AND COLLECTION OF MONIES**

THIS AGREEMENT is made in duplicate original and entered into this 28TH day of JUNE, 2011, by and between the City of DeKalb, an Illinois Home Rule Municipal Corporation, (hereinafter referred to as the “City”) and the DeKalb Sanitary District, an Illinois Municipal Corporation, (hereinafter referred to as the “District”).

WHEREAS, the City is a Home Rule Unit under the Illinois Constitution of 1970; and,

WHEREAS, the District is a Municipal Corporation of the State of Illinois as provided in the Sanitary District Act of 1917 (70 ILCS Sec. 2405/1, et seq.); and,

WHEREAS, the Intergovernmental Cooperation Act (5 ILCS sec. 220/1 et seq.) provides for intergovernmental contracts and cooperation in providing services and for the protection of the citizens and general public between the City and the District; and,

WHEREAS, the City and the District desire to cooperate in providing for the issuance of permits, inspections, billing and collection of monies; and,

WHEREAS, the parties agree that the agreements made herein are in the best interest of all of the users of both the District’s sanitary sewer facilities and the City’s water facilities, and the implementation of this Agreement will not result in an increase in fees to the ultimate users of the parties’ systems.

NOW, THEREFORE, based upon the mutual promises and covenants set forth below, the City and the District hereby agree as follows:

1. **Incorporation of Recitals.** The above recitals are hereby incorporated into this Agreement as if fully set forth in this paragraph 1.

2. **Term of Agreement.** The term of this Agreement shall commence on August 1, 2011 and end on July 31, 2021.

3. **City's Obligations.** The City agrees to do the following:

(a) Issue all sewer permits for the District in accordance with Section 4A of the District's Ordinance #259 and any amendments to Section 4A which have been or may be passed by the District;

(b) Collect permit fees as set forth in Section 4B.3. of District Ordinance #259 and any amendments to Section 4B.3. which have been or may be passed by the District, which the City shall retain as payment for issuing the permits and performing the necessary inspections;

(c) Inspect all sewer connections to the District System for compliance with the requirements as outlined in Section 4L of District Ordinance #259 and any amendments to Section 4L which have been or may be passed by the District, which such inspections shall be performed within forty-eight (48) hours after notice from the contractor;

(d) Supply the District with a monthly list of sewer taps to its system, to include Schedule B sanitary lateral repairs or replacements as well as new connections from existing

structures, i.e. connecting a building to sanitary after disconnecting from septic tanks or storm sewers;

(e) Bill all users of the District System at rates as set forth in Section 6D of District Ordinance #259 and any amendments to Section 6D which have been or may be passed by the District from time to time;

(f) Collect all monies from the users of the District System in accordance with Section 7A of District Ordinance #259 and any amendments to Section 7A which have been or may be passed by the District from time to time;

(g) Collect from users a “surcharge” in accordance with District Ordinance #291 and any amendments thereto which have been or may be passed by the District from time to time when such users fail to correct defects or make repairs or corrections as are necessary to comply with District Ordinance #259;

(h) Issue a check or otherwise remit to the District all monies collected for sewer use with the District by the Friday preceding the third Wednesday of each month for the fees and other charges collected in the previous month;

(i) Upon receipt of collection of overdue payments from any top ten water accounts, within ten (10) business days of the date of receipt, the City will forward to the District their proportionate share of said late payment;

(j) Provide written accountings not less frequently than monthly to the District of all delinquent accounts and the amounts thereof;

(k) Apply partial payments on a prorated basis to sewer and water after payment of the refuse fee;

(l) Confirm that District has signed-off on the City's building permit application verifying that the applicant has paid a connection fee to the District prior to the City's issuance of a building permit for improvements that would be tributary to District facilities.

4. **District's Obligations.** The parties agree and acknowledge that the City has provided the above services in the past, and the District has paid the City for these services such that on the effective date of this Agreement, the City will be fully paid by the District for all past services that it has provided. Going forward, in consideration of the above services to be provided by the City, the District shall do the following:

(a) **Reduction of Rates.** Reduce the rates that it charges to its users by an amount which is reasonably calculated to be equal to what the parties agree is the current value of said services with the understanding that the City will simultaneously increase the rates it charges for water service to its users by an amount which, again, is reasonably calculated to be equal to what the parties agree is the current value of the services being provided by the City to the District. On the date of this Agreement, the parties agree that the reasonable value of said services is **\$205,690.00**. The District anticipates that it will lower its fees by 14 Cents (\$0.14) per 100 cubic feet of water it treats and when the current usage is taken into account, this amount will equal a savings to the District users which will be equal to the above amount. The City agrees that it will similarly calculate its water fees going forward to increase the amount it collects from its users by that same amount; and

(b) **Ordinances.** Provide to the City's Finance Division copies of any Ordinance which the District passes that relates to any of the provisions of this Agreement within ten (10) days of its passage.

5. **Extension at End of Term.** At least ninety (90) days prior to the end of the term of this Agreement, the parties shall begin to negotiate in good faith the rates, fees, inspection process, and other matters relating to development construction and permits for a renewed Agreement.

6. **Either Party May Terminate.** Notwithstanding anything in this Agreement to the contrary, the parties agree that at any time during the term of this Agreement (or any extensions of this Agreement) either party may, upon not less than one hundred eighty (180) days notice to the other, terminate this Agreement in which event the District will undertake to perform the services provided by the City in an alternative manner, and the financial concessions of the District hereinabove referred to in exchange for these services will end.

7. **District's Indemnification.** The District agrees to indemnify and hold harmless the City, its officers, agents and employees, from and against any and all loss, costs, claims or damages of any kind whatsoever, including attorneys' fees claimed by any third parties, arising out of or in any manner associated with the District's performance or lack of performance of this Agreement.


8. **City's Indemnification.** Except as provided above, the City agrees to indemnify and hold harmless the District, its officers, agents and employees, from and against any and all loss, costs, claims or damages of any kind whatsoever, including attorneys' fees claimed by any third parties, arising out of or in any manner associated with the City's performance or lack of performance of this Agreement.

9. **Future Press Releases.** The parties understand and agree that, from time to time, it may be necessary to release information about this Agreement to the press and in doing so, the parties agree they will notify each other and consult with each other to make sure that there are no misunderstandings created by either party and that the public is fully informed of the ultimate impact of this Agreement which the parties believe is, effectively, neutral and will not result in an increase (or decrease) in the fees paid by the users of the parties' systems.

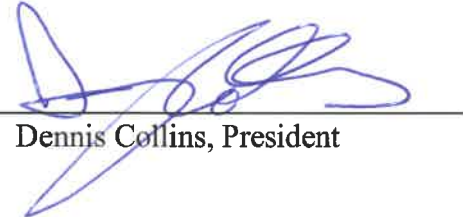
10. **Entire Agreement.** This Agreement represents the entire agreement between the parties and supersedes all prior agreements.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement by their duly authorized officers as of the day first set forth above.

CITY OF DEKALB

BY: 
Kris Povlsen, Mayor


DEKALB SANITARY DISTRICT

BY: 
Dennis Collins, President

ATTEST:


Steve Kapitan, City Clerk

ATTEST:


Carol Zar, District Clerk



BOARD OF TRUSTEES

DENNIS J. COLLINS
PRESIDENT

TIMOTHY A. STRUTHERS

VICE PRESIDENT

CAROL B. ZAR
CLERK

DEKALB SANITARY DISTRICT

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OFFICERS

MARK EDDINGTON, P.E.
MANAGER

JANICE TRIPP
ASST. MGR. ADMINISTRATION

STEVE OLSEN
OPERATIONS MANAGER

KEITH FOSTER
ATTORNEY

May 25, 2011

Mark Biernacki, City Manager
City of DeKalb
200 South Fourth Street
Room 210
DeKalb, Illinois 60115

Re: DeKalb Sanitary District/City of DeKalb Utility Billing Agreement

Dear Mr. Biernacki:

On behalf of the DeKalb Sanitary District (District), please accept this letter of support for the proposed Intergovernmental Agreement (IGA) as outlined by Bryan Faivre in the memo (Memo) dated May 24, 2011. We believe the utility billing concept delineated in the Memo represents the fruit of over a year of meetings and correspondence between the District and the City relating to this matter. From the outset of this discussion, the District has sought to achieve three fundamental goals; provide utility billing in an economical manner, reduce the administrative man-hours required to manage the utility billing IGA, and to improve the relationship between our units of government. We feel the concept as presented accomplishes all three goals and is unanimously supported by our Board of Trustees.

Certainly, we feel it is important to add some additional background on this matter from the District's perspective in order to provide historical context as to why this updated IGA is such an important matter. The District was required to switch from a user tax to a user fee based system as a condition of accepting federal grant money to rehabilitate and expand our wastewater treatment plant in the late 1970's. In 1985, the City and the District entered into an IGA that paid the City \$2,500/month with annual increases tied to the Consumer Price Index (CPI). In 2007, the City approached the District and requested additional monies due to cost increases involved in performing utility billing. Costs had escalated as the City grew and become more sophisticated. At that point, our current IGA was created and it phased in increased payments from the District to the City for the billing service. Currently, the District's annual budget includes a line item for utility billing in the amount of \$205,700 or \$17,158/month. As the Memo stated, the City has projected the District's share of the utility billing cost to increase to \$243,800 for FY 2011/12. This would cause the District to charge our customers \$5.55 per bill for the sewer portion alone. To lend additional perspective, the District's utility billing payments last year (\$235,790) were comparable to over 25% of our annual payroll. The increases in cost have been significant and our investment in staff's man-hours required to administer the current IGA are increasing each year. To make matters worse, this agreement has taken its toll on the good relationship that our two units of government have worked extremely hard to foster. We have concluded that current billing IGA has become financially unsustainable.

It is noteworthy to mention that there were occasions in FY-2009/10 and FY-2010/11 when the annual utility billing costs eclipsed the \$205,700 that was budgeted by the District. These additional costs have been funded out of our reserves and have not been passed through to our customers as part of our user rate, which is currently \$2.80/unit. As stated in the Memo, the District has committed to reduce our user

rate by \$0.14/unit (\$2.66/unit) which would correspond to the removal of \$205,700 from our annual budget. A distinguishing factor that cannot be overstated is that, regardless of what one may feel the value is of the billing service provided, the District can only reduce our user rate by what is presently passed through to the customer. We feel that the proposed approach will clarify utility billing for both entities and it will enable the City to increase or decrease rates as it sees fit without having to negotiate how cost expenditures or savings get split.

The District and the City have been meeting diligently over the past year in an effort to reach a sensible resolution to our utility billing issue. Our common goal was to create an agreement that is easy to administer, accommodates our collective needs as our common customer base changes, does not result in duplicitous service, and is "cost neutral" to our customers. Over the past year, we estimate that the District has invested over 150 administrative man-hours towards this effort. We certainly recognize that the City has also invested a significant amount of man-hours in this endeavor and are greatly appreciative. I believe that our working relationship with the City has been significantly strengthened by this process. It is time for both of our entities to put words into action on this matter and begin to commit our valuable time and resources to other public challenges. Throughout this process the District and City have been united by the fact that our common customers will be the beneficiaries of this sensible resolution.

Please feel free to contact me with any questions you may have relating to this matter.

Sincerely,

DeKalb Sanitary District



Mark Eddington, P.E.
District Manager

cc: Dr. Dennis Collins, President – DeKalb Sanitary District
Bryan Faivre, Assistant Director of Public Works – Water Resources – City of DeKalb
Keith Foster, Foster and Buick Law Group, LLC
File

PW Memo #009-11

DATE: May 24, 2011

TO: Mayor
City Council

FROM: Mark Biernacki, City Manager
T.J. Moore, Director of Public Works

BY: Bryan Faivre, ADPW Water Division

SUBJECT: Intergovernmental Agreement between the City of DeKalb and
DeKalb Sanitary District for the Issuance of Permits, Inspections,
Billing and Collection of Monies

STRATEGIC GOAL: Enhance Intergovernmental Agreements and Cooperation.
Ensure a Financially Stable City Government
Adequately cover the cost for services.

I. Summary:

Since 1985, the DeKalb Sanitary District has worked under an intergovernmental agreement with the City of DeKalb for the Issuance of Permits, Inspections, Utility Billing and Collection of Monies on behalf of the Sanitary District. Over the years, the agreement has at times been modified and updated. The current agreement between the City and the Sanitary District was signed on June 19, 2007 and is effective until April 30, 2017.

Under the terms of the current agreement, the fee paid to the City by Sanitary District is \$235,790. The agreement also calls for yearly increases as defined within the agreement. In addition, either party may terminate the agreement by giving at least one hundred and eighty (180) days notice to the other party.

The DeKalb Sanitary District has voiced concerns with the current intergovernmental agreement and has requested that the City and Sanitary District work on modifying the terms of the agreement. At this request, the City Manager directed staff to open discussions with the Sanitary District to address these concerns.

II. Background:

Under the terms of the current intergovernmental agreement, the Sanitary District pays the City of DeKalb a sum of \$235,790 per year, with yearly increases as defined by the agreement, to help cover the City's costs associated with the issuance of permits, inspections, utility billing and collection of monies on behalf of the Sanitary District. Based on the current agreement, the payment history is as follows:

FY2008	\$162,844
FY2009	\$205,698
FY2010	\$213,926
FY2011	\$235,790
FY2012	\$243,800

The money that is provided by the Sanitary District to the City as part of this agreement is directed into the Water Fund and is used to help offset costs associated with Utility Billing.

The costs associated with Utility Billing Services can be substantial when all aspects are taken into account. These include labor costs associated with meter reading and meter related service calls, postage and paper expenses, fuel costs, meter replacement costs, software and hardware upgrades and future capital costs for metering equipment upgrades. The District believes that the current amount being paid to the City for performing these services has become excessive. In addition, the Sanitary District feels the way the payments are calculated in the current agreement is not the ideal method in which to base an appropriate cost of providing said services.

The main problems identified with the current contract include:

- The fee is based on a formula that takes only into account personnel costs and does not factor in expenses such as water meters, fuel costs, and equipment upgrades. In addition, the formula used to calculate labor costs is complicated and difficult to interpret due to the number of personnel administering billing services.
- The fee is subject to yearly increases, but what those increases may be are not properly defined in the agreement. This causes problems for both the Sanitary District and the Water Division when it comes to planning and budgeting revenues and expenditures.
- The Sanitary District pays a considerable sum of money towards Utility Billing with little to no input on decisions.
- The agreement is rigid and does not adjust with changes that affect the cost of Utility Billing. (i.e.: increases or decreases in the number of billed accounts, personnel, meter costs, fuel costs etc.)

Over the past six months, Mr. Eddington and City staff held meetings to discuss terms of a new agreement. Our main goals were to simplify the agreement and develop a better

partnership between the City and Sanitary District. In addition, since our two entities share a common customer, we wanted to enter into an agreement that would avoid any duplicitous efforts.

One of the main issues and difficulties that we experienced in negotiating the terms of a new agreement was determining *how* to calculate an appropriate fee for providing Utility Services. Many aspects go into Utility Billing that can cause the fee to become, in some respects, a moving target. Some of the issues that we discussed as part of a new intergovernmental agreement included:

- How to share the capital costs related to Utility Billing (water meters, software and hardware upgrades, meter reading equipment purchases and future capital costs associated with a potential fixed based meter reading system)
- How to adjust the fee when factors affecting the costs of Utility Billing change. (Increases in number of accounts, increases or decreases in personnel or personnel expenses, increases in postage, paper, fuel and meter costs, etc.)
- Who makes the decisions affecting Utility Billing? If the City and Sanitary District equally share in the cost of Utility Services, should both governing bodies then equally share in all decisions relating to Utility Billing? (type of water meters and when to replace, software and hardware purchases and upgrades, type of meter reading system, billing cycles etc.)

By trying to create a new intergovernmental agreement based on the above mentioned criteria, it quickly became clear to both parties that this approach was only going to complicate the agreement.

With this in mind, a new approach was developed that would greatly simplify the current intergovernmental agreement between the City and Sanitary District and eliminate many of the problems that had plagued previous agreements. Under the proposed intergovernmental agreement, the City would provide Utility Billing Services to the Sanitary District at no cost to the District, with the City's Water Fund bearing the entire costs associated with Utility Billing Services. This will cause a significant negative impact on the City's Water Fund revenues by reducing yearly revenues by \$235,790. To help offset some of this impact, staff has asked the Sanitary District if they would be willing, in exchange for providing the services at no cost, to lower their sanitary rate. This would allow room for Council to adjust water rates upwards should they wish to reduce some of the impact of this loss.

To better understand how such an agreement may work, staff has assembled for Council's consideration the following scenario to be used as a possible basis in forming a new intergovernmental agreement between the City and the DeKalb Sanitary District. In the following scenario, the Sanitary District would no longer pay the City for providing Utility Billing Services, currently set at \$235,790 per year. In exchange, they would agree to lower the current sanitary rate by fourteen cents (\$0.14) per unit, which would amount to a decrease of approximately \$205,700 per year in sanitary sales revenue. This would allow Council the option to adjust water rates upwards an equal

amount (\$0.14) and produce revenues of \$205,700 to support Utility Billing Services. The amount of \$205,700 was mutually agreed upon by both parties as the current value of providing said services. This scenario would result in a Utility Bill that remains cost neutral to our customers. It should be noted that using this scenario will result in a decrease of \$30,090 in Water Fund revenues when compared to the current intergovernmental agreement with the Sanitary District.

The following table is to help illustrate how the proposed changes would affect a customer's utility bill:

**Water Rate increase of \$0.14
Sanitary Rate decrease of \$0.14**

	2011 Current Utility Rates			Water Rate increase of \$0.14 Sanitary Rate decrease of \$0.14 2011 Proposed Utility Rates		
	<i>Water</i>	<i>Sewer</i>	<i>Combined</i>	<i>Water</i>	<i>Sewer</i>	<i>Combined</i>
Rate Per Unit (1 unit = 748 gallons)	\$2.88	\$2.80	\$5.68	\$3.02	\$2.66	\$5.68
Cost per typical home per year (96 units) + monthly service fee	\$336.48	\$298.80	\$635.28	\$349.92	\$285.36	\$635.28
Proposed Rate Adjustment per Unit (1 unit = 748 gallons)				+\$0.14	-\$0.14	\$0.00
Expected Revenue Increase/Decrease based on Rate Adjustment				\$205,700	(\$205,700)	
Current Intergovernmental Agreement				\$235,790	(\$235,790)	
Expected Net Gain/Loss of New Intergovernmental Agreement compared to current Agreement				(\$30,090)	\$30,090	

City staff and the Sanitary District fully support the proposed changes to the agreement as a way to build a stronger working relationship between our two governing bodies and as the most efficient means of providing Utility Billing Services to our customers.

III. Community Group/Interested Parties Contacted:

The terms of the new Intergovernmental Agreement have been discussed with the DeKalb Sanitary District with their full support.

IV. Legal Impact:

The City's legal representative has reviewed the draft agreement and has approved it as to form.

V. Financial Impact:

This proposal would be cost neutral to residents, but the Water Fund revenues will decrease by \$30,090 when compared to the current intergovernmental agreement with the Sanitary District.

VI. Alternatives:

1. Council may reject negotiating terms of the new Intergovernmental Agreement with the DeKalb Sanitary District and continue to operate under the current agreement.
2. Council may accept the proposed changes as a basis for a new Intergovernmental Agreement between the City and Sanitary District for utility billing services.
3. Council may direct staff to negotiate different terms of new Intergovernmental Agreement with the DeKalb Sanitary District.

VII. Recommendation:

Staff recommends approval of the proposed changes as a basis for a new Intergovernmental Agreement between the City and Sanitary District for utility billing services. The agreement will result in a sanitary rate decrease of \$0.14 and a water rate increase of \$0.14. The net effect on a customer's Utility Bill will be zero.

Respectfully submitted for City Council consideration,

Reviewed By:

Approved By:

Rudy Espiritu
Assistant City Manager

Mark Biernacki
City Manager