

M E M O R A N D U M

TO: Chief Administrative Officer

FROM: City Comptroller

RE: Agreement With the Sanitary District

DATE: November 14, 2005

BRIEF DESCRIPTION OF ITEM: If approved, the attached agreement with the Urbana-Champaign Sanitary District and revision to the City's current sewer use charges will allow the Sanitary District to bill and collect the Urbana Sewer Use Tax, starting with calendar year 2006.

BACKGROUND INFORMATION: In 1981, the City began imposing a City Sewer Use Tax. This year, a household of 4 people paid an average annual amount of \$45. Proceeds of this tax are restricted to maintenance and construction of sanitary and related storm sewers through the Sanitary Sewer Construction Fund. Last year, this tax collected \$798,000.

Since inception, the bills have been mailed out by City Staff. For reasons beneficial to both City Staff and to taxpayers, we believe that it would be better if the Sanitary District would collect the Urbana Sewer Use Tax as part of District's regular sewer billing system. Last year, the City of Champaign had their sewer use bills (which is very similar to Urbana's sewer use tax) collected by the Sanitary District.

The major benefit to the City in having the Sanitary District mail out and collect the bills is that it will eliminate staff time both the Finance and Legal offices in processing and collecting the bills. The Sanitary District will charge a fee of 1.5% (\$12,000), which is very similar to our current costs (City spends \$6,000 in out of pocket costs plus an estimated \$5,500 in staff time, a total of \$11,500).

This change will make it simpler for taxpayers in that they will receive one bill for sewer use charges. Despite great efforts by city staff, many people are confused by the dual billing system and fail to pay Urbana, thinking that the tax was paid when they paid the Sanitary District. Then they often incur additional late fees.

In order for the Sanitary District to bill the City sewer use tax, the City must change the method used to calculate our sewer use tax to match the method used by the Sanitary District. The main changes are:

- (1) Sanitary District system will bill out and collect every 2 months (6 times year) for residential and monthly for commercial (with option of paying all at once). The City currently bills one annual bill with option of paying in 2 equal installments. 75% of bills are paid in the single amount. First bills from the Sanitary District will be sent out in February. First bills from the City normally are sent out in June.
- (2) The City currently calculates the annual amount only on a winter water reading (in order to not charge persons for water not returned through sanitary sewer system, such as lawn watering, etc). The Sanitary District uses meter readings throughout the year and applies an adjustment factor that takes into account summer usage. This probably will result in the City collecting a little more from persons that leave the Urbana during the winter months and have no water usage during that time. I believe the Sanitary District system is a fairer method for all the taxpayers.
- (3) The City will adopt the standard collection procedures used by the Sanitary District. Currently, the City must file a court lien on the property. These liens remain attached to the property until the homeowners desires to sell the property or unless the City sues the homeowners in Court. In either circumstance, filing liens are extremely burdensome to the city staff, the legal system, and difficult and costly to the taxpayers. I believe the Sanitary District collection methods are better for both the City and taxpayers.

The City and the District can terminate this agreement by providing 90 day notice. In that case, the agreement would terminate with the following calendar year's billing.

The attached two ordinances will suspend the current collection formula and procedures and replace them with the Sanitary District's. The reason we believe suspending the existing sewer tax section rather than repealing it is to be in a position to instantly and easily revert to the existing sewer tax should the need arise.

RECOMMENDATION: Approval of the attached Agreement With the Urbana and Champaign Sanitary District (Sewer Billing Services) and the attached Ordinance Amending Chapter 24-16 of the Code of Ordinances of the City of Urbana (Sewer Use Charges).

ORDINANCE 2005-11-168

AN ORDINANCE APPROVING AN AGREEMENT WITH THE URBANA AND
CHAMPAIGN SANITARY DISTRICT

(SEWER BILLING CHARGES)

WHEREAS, the City of Urbana (City) and the Urbana and Champaign Sanitary District (District) desire to enter into an agreement which provides that the District will bill and collect the City's sewer use charges;

WHEREAS, the City and the District agree that the provision of sewer billing services by the District to the City is in the best interests of the parties and customers;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the attached Intergovernmental Agreement for Sanitary Sewer Billing Services, in the form of the agreement attached hereto and hereby incorporated by reference, be and the same is hereby authorized and approved.

Section 2. That the Chief Administrative Officer of the City of Urbana, Illinois, be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois, be and the same is authorized to attest to said execution of said Agreement as so authorized and approved for and on behalf of the City of Urbana, Illinois.

PASSED by the City Council this ____ day of _____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____.

Laurel L. Prussing, Mayor

**INTERGOVERNMENTAL AGREEMENT
FOR SANITARY SEWER BILLING SERVICES**

URBANA AND CHAMPAIGN SANITARY DISTRICT/CITY OF URBANA

THIS AGREEMENT is made this ____ day of _____, 2005, by and between the **URBANA AND CHAMPAIGN SANITARY DISTRICT**, a municipal corporation (hereinafter to as "**District**") and the **CITY OF URBANA**, a municipal corporation (hereinafter referred to as "**City**").

WHEREAS, the City has established a sewer use tax for use of the City's sanitary sewer system in accordance with Section 24-17 of the Urbana Municipal Code (hereinafter "Sewer Use Charge Ordinance").

WHEREAS, the City and District agree that provision of sewer billing services by the District to the City is in the best interests of the parties and the parties' customers.

NOW, THEREFORE, IT IS AGREED BY AND BETWEEN THE PARTIES as follows:

1. Billing Services, Billing Rate, and Calculation of Charges
 - A. Charges for services provided during 2006 and thereafter.
 1. The District shall include charges for the City's Sewer Use Tax") in bills for the District's services beginning with the District's first annual billing cycle in 2006. The City's sewer use tax will be added as a separate line item on the District's sewer bill. It will be identified on the bill as the "sewer use tax".
 2. The City shall establish one billing formula for each entire calendar year. The District shall calculate bills using the formula established by the City. The City's Comptroller will notify the District of any change to the City's billing formula not later than January 15 of the applicable calendar year. The District will implement any change in the City's formula with the first billing of the District's annual payment cycle during that same year.

3. The District shall accurately calculate and use its best efforts to collect the City's sewer use tax. The District's calculation methods shall include the following:
 - a. The District will calculate the City's charges based upon the rate provided to the District by the City as applied to the billable flow for each parcel billed by the District.
 - b. While this Agreement is in effect, the District will place a one-time ten per cent (10%) fee on the unpaid balances thirty (30) days overdue in lieu of any interest charged on overdue balances, and any late charges provided for in the Ordinance.
 - c. When the District's bills its customers an annual estimate, the bill will include an annual estimate of the City's sewer use tax. The District will base its annual estimate of the City's sewer use tax on the same formula used by the District to calculate its annual fee, using the City's formula.
 - d. City sewer use taxes billed by the District that become delinquent will be collected in accordance with the District's standard procedures that it utilizes for collecting its own delinquent accounts. The District will communicate material changes to these procedures to the City prior to implementation.

Response to Customer Questions: The District will make good faith efforts to respond to questions from customers concerning the City's charges, including past-due amounts. The District will direct customers who request additional information to the City at a phone number provided to the District by the City.

- D. Processing Payments. The District will process all payments of the City's sewer tax as it processes payments of District charges. The District will distribute all receipts actually collected to the City each month via wire transfer or ACH before the end of the fifth business day of the following month. The District shall not pay to the City interest earned on funds held on behalf of the City during the month in which it is collected. If the District does not pay such funds within the time and manner provided, it shall pay to the City interest at the rate of 6% per annum, compounded monthly.

II. Responsibilities of City Prior to Initiation of District Billing

- A. Prior to December 20, 2005, the City will notify all owners of property in the City whom the City billed for sanitary services in 2005 that future billings for the City's sewer use tax will be billed by the District with the District's regular sewer charges.

III. Fees for Services Provided by the District.

- A. Annual Fees. The City shall pay to the District 1.5% of billed revenues for services rendered during 2006. The City shall pay 1/12 of the annual fee each month. Fees for subsequent years shall be set by mutual written agreement between the Executive Director of the Urbana and Champaign Sanitary District and the Chief Administrative Officer of the City of Urbana.

IV. District Information Sharing Responsibilities.

- A. No later than the end of each month, the District shall provide the following information to the City regarding billing information for the City's sewer use tax:
1. The amount billed, paid, outstanding, and the amount that the District deems uncollectible by reason of bankruptcy or similar reason. Those City sewer taxes that the District deems uncollectible shall receive no further attention by the District. The District will identify such accounts by address and Permanent Parcel Index Number.
 2. All reports that the District produces with respect to billing and collection for the District's fees.
- B. Within thirty (30) calendar days after the end of each calendar year, the District shall provide the following information to the City regarding billings of the City's sewer use tax during the prior calendar year: the amount billed, paid, outstanding, and uncollectible.
- C. Within 14 calendar days of the City's request, but no sooner than November 1, 2006, the District shall provide to the City an estimate of revenues from the City's sewer use tax due for each of the following five years, given fee rates provided by the City.

V. Amendment and Termination.

- A. This Agreement may be amended by written agreement of both parties.
- B. This Agreement may be terminated by either party for any reason by notifying the other party in writing at least 90 days in advance. The Agreement shall terminate on the 31st day of December in the year of termination.
- C. In the event that this Agreement is terminated for any reason, within thirty (30) calendar days following the date of termination, the District shall provide to the City the following information for each property subject to the City's sewer use tax, in an industry-standard format using industry-standard electronic media:
1. Parcel tax identification number assigned by Champaign County
 2. Premise number assigned by IAWC
 2. Property address

3. Billing address
4. Property owner name
5. Billing and payment history, including the following for each billing period:
 - a. Water reading
 - b. Billed sewer units (daily base or actual water use, as applicable)
 - c. Dollar amount billed for wastewater usage
 - d. Dollar amount billed for penalties
 - e. Amount paid
 - f. Amount of payment applied to billed units
 - g. Amount of payment applied to penalties
 - h. Amount outstanding

Within thirty (30) calendar days of termination, the District shall also provide to the City the following information for each property that is not subject to the City's sewer use tax, in an industry-standard format using industry-standard electronic media:

1. Parcel tax identification number assigned by Champaign County
2. Premise number assigned by IAWC
3. Property address
4. Billing address
5. Property owner name

The District shall also provide the above data to the City upon the City's request prior to termination of this Agreement, and provide other information that the City might reasonably request, so that the City may test conversion of the data to the City's billing system.

VI. Notices

Any notices required or made pursuant to this Agreement shall be delivered personally or sent by first class mail as follows:

To the District

Executive Director
 Urbana-Champaign Sanitary District
 1100 East University, P. O. Box 669
 Urbana, IL 61801

To the City

Chief Administrative Officer
 City of Urbana
 102 North Neil Street
 Urbana, IL 61801

IN WITNESS WHEREOF, the parties hereto have set their hand and seal the day and year first written above.

URBANA & CHAMPAIGN
SANITARY DISTRICT

CITY OF URBANA

By: _____
Its President

By: _____
Chief Administrative Officer

ATTEST:

By: _____
Its Clerk

By: _____
City Clerk

SEAL:

SEAL:

APPROVED AS TO FORM:

_____ City Attorney

ORDINANCE NO. 2005-

AN ORDINANCE AMENDING CHAPTER 14, SECTION 14-7
"SCHEDULE OF FEES"

(Sewer Use Charges)

WHEREAS, the Sewer Use Charges authorized herein change old fees, and thus the procedures set forth in 14-7(b) (limited amendments) applies.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the following charge pertaining to Sewer Use Charges is revised as follows at (C)(1):

"Sewer Use Charge. The sewer use charge shall be determined by multiplying the billable unit as determined by the Urbana-Champaign Sanitary District X \$0.569479".

PASSED by the City Council this _____ day of _____, 2005.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, 2005.

Laurel Lunt Prussing, Mayor