

FINANCE AND ADMINISTRATION

MINUTES

August 5, 2004

Minutes of a regular meeting of the Finance and Administration Committee (or Board) of the City of O'Fallon, held in the Mayor's Conference Room, City Hall, 255 S. Lincoln, O'Fallon, Illinois on August 5, 2004. CALL TO ORDER: Time: 5:30 p.m.

ROLL CALL: MEMBERS Medford - X Reckamp - X
West - X Drolet - X

STAFF LIAISON: Dean Rich

Approval of the minutes from July 8, 2004

Item 1. Special Service Area Update. SSA 1 & 2 Greenmount passed first reading and needs legal description and estimated cost before the second reading on August 16, 2004. SSA 3 (Newbold) passed second reading and is scheduled for a public hearing on September 7, 2004.

Item 2. Convention Center. Mr. Schantz is still very interested in building the center. The latest is that he is working with the State Treasurer to get a low interest economic development loan. This is a private banking transaction that does not require any action from the City.

Item 3. Annual Water Rate Adjustment. In the 40 year water agreement the City signed with Illinois American Water, the City agreed to an annual rate increase based on the Bureau of Labor Standards (BLS) consumer price index for water and sewer maintenance nationwide. In 90 years, the Illinois Commerce Commission (ICC) had never turned down a rate increase request. Over the past 10 years, this annual rate increase averaged 5.9%, and the BLS rate was 3.6% for a like period. This year, the BLS rate was 6.8%, the highest rate of increase since the index started. The reason for this one time jump was increased security cost from Homeland Security. Nationwide Water Utilities installed security fences, camera and alarm systems and the various state regulatory bodies approved passing the cost to the customer. At this time, ILAW, ICC, BLS and others believe this to be a one time bump, and the rate should settle back to the 2%-3% annual rate of increase. With this basically 7% increase, we still remain the cheapest water in the area. IAWC's average annual rate is 5.9%, and they have asked for an additional up to 5% infrastructure surcharge which would make this rate 10.9% versus our 7%. One of the reasons we chose the BLS rate was that it closely matched the annual cost of living raise our retirees and senior citizens received. Even though this is more than twice their annual rate, this year it is only a 33-cent per month increase. Minimum rate should settle back closer to their annual increase after this Homeland Security bump.

In addition to the price increase, staff recommended that the regulation be changed to eliminate the special tap fee for motels. The Holiday Inn Express selected a Shiloh site versus an O'Fallon site because of the approximately \$40,000 tap fee in O'Fallon, the City also lost the approximately, \$30,000 annual hotel/motel tax. It is not economically sound to charge a special tap fee when it can cause us to lose an annual hotel/motel tax worth many times its value.

MOTION: Amend Chapter 52 of the City Code of ordinance with regard to a water rate increase as provided (approximately, 7%) and delete 52.022 (D) regarding the hotel/motel tap fee. Motion made by Ald. Medford. Seconded by Ald. Drolet. All ayes.

ADJOURNMENT: 6:12 p.m. PREPARED BY: Dean Rich
(time)