



CITY COUNCIL AGENDA ITEMS

To: Mayor/City Council

From: Dean Rich, Director of Finance
Walter Denton, City Administrator

Date: August 12, 2004

Subject: Ordinance with regard to a water rate increase

List of committees that have reviewed: Finance and Administration

Background: The 40 year agreement with Illinois American Water calls for an annual rate increase based on the U.S. Department of Labor, Bureau of Labor Statistics Data, Consumer Price Index, U.S. City Average, Water and Sewerage Maintenance, May Index. Due to one-time expenses imposed by Homeland Security the rate for this year is 6.85%. All involved expect the rate to return to the 2%-3% range next year. This will increase the minimum by 22 cents per 1,000 gallon or 66 cents a month for our basic customers. And the average water bill will increase in the \$1.00 to \$1.50 range per month. With this increase, we remain the lowest rate in the Metro-east area, and the increase in the other parts of the metro-east will be approximately 11%.

The hotel/motel tap fee per room provision of the ordinance is deleted. This tap fee was added several years ago but never used, and first came up with the Holiday Inn Express which is now in Shiloh. The owners of the franchise chose to go to Shiloh which did not have this fee, and we lost not only the \$35,000 tap fee but also an additional \$350,000 over the next 10 years in Hotel/Motel Tax. Candlewood Inn also had a choice of a O'Fallon lot or one close to the Holiday Inn in Shiloh, and again, the choice came down to the tap fee. Candlewood will pay the same tap fee of any other business, just not the extra per room amount imposed by the original ordinance provision.

Legal Considerations, if any: None

Budget Impact: This rate increase will cover the increase in the price of wholesale water and should not affect the budget (revenue will increase to cover expense).

Staff recommendation: Staff recommends this annual rate increase per the ICC approved agreement and deletion of the hotel/motel per room tap fee.