

CITY OF WEST CHICAGO

WHERE HISTORY & PROGRESS MEET

FINANCE COMMITTEE

Thursday, August 4, 2016¹
6:00 P.M. – Committee Room A

AGENDA

1. Call to Order, Roll Call, and Establishment of a Quorum
2. Approval of Minutes
 - A. Finance Committee of March 24, 2016
3. Public Participation / Presentations
 - A. 2015 Audit
4. Items for Consent
5. Items for Discussion
 - A. Intergovernmental Agreement for the Wastewater Treatment Plant
 - B. Tree Removal on Vacant Properties²
6. Unfinished Business
7. New Business
8. Reports from Staff
9. Executive Session (if needed)
10. Adjournment

¹ Rescheduled from August 25, 2016

² Item to be presented at the meeting

Draft

MINUTES

FINANCE COMMITTEE

March 24, 2016 6:00 P.M.

1. Call to Order, Roll Call, and Establishment of a Quorum.

The meeting was called to order at 6:00 P.M. Roll call found Aldermen Dimas, Meissner, Sheahan, Stout and Grodoski present. Aldermen Kabinski and Chassee were absent.

Staff in attendance: City Administrator Michael Guttman, Administrative Services Department Director Linda Martin, and Assistant Administrative Services Department Director, Nikki Giles.

2. Approval of Minutes.

A. Finance Committee December 10, 2015.

Alderman Stout moved and Alderman Sheahan seconded a motion to approve the minutes as presented. The motion was approved by voice vote.

3. Public Participation / Presentations. None

4. Items for Consent.

A. Ordinance No. 16-O-0010 – An Ordinance Amending the Annual Budget for the City of West Chicago, DuPage County, Illinois for the Fiscal Year Commencing January 1, 2016 and Ending December 31, 2016 Passed and Adopted by Ordinance No. 15-O-0062.

B. Ordinance No. 16-O-0014 – An Ordinance Amending the Code of Ordinances of the City of West Chicago - Occupancy Permit Fees Not Refundable.

C. Ordinance No. 16-O-0015 – An Ordinance Amending the Code of Ordinances of the City of West Chicago – Boards and Commissions – Addressing Duplicate and Ambiguous Provisions.

Alderman Stout moved and Alderman Grodoski seconded a motion to recommend to City Council the approval of Consent Item A., B, and C. Voting Yea: Alderman Stout, Grodoski, Dimas, Meissner and Sheahan. Voting Nay: 0. Motion carried.

5. Items for Discussion. City Administrator Michael Guttman provided a summary of the history and background of the City's Intergovernmental Agreement with the Village of Winfield regarding the wastewater treatment facility. He stated that the current Winfield administration is raising questions about the financial handling of operations and the maintenance of the wastewater treatment plant. He stated that he is unclear as to what information they are seeking

as Winfield had not voiced any questions or concerns at previous bi-annual meetings. He would like to contact the Village of Winfield and request that they formally submit their questions/concerns in writing. He could then bring this information to the Committee with a better understanding.

The Committee agreed and direction was given to Mr. Guttman to proceed with this action.

6. Unfinished Business. None

7. New Business. Finance Committee Chairman Dimas requested that direction be given to change the official scheduled start time of the Finance Committee Meeting from 7:00 P.M. to 6::00 P.M.

8. Reports from Staff. None

9. Executive Session (if needed). None

10. Adjournment.

Alderman Stout moved and Alderman Meissner seconded a motion to adjourn. The motion was approved by voice vote and the meeting adjourned at 6:05 P.M.

Respectfully submitted,
Arlene Fisher

CITY OF WEST CHICAGO

FINANCE COMMITTEE AGENDA ITEM SUMMARY

ITEM TITLE:

Intergovernmental Agreement with Winfield Regarding the Wastewater Treatment Plant

AGENDA ITEM NUMBER: 5.A.

FILE NUMBER: _____

COMMITTEE AGENDA DATE: August 4, 2015
COUNCIL AGENDA DATE:

STAFF REVIEW:

SIGNATURE _____

APPROVED BY CITY ADMINISTRATOR:

SIGNATURE _____

ITEM SUMMARY:

At the last meeting, staff informed the Committee about the changes desired by both Winfield and West Chicago, following up by emailing a red-lined version of the Intergovernmental Agreement (with commentary about the larger issues in the margins). Staff will review each of those items at the August meeting. Staff also shared at the last meeting that several logistical questions were posed to Winfield regarding some of the changes it desired. The response from Winfield is also included in the packet.

ACTIONS PROPOSED:

Discussion about the proposed changes and direction on how to proceed.

COMMITTEE RECOMMENDATION:

**INTERGOVERNMENTAL AGREEMENT
BETWEEN THE VILLAGE OF WINFIELD
AND THE CITY OF WEST CHICAGO FOR
JOINTLY OWNED AND OPERATED
WASTEWATER TREATMENT ~~FACILITIES~~ PLANT**

THIS INTERGOVERNMENTAL AGREEMENT, made this _____ day of _____, 20092016, between the **VILLAGE OF WINFIELD** (hereinafter referred to as "Winfield") and the **CITY OF WEST CHICAGO** (hereinafter referred to as "West Chicago").

WITNESSETH:

WHEREAS, Article VII, Section 10 of the Illinois Constitution of 1970 and 5 ILCS 220/1 *et seq.* authorize units of local government to contract or otherwise associate among themselves to obtain or share services, to exercise, combine or transfer any power or function, in any manner not prohibited by law, to use their credit, revenues and other reserves to pay costs and to service debt related to intergovernmental activities and further authorize units of local government to contract and otherwise associate with individuals, associations and corporations in any manner not prohibited by any law or by ordinance; and

WHEREAS, Winfield and West Chicago are units of local government as that term is defined in the Intergovernmental Cooperation Act (5 ILCS 220/1 *et seq.*); and

WHEREAS, Winfield and West Chicago are adjacent municipal corporations which have previously operated under an "Agreement between the City of West Chicago and the Village of Winfield, DuPage County, Illinois, for a Joint West Chicago Treatment Facility Project, EPA C171863, Part 1, in the West Branch of DuPage River Drainage Basin" for purposes of wastewater treatment; and

WHEREAS, the parties mutually desire to provide for direct and ancillary operations of the wastewater treatment plant ("Treatment Plant" or "WWTP"), including financial controls,

and to provide for the manner in which the future expansion of the plant will take place in order to assure sufficient capacity for both Winfield and West Chicago; and

WHEREAS, both Winfield and West Chicago agree that it is in the best interests of both municipalities and the residents of each community to jointly approve this Intergovernmental Agreement that shall govern the future relationship between Winfield and West Chicago related to the Treatment Plant; and

WHEREAS, it is the intent of West Chicago and Winfield that this Agreement result in the equitable allocation of the costs of the operation of the Treatment Plant; and

WHEREAS, Winfield and West Chicago recognize and agree that one purpose of this Agreement is to assure that sufficient revenues are received from each municipality by the Wastewater Treatment Enterprise Fund to cover the expenses associated with the Fund; and

WHEREAS, both Winfield and West Chicago have the legal powers required to enter into and fulfill their respective obligations under the following Agreement.

NOW, THEREFORE, pursuant to their powers of intergovernmental cooperation and in consideration of the foregoing premises and mutual promises, agreements, covenants, and grants hereinafter made, IT IS MUTUALLY AGREED between the Village of Winfield and the City of West Chicago, as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the terms set forth in the following clauses shall have the following meanings ascribed to them:

“Agreement” means this Intergovernmental Agreement, which supersedes and replaces the agreement styled “Agreement Between the City of West Chicago and the Village of Winfield, DuPage County, Illinois, for a Joint West Chicago Treatment Facility Project, EPA C171863, Part 1, in the West Branch of DuPage River Drainage Basin”.

Comment [MG1]: Use existing Agreement title.

“Annual Reserve Deposits” means the yearly fixed set-aside amount(s) for the capital replacement of equipment at the Treatment Plant.

“Capacity Charge” means the fee paid by users at the time of connection which reflects the additional burden to the Treatment Plant brought about by new development.

“Capital Expenses” means items of a fixed asset nature that have a useful life of three years or more and an original cost of between \$1,000 and \$5,000 and are not eligible expenses to be drawn from the respective Replacement Reserve in the Enterprise Fund.

Comment [MG2]: Winfield suggests \$10,000 or greater.

“Chief Administrative Officer” means the City Administrator of West Chicago or the Village Manager of Winfield, or their designees as appropriate.

“Effective Date” shall mean the date of execution of this Agreement by both parties.

“Effluent” means the wastewater discharge from a Treatment Plant.

“Enterprise Funds” or “Funds” means one or more of the following sub-divisions or sub-funds of the West Chicago Sewer Fund including the following: Treatment Plant Enterprise Fund and the Plant Expansion Fund.

~~“Facilities” means the Treatment Plant and the Winfield Pumping Station.~~

~~“Fiscal Year” means the period from May-January 1 of a particular year through April
December 301 of the sueueeding-same year.~~

“Force Majeure” means occurrences and events that are beyond the reasonable control of a party hereto, including, without limitation: acts of God, acts of war, civil disturbances, riots, insurrection or sabotage; fires or explosions, floods, earthquakes, tornadoes or other natural disasters; power outages, strikes, lockouts or similar labor disturbances; equipment failure (unless such failure is caused by the failure of the affected party to properly maintain or operate such equipment), or restraints, orders or injunctions issued by any governmental authority.

“Joint Committee” or “Committee” means the Committee of West Chicago and Winfield representatives established pursuant to Article 4 of this Agreement.

“Law” means any constitution, charter, statute, act, law, ordinance, regulation, code, rule, order, decree, permit, judgment, directive, ruling, decision, guideline, resolution or declaration of any governmental authority, agency or court, or any department, board, bureau or instrumentality thereof.

“NPDES Permits” means West Chicago’s National Pollutant Discharge Elimination System Permits in effect as of the Effective Date, as such permits may be modified or renewed by the Illinois Environmental Protection Agency from time to time.

“Parties” means both the City of West Chicago and the Village of Winfield.

“Population Equivalent” or “P.E.” means the unit of measure used to describe the size of a wastewater discharge.

"Treatment Plant" or "WWTP" means the regional wastewater treatment plant located at 725 Dayton Avenue in West Chicago, Illinois.

"West Chicago" means the City of West Chicago, its successors in interest and assigns.

"Winfield" means the Village of Winfield, its successors in interest and assigns.

~~"Winfield Pumping Station" means the pumping station currently located west of Winfield's Public Works Garage at 0S040 Wynwood Road, in Winfield, Illinois.~~

ARTICLE 2

INTERPRETATION

2.1 Sections and Exhibits. References to Sections and to Exhibits are, unless otherwise indicated, to Sections and Exhibits of this Agreement. The parties acknowledge and agree that the Exhibits form an integral part of this Agreement and are hereby incorporated into this Agreement by reference.

2.2 Headings. The headings of Sections of this Agreement are for ease of reference only and shall not in any way affect its construction or interpretation.

2.3 Gender. The masculine gender shall include the feminine and neuter, and the singular number shall include the plural, and vice versa, and references to persons shall include individuals, municipalities, units of local government, bodies corporate, unincorporated associations and partnerships.

2.4 Successors and Assigns. References to parties in this Agreement shall be deemed to include references to their successors and permitted assigns.

2.5 Preambles Incorporated by Reference. The preambles to this Agreement, as set forth hereinabove, are hereby incorporated as though said preambles were fully set forth herein.

ARTICLE 3

TERM

This Agreement shall commence on the Effective Date and shall remain in full force and effect for as long as the Treatment Plant is utilized to provide wastewater treatment services.

ARTICLE 4

JOINT WASTEWATER TREATMENT COMMITTEE

4.1 Joint Committee Created. There is hereby created the West Chicago/Winfield Joint Wastewater Treatment Committee. The Joint Committee shall be composed of no more than three (3) representatives from each municipality, selected by the West Chicago City Administrator and the Winfield Village Manager, respectively. The representatives may include the Chief Administrative Officer, the municipal Engineer, the municipal Finance Director, the municipal Public Works Director, or other appropriate personnel, as determined by West Chicago or Winfield. In addition, the Mayor of West Chicago and President of Winfield shall may each appoint a liaison from the City Council and Board of Trustees respectively.

4.2 Duties of the Joint Committee. The Joint Committee shall have the following duties and responsibilities with respect to the ~~Facilities~~ WWTP:

- A. To meet not less than twice annually, and shall review the operations of the plant, the financial reports, the capital program, the proposed budget,

Comment [MG3]: Winfield suggests adding that the Committee shall review the monthly bank reconciliations for an account that is established solely for the WWTP reserves.

etc. ~~Each Chief Administrative Officer shall promptly submit a written summary of the meeting to their respective corporate authorities.~~

- B. To review and recommend revised or supplementary procedures for the operation and maintenance of the ~~Facilities~~WWTP, as well as methods of payment, use of fund balances, service charges, and capital expenditures relating thereto.
- C. To provide a forum to address concerns with respect to the operation of the ~~Facilities~~WWTP, and the implementation of this Agreement.
- D. To perform such other duties as Winfield and West Chicago may, through their respective corporate authorities, jointly direct the Committee to undertake.

4.3 Cooperation with the Committee. The Parties shall fully cooperate with the Committee by providing, in a prompt and timely manner, such data, reports or other information that the Committee deems necessary for the discharge of its duties.

ARTICLE 5

BILLING PROCEDURES

5.1 Treatment Plant Operational Billing.

- A. The Wastewater Treatment Plant Charge to be paid by the Parties, shall be payable monthly and be calculated as follows for each municipality:

(1) For West Chicago:

The Total Amount of the Treatment Plant Operating and Capital Expenses for the Current Month plus $1/12^{\text{th}}$ of the Annual Reserve Deposit

multiplied by

West Chicago's Total Percentage of Inflow into the Treatment Plant Using a Three Year Moving Monthly Average

equals

West Chicago's Monthly Payment for Treatment Plant Operating Expenses.

(2) For Winfield:

The Total Amount of the Treatment Plant Operating and Capital Expenses for the Current Month plus $1/12^{\text{th}}$ of the Annual Reserve Deposit

multiplied by

Winfield's Total Percentage of Inflow into the Treatment Plant Using a Three Year Moving Monthly Average

equals

Winfield's Monthly Payment for Treatment Plant Operating Expenses

- B. The Three-Year Moving Average shall be based on the average monthly inflow into the Treatment Plant, as measured by inflow meters, over the most current 36-month period.
- C. Within 45 days of receipt of the monthly bill from West Chicago, the amounts owed by Winfield shall be remitted to West Chicago for deposit

into the Wastewater Treatment Enterprise Fund. After 45 days, Winfield shall pay daily interest at a rate of prime plus one percent.

~~5.2 Winfield Pumping Station Operation and Maintenance. Effective September 1, 2009, Winfield shall be directly responsible for all operations, maintenance and costs associated with the Winfield Pumping Station. Effective after June 2009, West Chicago shall cease collecting the monthly set-aside previously paid by Winfield, and shall, by August 1, 2009, West Chicago transfer to Winfield the balance in the Winfield Pumping Station Enterprise Fund (Operating and Replacement Reserves), which equals \$188,642.52. After September 1, 2009, West Chicago shall no longer have any responsibility associated with the Winfield Pumping Station.~~

5.23 Winfield Roosevelt Road Connection. Winfield intends to construct, at its sole cost and expense, a sanitary sewer collection main and related appurtenances along Roosevelt Road. Winfield and West Chicago agree that the flows from said main, when constructed, shall be integrated into West Chicago's collection system and shall be treated by the Treatment Plant. The point of connection for the Roosevelt Road sanitary sewer collection main shall be at a location that is the most cost effective for Winfield and consistent with generally accepted engineering principles. A meter shall be installed to measure the flow from the Roosevelt Road connection. The costs associated with this monthly flow shall be the sole responsibility of Winfield, and the flow shall be added to its portion of the operational billing formula per Section 5.1(A)(2) of this Agreement.

5.34 Metering The cost of operating and maintaining the Treatment Plant shall be apportioned as determined by flow meters, which shall be periodically inspected and certified by

the Committee's authorized representative. The meters shall be calibrated by an independent consultant on a schedule based upon the manufacturers' recommendation, or more often if recommended by the Committee.

All sanitary flow entering the Treatment Plant shall be metered at the following locations:

- (A) Winfield Influent Meter #1 (existing)
- (B) Winfield Influent Meter #2 (future from Roosevelt Road)
- (C) West Chicago Influent Meter #1 (existing)
- (D) Total Influent Meter #1 (existing)
- (E) Total Effluent Meter #1 (existing)

A magnetic flow meter shall be used at locations (A), (B) and (C) above, and shall be used for billing calculations. Meters (D), (E), and any future additional meters shall be maintained to ensure a proper system of checks and balances.

5.45 Plant Expansion Fund. The Plant Expansion Fund is hereby created to require new development to finance the costs associated with providing it wastewater treatment services.

Comment [MG4]: Winfield and WC propose combining this Fund with the WWTP Replacement Reserve Fund if legally allowed.

- A. There shall be a Capacity Charge assessed by Winfield and West Chicago per connection per population equivalent (P.E.) to all users connecting to the system as of the first day of the first month from the date of this Agreement, ~~except for those declared exempt via a pre-existing agreement as detailed in Exhibit C.~~
- B. The calculation for the Capacity Charge shall be based upon a uniform population equivalent standard in order to allow for identical calculation of this fee by each community, as defined in Exhibit C.

- C. Revenues collected by the municipalities for the Capacity Charge shall semi-annually, ~~on April 1 and October~~ within 30 days following the end of the fiscal year 1, be deposited into the Plant Expansion Fund. Information detailing each connection made and fees collected shall be given by Winfield to West Chicago and from West Chicago to Winfield when the semi-annual deposit is made.
- D. If the Capacity Charge is waived or reduced for any new user of the Treatment Plant by agreement or otherwise, ~~except for those detailed in Exhibit D~~, the responsible municipality shall pay from its own corporate funds, an amount equal to the amount waived or reduced.
- E. The amount of the Capacity Charge shall be \$655.00 per P.E. The Capacity Charge shall be reviewed annually every five years ~~be adjusted upward by three (3) percent and rounded up to the nearest \$5.00 to account for inflation, with~~ by the Committee ~~having the discretion to recommend a larger increase to the respective corporate authorities.~~

Comment [MG5]: retitle

Comment [MG6]: Need to update.

5.56 Continuing Enterprise Fund Balances. The opening balance for each Fiscal Year for the Treatment Plant Enterprise Fund shall equal at least 25% of the Fiscal Year budgeted expenses. Each fiscal year, \$200,000 shall be deposited into the Replacement Reserve for the Treatment Plant Enterprise Fund (the "Annual Reserve Deposit"). The Annual Reserve Deposit shall be paid in twelve (12) equal installments and incorporated into the Operational Billing as detailed in Section 5.1 above. The amount of the Annual Reserve Deposit may be adjusted upon

Comment [MG7]: Winfield suggests modifying the amount to be based on the projected projects in the next 3-5 years (possibly with the assistance of a third party accountant). Reserves to be deposited into an account established in the name of the WWTP, and any disbursements that were not approved as part of the original budget that exceed \$10,000 require approval of the Joint Committee.

recommendation by the Committee and/or upon recommendation of a hired consultant to account for inflation, extraordinary expenses and the like, with final approval by West Chicago.

Comment [MG8]: Winfield proposes Joint Committee.

5.67 Service Limitations. Unless mandated by state or federal law or otherwise mutually agreeable by the Parties, the Treatment Plant shall only be utilized to provide service to the residents of West Chicago and of Winfield or to unincorporated properties subject to a binding annexation agreement with either West Chicago or Winfield. Neither party shall sell, transfer or otherwise convey capacity in the Treatment Plant to any third party except as provided in this Section or Section 8.45.

ARTICLE 6

FINANCIAL OPERATION OF THE ENTERPRISE FUNDS

6.1 West Chicago to Serve as the Administrative Agency. West Chicago shall act as the administrative agency under this Agreement and shall perform the day-to-day functions associated with the operation of the ~~Facilities~~ WWTP. In addition, West Chicago shall be responsible for the financial administration of the Enterprise Funds. West Chicago shall prepare proposed annual operating and capital budgets for the ~~Facilities~~ WWTP on or before ~~October~~ November 1 of each year and shall submit the budget to Winfield for its review and comment immediately thereafter. Prior to the adoption of either budget by West Chicago, Winfield shall have until November ~~30~~ 4 of such year to submit any comments to West Chicago. If necessary, the Committee shall subsequently convene to address any concerns raised by Winfield. The budget shall reflect the findings and determinations of the most recent financial program review.

The budget shall include operations, the current year capital program and an updated ~~210~~-year capital plan, ~~the latter by May 1, 2010.~~

6.2 Accounting Procedures and Practices. The Parties are in receipt of a final program of accounting procedures prepared by Virchow Krause & Company (hereafter "Consultant") dated March 15, 2006, which conform with GAAP and GASB standards. In any fiscal year where West Chicago uses its employees to operate and maintain the wastewater treatment plant, the auditor retained by West Chicago to prepare its Comprehensive Annual Financial Report shall, using the procedures provided by the Consultant, review West Chicago's compliance with the program, and shall produce a Compliance Letter detailing areas of compliance and non-compliance; West Chicago shall endeavor to correct all areas of non-compliance in the ensuing fiscal year.

Comment [MG9]: Winfield suggests updating this Section to reference a new set of updated accounting procedures, contracting with a third party to determine appropriate accounting and reporting for the joint ownership.

6.3 Administrative Agency Contracts. Contracts for all work on the Facilities WWTP shall be competitively selected and approved by West Chicago and shall follow West Chicago's purchasing policy, a copy of which is attached as Exhibit A; any changes West Chicago makes to its purchasing policy shall be forwarded to Winfield within seven (7) days of its approval. A copy of any advertisement for bid or request for proposal for any projects at the ~~Facilities-WWTP~~ shall be provided to Winfield not less than ten (10) days prior to the bid opening, ~~if requested by Winfield.~~

6.4 Administrative Agency Reports. West Chicago shall provide reports to Winfield with respect to (a) monthly expenditure detail for the Enterprise Fund and (b) quarterly and/or annual statements of financial details and general operations of the ~~Facilities-WWTP~~ as identified in Exhibit B. West Chicago shall also provide Winfield with copies of its monthly

NPDES report filed with the Illinois Environmental Protection Agency, certificates of insurance, and annual revenue base calculation worksheets submitted to West Chicago's insurance carrier.

6.5 Insurance Program. West Chicago will maintain an insurance program with terms and conditions, provisions and costs, which will provide adequate protection against loss caused by damage to or destruction of the Treatment Plant or any part thereof and also such comprehensive public liability insurance for bodily injury and property damage resulting from the operation of the Treatment Plant. All such insurance policies shall be carried by a company authorized and qualified to assume the risks therein.

Comment [MG10]: Winfield suggests determining adequate insurance limits and confirm appropriate reporting of WWTP to IRMA.

6.6 Services. West Chicago shall perform the following operation and maintenance services in relation to the ~~Facilities~~WWTP:

- A. Operate, repair and maintain the ~~Facilities~~WWTP in full compliance with its NPDES Permits and all federal, state and local laws.
- B. Obtain and maintain, at all times throughout the term, any and all permits, licenses and governmental consents, authorizations and approvals necessary to operate, repair and maintain the ~~Facilities~~WWTP in accordance with applicable Laws. West Chicago shall promptly notify Winfield in writing of any change, modification, or loss of any such permit, license, consent, authorization or approval.

ARTICLE 7

MUTUAL RESPONSIBILITIES

7.1 Issue Negotiation. The Parties hereby agree to cooperate fully with one another to effectuate the terms of this Agreement. Should any issue(s) arise which are not addressed in

this Agreement, both Parties endeavor to discuss in good faith the issue(s) in question and both Parties shall approve in writing any amendments to the Agreement which they mutually agree will address the issue(s) in question.

7.2 Inflow/Infiltration. Winfield and West Chicago agree to continue their inflow and infiltration programs and information regarding each community's program will be made available for review to the other community annually at a Committee meeting or more frequently upon written request.

7.3 Other Wastewater Treatment Facilities. Winfield and West Chicago, at each municipality's own expense, are responsible for the construction, operation, and maintenance of all trunk line sewers, interceptors, pumping stations, and force mains necessary to connect the areas served by the Treatment Plant for its own users of such facility, neither municipality being responsible for such construction, operation, and maintenance for other than its own users.

7.4 Pre-Treatment Program. The Parties will enact compatible ordinances to control discharges into their respective conveyance systems to the Treatment Plant. In the event that there is any incompatibility between the ordinances enacted, then the more restrictive of the ordinances shall govern as to Winfield discharges only. Winfield shall be the applying agent for the issuance of permits for all sewer construction and connections within its jurisdiction. West Chicago shall process Winfield's applications in the same manner and within the same time frames as are applicable to West Chicago's own permit program.

ARTICLE 8

FUTURE EXPANSIONS AND OPERATION OF THE TREATMENT PLANT

8.1 Existing Facilities. The existing Treatment Plant and the Winfield Pumping Station are jointly owned by the Parties, but operated and maintained by West Chicago. The capacity of the Treatment Plant as of the execution date of this Agreement is 7.64 MGD, with a 20.3 MGD maximum daily capacity. The Treatment Plant is currently operating at 67% capacity.

Comment [MG11]: Need to verify.

8.2 Treatment Plant Expansion.

- A. Future Treatment Plant expansion would take place in increments of 25 percent of the then-current capacity, unless the Parties otherwise agree.
- B. The actual construction costs of each expansion shall first be paid from the Plant Expansion Fund, with the balance to be shared proportionately between Winfield and West Chicago based upon percentage flow to the Treatment Plant at the time of construction. As part of the budgetary process, the Parties may agree to reimburse the Treatment Plant Enterprise Fund from the Plant Expansion Fund for any plant expenses associated with an expansion once sufficient funds are received.
- C. Construction of any expansion of the Treatment Plant shall begin once 85 percent of the then existing capacity is being utilized. Existing capacity shall be determined based upon the most recent 12-month period. A copy of the design and engineering plans shall be provided to Winfield for its

Comment [MG12]: Combined funds.

review and comment within seven (7) days from when the plans are submitted to West Chicago. No more than 90 percent of the Treatment Plant capacity shall be sold, unless construction has already commenced on an expansion as defined herein.

- D. All work taking place at the Treatment Plant shall be under the supervision of West Chicago and the engineering firm who completes the plans for the expansion or such qualified and responsible engineering firm selected by West Chicago. However, Winfield may designate representatives to be present for the work and to bring issues that require review to the attention of West Chicago. West Chicago agrees to consider and review any such issues. Should Winfield feel the issues have not been adequately addressed by the operational staff, then the Committee shall review the same and issue recommendations to West Chicago to address the issue.

8.3 Additional Obligations. West Chicago completed an infrastructure assessment of the existing plant and will be contracting for the design and engineering of the first expansion of the Treatment Plant. The estimated cost of these two projects is \$600,000. West Chicago shall be responsible for all design and engineering costs associated with the first 25 percent expansion, and an initial review by an engineer of the general condition of the plant and equipment at the Treatment Plant, up to \$600,000. Should the cost for the design and engineering be less than the \$600,000 cost estimate, 25 percent of the difference shall be extended as a rate reduction to Winfield in equal increments over a ten-year period. Should the cost for the design and engineering be more than the \$600,000 cost estimate, the balance shall be paid proportionately

Comment [MG13]: City has a balance owed Winfield of \$113,984.39. Winfield suggests recording this amount in financials.

based upon the percentage of flow as detailed in Section 5.1. A total of all costs related to the design and engineering shall be provided to Winfield upon completion of the design and engineering portion of the project.

8.4 DuPage County Connection. There may be occasion for the County of DuPage (the County) to desire to request that one or more unincorporated areas within its jurisdiction now served by septic systems be served by the Treatment Plant. Pursuant to Section 5.78, it is mutually agreeable that if such a request is made by the County to either of the Parties, that Party may grant the request provided that the County shall be responsible for the following tasks:

- A. Adopting a Special Service Area (SSA) for the territory which is in need of Treatment Plant service.
- B. Constructing at its sole cost and expense the mains necessary to collect the sanitary flows from the area desirous of service to the sanitary collection point approved by either West Chicago or Winfield. The County shall be responsible for all maintenance associated with said mains within the SSA until such point in time as the property is annexed to either Winfield or West Chicago. All properties within the SSA may be required to annex to either Winfield or West Chicago upon expiration of the SSA.
- C. Paying any and all connection fees for each parcel, at a rate of 1.5 times the fees in place at the time the SSA is created, to the respective community within ninety (90) days of adoption of the ordinance creating the SSA. The respective community shall deposit said revenues into a fund not covered by this Agreement.

- D. Paying any and all Capacity Charges for each parcel, at a rate of 1.5 times the charge in place at the time the SSA is created, to the respective community within ninety (90) days of adoption of the ordinance creating the SSA. Said revenues shall be deposited into the Plant Expansion Fund per Section 5.45(C) of this Agreement.

Comment [MG14]: retitle

ARTICLE 9

FORCE MAJEURE

If by reason of an event of Force Majeure, either party to this Agreement shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, then provided such party gives prompt written notice of such event of Force Majeure to the other party (which notice shall include the nature of the event and its expected duration), the obligations of the party giving such notice shall be suspended to the extent impaired by such event of Force Majeure provided, however, (i) the suspension of performance of such party's obligation shall be no longer than the time frame by which the party's obligations are materially impaired by reason of the event of Force Majeure, and (ii) the party seeking such suspension shall exercise its best efforts to remove or overcome its inability to perform with all reasonable dispatch. Notwithstanding the foregoing, no event of Force Majeure shall excuse: (i) either party from making payments to the other party hereunder; or (ii) Operator from complying with the NPDES Permits; or (iii) Operator from complying with Laws, including, without limitation, Environmental Laws.

ARTICLE 10

DISPUTE RESOLUTION

All claims, disputes or other controversies arising out of or relating to this Agreement (hereinafter collectively referred to as a "Dispute") shall initially be submitted to the Chief Administrative Officer from each party for resolution. Any mutual determination by the Chief Administrative Officers shall be final and binding upon the parties. As the administrative authority, the decision of West Chicago shall be final, subject to the provisions of Article 11.

ARTICLE 11

DEFAULTS AND REMEDIES

The occurrence of any one or more of the following matters shall constitute a default under this Agreement: (i) failure by either party to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder and the continuation of the same for 15 days after the defaulting party's receipt of written notice thereof from the non-defaulting party; provided, however, if such matter cannot with due diligence be remedied by the defaulting party within such 15 day period, and the defaulting party shall have diligently prosecuted the remedying of such failure within such 15 days, such period shall be extended by such additional time period as may be reasonably required by the defaulting party to cure or correct such matter (it being agreed, however, that nonpayment of monies by either party shall not, under any circumstances, give rise to an extension in the preceding 15-day period); (ii) negligence in the operation or maintenance of the Treatment Plant that results in proven and quantifiable damages to a party; (iii) the insolvency, dissolution or liquidation of either party, or the filing of a petition

in bankruptcy by or against either party, or the adjudication of either party as bankrupt, or any general assignment by either party for the benefit of its creditors, or the application for, or consent to, the appointment of any receiver, trustee, custodian, or similar officer by either party; or (iv) failure (or admission in writing of inability or unwillingness) by one party hereunder to pay amounts due and payable to the other party hereunder. Whenever any Default shall have occurred, the non-defaulting party may avail itself of any and all rights or remedies to which it is entitled at law and/or in equity; provided, however, in no event shall the provision of wastewater treatment services be suspended or terminated.

ARTICLE 12

GENERAL PROVISIONS

12.1 Termination of Prior Agreement. The prior agreement between the parties, styled "Agreement Between the City of West Chicago and the Village of Winfield, DuPage County, Illinois for a Joint West Chicago Treatment Facility Project, EPA C171863, Part 1, in the West Branch of DuPage River Drainage Basin," is hereby terminated and shall be of no further force or effect; all claims, rights, causes of action, known and unknown, arising under said prior agreement are to the extent they are inconsistent with, or not addressed by, this Agreement, are terminated and extinguished, and the Parties hereby mutually release one another and remise any claims, causes, or action or demands, of whatsoever nature occurring, arising from or related to the aforesaid prior agreement.

12.2 Penalties Nothing to the contrary herein withstanding, it is hereby agreed by the Parties hereto that any fines or penalties resulting from violation of or failure to comply with

Comment [MG15]: Winfield suggests adding this document as an addendum to existing agreement. WC suggests deleting existing agreement in its entirety and approving this document in its place.

federal state or local laws; interest on bonds or any other form of indebtedness required to finance the project costs, shall be paid by the party hereto who caused or is responsible for the same and shall not be subject to any formulae for pro rata payment, as herein set forth or otherwise.

12.3 Easement Acquisition. West Chicago, at no expense to itself, in cooperation with Winfield, will assist in acquiring the requisite easements and rights-of-way (including necessary condemnation) to enable Winfield to build such portions of interceptors, connections, metering devices, pumping stations and other facilities in DuPage County, Illinois, as are necessary for Winfield to carry out the purposes of this Agreement.

12.4 Mains/Meters. ~~Beginning on September 1, 2009,~~ Winfield shall be responsible to, operate and maintain, at its sole cost and expense, the necessary pumping station, forcemains, interceptor sewers and other facilities to serve Winfield in conveying wastewater from the Winfield Pumping Station to the point at which it enters the Treatment Plant.

12.5 Duration of Use. For so long as West Chicago or any successor thereof remains in existence and so long as Winfield shall not be in default in its obligations hereunder, Winfield shall continue to have the right to utilize the facilities of the Treatment Plant in the manner and upon the conditions set forth in this Agreement.

12.6 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon all successors and assigns of each of the parties hereto.

12.7 Effective Date. This Agreement shall become effective upon its signing, unless otherwise detailed in this Agreement.

12.8 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to conflicts of law principles.

12.9 Entire Agreement. This Agreement represents the entire agreement between Winfield and West Chicago with respect to the subject matter hereof, and supersedes all prior negotiations, proposals, purchase orders, representations or agreements, whether written or oral. This Agreement may be amended, altered or modified only by a written instrument signed by both Winfield and West Chicago. Changes in the scope of the Services may be accomplished only by a written instrument signed by both Winfield and West Chicago, stating the parties' mutual agreement as to the change in the scope of the Services.

12.10 Assignment. Except as otherwise provided in this Agreement, neither Winfield nor West Chicago may transfer, convey or assign this Agreement, or any interest therein, without the prior written consent of the other party

12.11 Notices. All notices required hereunder shall be in writing and shall be deemed properly served if delivered in person or if sent by registered or certified mail, with postage prepaid and return receipt requested, to the addresses set forth below:

If to Winfield: Village Manager
Village of Winfield
27 W 465 Jewell Road
Winfield, Illinois 60190

If to West Chicago: City Administrator
City of West Chicago
475 Main Street
West Chicago, Illinois 60185

12.12 Severability. In case any provision of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected.

12.13 Authorization. Each party represents and warrants to the other that it is a political subdivision, body politic and corporate of the State of Illinois, authorized and empowered under Law to enter into this Agreement and perform the obligations hereunder, has been duly authorized to execute and deliver this Agreement by proper action of its governing body, and this Agreement is the valid and binding agreement and is enforceable in accordance with its terms.

12.14 No Waiver. No course of dealing or failure to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition. No express waiver of any term, right or condition of this Agreement shall operate as a waiver of any other term, right or condition.

12.15 Rights Cumulative. Except as otherwise provided in this Agreement, (i) rights and remedies available as set forth in this Agreement shall be cumulative with and in addition to, and not in limitation of, any other rights or remedies available to such parties at law and/or in equity, and (ii) any specific right or remedy conferred upon or reserved to either party in any provision of this Agreement shall not preclude the concurrent or consecutive exercise of a right or remedy provided for in any other provision hereof.

~~12.16 West Chicago/Winfield Boundary. Within 180 days of the date of this Agreement, the Parties will enter into good faith negotiations with respect to the establishment of a jurisdictional boundary agreement, and meetings with respect thereto shall occur at least quarterly thereafter until a jurisdictional boundary agreement is approved by the Parties.~~

12.17 ~~Outsourcing Study~~ Change in Operating Structure. Should the Parties mutually determine that cost savings might be realized by ~~outsourcing some or all of West Chicago's duties with respect to operation of the Facilities to a third party contractor~~ changing the operating structure at the WWTP, the Parties agree to solicit Requests for Proposals (RFPs) to perform said study and make recommendations to the Parties. Winfield will be given an opportunity to comment on the RFP, and its terms will incorporate the provisions of this Agreement, except as otherwise mutually agreed by the Parties.

THIS AGREEMENT is executed on behalf of the Village of Winfield by its President and Village Clerk, pursuant to authority granted at a _____ meeting of the President and Board of Trustees held on the ____ day of _____, ~~2009~~2016, and on behalf of the City of West Chicago by its Mayor and City Clerk, pursuant to authority granted at a _____ meeting of the Mayor and Aldermen held on the ____ day of _____, ~~2009~~2016.

VILLAGE OF WINFIELD

ATTEST:

Village President

Village Clerk

CITY OF WEST CHICAGO

ATTEST:

Mayor

City Clerk

EXHIBIT A

CITY OF WEST CHICAGO PURCHASING MANUAL

EXHIBIT B
FINANCIAL AND OPERATIONAL REPORTS

The ~~quarterly~~ monthly reports shall include:

- (1) Capital Program Progress Report
- (2) Required State and Federal Reports

The annual report shall include, but is not limited to, the following:

- (1) Applicable Sections of the CAFR
- (2) Fixed Asset Report
- (3) Statement that plant is insured and the details on the carrier.

~~EXHIBIT C~~

~~DEVELOPMENTS EXEMPT FROM PAYING CAPACITY CHARGE
DUE TO PREVIOUS AGREEMENT~~

~~(1) East Main Street Redevelopment Project—West Chicago~~

~~(2) Reserves of Prince-Crossing Farms~~

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EXHIBIT ~~CD~~

POPULATION EQUIVALENT (P.E.) CALCULATIONS

RESIDENTIAL P.E.

The Residential P.E. shall be calculated per the Illinois Administrative Code, Title 30 – Environmental Protection, Subtitle C: Water Pollution, Chapter II, Environmental Protection Agency, Part 370: Illinois Recommended Standards for Sewage Works, Appendix A, Table No. 1:

Residential Occupancy Criteria

Residence Type	Number of Persons	
Efficiency or Studio Apartment	1	P.E.
1 Bedroom Apartment	1.5	P.E.
2 Bedroom Apartment	3	P.E.
3 Bedroom Apartment	3	P.E.
Single Family Dwelling	3.5	P.E.
Mobile Home	2.25	P.E.

**COMMERCIAL, INDUSTRIAL AND ALL OTHER NON-RESIDENTIAL
POPULATION EQUIVALENTS**

All Non-Residential P.E. shall be calculated as follows:

Gallons Per P.E. Per Day

The gallons per P.E. to be utilized is per Section 370.310 Basis of Design, of the above mentioned Title 35, which is:

100 Gallons Per P.E. Per Day

- B. The gallons of sewage attributed per person per day for various facilities is from Appendix B, Table No. 2 of the above mentioned Title 35,

Commonly Used Quantities of Sewage Flows from Miscellaneous Type Facilities

Type of Establishment	Gallons Per Person Per Day (Unless Otherwise Noted)
Airports (per passenger)	5
Bathhouses and Swimming Pools	10
Camps:	
Campground with central comfort stations	35
With flush toilets, no showers	25
Construction camps (semi-permanent)	50
Day camps (no meals served)	15
Resort camps (night and day with limited plumbing)	50
Luxury camps	100
Cottages and small dwellings with seasonal occupancy	75
Country clubs (per resident member)	100
Country clubs (per non-resident member present)	25
Dwellings:	
Boarding houses (additional for non-resident borders)	10
Rooming houses	40
Factories (gallons per person, per shift exclusive Of industrial wastes)	35
Hospitals (per bed space)	250
Hotels with laundry (2 persons per room) per room	150
Institutions other than hospitals including	
Nursing Homes (per bed space)	125
Laundries-self service (gallons per wash)	30
Motels (per bed space) with laundry	50
Picnic parks (toilet wastes only per park user)	5
Picnic parks with bathhouses, showers and flush toilets (per park user)	10
Restaurants (per patron)	15
Schools:	
Boarding	100
Day, without gyms, cafeterias or showers	15
Day, with gyms, cafeterias and showers	25
Day, with cafeterias, but without gyms or showers	20
Service stations (per vehicle served)	5
Swimming pools and bathhouses	10
Theaters:	
Movie (per auditorium seat)	5
Drive-in (per car space)	10
Travel trailer parks without individual water and sewer hook-ups (per space)	50
Travel trailer parks with individual water and sewer hook-ups (per space)	100
Workers:	
Offices, schools and business establishments (per shift)	15

C. Floor Area Per Person

The number of persons per floor area of various buildings shall be calculated utilizing Illinois Administrative Code, Title 77: Public Health, Chapter I, Department of Public Health; Subchapter r: Water and Sewage; Part 890, Illinois Plumbing Code; Section 890.810 Minimum Number of Plumbing Fixtures; Item 2 – Occupant Load:

<u>Building Type or Occupancy</u>	<u>Floor Area Per Person (Sq. Ft.)</u>
Assembly Places – Facilities for Spectator Events; Worship Places and Funeral Homes	50
Museums, Libraries, Exhibition Areas and Similar Uses	50
Schools	50
Day Care Centers	70
Office Buildings	200
Food Service Establishments, Clubs, Taverns and Other Eating/Drinking Facilities	30
Mercantile Units, Except Grocery Stores, Auction Houses, Sale Barns, Car Auction Centers, and Other similar Mercantile Units	
- First Floor	100
- All Other Floors	120
Combination Grocery Store/Non-Grocery Mercantile Units	150
Mercantile Units, such as Auction Houses, Sale Barns, Car Auction Centers, and other Similar Mercantile Units	40
Grocery Stores	200
Storage/Shipping Area	400
Power Plants/Industrial Units	500

D. Exceptions

With the exceptions mentioned under Part B, the minimum GPD per P.E. will be 15.

Food Service Establishments – the minimum P.E. per establishment shall be 10 P.E.

Industrial users gallons shall be based on the building size plus the gallons per day for process water which shall include twenty percent factor of safety add on. The process water shall be calculated from the Pretreatment Permit Form.

Existing non-residential buildings which change uses and require a building permit shall be charged the difference between the existing use P.E. and the new use P.E. In no case shall a credit be due the building owner.

– 10. Reserved.

Examples

An 100,000 sq. ft. Office Building

Title 70 100,000 sq. ft. / 200 sq. ft. per person = 500 persons
Title 35 500 persons x 15 gallons per day per person = 7500 gallons/day
Title 35 7500 gallons per day / 100 gallons per P.E. = 75 P.E.

An 100,000 sq. ft dry storage with 5,000 sq. ft. office included

Title 70 95,000 sq. ft. / 400 sq. ft. per person = 238 persons
Title 70 5,000 sq. ft. / 200 sq. ft. per person = 25 persons
Title 35 $238 + 25 = 267$ persons x 15 gallons per day per person
= 3945
gallons/day
Title 35 3,945 gallons per day / 100 gallons per P.E. per day = 39.45 P.E.

A 5,000 sq. ft. Restaurant

Title 70 5,000 sq. ft. / 30 sq. ft. per person = 167 persons
Title 35 167 persons x 10 gallons per day per person = 1,670 gallons/day
Title 35 1,670 gallons per day / 100 gallons per P.E. per day = 16.7 P.E.

A 100,000 sq. ft. Industrial Building

Title 70 100,000 sq. ft. / 500 sq. ft. per person = 200 persons
Title 35 200 persons x 35 gallons per day per persons = 7,000 gallons/day
Title 35 7000 gallons per day / 100 gallons per P.E. per day = 70 P.E.

From pretreatment permit, process water = 1500 gallons per day
 $1500 + 20\% = 1800$ gallons per day
1800 gallons per day / 100 gallons per P.E. per day – 18 P.E.
 $70 + 18 = 88$ P.E.



MEMORANDUM

DATE: May 26, 2016

TO: Curt Barrett, Village Manager

FROM: Lynn McCammon, Finance Director

RE: West Chicago Wastewater Treatment Plant Agreement

The Village of Winfield and the City of West Chicago have initiated the process of reviewing and updating the Intergovernmental Agreement that was adopted on May 21, 2009 and which governs the joint operation of the West Chicago Wastewater Treatment Plant (WWTP). The two entities have met and provided initial comments on suggested revisions to the agreement. While there was agreement on several suggested changes, there are some remaining items to be resolved. One item that remains unresolved includes the Village of Winfield's recording of the investment in the treatment plant.

The City of West Chicago acts as the lead administrative agency and currently reports the operational expenditures of the plant as a separate operating department in their Sewer Enterprise Fund. Balance sheet accounts are reported as part of the City's Sewer Enterprise Fund (not separated for financial statement presentation). The Village of Winfield currently reports only the expenses related to its' share of operations as an expense in the Water & Sewer Enterprise Fund.

The City of West Chicago has submitted the following questions regarding this issue:

- 1. How are Winfield and its auditors proposing to actually record a portion of a capital asset (debits and credits)? Provide/define the specific adjusting entries to be made for Winfield and West Chicago for recording a portion of the capital assets on each of their financial statements. Define how all capital assets/capital asset categories can be "split". In whose name will the capital assets be, including future acquisitions? Is there a legal implication and/or legal work necessary to rework ownership for land, land improvements and infrastructure? Describe how the allocation or split of such capital assets would work. What note disclosures to each audit would be necessary, if any?*

The Village consulted with Sikich, the Village Auditor, on the appropriate accounting treatment. In accordance with Government Accounting Standards Board (GASB) Statement Number 14, the investment in WWTP should be treated as a joint venture (See attached memo). GASB 14 paragraph 73 requires the "equity interest should be reported in the proprietary fund's balance sheet as a single amount, and the fund's share of the joint venture's net income or loss should be reported in its operating statement as a single amount". Thus, Winfield and West Chicago would each report the value of its share of net assets as one asset on their respective Water and/or Sewer Enterprise Fund.

Each entity's share would be based upon their net investment in the plant. The operating costs are currently allocated to each entity. As this is the basis for reimbursement, the net impact on the investment will be zero.

The Plant Replacement Fund capital expenses are also allocated based upon flow, thus providing the basis for allocating each entity's share. Capital assets would be allocated based upon each entity's contribution towards that project and any depreciation would be allocated according to the percentage used to allocate the original asset. The net change in a given year would increase or decrease the net investment reported on each entity's balance sheet.

The Plant Expansion Fund contributions are based on capacity fees charged to new customers. These would be allocated to each entity in proportion to the contribution.

2. *How will the reserve accounts now maintained by West Chicago be accounted for given that a portion of the capital assets would be recorded on Winfield's books? How is the need to deplete reserves accounted for with regard to maintenance costs that occur, including the timing differences based on differences in fiscal year end dates? What proposed changes would need to be made to the IGA to modify the language that West Chicago is currently responsible for collecting and maintaining 100% of the reserve requirement for future expansion (e.g. if there is a split or division of capital assets, 100% of the capital asset value would no longer be present on West Chicago's financial statements/audit to support that same value of equity accumulation)?*

The most recent agreement (2009) included a definition of Enterprise Fund as "one or more of the following sub-divisions or sub funds of the West Chicago Sewer Fund including the following: Treatment Plant Enterprise Fund and the Plant Expansion Fund" (page 3). Furthermore, in section 5.6 (page 11) the agreement includes reserve requirements for the Treatment Plant Enterprise Fund. This appears to indicate the intent was to establish a separate division for the operations of the WWTP. While the expenses of the plant have been separately reported as a department in the West Chicago Sewer Fund, the corresponding assets and liabilities will need to be separated to compute the net investment in the joint venture.

The original agreement section 5.6 also addresses continuing enterprise fund balances. Winfield recommends modifying the language "the opening balance for each Fiscal Year for the Treatment Plant Enterprise Fund shall equal at least 25% of the Fiscal Year budgeted expenses for each such Fund" to reflect any change in fund classifications (i.e., if two are combined). However, the Village recommends keeping the 25% requirement which is consistent with reserve funding minimums suggested by the Government Finance Officers Association (GFOA).

3. *If there are future plant expansion and maintenance costs, how will they be paid and what is the mechanism by which they would be recorded by our two agencies?*

In accordance with joint venture accounting principles, each entity would record its net investment in the plant. All revenues, expenditures and depreciation would be recorded in total and then allocated according to each entity's percent investment.

4. *If the assets were divided between our agencies, how are both parties going to depreciate? What happens if there is a need to sell one or more of the assets? How will Winfield be recording any related liabilities and debt, should debt become a necessity (e.g. we have talked about an IEPA low interest loan as a means to accelerate capital improvements at the WWTP)? If debt is to be issued, to what name(s) would the debt be recorded? If applicable, how will variations in both agencies' accounting methods and capitalization thresholds with regard to capital assets and depreciation be addressed with the division of capital assets?*

In accordance with joint venture accounting principles, each entity would record its' net investment in the plant. Net investment is computed as net assets less any liabilities (debt) and therefore each entity would reflect the debt as a reduction of the net investment recorded on the respective enterprise fund balance sheet.

5. *Will Winfield be following West Chicago's audited balances, etc. for a 12/31 year end (e.g. the balances reflected in Winfield's audits as of a 4/30 year end will not reflect balances as of that year end date as contained in your audit)?*

Since West Chicago serves as the lead agency, Winfield can include the audited valuation as of 12/31 year-end and then roll-forward to the 4/30 year-end.

6. *How will changes in flow percentages over time impact each of the topics in #1 through #5 above?*

Any change in flow will be reflected in the dollar amount contributed and therefore impact the net investment in WWTP for each entity.



MEMORANDUM

DATE: April 27, 2016
TO: Curt Barrett, Village Manager
FROM: Lynn McCammon, Finance Director
RE: West Chicago Wastewater Treatment Plant Agreement

The Village of Winfield and the City of West Chicago entered into an Intergovernmental Agreement on May 21, 2009. The agreement governed the joint operation of the West Chicago Wastewater Treatment Plant (WWTP). The City of West Chicago acts as the lead administrative agency and currently reports the operational expenditures of the plant as a separate operating department in their Sewer Enterprise Fund. Balance sheet accounts are reported as part of the City's Sewer Enterprise Fund (not separated for financial statement presentation). The Village of Winfield currently reports only the expenses related to its' share of operations as an expense in their Water & Sewer Enterprise Fund. Both parties have recently proposed modifications to the original agreement, including a review of reporting for Winfield's investment in the plant. To determine the proper accounting treatment the Village looked to Government Accounting Standards Board (GASB) Statement Number 14, *The Financial Reporting Entity* (as amended by GASB 61).

Joint Venture

GASB 14 paragraph 69 states "A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility". The agreement creates an organization that is owned by both parties and governed by a Joint Committee which is composed of representatives from each municipality and a liaison appointed by the governing board from each municipality (section 4.1).

Ongoing Financial Responsibility

- The intergovernmental agreement includes the statement "the parties mutually desire to provide for direct and ancillary operations of the wastewater treatment plant, including financial controls ". Therefore, the agreement includes language regarding both parties having financial responsibility for the ongoing operations of the plant. Furthermore, this plant provides wastewater treatment services for both municipalities, so both parties have an interest in the continued existence of the plant which is dependent on the continued financial support from both municipalities.
- The Village of Winfield's attorney reviewed these statements regarding financial responsibility and "agrees that the Intergovernmental Agreement establishes a joint venture as defined by GASB 14".

Equity Interest

- GASB 14 paragraph 72 describes a joint venture whose participants have equity interests as determined by a “measureable right to the net resources of a joint venture that is usually based on an investment of financial or capital resources by a participating government”. The statement further clarifies this “An equity interest is explicit and measurable if the joint venture agreement stipulates that the participants have a present or future claim to the net resources of the joint venture and sets forth the method to determine the participants’ share of the joint venture’s net resources...If a government has an equity interest in the joint venture, that equity interest should be reported as an asset of the fund that has the equity interest”.
- The intergovernmental agreement includes language “it is the intent of West Chicago and Winfield that this Agreement result in the equitable allocation of the costs of the operation of the Treatment Plant” and Article 5 documents the calculation for the allocation.
- Article 8, section 8.1 states “the existing Treatment Plant and the Winfield Pumping Station are jointly owned by the Parties”.
- Based on the ownership interest in the plant, the commitment to fund future capital investment at the plant and the measurement guidelines established in the agreement, Winfield has an equity interest in the plant and in accordance with GASB 14 report such interest as an asset.

Financial Reporting

- The intergovernmental agreement in several places identifies the “Wastewater Treatment Enterprise Fund” as the entity in which the transactions related to the operation of the plant are to be recorded. Article 5, section 5.6 states required reserves for the Enterprise Fund Balance. It appears this language would suggest that the operations for the treatment plant should be accounted for as a separate fund, with a specific reserve policy as stated in the agreement. This separate fund would provide the basis for the allocation of the amount to the Village of Winfield.
- GASB 14 paragraph 73 requires the “equity interest should be reported in the proprietary fund’s balance sheet as a single amount, and the fund’s share of the joint venture’s net income or loss should be reported in its operating statement as a single amount”. Thus, if this is in fact considered a joint venture, Winfield would report the value of its share of net assets as one asset on the Water and Sewer Fund balance sheet. The amount to report would include Winfield’s share of capital assets and any applicable reserves set aside for future capital projects.
- With regards to West Chicago’s reporting, further consultation with the Village’s auditor is required.

Lynn McCammon

From: Jim Savio <JSavio@sikich.com>
Sent: Tuesday, May 03, 2016 7:48 AM
To: Lynn McCammon
Cc: Curt Barrett
Subject: RE: Winfield Investment in West Chicago Wastewater Treatment Plant

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Lynn –

After reviewing the agreement, memo and GASB 14, we would agree that it should be treated as a joint venture. Let me know if you would like to discuss further.

Thanks,
Jim

Jim Savio
T: 630.566.8516
M: 630.244.4476

From: Lynn McCammon [mailto:lmccammon@villageofwinfield.com]
Sent: Wednesday, April 27, 2016 3:43 PM
To: Jim Savio <JSavio@sikich.com>
Cc: Curt Barrett <CBarrett@villageofwinfield.com>
Subject: Winfield Investment in West Chicago Wastewater Treatment Plant

Hi Jim,

As a follow-up to our earlier discussion regarding the Village's investment in the West Chicago Wastewater Treatment Plant, I am forwarding the attached memo which summarizes some of my research related to the accounting treatment. Please take a look and perhaps we can discuss further. I have also attached a copy of the original agreement for your reference.

Thanks,

Lynn McCammon

Finance Director
Village of Winfield
27W465 Jewell Road
Winfield, IL 60190
lmccammon@villageofwinfield.com

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