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City of Virden Response to Virden Sanitary District Letter

Around Saturday, March 30, most Virden Sanitary District customers received a letter from their board. This letter paints a rather negative picture of the City of Virden. However, much of the content is misinformation, so we will attempt to set the record straight. This letter brings up two issues, the contract with the City of Virden (City) to do the billing for the Virden Sanitary District (VSD), and the problem of unaccounted water use. Though one affects the other, they are two entirely different issues. *It also must be noted that the VSD had to obtain a list of their customers from the City to send these letters out because, at any given time, they don't even know who their customers are.* All quotations below have been taken from the letter you received from the VSD.

According to the letter, “For 83 years since the Sanitary District was formed, the two have had an agreement in place for the City to bill all customers for water and sewer...” This implies that the same agreement has been in place for all of the 83 years. The fact of the matter is that the contract has been modified several times. There is a method for this modification. The contract rolls over from year to year, with the term running from May 1 through April 30 of the following year unless notice of non-renewal is given one year prior to the expiration of the previous term. From the letter, “The City has terminated this 83-year-old agreement effective April 30, 2024.” The City submitted the non-renewal letter a year ago, as per contract. It was not an 83-year-old agreement; by definition of renewal, it was one year old.

“Currently, the cost to customers for the billing and collection fee is approximately \$1.05 per customer per month. The City’s proposal would increase the cost per customer to approximately \$2.10 per customer per month.” That is

only the cost to the **VSD** for billing. The total cost for billing in 2023 to the **City** for water and sewer was \$178,259.53, or \$14,854.96 per month. Subtract the \$1,800 per month currently received from the VSD and that leaves \$13,054.96 per month. That works out to approximately \$7.68 per water customer per month for billing. Even at the new contract rate of \$3,000 per month for the VSD that would still leave \$11,854.96 for the City, or \$6.97 per water customer per month. Of all the revenue collected by the City billing in the last 11 years, the City has received 52.2% of the revenue and VSD has received 47.8%. Is that fair? Even with the new contract, VSD would get almost half of the revenue but only pay 20.2% of the costs of billing?

Once again, from their letter, “The City has not explained the reasons for nearly doubling it (sic) charges to the Sanitary District, except to say that all of their costs are increasing.” The City has been providing this billing for the VSD for \$1,800 per month since 2011. **We have not changed the rate for over 13 years.** Is it that surprising the City would ask for a significant increase? The City did, in fact, explain the reasons by including a detailed chart of expenses for doing the billing. See below for a more detailed explanation of billing expenses.

From the letter, “We are not opposed to a reasonable increase in the cost the City is charging us for their billing services, if it is based upon actual costs of the billing and collection process.” That is exactly what the increase is based on, the cost of the billing and collection process. As stated earlier, in 2023, the billing process cost the City \$178,259.53, or \$14,854.96 per month.

“...it was suggested that the Sanitary District should be paying 1/3 of the cost of the entire City of Virден Water Department total operation cost...” Once again, another false statement. It was suggested, and only suggested, that the VSD should be paying 1/3 of the City of Virден **billing costs**, not total operation cost. In reality, there is no reason that the VSD is not paying 47.8% of the billing cost since they are receiving 47.8% of that revenue. Comparatively, \$3,000 per month seems very reasonable.

“...but asking us to subsidize the City’s water department.” Who is subsidizing whom? At the new contract rate, VSD would be paying 20.2% of the billing costs,

leaving 79.8% for the City to pay. The fact is, the City has been subsidizing the VSD for years, not the other way around.

“We also ask you to suggest that the amount of their proposed increase to the Sanitary District for doing the billing and collection for the Sanitary District is unreasonable.” Perhaps the proposed increase is actually reasonable, or, more likely, quite generous to the VSD. The City of Virden urges you to contact your unelected VSD board members to have them sign the contract with the City so that the billing is not interrupted. We (city council members) are all water/sewer customers and understand the effects of decisions we make as a council. If the VSD chooses to do something else besides sign the contract, it will ultimately hurt the customers.

Unaccounted Water Usage

From their letter, “Instead of finding the source of the water loss, the City has apparently increased its water rates to you to offset the problem.” That is simply not true. False statements like that should erode any credibility the VSD board ever had.

This is a serious issue and has been treated as a serious issue by the City of Virden and has been given the highest priority. It is typical for a municipality to average 15% water loss due to water breaks, use of fire hydrants, or any other non-metered water use. What this means is that 15% of the water purchased from the source was not billed. Recently, our unaccounted water use has reached 40%. We have involved and asked for assistance from Otter Lake Water Commission, Midwest Meters (Badger Meters), Benton & Associates (our engineers), Illinois Rural Water Association, Virden Sanitary District, and our City employees. We have examined meters, water lines, storm sewers, massive spreadsheets of data, water tower filling patterns, billing software, meter data transmission systems, and have even manually read meters for two months. We have ruled out several possibilities and continue to search for other sources of loss. We have found a few small problems and fixed those, but nothing of the scale to remedy this. There may be more than one problem contributing to this loss.

Cost of Billing for Water and Sewer

What all is involved in billing for water and sewer? First and foremost, we need a billable unit that corresponds to the actual usage of each and every customer. That unit of measure is the gallon and the measuring device is the water meter, which is supposed to accurately keep track of all water used by each customer. Whether the water fills a glass, fills a bathtub, leaks out of a broken pipe, goes through a washing machine, or goes through a leaking toilet, the number of gallons flowing through the meter is recorded. Not every gallon of water that is recorded by the meter also goes down the drain to the sanitary sewer, but it is proportional. Customers who use more water, also put more waste into the sewer. Those who use less water, put less waste into the sewer. The whole process of billing is dependent on having the gallon usage of each customer to bill for water and to bill for sewer.

The water department does not need the water meters as part of our infrastructure to deliver water to customers. That only takes pipes and valves. We do have to have the water meters as part of our infrastructure to bill customers for the water they use. We also have to have the water meters as part of our infrastructure to bill for the VSD. Billing for VSD is every bit as dependent on water meters as is billing for water. ***We cannot do billing for VSD without water meters.***

All the water meters in town were replaced in 2012 with digital meters that transmit a signal in real time to a receiver which in turn sends the gallon readings to the city office. (Some recent replacement meters use a cellular signal that goes directly to the water office.) Computer software specific for this purpose (BEACON) then compiles this data into a useable database listing gallons of usage for each customer. If a meter fails to transmit the data for one reason or another, the meter can still be read manually and that number entered into the software manually.

At the end of the month, a database of the month's use for each customer is sent to the billing software (LOCIS) to be processed by office staff and billed for both water and sewer. For each customer, LOCIS applies the proper charges for water

and sewer to the total monthly gallons from BEACON and also applies any rules for minimum usage, etc. The office staff then prints the bills on card stock, applies postage, and mails them.

What does the staff do the rest of the month? They process water and sewer payments most of the month, some weeks busier than others. Some payments come through mail, some through the drop box, some in person from the customer, and some through automatic debit. All have to be processed and most manually entered. They also process the penalty billing for those who have not paid their bills. More card stock, more postage, and more time. At the appropriate time, they compile a list of shut-offs because of non-payment for the Public Works crew to carry out.

In addition, the office staff maintains all customer files and information in both computer systems including all name and address changes in BEACON and LOCIS, maintains a listing of each meter size, serial number, and other pertinent information for each customer in BEACON, handles the sign-up and execution of summer water credits, maintains all senior citizen rates for water and sewer qualification and paperwork, maintains all communication with the Illinois State Comptroller, and maintain all deposit entries and processing for all owner and renter accounts. The office staff compiles a list of meters that need to be manually read by the Public Works staff and communicate with them until the readings are entered. They also communicate with Public Works staff any time during the month when there is a request by customers to check meters or readings for any reason.

The office staff handles all changes when customers move here or move away or just change addresses, any start or stop of water/sewer service. They handle most of the interaction and complaints from customers about bills and rates (even though they are not authorized to adjust on behalf of VSD). They provide VSD with financial documents and reports on a monthly basis. They provide the VSD with lists of names and addresses of all sewer customers whenever asked. One hundred percent of hours for our full time water clerk and one hundred percent of hours for our part time water clerk are spent dealing with billing and collection, in one way or another.

Our Public Works crew also spends a lot of time dealing with billing activities and water meters. Turn-ons for new customers and shut-offs for leaving customers are all done by them, in any kind of weather. Shut-offs and subsequent turn-ons for delinquent payment are also done by them. They do the manual reading of meters when necessary, in any kind of weather. The Public Works staff changes, repairs, maintains, checks, monitors, and replaces any and all meters that need it. None of the VSD laborers have to do this. The man-hours associated with meters and billing issues by the Public Works staff are equivalent to one full time laborer. That's being conservative. That does not include any time spent on water mains or water breaks, just meters. Keep in mind, no billing or collections can happen without the meters giving gallons of usage for each customer.

That being said, the costs for billing and collection include annual payment for LOCIS software, annual payment for BEACON software, card stock, postage, salaries for one full time water clerk, one part time water clerk, one full time Public Works laborer, copier/printer expenses, office supplies, annual water meter loan repayment, cost for replacement meters and parts, and other annual computer maintenance. In 2023, this amounted to \$178,259.53.

If you have any further questions or comments, please contact myself or your alderperson. If you know of anyone who does not have computer/social media capabilities, they may pick up a copy of this letter at the City Water Office.

George Murphy
Mayor of Virden