

Memorandum

Department of Public Works



TO: Michael O. Geisel, P.E.
City Administrator

FROM: James A. Eckrich, P.E. *JAE*
Public Works Dir. / City Engineer

DATE: February 21, 2023

RE: Sewer Lateral Program Analysis

In 2000 the voters of Chesterfield approved the collection of \$28 from every single-family home, duplex, condominium building, and multi-family building containing six or less dwelling units for the purpose of repairing defective sanitary sewer laterals. In this context, a sanitary sewer lateral is defined as the portion of the sanitary sewer which extends from outside the building foundation to the public sanitary sewer main. Eligible costs include camera investigation, excavation of the defective lateral, repair of the lateral, backfill, and site restoration. The City of Chesterfield collects approximately \$425,000 annually for this purpose.

Through the Sewer Lateral Program the City of Chesterfield oversees the repair of around 120 sewer laterals per year, with an average repair cost of approximately \$4,400. The program works as follows: Residents experiencing sewer lateral problems first contact a plumber of their choice to have their sewer lateral cabled. This initial cabling is a regular maintenance expense and is NOT eligible for reimbursement through the Sewer Lateral Program. If a problem is encountered, or the line cannot be opened, the resident can apply for the Sewer Lateral Program by submitting an application and a \$100 fee. As you may recall, the fee was reduced from \$200 to \$100 in 2013 due to the healthy fund balance of the Sewer Lateral Fund at that time. Once in receipt of the application and fee the City schedules a video investigation and, if eligible, coordinates the repair of the defective sewer lateral. The camera investigation and repair are completed by a plumbing contractor under contract with the City of Chesterfield. This allows the repair to be completed in the most timely and cost effective manner possible.

The Sewer Lateral Program is an excellent service which helps 100+ residents each year fund necessary repairs in order that their sanitary sewer functions properly. Updates regarding the Sewer Lateral Program are included each month within the Public Works Department Monthly Report. The benchmark for user approval of the sewer lateral program is 80%, with an actual approval rate of 98% in 2021 and 92% in 2022. This clearly is a popular program with those residents who need it.

The City of Chesterfield periodically bids investigation and repair services to ensure that we are receiving the lowest costs possible. The Department of Public Works most recently solicited bids for these services in 2022, with Tope submitting the one and only bid. Tope has provided these services to the City of Chesterfield for a number of years and their service has been exceptional.

As you may recall, in 2017 the Sewer Lateral Program was comprehensively reviewed by the Planning and Public Works Committee of City Council. Due to operating expenses well in excess of revenues at that time, the decision was made to suspend operating transfers from the Sewer Lateral Fund to the General Fund. These transfers were originally created to cover a portion of the salaries of the two employees who primarily administer the Sewer Lateral Program. The transfer amounts were \$51,661 in 2015 and \$48,600 in 2016. Those expenses are now absorbed by the General Fund.

The elimination of these transfers has generally stabilized the Sewer Lateral Fund. Over the last five years the average yearly revenue in the Fund was \$434,223 with an average annual expenditure of \$445,588. As you can see, this results in an annual operating deficit of approximately \$11,365, which is covered by prior revenues now contained within the Sewer Lateral Fund balance. The 2022 closing Sewer Lateral Fund balance was \$362,097. Given the trend of expenditures over revenues by \$11,365 and the increased unit prices for expenditures associated with the most recent bid from Tope, the City will have to closely monitor the Sewer Lateral Fund over the next few years.

In order to address the recent trend of expenditures over revenues, the City has the following options:

- Restore the application fee back to \$200. Estimated annual revenue increase of \$12,000.
- Cap repair costs at \$10,000. Currently, repairs are capped at \$15,000. Were the cap to be reduced to \$10,000, the estimated annual savings are approximately \$15,000.
- Implement a cost share program. If annual sewer lateral expenditures are \$450,000, and the City implemented a cost share program whereby residents would pay twenty percent of the actual costs, the annual expenditure reduction would be \$90,000. The annual expenditure reduction would obviously vary based upon the cost share percentage chosen. Negative ramifications would include negative reaction associated with the Program no longer paying 100% of the costs, collection efforts the City would incur, and potential disputes regarding the selection and performance of the contractor.
- Consideration to restore the annual transfer from the Sewer Lateral Fund to the General Fund to cover a portion of the salaries of those employees who administer the Sewer Lateral Program. The estimated annual cost to the Program of restoring these transfers is \$50,000.

- Increase the annual Sewer Lateral tax from \$28 to \$50. When the tax was implemented in 2000 the Missouri State Statutes allowed a maximum annual assessment of \$28. Many cities found that assessment to be too low, and the allowable tax was subsequently raised to \$50. Increasing the tax would require a vote of the residents. If approved, it would result in an annual revenue increase of over \$300,000.

Due to the effectiveness and popularity of the Sewer Lateral Program, I am reticent to recommend service reductions at this time. That said, we cannot operate the Program at a deficit, and if expenditures continue to increase the Fund Balance will shrink each year. **Accordingly, I recommend that the application fee be returned to \$200. This will generate approximately \$12,000 per year to cover the average deficit over the last five years.**

Attached are a spreadsheet showing the financial details of the Sewer Lateral Fund, as well as a summary of a survey recently conducted of other cities that provide sewer lateral services.

Action Recommended

This matter should be forwarded to the Planning and Public Works Committee for consideration. Should PPW concur with Staff's recommendation, it should authorize the Director of Public Works to return the Sewer Lateral application fee to \$200. Staff will continue to monitor the Program and the Sewer Lateral Fund and recommend additional changes if warranted.

Concurrence:



Jeannette Kelly, Director of Finance

Please forward to the PPW committee for review and recommendation.

 2023-2-22

**Sewer Lateral
Fund 110**

	2015	2016	2017	2018	2019	2020	2021	2022
Revenues	427,135	417,502	414,683	433,760	435,583	437,375	437,762	426,636
Expenses	441,020	479,945	505,615	465,689	444,131	442,230	399,998	475,890
Fund Balance	620,879	509,836	418,903	386,974	378,442	373,587	411,351	362,097

Does not include operating transfers out (2015 - \$51,661; 2016 - \$48,600)

	Revenues	Expenses	Fund Balance
January	90,682	21,285	480,748
February	2,830	28,550	455,028
March	1,303	30,282	426,049
April	1,830	36,796	391,083
May	7,234	15,837	382,480
June	444	44,611	338,312
July	250	79,431	259,130
August	277	47,117	212,291
September	305	62,171	150,425
October	111	53,424	97,112
November	3,239	34,357	65,994
December	318,133	22,030	362,097
Total	426,636	475,890	

2022 Municipal Sewer Lateral Program Survey								
Municipality	Annual Assessment	Application Fee	Annual Contract or bid repairs individually	Contractor	City program cover 100% of repair or cost share	Cap on individual repair	Administrative costs covered by municipality or recoup costs from lateral program.	Restoration required
Chesterfield	\$28.00	\$100.00	Annual Contract	Tope , Inc.	100%	\$15,000.00	General Fund	Sod
Florissant	\$50.00	\$325.00	Annual Contract - Plumbing only. Excavation done in-house	Biondo Sewer	100%	None	Mixed - based on hours working on program	Seed & Straw
Crestwood	\$28.00	\$0.00	Contract (3 year)	Enterprise Sewer & Drain	100% up to \$10,000 50% above \$10,000	No cap with cost share	20% - Lateral Program 80% - General Fund	Seed & Straw
Creve Coeur	\$28.00	\$0.00	Residents get 3 bids	N/A	Cost Share (50/50)	\$7,500.00	20% - Lateral Program 80% - General Fund	Seed & Straw
Richmond Heights	\$39.00	\$0.00	Sole sourced	Don Rush Contracting	100% up to \$5000 50% above \$5000	No cap with cost share	50% - Lateral Program 50% - General Fund	City repairs all concrete/asphalt surfaces. Homeowner restores all grass areas on private property.
Webster Groves	\$50.00	\$0.00	Individually - 3 bids	N/A	Cost share (70% - City, 30% - Homeowner)	\$10,000 (in street) \$5000 (In yard)	50% - Lateral Program 50% - General Fund	Seed & Straw
Des Peres	\$28.00	\$175.00	Contract (2 year)	Drainco/Tope	100%	\$7,500.00	Lateral fund covers \$15,000	Seed & Straw
Clayton	\$28.00	\$0.00	Individually	N/A	Covers up to \$2,000	\$2,000.00	General fund	Seed & Straw Sod is required for larger repairs
Maplewood	\$50.00	\$0.00	Annual Contract	Tope, Inc.	100%	None	A portion from lateral program	Seed & Straw
Manchester	\$50.00	\$750.00	Annual Contract	Tope, Inc.	100%	\$6,000.00	Lateral Program	Seed & Straw
Ellisville	\$28.00	\$0.00	Individually	N/A Tope - Video only	100%	None	10% - Lateral Program 90% - General Fund	Seed & Straw
Maryland Heights	\$50.00	\$0.00	Annual Contract	Tope, Inc.	100% up to \$10,000 50% above \$10,000	No cap with cost share	General Fund	Sod
Kirkwood	\$28.00	\$0.00	Individually	N/A	Cost share (75% - City, 25% - Homeowner)	None	General fund	Seed & Straw
Brentwood	\$50.00	\$0.00	Residents get 3 bids	N/A	Covers up to \$3,500	\$3,500.00	General fund	Only in City r.o.w.
Ballwin	\$28.00	\$150.00	Contract (2 year)	A & A SEWER	Covers up to \$3000	\$3,000.00	Lateral Program	Seed & Straw