

SMITHVILLE BOARD OF ALDERMAN

WORK SESSION

August 3, 2021, 5:30 p.m.
City Hall Council Chambers

Due to the COVID-19 pandemic this meeting was held via teleconference.

The meeting was streamed live on the city's FaceBook page.

1. Call to Order

Mayor Boley, present via Zoom, called the meeting to order at 5:30 p.m. A quorum of the Board was present via Zoom meeting: Steve Sarver, Marv Atkins, Kelly Kobylski, Dan Ulledahl, John Chevalier and Dan Hartman.

Staff present via Zoom: Cynthia Wagner, Anna Mitchell, Chuck Soules, Chief Lockridge, Mast Denton, Stephen Larson, Jack Hendrix, Linda Drummond, Bob Lemley and Gina Pate.

2. Discussion of Combined Water and Wastewater System Fund

- Staff is recommending the selection of Alternate #1 (West Bypass of 144th Street Lift Station) for a south sewer solution. Staff is looking for input or approval from the Board of Alderman for the project.
- Staff is continuing to update the Utility Rate Model to generate the necessary utility rates needed to support debt issuance to pay for project.

Mayor Boley noted that the staff report and presentation were in the packet and were thorough in outlining all issues for discussion. He said that the Board had reviewed the information a few times. He asked if the Board would agree to go over the highlights or if they would need anything more in-depth? He said in his opinion he agrees with staff's recommendation of alternate number one. We have had some issues with easement acquisitions in trying to connect to Forest Oaks.

The Board all agreed they did not need a presentation and that staff did a good job of explaining it in the packet and it is evident of what we need to do moving forward.

Mayor Boley noted that the other question staff had in the packet was on debt issuance, he believes staff's recommendations presented in the packet clarifies the direction needed for alternative number one.

Alternate #1 (West Bypass of 144th Street Lift Station) would allow the 144th Street Lift Station to be constructed. This project would also allow the Hills of Shannon force main to be converted to a gravity sewer line which would eliminate the Hills of Shannon lift station. Alternate #1 will also provide for potential development in south

Smithville through the extension of a line south. Some of the alignment of Alternate #1 follows a utility easement. Staff has contacted Evergy and is discussing the City's ability to utilize a portion of the easement to avoid easement acquisition.

Alternate #1 is estimated to cost approximately \$2.5 million, which includes engineering, easement/ROW, and construction costs. Staff would also request Board authorization to have HDR prepare an engineering services agreement, project scope, and fee for Alternate #1.

Given the recommendation above, the 2022-2026 CIP has undergone edits and changes to projects planned for the 5-year period. In FY2022, the CIP features a budget of \$500,000 for engineering and easement/right-of-way costs for the West Bypass of 144th Street Lift Station. In looking at the upcoming CWWS cashflow graph for FY2022, staff anticipates having the financial capability to pay cash for the engineering/ROW while still retaining a required reserve amount above 20% of the CWWS operating budget.

In FY2023, the CIP features \$1,500,000 for the construction of the 144th Street Lift Station and \$2,000,000 for the construction of the West Bypass of 144th Street Lift Station. Together, the total project cost is \$4 million with engineering of \$500,00 and construction of the bypass and lift station at \$3.5 million. Due to the costs of this project, the City is not projected to be in an appropriate financial position to pay cash for the West Bypass of 144th Street Lift Station. As indicated by the CWWS Fund 5-year cashflow model, paying cash (\$3.5 million) for this project would mean incurring a severe deficit in the fund in FY2023 (nearly \$1.3 million deficit). Staff also discussed the possibility of using sewer impact cash for this project. However, with major plant expansion projects on the horizon, such as the wastewater treatment plant expansion project, staff is proposing to continue to buildup fund balance for sewer impact cash as a strategy to support funding that project.

Debt Issuance

Funding this project would require issuing debt. Debt issuance has been anticipated for the last several years in association with the scope of projects identified. Staff has been working with Piper Sandler, the City's financial advisory services provider, to explore financing options. One conversation involved exploring alternative financing options, such as the State Revolving Fund (SRF), a subsidized low interest loan program which is facilitated through the State. The SRF does offer some advantages, but also has disadvantages. The SRF can offer lower interest rates on the issuance of debt. However, when applicants submit projects for funding through the SRF, all submitted projects are prioritized for available funding and are listed in the annual SRF "Intended Use Plan". The Department of Natural Resources (DNR) also reviews plans and applications for water and sewer projects, which would further delay the project to completion. This is one primary disadvantage as funding is not guaranteed once an application is submitted due to this prioritization process. In addition, SRF requires voter approved revenue GO Bonds (General Obligation), so the process has this additional burden.

Staff also discussed issuing a COP (Certificate of Participation) to finance the West Bypass of 144th Street Lift Station project. This is the recommended financing route. The City issued a COP (Series 2018) for pay for the Wastewater Plant Upgrade and South Interceptor project. While a COP issuance may carry a slightly higher interest rate than a SRF loan, the COP carries much more flexibility and less limitations on the timeline of starting the project. At this point, staff is in the process of developing a debt service (amortization) schedule applicable for project costs of \$3.5 million. Staff seeks Board direction regarding a preferred financing option or either SRF or issuing a COP.

Cynthia noted that staff has been in contact with Evergy, and we will continue those discussions on the easement to allow the alignment for the project. Cynthia asked if the Board would like some information on the financing question?

Mayor Boley said that the City has gone the route of a COP (Certificate of Participation) before and feels that is the way to go again. He asked the Board's thoughts.

Stephen went briefly over staff's recommendations for the COP. He explained that he and Cynthia worked with Piper Sandler to develop a debt schedule and get an idea of what the financing would look like for a COP. In the packet there is a slide on issuing a COP versus a State Revolving Fund (SRF) and staff is looking for permission from the board to pursue the COP. He noted that after looking at the pros and cons of the State Revolving Fund (SRF) versus COP, while the SRF did have a slightly lower interest rate than a COP by approximately one percent. There is not as much flexibility throughout the application process and the other fact that funds of the SRF get prioritized with other project submissions. When he and Cynthia discussed this with Piper Sandler the COP stood out as the recommendation even with a slightly higher interest rate. It was the fact that going through an application process and having to be prioritized against other projects that would put us at a disadvantage to try and get the project done in the time that we would need to have it done next year.

Mayor Boley asked if he was correct that we have some COP debt rolling off in November?

Stephen said that we have our 2012 series that we will finish paying on in November so we will just have the 2018 series that we will be paying on.

Mayor Boley asked if the Board had any questions on the debt issuance and explained that there will be paperwork and Resolutions the Board will need to approve. He explained that tonight staff needs direction from the Board on which debt issuance they would like to move forward with.

The Board had no questions at this time.

Mayor Boley asked if staff would like to discuss utility rates at this time.

Cynthia explained that Stephen and Mayra have been updating the rate study that was done in 2018 reflecting the new capital improvement project costs and the prioritizations of the projects. She noted that in discussions with Piper Sandler we do not at this time have full rate recommendations.

Stephen explained that staff is in the process of getting the model updated this week. He and Mayra are going to look at that model and be able to see what the specific rate recommendations would be for fixed charges for water and sewer in the volume metric charges for each of the meter types. In the staff report it was noted that right now we have a 5% increase for water at 10% and sewer. The forecast that staff provided to Piper Sandler in our five-year plan we have 5% growth assumptions in revenue that helps provide for our debt issuance. He said they were looking at the rate model and compare the two and make sure that they work will together and get a rate recommendation prepared.

Mayor Boley said he appreciated the presentation staff put together and how they showed how Smithville's rates compare to surrounding cities. He stated that he would like to give staff a little bit of flexibility in figuring the rate percentage point and not have to keep coming back to the Board for direction. He said he would recommend the request that the Board give staff some latitude to be able to go up to somewhere around 20% on sewer.

Cynthia explained that a public hearing has to be held annually to raise and set the sewer rates.

Mayor Boley said he understood that but explained that if needed staff could recommend increases higher than 10% for sewer rates. He noted that our sewer rates are fairly low compared to surrounding cities, even if we raised our sewer rates 20% it would still be lower than Gladstone. He explained that we be able to get to where we need to be in order to pay for the sewer improvements. He thanked Stephen and Chuck for the work they did on this. He also noted that this would only amount to a couple dollars a month on a sewer and water bill to make our systems a lot better.

Alderman Hartman agreed with Mayor Boley and asked about the need to have a public hearing every year?

Cynthia explained that State Statute outlines that when we increase the sewer rates we have to post and hold a public hearing. One of the things staff has discussed in budget development this year is that in 2018 when we did the rate study and did not hold the public hearing until in January 2019 and then implemented those rates later in the year. Now we have gotten more on March time frame for implementation of the new rate. Staff would like to be able to set the new rates on the calendar year.

Mayor Boley agreed that it should be tied to the calendar year. He explained that the increase also impacts other entity budgets like the school whose budget year begins in July, so we need to make sure we let them know ahead of time.

Cynthia noted that this is not related to water and sewer but the overall bill to residents. As staff presents the budget information and the solid waste contract, we are also looking at moving the that start concurrent with the fiscal year so those rates would increase/decrease in November. Before it was concurrent with the contract in January.

3. Discussion of Reapportionment Process – Ward Boundaries

Cynthia explained that we do not have the 2020 census data yet. Normally we would have received the data much earlier in the year. We need to set the boundaries in time for the Alderman candidate filing in December for the April election. Staff would like to have direction from the Board as to philosophically what they believe the boundaries should look like, so that once we receive the census data staff can put some information together and bring back to the Board for final discussion.

Jack explained that there were two questions staff needs direction on. What is the process the Board want to use to make the selection for the draft boundary maps? How would the Board want staff to proceed? He explained that we have an incredibly short timeline for the process.

When identifying those standards, the Board should consider certain standard redistricting criteria.

Those standard criteria include:

- (1) population equality; (must be less than 10% standard deviation between highest and lowest populations)*
- (2) compact districts of contiguous territory;*
- (3) retention of existing neighborhood boundaries;*
- (4) retention of precinct boundaries;*
- (5) cohesion of other existing communities of interests;*
- (6) desire to retain historic boundaries; and*
- (7) consideration of incumbency.*

Mayor Boley asked if anyone liked the way the ward boundaries are as they stand today?

Alderman Chevalier said that it is laid out a little wonky. He said he understands the motivation and why it is laid out this way so each ward would have a piece of downtown. He thinks it might be better to have a north, central and south scenario.

Mayor Boley agreed with Alderman Chevalier, having the north, central and south cleans it up. He noted that it looks like that is how the current ward division was drawn up then they added a piece of downtown to each ward.

Jack noted on that scenario, which is perfectly acceptable. The seventh criteria in the redistricting is the consideration of incumbency. If you lay it out north, central and south it is not as acute as it was previously, but some of the existing Alderman would be moved into a different ward.

Mayor Boley noted that Cedar Lakes could stay in ward three by angling the line southeast.

Jack explained that once we get the actual numbers, we can plug those numbers on the map, and it will give us how close we are to the ideal one-third division of population. As of July 25, the estimated population was 11,011.

Alderman Hartman asked if we have a pretty good idea of the population per subdivision?

Jack said no we do not. The census will give us what is called census tracts each subdivision has multiple tracts that will have to be added up to get the population for each subdivision. When you divide the area up for redistricting you divide it based on the census tracts.

Mayor Boley asked if anyone wanted to keep the downtown as part of all the wards?

The Board all agreed they did not.

Mayor Boley pointed out that we could clean it up a little bit by making it more east to west lines to divide the wards.

Jack indicated in looking at the map in the last ten years there has been several new homes built in ward one so the population for the downtown area has grown.

Alderman Chevalier asked if the boundaries have to be set now?

Mayor Boley explained that the Board is just to give staff general direction for when we receive the census data.

Alderman Chevalier asked what if we do not get it soon, is there a problem pushing it back to the next year's election?

Jack said he did not believe it has to be done by this upcoming election specifically, but the goal is so that the voting is balanced. That is why we want to do the redistricting as soon as we can.

Mayor Boley asked Jack if he had the direction he needed?

Jack said he would take the preliminary numbers to start the process and then once we receive the census data we can plug in the correct numbers. Staff will notify the Board if we exceed the standard 10% deviation. He noted that he is very comfortable in expressing that he believes that will happen which means we will need to redraw the boundaries to get them balanced. He said that staff will work up three or four different options on maps for the Board to look at and see which ones

meet those seven criteria that are most appropriate. Once the Board chooses the map from there staff will draft an Ordinance with the legal description based on that map. Once the Ordinance is approved staff will then get it to the board of election commissioners so they can send out new ward cards to the residents.

Alderman Atkins asked if staff was taking into consideration of any potential growth in the next three to five years?

Jack explained that we cannot, we can only address the 2020 census data.

Cynthia noted that as soon as we receive the census data staff will be taking the Board's direction from tonight and coming up with information for the Board to review.

Jack noted that the last estimate timeline we received was early September.

Cynthia took a moment to introduce our new employee Gina Pate, Management Analyst in our Public Works Department. Gina started last month and is acclimating herself to the community, talking about a lot of road improvement with Chuck and has started making improvements to the Public Works pages on the City website. Cynthia noted that with requests from the Board for improved communication for residents, Gina along with other staff are working to improve the information. Also, we have had requests to post the pavement condition index (PCI) to the City website. Gina has that posted with a description of what it is. Cynthia also noted the Mayra Ore started two months ago in the Finance Department. Mayra has provided some additional financial information. Gina and Mayra will be able to help with the analytical work that we were not able to provide before. Gina is a native of Georgia but comes to us from Columbia, Missouri where she did a two-year fellowship and worked in a number of departments in that organization.

4. Adjourn

Alderman Sarver moved to adjourn. Alderman Atkins seconded the motion.

Ayes – 6, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 5:55 p.m.

Linda Drummond, City Clerk

Damien Boley, Mayor