



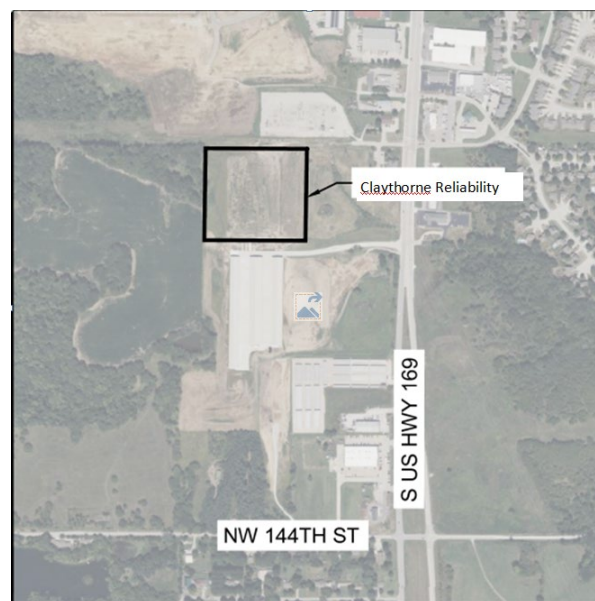
City Administrator's Report

July 2, 2026

Development Updates

Battery Energy Storage Facility (BESF) Plat, Zoning and CUP

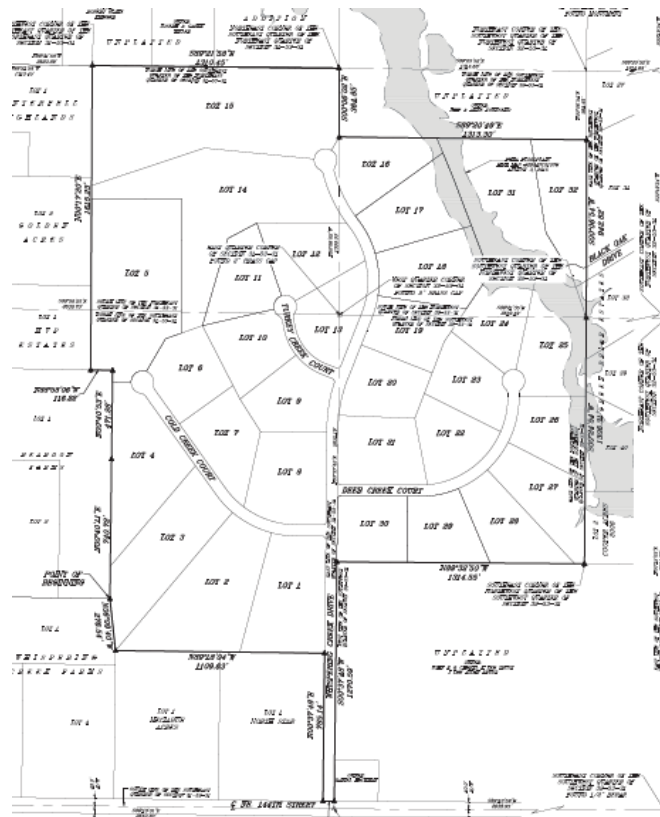
Application for a second Battery Energy Storage Facility has been received. This facility would be located on the south side of 148th Street (formerly Commercial) if a subdivision plat, rezoning and a conditional use permit are ultimately approved.



The project is to be called the Claythorne Reliability Project, and it will require a new subdivision to separate the north 10 acres from the Outrig RV Storage facility land. If approved, this will be a Battery Energy Storage Facility that will serve the Evergy substation across 148th Street from the project area. This project will require extending the 148th Street to the west in accordance with the previously approved site plan and agreements on this property. The applicant seeks an I-1 zoning designation in accordance with the Comprehensive Plan. That zoning will also require a conditional use permit, which will be required to meet the Site Plan Review ordinance standards to be approved.

Whispering Creek Farms Zoning and Subdivision

An application has been filed on the land near 144th Street and Mt. Olivet Road that was subject to three recent annexations earlier this year. After the annexation, the applicant sought to hold off on the initial zoning of the land until such time as a subdivision proposal could be presented to the Clay County Highway Department to determine its' requirements on 144th Street since they will continue to maintain that street with the new shared road agreement. Once that process was completed, the applicant has now submitted for a Single-Phase Final Plat on the 158.62 acres of land that is currently unplatted. That proposal will require the A-R zoning designation, which is required for lots smaller than 10 acres and generally matches the lot sizes of the Monterey Estates and Mt. Olivet subdivision to the west of Mt. Olivet Road.



Notice of Wholesale Water Rate Increase

The attached letter was sent to the Board of Directors of Public Water Supply District No. 8 of Platte County in compliance with the current contract notifying the district of anticipated change in rates as recommended in the utility rate study.

Parks and Facilities Insurance Audit

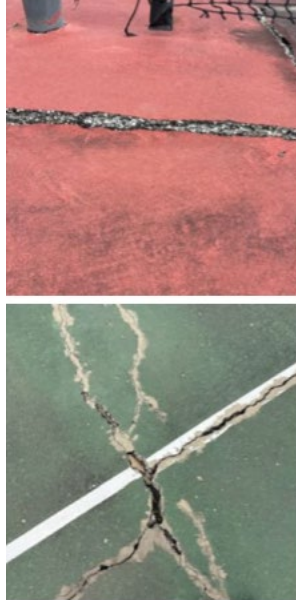
On May 21, 2026, the city's insurance carrier Midwest Public Risk (MPR) conducted their annual inspection of all parks and facilities. During the inspection, two main areas were identified as "poor," with recommended action to be taken.

Area 1: Smith's Fork Park Tennis/Pickleball and Basketball Courts

The report indicated that "Tennis/Pickleball and Basketball Courts need repair for trip hazards. Ongoing issue with the surface of the courts at Smith Forks. Courts

are at the end of life, and I'd recommend resurfacing them completely and patching/sealing to get through the season."

This area was identified and included in the concrete repair bid. The Board has allocated funds this fiscal year to make repairs. New and updated facilities will be discussed during the Smith's Fork Park project.



Area 2: Lake Remote Shelter

The inspection indicated "The shelter is falling apart. I would recommend taking it down as the roof has many holes as well as wood rot. The structure is also missing a support post, which makes it unstable. Due to its location its hard for staff to get to the structure as well as keep an eye on it."

Staff removed this shelter from the facility rental options and has scheduled removal. There is no plan to replace this shelter.



State Petition Audit

We have been notified that the field work portion of the audit was officially completed Friday, May 8. Auditors are now in the review process and will still be contacting staff for follow-up and clarification on information. Staff continue to provide information as requested. It is anticipated that work on the audit will continue throughout the fiscal year.

Upcoming Meeting Schedule

The September 15, 2026, meeting falls during the MML annual conference and has also been cancelled by the Mayor. This meeting will likely be rescheduled later in the month pending receipt of property tax assessed valuation information from Clay and Platte Counties in order to set the tax rate for the coming year.

June 18, 2026

Via Certified Mail and Electronic Delivery

Board of Directors
Public Water Supply District No. 8 of Platte County, Missouri
P.O. Box 290
Smithville, Missouri 64089

**RE: Notice of Wholesale Water Rate Increase — Water Purchase Contract
(October 18, 2016)**

Dear Members of the Board:

The City of Smithville (the "City") by this letter provides formal notice to Public Water Supply District No. 8 of Platte County, Missouri ("PWSD #8") of an increase in the wholesale water rate charged under the Water Purchase Contract dated October 18, 2016 (the "Contract"). Pursuant to Section C.3, and subject to the approval by the Board of Aldermen at their meeting on September 1, 2026, the new rate of **Ten Dollars and Thirty-Seven Cents (\$10.37) per one thousand (1,000) gallons** will become effective November 1, 2026 (the "Effective Date").

I. Background

The Contract has governed the City's wholesale sale of treated water to PWSD #8 since November 2, 2016. Section B.1 established an initial wholesale rate of \$4.00 per 1,000 gallons. The rate has since been adjusted consistent with Section C.3's retail wholesale rate increase tethering provision and currently stands at \$7.14 per 1,000 gallons. The City's current retail residential rate is \$11.96 per 1,000 gallons.

The City has issued revenue bonds for the improvement of its water system through the authority provided by § 250.120.1, RSMo. Those bonds remain outstanding. In light of the City's continuing capital obligations and the need to ensure the long-term financial sustainability of the water system, the City engaged Raftelis Financial Consultants, Inc. ("Raftelis") to conduct a comprehensive water and wastewater rate study (the "Rate Study"), which was recently completed and presented to the City's Board of Aldermen. The Rate Study establishes both the factual and financial basis for the rate adjustment described in this letter.

II. Rate Study Findings

The Rate Study concludes that the City's current rates are insufficient to fund safe and reliable water service, maintain adequate reserve balances, and service the City's capital obligations over the five-year planning period. Funding for these items is subject to the terms of the City's resolution issuing the aforementioned revenue bonds and applicable Missouri law discussed more fully below.

The Rate Study includes a cost-of-service analysis specifically addressing the wholesale rate charged to PWSD #8. Raftelis examined the proportional share of supply, treatment, and transmission costs attributable to PWSD #8's usage. That analysis concluded that PWSD #8's proportional wholesale rate "could reasonably be as high as \$10.37 per 1,000 gallons" for FY2027 alone — substantially higher than the approximately \$7.72 per 1,000 gallons that would result from applying only a retail-equivalent percentage increase to the current rate. When the full five-year capital program and associated debt service obligations are considered, the Board of Aldermen has determined, based on the Rate Study, that a rate of **\$10.37 per 1,000 gallons** is appropriate to ensure that the City recovers a proportional share of its costs from PWSD #8 and fulfills its statutory financial obligations going forward.

A copy of the Rate Study is enclosed for your convenience.

III. Legal Basis for the Rate Adjustment

As discussed more fully below, Section C.3 of the Contract — which purports to limit any wholesale rate increase to the same percentage as increases charged to the City's retail customers — is unenforceable. That provision conflicts with the mandatory rate covenant set forth in § 250.120.1, RSMo, which is incorporated into the Contract by operation of law and cannot be waived by private agreement.

A. Missouri's Mandatory Rate-Setting Obligation Under § 250.120.1, RSMo

Section 250.120.1, RSMo, imposes a mandatory obligation on any city that issues water revenue bonds to "fix and maintain rates and make and collect charges for the use and services of the system ... sufficient to pay the cost of maintenance and operation thereof, to pay the principal of and the interest on all revenue bonds ... and to provide funds ample to meet all valid and reasonable requirements of the ordinance or resolution by which such revenue bonds have been issued." As noted above, the City has issued water revenue bonds that remain outstanding. The City's obligation under § 250.120.1 is therefore active, mandatory, and not subject to waiver by contract or otherwise.

As the Missouri Court of Appeals held in *City of Hamilton v. Public Water Supply District No. 2 of Caldwell County*, § 250.120.1 was “in effect at the time and place the contract was concluded” and therefore entered into the Contract as an original term “as though already expressed.” 849 S.W.2d 96, 103 (Mo. App. W.D. 1993). As the Court held in *Hamilton*, the statute’s plain-language rate covenant mandate operates as a term of the Contract itself, regardless of what the Contract’s text may otherwise provide, and Missouri law requires the City to set rates sufficient to meet that mandate.

B. Section C.3’s Percentage Cap Is Unenforceable to the Extent It Excludes Proportional Capital Costs

Section C.3 of the Contract provides that any increase in the wholesale rate “shall not be greater than the same percentage of increase as CITY charges its own citizen retail consumers/customers.” The City acknowledges that this provision has governed prior rate adjustments. However, under *Hamilton* and the underlying statutory framework, Section C.3’s percentage cap is unenforceable to the extent it prevents the City from charging PWSD #8 a rate that includes a proportional share of the City’s capital costs and debt service obligations.

The Court’s reasoning was fundamental: under § 250.120.1, the statutory obligation to set rates sufficient to pay principal and interest on revenue bonds is mandatory, and “a municipal corporation possesses and can exercise only those powers granted by the legislature.” *Id.* at 104. An agreement that contradicts that mandatory obligation is ultra vires and void. See also § 432.070, RSMo (no city shall make any contract beyond the scope of its powers).

Section C.3’s percentage cap operates in a manner legally indistinguishable from the provision invalidated in *Hamilton*. The Rate Study demonstrates this directly: applying only a retail-equivalent percentage increase (8% for FY2027) to the current rate of \$7.14 per 1,000 gallons produces a wholesale rate of approximately \$7.72 per 1,000 gallons. That figure is more than \$2.65 per 1,000 gallons below the \$10.37 cost-of-service rate that Raftelis independently determined to be PWSD #8’s proportional share of the City’s supply, treatment, and transmission costs — to say nothing of the capital investment required through 2031. The gap between the contractually capped rate and the true cost-of-service rate represents precisely the capital and debt service costs that *Hamilton* held cannot be contractually excluded from the wholesale rate base.


Under *Hamilton*, § 250.120.1 is incorporated into the Contract as an original term, requiring the City to charge rates that reflect the full cost of providing service, including capital and debt service costs proportionally attributable to PWSD #8. Section C.3’s percentage cap, to the extent it prevents the City from recovering those costs, is

unenforceable as a matter of law, and the City is both authorized and required by Missouri law to set a rate consistent with its statutory obligations. The new rate of \$10.37 per 1,000 gallons reflects the Board of Aldermen's determination of the appropriate rate on that basis.

The City values the long-standing relationship between Smithville and PWSD #8 and encourages the District to continue as a wholesale customer. The City is committed to transparent communication regarding the financial realities of operating and improving its water system to ensure reliable service for all users. To that end, City staff and the City's consultants are available to meet with PWSD #8's board and advisors to review the Rate Study's methodology and cost-of-service findings in detail. The City welcomes that conversation and encourages PWSD #8 to contact the City at your earliest convenience to schedule a meeting prior to the rate increase Effective Date.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Cynthia M. Wagner". The signature is written in a cursive, flowing style.

Cynthia M. Wagner
City Administrator