



Figure 1 - Downtown Smithville

City of Smithville, Missouri

Board of Aldermen - Work Session Agenda


6:30 p.m. Tuesday, July 7, 2026

City Hall Council Chambers

Meetings are live streamed on the [City's YouTube](#) page and will be posted to the City's website and FaceBook following the meeting.

1. Call to Order
2. Utility Needs and Financing Discussion
3. Adjourn



	<div style="display: flex; align-items: center; justify-content: center;"> <div style="background-color: #8ebf40; color: white; padding: 5px 10px; font-weight: bold; margin-right: 10px;">STAFF</div> <div style="background-color: #005a8c; color: white; padding: 5px 10px; font-weight: bold;">REPORT</div> </div>
Date:	July 7, 2026
Prepared By:	Mayra Toothman, Assistant Public Works Director Rick Welch, Finance Director
Subject:	Utility Needs and Financing
Staff Report:	Utilities and Finance Departments

The City continues to face increasing demands on its water and wastewater infrastructure as aging assets, rising construction costs, and future growth place greater pressure on available financial resources. Careful long-term planning is essential to maintain reliable utility services while ensuring responsible stewardship of public funds. This memorandum provides an overview of the City's recent utility investments, current infrastructure needs, available financing options, and anticipated future debt requirements to support critical capital improvements and maintain the long-term sustainability of the utility system.

The City has completed several planning initiatives to guide long-term utility investments and community growth, including the Water Master Plan (2018), Comprehensive Master Plan (2020) and Wastewater Master Plan (2021). Together, these plans identified infrastructure needs, evaluated future capacity, updated project costs, and established priorities for future capital improvements. In 2025 staff worked with HDR to update the cost estimates for the projects identified in the Water and Wastewater Master Plans.

While both water and wastewater needs exist, wastewater is currently the higher priority. Because many of the remaining wastewater improvements represent multi-million-dollar investments, they cannot be completed through annual utility revenues alone.

The City completed utility rate studies in 2018, 2022, and 2026 to assess the long-term financial sustainability of its water and wastewater systems. These evaluations reviewed operating costs, capital improvement needs, debt service obligations, funding requirements, and rate structures to ensure the utilities remain financially stable while supporting ongoing and future infrastructure investments. The 2026 study further confirms the need for debt financing to meet anticipated system needs.

Recently Completed Utility System Improvements

Major Wastewater System Improvements

Recognizing the need to maintain and improve the wastewater system, the City has

invested millions of dollars in infrastructure improvements over the past decade. Major projects include:

- South Gravity Interceptor (2018) – approximately \$2.57 million
- Wastewater Treatment Plant Influent Pump Station (2020) – approximately \$4.6 million
- Highland Drive Sewer Main Replacement (2021)
- Wastewater Treatment Plant UV Disinfection System Replacement (2021 and 2024 upgrades)
- Digester No. 1 Floating Aerator (2022) – approximately \$492,000
- SBR Process Equipment and Motive Pump Rebuilds (2023)
- Fourth Street Terrace Sewer Replacement (2023)
- Wastewater Treatment Plant Bar Screen Replacement (2024)
- 144th lift station and west bypass (2025)
- Smith's Fork Force Main (2026)
- Main Lift Station, interceptor sewer, and excess flow holding tank improvements
- Annual cured-in-place pipe (CIPP) lining projects
- Replacement and rehabilitation of deteriorated manholes
- Ongoing repairs and upgrades to lift stations, pumps, and control systems

These investments have significantly extended system life and shifted the utility toward proactive rehabilitation rather than reactive maintenance.

Gravity Sewer Rehabilitation (CIPP)

The City continues an annual CIPP program (~\$150,000/year) targeting aging clay tile mains installed prior to the late 1960s. Since 2017, maintenance needs have dropped from 19 chronic locations to about 1, reducing chemical use, emergency backups, and overtime. Approximately 85% of the system is now PVC or lined, with about 15% remaining, most of which is nearing completion.

Water Main Replacement Efforts

Replacement of older cast iron mains has reduced system breaks from an average of 37 per year (2012–2017) to about 22 per year since 2018, including a low of 13 in 2024, while improving overall water reliability and quality.

Wastewater Treatment Plant Maintenance

Ongoing maintenance of Sequential Batch Reactors (SBRs), digesters, pumps, and

screening systems supports reliable operation. Recent upgrades, including a new bar screen, have improved debris control, though influent pump station cleaning remains equipment-intensive and largely contracted.

Future Utility Improvements

Remaining wastewater priorities identified in the 2021 Master Plan include the phased treatment plant capacity expansion, Owens Branch Phase 1, Line 1, and continued systemwide rehabilitation.

As noted earlier, wastewater projects are the short-term priorities in the utilities capital improvement plan. Water system needs in the coming years include waterline replacement projects, advanced metering structure, neighborhood looping projects, and the water treatment plant expansion.

Financing Mechanisms

Missouri statutes allow municipalities to issue long term debt generally based upon assessed valuation. Financial policies and long-term fiscal planning objectives further inform debt issuance. The primary financing tools available to municipalities are General Obligation (GO) Bonds, Revenue Bonds, and Certificates of Participation (COP). The City has previously issued GO bonds to fund infrastructure improvements, with debt payments funded through the Capital Improvements Sales Tax. COPs have been issued for utility improvements, with utility rate revenues supporting debt repayment. As the name describes, revenue bonds are typically paid off through the revenues generated by the facilities financed by the bonds.

The State Revolving Fund (SRF) loan program provides low-cost, long-term financing for eligible water and wastewater projects, helping communities complete critical infrastructure upgrades while reducing debt costs. It offers below-market interest rates (about 30% of Municipal Market Rate), repayment terms of 20–30 years, and potential grant assistance, making it one of the most cost-effective financing tools available. Typically, SRF funding through revenue bonds requires a debt coverage ratio of anywhere from 110% to 125%.

To qualify, projects must demonstrate bonding capacity, include a detailed engineering report, and meet the March 1 application deadline for priority consideration. Similar to GO bonds, voter approval is required prior to the issuance of revenue bonds.

In anticipation of the potential of SRF funding, the City has submitted an SRF application for Phase 1 Wastewater Treatment Plant Improvements to increase capacity, improve reliability, and support future growth. The project will raise average treatment capacity from 1.125 MGD to 1.5 MGD and improve peak flow management up to 4.0 MGD. Key improvements include expanded screening, construction of SBR

No. 4, electrical system upgrades, and a new truck fill station. These upgrades will improve compliance, operational efficiency, and long-term system resilience.

Staff has evaluated options to fund utility projects, including the issuance of additional COPs and issuance of voter-approved revenue bonds to support repayment of SRF loan proceeds. The following chart depicts the key difference between COP and SRF funding.

	COP	SRF
Primary Use	General capital improvements	Water, wastewater, and environmental infrastructure
Project Eligibility	Broad	Limited to qualifying projects
Interest Rate	Market-based (4.5%)	Typically below-market (2%)
Financing Term	Generally based on project / market conditions (Board approval)	Typically long-term financing (Voter approval)
Flexibility	High	Limited to qualifying projects
Administrative Requirements	Standard financing process (75-90 days)	More extensive application and compliance requirements (15-22 months)
Best Fit	Buildings, vehicles, equipment, general facilities	Utility infrastructure projects

Recommended Financing Plan

Based on Board direction to ensure the long-term financial sustainability of the City’s water and wastewater systems, staff has developed a financing plan and timeline that incorporates both SRF financing and COPs to bridge the interim period prior to SRF funding availability.

Through this recommended plan, the City would pursue SRF revenue bonds as the primary long-term financing strategy for eligible water and wastewater infrastructure improvements. Based on discussion and Board direction at the June Budget Retreat, staff is working toward a November 2026 ballot question to issue revenue bonds to fulfil the SRF bond capacity requirement.

Subject to voter approval in November 2026, SRF funding is anticipated to become available in January 2028, providing low-cost, long-term financing that aligns debt repayment with utility revenues. To address critical infrastructure needs before SRF funding becomes available, the City anticipates utilizing additional COP financing in spring 2027 to bridge the funding gap and maintain project schedules.

The following chart provides a visual timeline for the SRF process.

ITEM DESCRIPTION	MONTHS	2026						2027												
		JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	
Facility Plan / SRF Application	1	█																		
MDNR Facility Plan Review / Approval	1.5		█	█																
Public Hearings for Environmental Information	1		█																	
Environmental Clearances (SHPO)	2 (3)	█	█	█																
EID Submission / Approval	1				█															
FONSI Issuance	1					█														
Bond Election	1					█														
Planning and Design Loan Closure	2					█	█													
MDNR Review of Design	4									█	█			█	█					
Close on SRF Loan	2																		█	█

Bond Election

Based on Board direction at the Retreat, staff has developed a timeline to place the question of revenue bond issuance on the November 3, 2026 ballot. Ballot language is due to the county by August 25, 2026. Given this timeframe, staff is planning to bring forward language for first reading at the August 4 Board meeting and second reading at the August 18 meeting. Staff also recommends a voter education process leading up to the election.

Requested/Recommended Board Action

The combination of long-term infrastructure needs, supported by rate study findings, and scheduled capital improvements clearly supports the necessity of a financing strategy. The use of COP financing in the near term, followed by SRF funding for long-term repayment, provides a balanced and responsible approach to ensuring the City can continue delivering safe, reliable, and sustainable water and wastewater services to its residents while addressing critical infrastructure demands.

Staff seeks Board confirmation of the recommended financing plan and election timeline.