

Date:	August 6, 2024
Prepared By:	Rick Welch, Finance Director
Subject:	FY25 Proposed Utility Rate Changes

Staff has prepared a presentation and discussion of proposed changes for consideration by Board of Aldermen as a part of the FY2025 Proposed Utility Rate Changes. In 2022, the City of Smithville contracted with Raftelis Financial Consultants to create a utility rate study. That rate study outlined projected rate adjustments over the next five years.

Staff are proposing a 15% increase in both the monthly fixed water fee and the monthly water volume rate (charged per 1,000 gallons of water used) and a 15% increase in the monthly fixed wastewater fee, and the monthly wastewater volume rate (charged per 1,000 gallons of wastewater used). Both the water and wastewater fee increases have been recommended by the utility rate study.

Capital projects are the primary driver of the proposed rate adjustments, but there are other needs that influence utility rates. There are several requested items for the FY2025 proposed budget in the CWWS Fund, which includes:

- **Water Master Plan Update:** The Utilities Department seeks approval to have HDR review and re-do our water and wastewater masterplans. These plans have been changed due to growth and consumption and we would like to see it updated to ensure we do the projects needed on time. The estimated cost is \$100,000.
- **Wastewater Master Plan Update and Plan Renewal:** A request for HDR to work with MoDNR to renew our wastewater treatment plant permit, which expires in 2025. HDR has worked well with MoDNR in the past to ensure our permit has us doing testing that is needed for this plant and not extra sampling that will cost the city more money yearly. The estimated cost is \$100,000.
- **Sewer Jetter Machine:** The Utilities Department is requesting a new setter jetter to clean clogged sewer lines, perform preventative maintenance, and clean up streets after water breaks occur. The current jetter is over 20 years old and has 1,100 hours of run time and has required four pump rebuilds. If the jetter is not functioning properly, the City must hire a company to clean the sewer lines (which typically costs about \$1,000 each time to clean a line). The jetter was identified for replacement in the City's long-term equipment replacement plan. The sewer jetter machine is expected to cost \$200,000 to acquire.

- **Wet Well Wizard:** This product works to eliminate grease and hydrogen sulfide in sewer pump stations. Rollins Landing pump station has a very bad grease problem and the Quail Ridge pump station has a very bad hydrogen sulfide issue. Hydrogen sulfide is a very potent gas that is highly corrosive to metal and concrete. Since Quail Ridge has very low flow it allows the wastewater to go septic and emit this gas. The wet well wizard will correct this problem. The estimated cost to purchase two units, one for each station, is \$26,000.
- **Chemical Building Lighting and Windows Replacement:** In 2023, a portion of the existing lighting at the WTP was updated to more energy efficient LED fixtures in the high service pump area, pipe gallery, and Morton building. Utilities staff would like to update the remaining lighting to reduce maintenance costs and provide energy savings. The cost estimate to complete the lighting and window replacement is \$25,000.

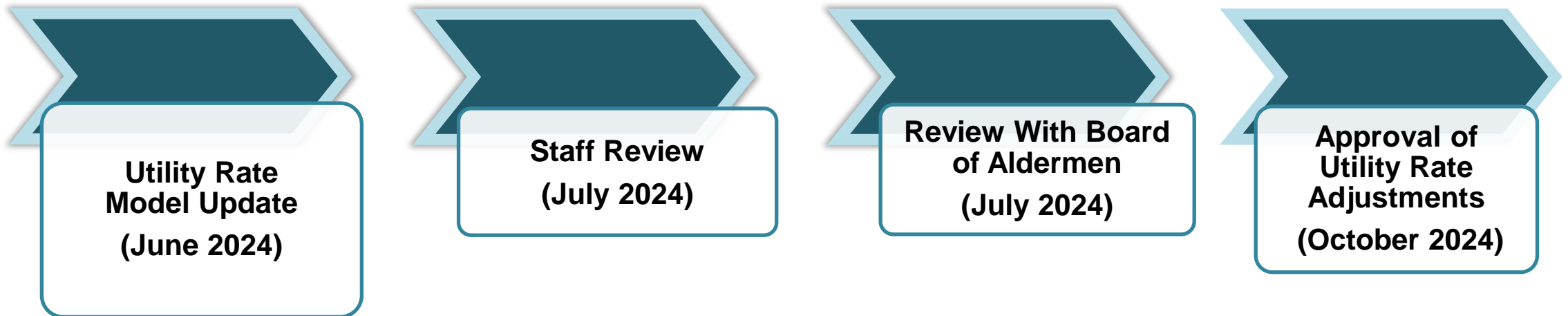
The PowerPoint presentation will review scenarios of the CWWS Fund cashflow, changes with the proposed rate increases, a history of the City's utility billing average invoice, and a comparison of the City's utility billing compared to surrounding cities. The operational needs, capital projects and proposed rate discussion increases reflect the ongoing review of the CWWS fund requirements to maintain utility services to our customers, as directed by the City's rate study and the Board.



FY2025 Proposed Utility Rate Adjustments



Utility Rate Adjustments – Review Process



Developing the CWWWS Fund Budget

- Utility rate adjustments are *necessary to fund the following items*:
 - ✓ Ongoing Water & Sewer “Pay-As-You-Go” (Cash Funded) Capital Improvement Projects Recommended from Water and Wastewater Master Plans.
 - ✓ Future Water & Sewer Debt Financed Projects (WTP & WWTP Plant Expansion Projects) Recommended from Water and Wastewater Master Plans.
 - ✓ Increased Expenses for Operational Maintenance and Repairs for the CWWWS System.
 - ✓ Equipment Upgrades (Water Master Plant Update, Wastewater Master Plant Update and Plant Renewal, Sewer Jetter Machine, Wet Well Wizard, and Chemical Building Lighting and Windows Replacement).



Utilities Operational Staff

Five Year CIP – CWWWS Fund

Capital Improvement Project Name	FY 2025	FY 2026	FY 2027	FY2028	FY2029
West Bypass of the 144th Street Lift Station (Construction)	\$2,200,000	-	-	-	-
144 th Street Lift Station (Construction)	\$100,000	-	-	-	-
144 th Street Lift Station Federal Earmark	-\$1,500,000				
Smith's Fork Force Main (Construction)	\$600,000	-	-	-	-
Owens Branch Gravity Line Phase #1, Line #1 (Engineering)	\$200,000	-	-	-	-
Maple Ave & River Crossing (12" Waterline) (50% of Construction)	\$700,000	-	-	-	-
Stonebridge Lift Station (Engineering)	\$30,000	-	-	-	-
Stonebridge Lift Station (Construction With SSD Cost Sharing)	\$1,300,000	-	-	-	-
Water Plant Improvements (Construction)	\$1,400,000	-	-	-	-
McDonalds/Central Bank Lift Station (Engineering)	\$100,000	-	-	-	-
Grand Total (Net Cost)	\$5,130,000	\$0	\$0	\$0	\$0

Five Year CIP – CWWS Fund (Continued)

Capital Improvement Project Name	FY 2025	FY 2026	FY 2027	FY2028	FY2029
Interconnect Mains at 144 th /169 Highway/Major Mall (S2, Construction)	-	\$55,000	-	-	-
Highway 92 & Commercial Waterline (Engineering)	-	\$150,000	-	-	-
Smith's Fork Park Waterline (Construction)	-	\$170,000	-	-	-
Owens Branch Gravity Line Phase #1, Line #1 (Construction)	-	\$1,150,000	-	-	-
Highway 92 & Commercial Waterline (Construction)	-	\$300,000	-	-	-
Owens Branch Gravity Line Phase #1 and #3, Line #2 (Engineering)	-	\$1,000,000	-	-	-
McDonalds/Central Bank Lift Station (Construction)	-	\$500,000	-	-	-
Grand Total (Net Cost)	\$5,130,000	\$3,325,000	\$0	\$0	\$0

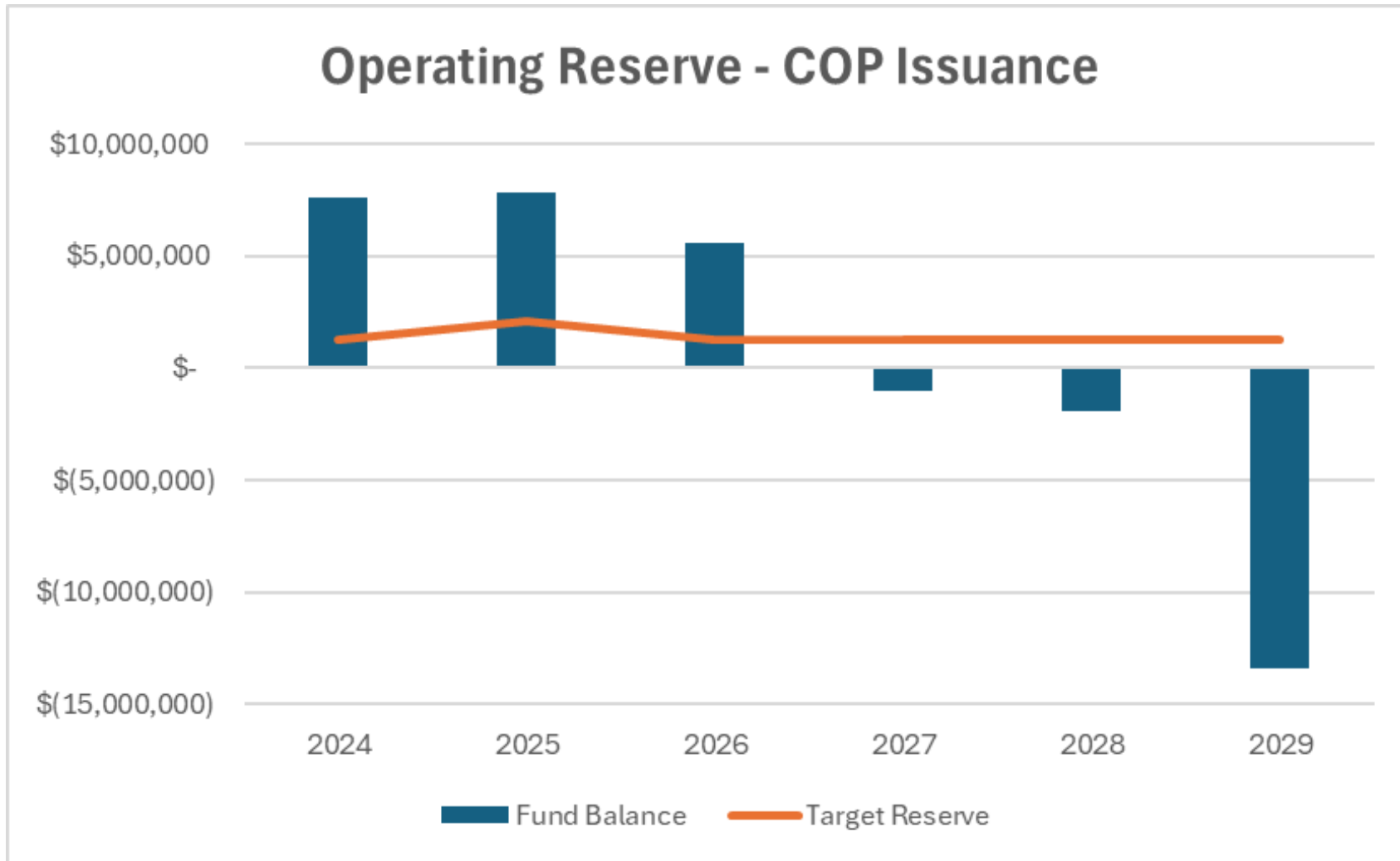
Five Year CIP – CWWS Fund (Continued)

Capital Improvement Project Name	FY 2025	FY 2026	FY 2027	FY2028	FY2029
Owens Branch Gravity Line Phase #1, Line #3 (Construction)	-	-	\$2,000,000	-	-
Wastewater Treatment Plant Expansion (Engineering)	-	-	\$1,050,000	-	-
Owens Branch Gravity Line Phase #1, Line #2 (Construction)	-	-	\$2,500,000	-	-
Water Plant Expansion (Engineering)	-	-	\$2,100,000	-	-
Additional Water and Wastewater Project Funding	-	-	-	\$2,000,000	-
Wastewater Treatment Plant Expansion (Construction)	-	-	-	-	\$3,000,000
Water Plant Expansion, Phase I (Construction)	-	-	-	-	\$7,500,000
Additional Water and Wastewater Project Funding	-	-	-	-	\$2,000,000
Grand Total (Net Cost)	\$5,130,000	\$3,325,000	\$7,650,000	\$2,000,000	\$12,500,000

** Projects with a **GREEN** background are new to the 5 Year CIP.*

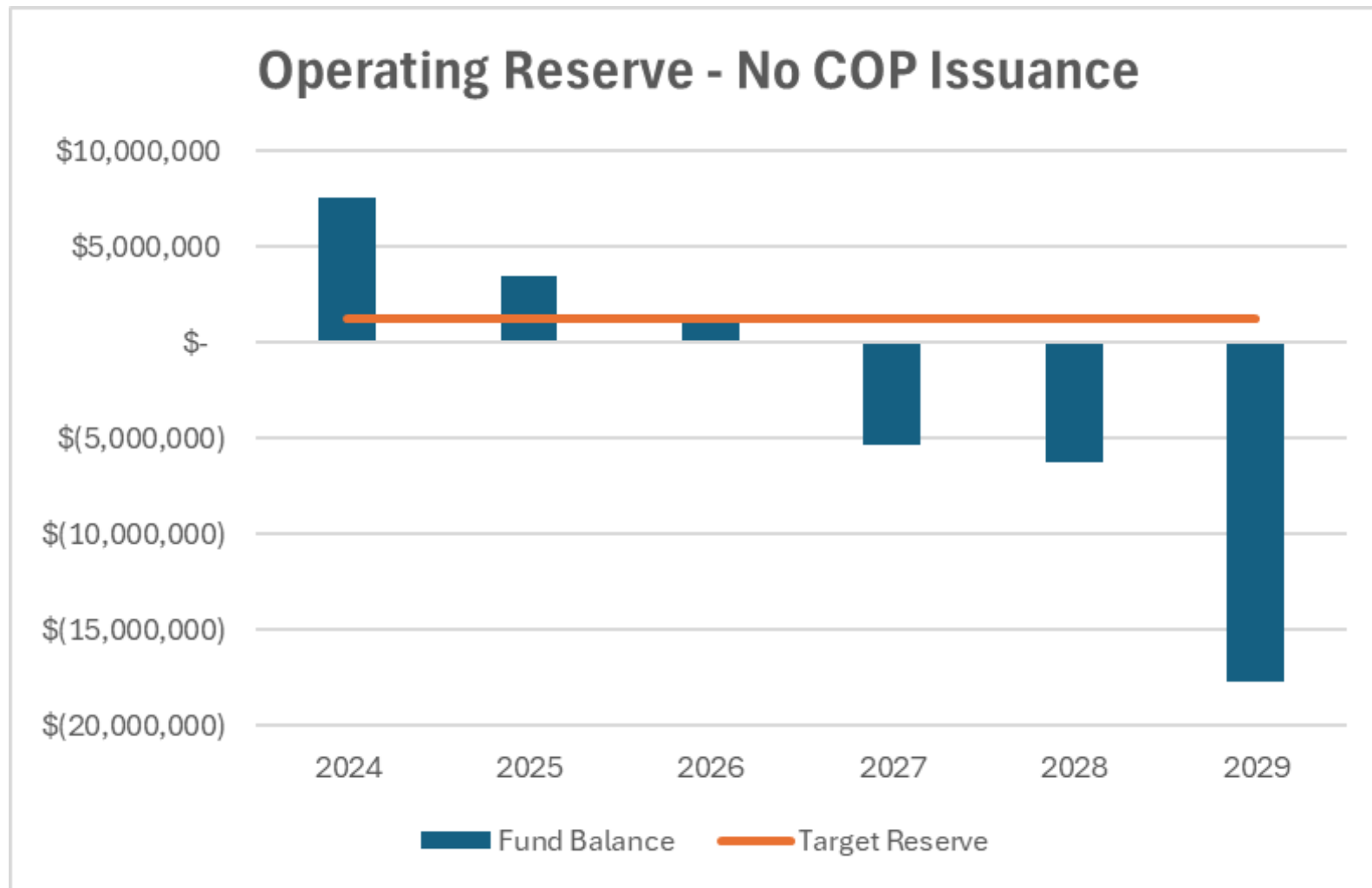
*Projects with a **RED** background expenditures past the 5 Year CIP.*

CWWS Cashflow – COP Issuance No Rate Increase



- Cashflow with issuance of COP debt, but no rate increase helps maintain a fund balance above the target reserve until FY27.
- Model does not include an annual rate adjustment of 15% to both water and wastewater, which was recommended in the rate study.

CWWS Cashflow – No COP Issuance No Rate Increase



- Cashflow without issuance of COP debt and no rate increase helps maintain a fund balance above the target reserve through FY25.
- Model does not include an annual rate adjustment of 15% to both water and wastewater, which was recommended in the rate study.

Proposed Changes – Water Fixed Rates

Water Rates	FY2024	FY2025 (Proposed)
Monthly Water Fixed Charge (3/4" and 1" Residential Meter)	\$14.70 / Month	\$16.91 / Month
Senior Monthly Water Fixed Charge (3/4" and 1" Residential Meter)	\$12.50 / Month	\$14.38 / Month*

15% Proposed Increase on the Monthly Water Fixed Charge.

***Senior Rate** reflects a 15% discount from the regular rate.

Proposed Changes – Water Volume Rates

Water Rates	FY2023 (Current)	FY2024 (Proposed)
Monthly Water Volume Charge	\$10.40 Per 1,000 Gallons Used	\$11.96 Per 1,000 Gallons Used
Wholesale Water Rate	\$6.21 Per 1,000 Gallons Used	\$7.14 Per 1,000 Gallons Used

15% Proposed Increase on the Monthly Water Volume Charge (Including Wholesale Rate at Which Water is Sold to PWSD #8)

Proposed Changes - Wastewater Fixed Rates

Wastewater Rate	FY2023 (Current)	FY2024 (Proposed)
Monthly Wastewater Fixed Charge (3/4" and 1" Residential Meter)	\$21.19 / Month	\$24.37 / Month
Senior Monthly Wastewater Fixed Charge (3/4" and 1" Residential Meter)	\$18.01 / Month	\$20.71 / Month*

15% Proposed Increase on the Monthly Wastewater Fixed Charge

***Senior Rate** reflects a 15% discount from the regular rate.

Proposed Changes - Wastewater Volume Rates

Wastewater Rate	FY2023 (Current)	FY2024 (Proposed)
Monthly Wastewater Volume Charge	\$8.84 Per 1,000 Gallons Used	\$10.17 Per 1,000 Gallons Used

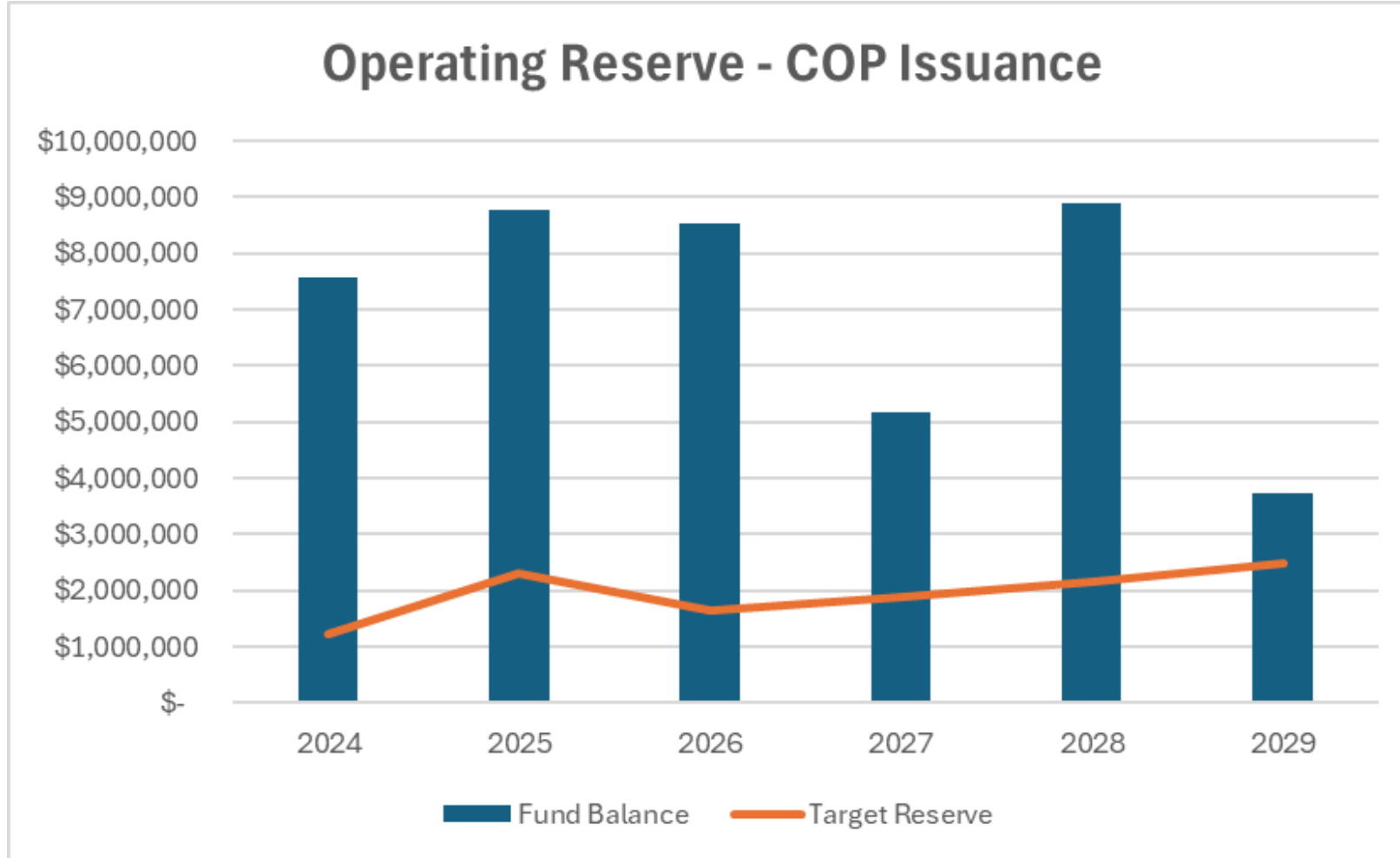
15% Proposed Increase on the Monthly Wastewater Volume Charge

Proposed Changes - Water Fixed Rates

Non-Resident (Outside City Limit) Customers	FY2024	FY2025 (Proposed)
Sewer Only (Outside City Limit) Customers	\$81.68	\$92.61
Water Only (Outside City Limit) Customers	\$22.05 / Month + \$15.60 / 1,000 Gallons	\$25.37 / Month + \$17.94 / 1,000 Gallons
Water Only (Outside City Limit) Customers – Senior Discount	\$18.74 / Monthly + \$15.60 / Gallons	\$21.56 / Monthly + \$17.94 / Gallons

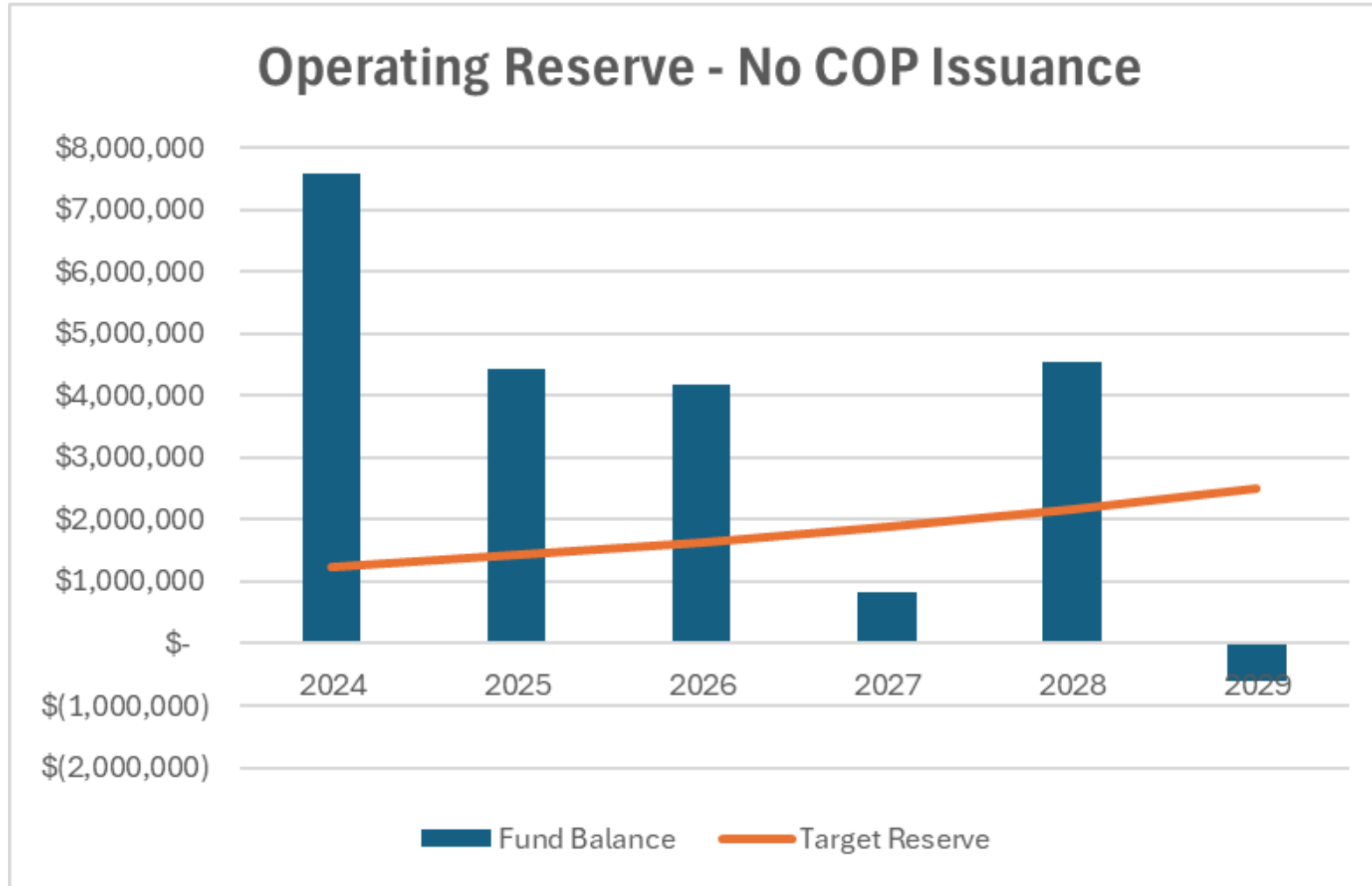
This Rate is Set By City Ordinance No. 3208-23, Section 705.040.

CWWS Cashflow – Rate Increase and COP Issuance



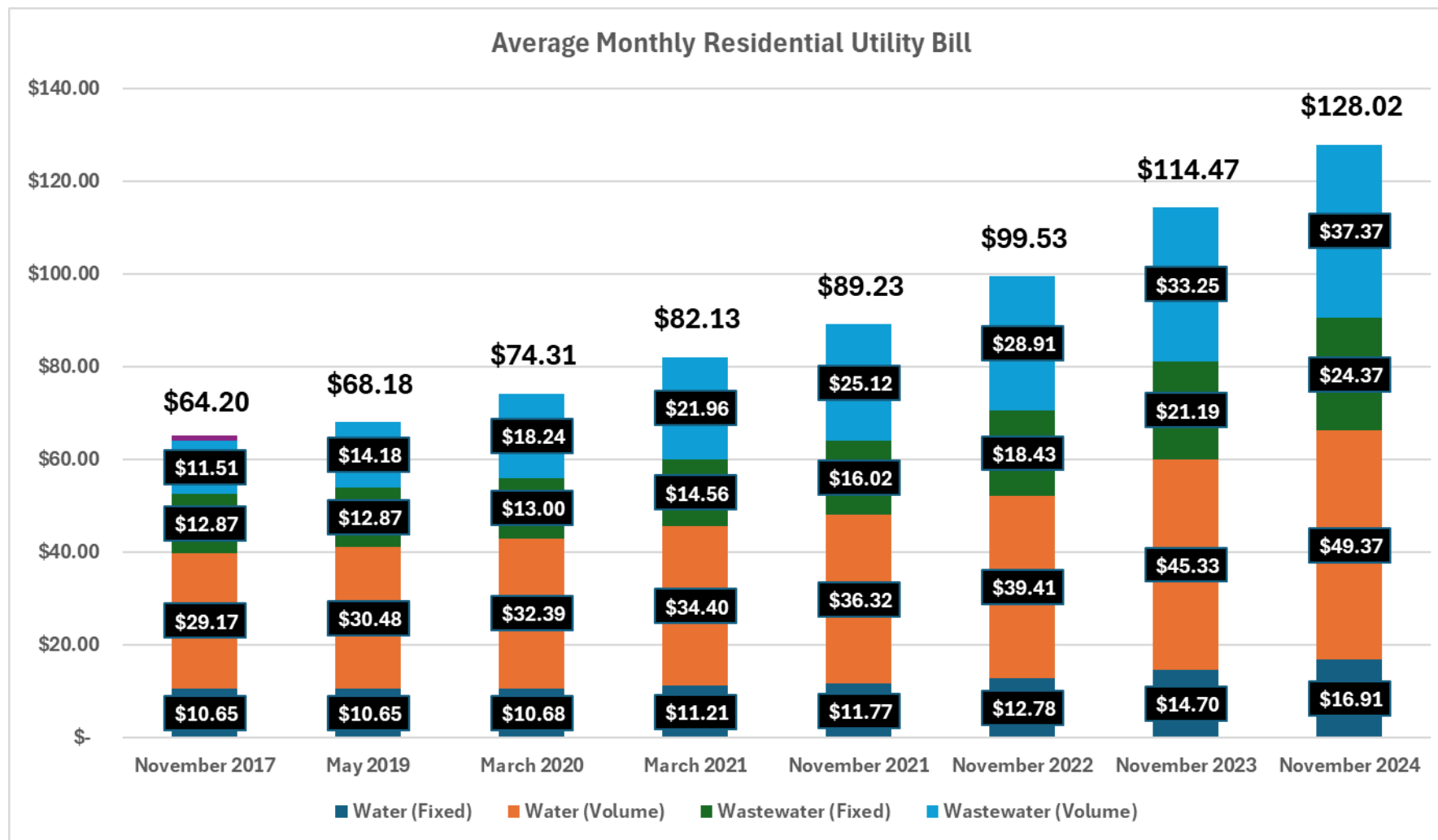
- Cashflow with proposed rate increase and COP issuance helps maintain a fund balance well above the target reserve of 20% of operating revenues.
- Model assumes ongoing rate adjustments of 15%, per rate study, for water and wastewater rates each year.

CWWS Cashflow – Rate Increase and No COP Issuance



- Cashflow with proposed rate increase and no COP issuance helps maintain a fund balance FY27, when the target reserve is not met.
- Model assumes ongoing rate adjustments of 15%, per rate study, for water and wastewater rates each year.

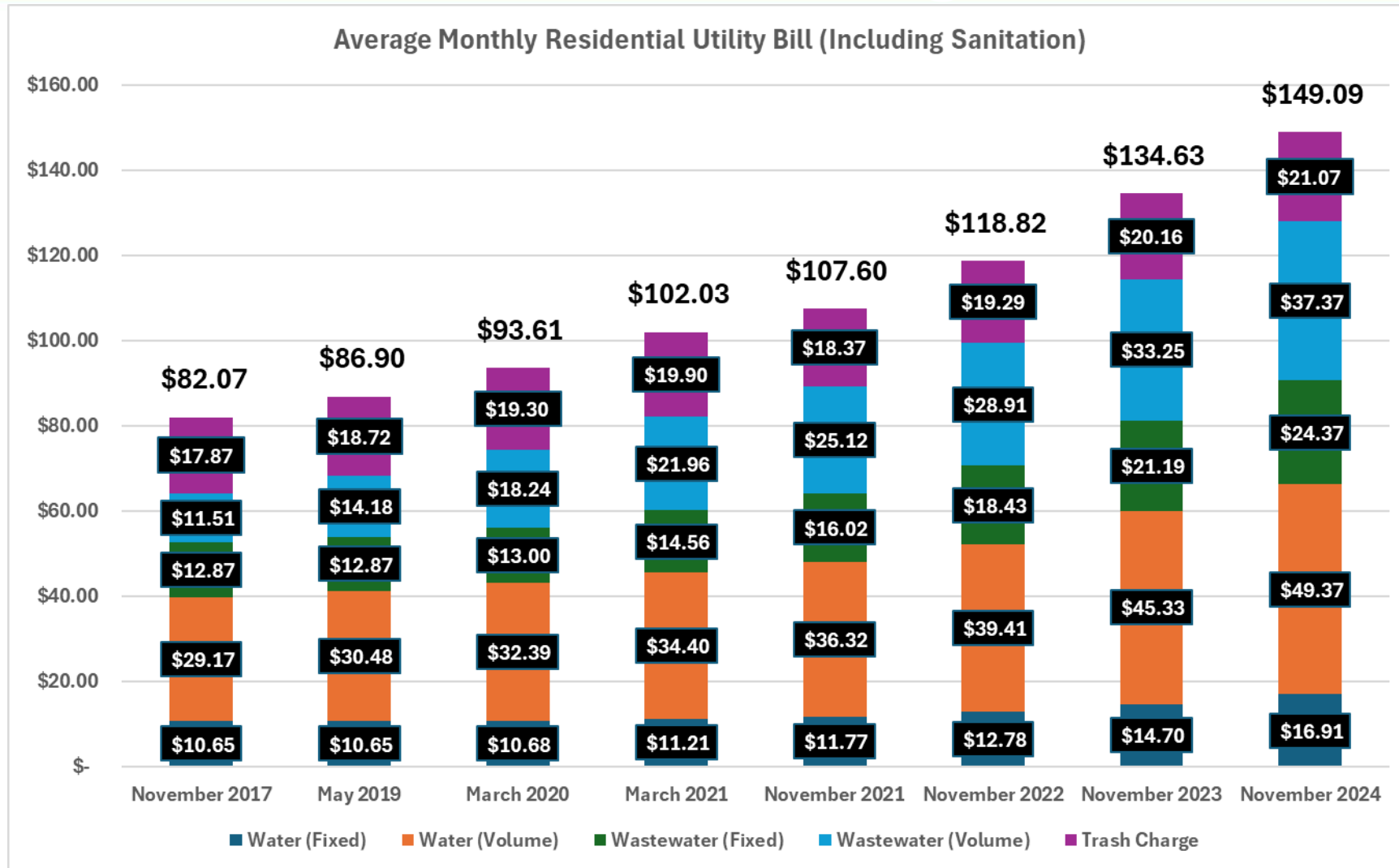
Average Monthly Utility Bill (Water and Wastewater Only)



Water Usage Assumption:
4,128 Gallons.

Wastewater Usage Assumption:
3,675 Gallons.

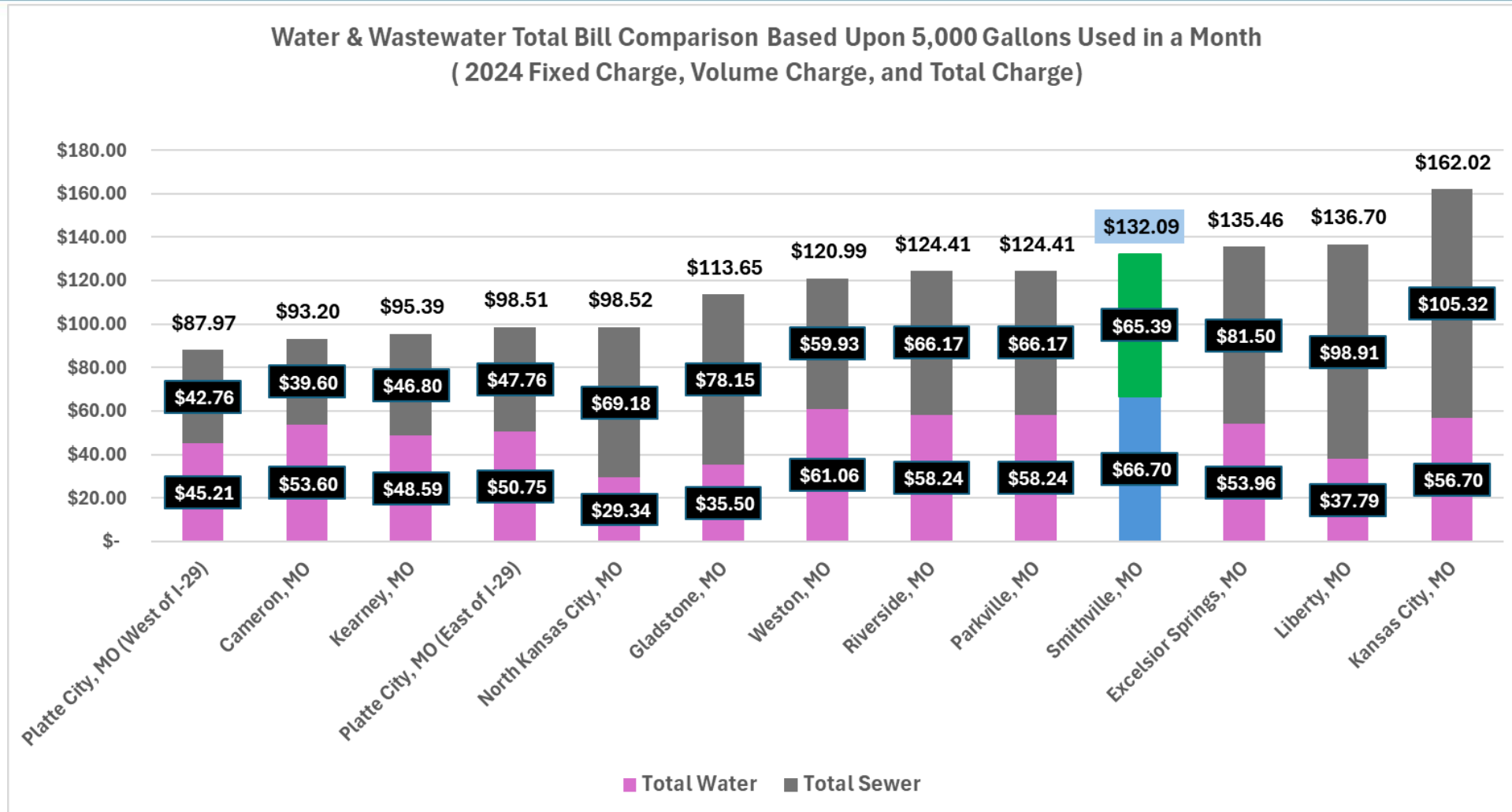
Average Monthly Utility Bill (Including Trash)



Water Usage Assumption:
4,128 Gallons.

Wastewater Usage Assumption:
3,675 Gallons.

City Comparison – Utility Bills





FY2025 Budget Process Schedule

- FY2024 Operating Budget and 5 Year CIP Review: 1st Discussion (**August 20**)
- FY2024 Operating Budget and 5 Year CIP Review: 2nd Discussion - If Needed (**September 3**)
- Public Hearing for Sewer Rates as Required by Missouri State Statute (**October 1**)
- FY2025 Operating Budget on 1st Reading (**October 1**)
- Adopt Water & Wastewater Utility Rates by Board Resolution (**October 15**)
- Adopt the FY2024 Operating and Capital Budget on 2nd Reading (**October 15**)