COUNCIL WORK SESSION MINUTES

May 6, 2019 – 4:00 p.m.
4th Floor Conference Room - City Hall

A Council work session was held to discuss the following issues: 1) Name for new disc golf course (south of Bartlett Park); and 2) Cost of sewer rate study (wastewater utility).

Attending: Mayor Bill McMurray and Councilmembers Brenda Blessing, Madison Davis, Russell Moore, Brian Myers, Marty Novak, Kent O’Dell and Gary Roach.

J. Bruce Woody, City Manager; Andy Clements, Public Works & Transportation Director; Bryan Carter, City Attorney; Tom Mahoney, Administrative Services Director; Alicia Nolan, Human Resources Manager; Chuck Kempf, Parks, Recreation and Civic Facilities Director; Brady McKinley, Public Works & Transportation Assistant Director; Mary Robertson, Asst. to City Manager/Communications & Public Relations Manager; and Rita K. Domini, Deputy City Clerk.

Mayor Bill McMurray called the meeting to order.

**Agenda #1 – Name of new disc golf course (south of Bartlett Park).** Chuck Kempf, Parks, Recreation and Civic Facilities Director, reviewed his memorandum entitled “Naming of new disc golf course,” dated April 29, 2019, which was previously distributed.

[Councilmembers Madison Davis and Gary Roach arrived during discussion on this subject.]

After discussion, Mayor McMurray and Councilmembers Brenda Blessing, Madison Davis, Russell Moore, Brian Myers, Marty Novak, Kent O’Dell and Gary Roach agreed to name the disc golf course “Bartlett Parkway Disc Golf Course.”

**Agenda #2 – Cost of sewer rate study (wastewater utility).** Craig Brown, Principal Consultant, Black & Veatch, gave a power point presentation on the “Sewer Rate Study for FY2020” (copy attached).

Patt Lilly, President, St. Joseph Chamber of Commerce, asked the City Council to look at interest earned from funds that utilize overnight and investment accounts.

Mayor McMurray said he did not want an increase in the sewer rate. Councilmembers Blessing, Davis, Myers, Novak and O’Dell agreed with the Mayor. Councilmembers Moore and Roach favored an increase of 2%.

The meeting adjourned at 6:30 p.m.

[Signature]

Minutes transcribed by Rita K. Domini, Deputy City Clerk.
MEMORANDUM

TO:       Bruce Woody, City Manager

FROM:    Chuck Kempf, Director of Parks, Recreation, & Civic Facilities

DATE:     April 29, 2019

SUBJECT: Naming of New Disc Golf Course

The new disc golf course installation is complete and hole locations are now finalized. It is now available for play, but one step remains before the course will be considered complete; the signage. In preparing to order the appropriate course and hole signage, it became apparent we had not given much thought to naming the course. Many disc golf courses have names that recognize a park or area of the city where it is located. Others recognize historical themes. Any number of possibilities exist, but I think it would be nice to recognize the course from somewhat of a geographical aspect. That approach provides users a way to relate the course to a certain area of the city in the case other disc golf courses are developed in other sections of the city at later dates.

Since the course lies primarily along Southwest Parkway, anchored on the north by Bartlett Park, those names were given consideration. We also investigated historical references for that neighborhood and found something interesting. The streets that intersect with the parkway along that stretch could also be considered. After discussing and reviewing several options, staff came up with four recommendations for City Council consideration. We would like the satisfaction of the official name of the course be determined by members of the City Council at the time the course was officially opened.

Bartlett Grove Disc Golf Course (DGC) – giving credit to Bartlett Park and the Bartlett brothers who originally donated the land for the park.

Parkway Oaks DGC – we initially came up with Southwest Parkway Oaks but felt eliminating the directional reference of the Parkway gave the name a little better ring. The primary quality tree species in that area is Oak.

Plattsburgh Flats DGC – the neighborhood where that stretch of the parkway is located is often referred to as Plattsburgh Flats, especially by many of our older citizens.

Whitehead Creek DGC – referencing the watershed area and creek that runs through the course and along the parkway.
Sewer Rate Study for FY 2020
City of St. Joseph, Missouri - Water Protection Division

Craig Brown
Principal Consultant

6 May 2019

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BLACK & VEATCH
Agenda

- Review of Rate Study Process
- Overview of the FY 2020 Sewer Rate Study
- Discuss Forecast of Rate Adjustments
- Address Questions and Concerns
Overview of the Rate Study Process
The Rate Study Process

- **Revenue Requirements**
  - Compares the revenues of the utility to its expenses to determine the overall level of rate adjustment

- **Cost of Service**
  - Equitably allocates the revenue requirements between the various customer classes of service

- **Rate Design**
  - Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

*Cost of Service Allocation Factors 5-Year Update*
The Rate Making Process

**Financial Planning**
- Project Revenues
- Project Revenue Requirements
- Develop Capital Financing Plan
- Review Capital Requirements

**Cost of Service Analysis**
- Review
- Pro-Forma
- Scenario Planning
- Distribute Allocated Costs Based on Service Requirements
- Unit Costs
- Develop Units of Service

**Rate Design**
- Review
- Scenario Planning
- Develop COS Rates
- Develop Practical Rates
- Proposed Rates

**Questions**
- How much money is needed?
- From whom should the money be collected?
- How should the services be priced?

Rigorous, Methodical and Transparent
Overview of FY 2020 Sewer Rate Study
Projected Revenue Under Existing Rates

- Slight historical customer growth for residential, commercial and industrial (0.17%)
- 0.15% projected customer growth for residential, 0% for commercial and industrial customers
- No growth for wholesale customers
- FY 2020 projected revenue under existing rates is $31.8 million
- Wholesale customer projected flow basis:
  - SSJISD – 2-year average flow
  - National Beef Leathers – equal to FY19 projected flow
  - Triumph Foods – equal to FY19 projected flow

*See tables 2, 3 and 4
### Historical and Projected Operating Expense (O&M)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Historical 2018</th>
<th>Estimated 2019</th>
<th>Budgeted 2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>$</td>
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<td>$</td>
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<td>$</td>
</tr>
<tr>
<td>1</td>
<td>Operation &amp; Maintenance Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Wastewater Plant Administration</td>
<td>3,231,700</td>
<td>2,774,600</td>
<td>2,718,500</td>
<td>2,833,100</td>
<td>2,864,200</td>
<td>2,903,000</td>
<td>2,958,400</td>
</tr>
<tr>
<td>3</td>
<td>Laboratory</td>
<td>7,099,500</td>
<td>7,349,100</td>
<td>7,413,900</td>
<td>7,700,100</td>
<td>7,992,300</td>
<td>8,293,000</td>
<td>8,605,700</td>
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<tr>
<td>4</td>
<td>Sewer Maintenance</td>
<td>830,300</td>
<td>782,600</td>
<td>840,100</td>
<td>870,700</td>
<td>902,600</td>
<td>935,600</td>
<td>969,800</td>
</tr>
<tr>
<td>5</td>
<td>Subtotal Direct O &amp; M Expense</td>
<td>13,201,500</td>
<td>13,269,500</td>
<td>13,374,800</td>
<td>13,889,800</td>
<td>14,331,600</td>
<td>14,791,700</td>
<td>15,284,600</td>
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<td>6</td>
<td>General Fund</td>
<td>1,908,300</td>
<td>1,939,800</td>
<td>2,074,800</td>
<td>2,137,100</td>
<td>2,222,600</td>
<td>2,355,900</td>
<td>2,426,600</td>
</tr>
<tr>
<td>7</td>
<td>PILOT</td>
<td>34,000</td>
<td>36,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Capital Projects</td>
<td>48,300</td>
<td>48,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Subtotal Transfers</td>
<td>1,900,600</td>
<td>2,396,300</td>
<td>2,074,800</td>
<td>2,137,100</td>
<td>2,222,600</td>
<td>2,355,900</td>
<td>2,426,600</td>
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<tr>
<td>12</td>
<td>Total Direct O&amp;M and Transfers</td>
<td>15,192,100</td>
<td>15,665,800</td>
<td>15,449,600</td>
<td>16,026,900</td>
<td>16,554,200</td>
<td>17,147,600</td>
<td>17,711,200</td>
</tr>
<tr>
<td>13</td>
<td>Routine Capital Expense</td>
<td>1,171,700</td>
<td>1,155,400</td>
<td>1,050,200</td>
<td>1,081,700</td>
<td>1,114,200</td>
<td>1,147,600</td>
<td>1,182,000</td>
</tr>
<tr>
<td>14</td>
<td>Total Operating Expense</td>
<td>16,363,800</td>
<td>16,821,200</td>
<td>16,499,800</td>
<td>17,108,600</td>
<td>17,668,400</td>
<td>18,295,200</td>
<td>18,893,200</td>
</tr>
</tbody>
</table>
Historical and Projected Operating Expense (Cont.)

- FY 2019 estimated O&M compared to FY 2018 actual O&M – estimated to increase 2.8%
- FY 2020 budgeted O&M compared to FY 2019 O&M – budgeted to decrease 1.9%
- FY 2021 – FY 2024 projected O&M – projected to increase 3.4% on average per year
- The PILOT is based on 6.5% of rate revenue
- Several transfers have been eliminated starting in FY 2020

*See table 6*
Capital Improvement Program (CIP)

Six categories:

1. Environmental and Regulatory Projects
   - KCPL/WPF Power Upgrades ($1.4 million)

2. CMOM Projects
   - The majority are forecast to be funded with annual revenues

3. CSO Long Term Control Plan Projects
   - Blacksnake Stormwater Separation Project – $24.1 million in FY2020

*See table 7*
Capital Improvement Program (Cont.)

4. System Expansion Projects
   - $900,000 is scheduled during the study period

5. Collection System Projects
   - Odor Control – Parkway A ($2.5 million)
   - SSJISD Forceemain Inspection and Repair ($1.5 million)

6. Water Protection Facility (WPF) Projects
   - Control Building Upgrade, ($2.2 million)
   - WPF Levee Stormwater Pump Station ($4.9 million)

*See table 7*
Financing Plan and Debt Service

$77.6 million CIP for the study period (FY 2019 – FY 2024) will be financed with a mix of:

- Cash financing of capital projects - $22.5 million
- Bond 2014B proceeds - $1.0 million
- Bond 2015A proceeds - $1.6 million
- 2017 SRF Loan - $29.2 million
- Conventional bond in FY 2018 - $16.6 million
- Projected conventional bond in FY 2020 - $6.8 million

*See table 8, 9, 11
Financing Plan and Debt Service (Cont.)

- Annual debt service payments reach about $15 million in FY 2019 and FY 2020, increase to about $15.5 million in FY2021 and remains stable for the rest of the study period.
- Annual debt service coverage ratio averages 154% in the study period.
- The future additional bonds test minimum coverage of 110 percent is met every year, ranging from 110 percent to 124 percent.

*See table 8, 9 and 11*
Forecast of Rate Adjustments
## Cost of Service for FY 2020

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>O&amp;M Costs</th>
<th>Capital Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operation and Maintenance Expense</td>
<td>15,449,600</td>
<td>14,867,400</td>
<td>15,449,600</td>
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<tr>
<td>2</td>
<td>Existing Debt Service</td>
<td></td>
<td>14,867,400</td>
<td>14,867,400</td>
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<tr>
<td>3</td>
<td>Proposed Debt Service</td>
<td>86,000</td>
<td></td>
<td>86,000</td>
</tr>
<tr>
<td>4</td>
<td>Routine Capital Outlay</td>
<td>1,050,200</td>
<td></td>
<td>1,050,200</td>
</tr>
<tr>
<td>5</td>
<td>Transfer to (from) Capital Fund</td>
<td>-</td>
<td>4,674,600</td>
<td>4,674,600</td>
</tr>
<tr>
<td>6</td>
<td>Total Revenue Requirements</td>
<td>$15,449,600</td>
<td>$20,678,200</td>
<td>$36,127,800</td>
</tr>
</tbody>
</table>

### Adjustments to Revenue Requirements

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>O&amp;M Costs</th>
<th>Capital Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Miscellaneous Revenues</td>
<td>977,800</td>
<td>417,700</td>
<td>1,395,500</td>
</tr>
<tr>
<td>8</td>
<td>Interest Income - Operating and Capital Funds</td>
<td></td>
<td>339,100</td>
<td>339,100</td>
</tr>
<tr>
<td>9</td>
<td>Interest Income - Bond Reserve Fund</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td><strong>Subtotal</strong></td>
<td><strong>$14,471,800</strong></td>
<td><strong>$19,921,400</strong></td>
<td><strong>$34,393,200</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>O&amp;M Costs</th>
<th>Capital Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Full Year Rate Adjustment</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Increase (Decrease) in Fund Balances</td>
<td>-</td>
<td>(1,927,400)</td>
<td>(1,927,400)</td>
</tr>
<tr>
<td>13</td>
<td><strong>Total FY 2020 Cost of Service</strong></td>
<td><strong>$14,471,800</strong></td>
<td><strong>$17,994,000</strong></td>
<td><strong>$32,465,800</strong></td>
</tr>
</tbody>
</table>

*See table 10 and 12*
Average Rate Increases

<table>
<thead>
<tr>
<th>EFFECTIVE DATE</th>
<th>SYSTEM AVERAGE RATE INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2019</td>
<td>2.0%</td>
</tr>
<tr>
<td>July 1, 2020</td>
<td>3.0%</td>
</tr>
<tr>
<td>July 1, 2021</td>
<td>3.0%</td>
</tr>
<tr>
<td>July 1, 2022</td>
<td>4.0%</td>
</tr>
<tr>
<td>July 1, 2023</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

- Rate adjustments ranging from 2% to 6% are projected during the study period.
- These projections are designed to meet financial policies for debt service coverage and operating reserve.

*See table 10*
FY 2020 Cost Allocation Update

- The allocation factors must be updated at least every 5 years and have been updated in this study
- The fixed asset allocation is updated annually
- No structural changes to cost allocation methodology
- Seeing the impact of large investments in the collection system related to the CSO LTCP are impacting cost of service between retail and wholesale
- SSJISD Capacity Factor reduced to level of other customers

*See tables 12-17*
Updates Impacting Cost of Service Allocations

- Debt service and other Capital related costs are allocated based on a fixed asset allocation
- $45 million booked related to the Blacksnake project
- A collection system project’s related costs are only allocated to the “Common to Retail” function
- The net result shows a decrease in total cost of service allocated to the Wholesale class relative to existing rates

*See table 12-17*
Rate Design for FY2020

- With Wholesale customers showing an over-recovery of allocated costs, we recommend no rate increase for FY 2020
  - SSJISD gets a reduction to its Volume Charge – reduced capacity factor
  - All Wholesale customer now have the same volume charge
  - Reasonable expectation to keep rates flat for a few more years

- Retail surcharge rates also show an over-recovery of allocated costs
  - 5% reduction to current surcharge rates
  - Offset by 3.6% higher volume charge
## Proposed Rates Relative to Cost of Service

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Residential</td>
<td>18,707,931</td>
<td>17,982,600</td>
<td>96.1</td>
<td>2.0</td>
</tr>
<tr>
<td>2</td>
<td>Commercial/Industrial</td>
<td>10,094,472</td>
<td>10,386,600</td>
<td>102.9</td>
<td>3.4</td>
</tr>
<tr>
<td>3</td>
<td>Surcharge</td>
<td>463,626</td>
<td>523,300</td>
<td>112.9</td>
<td>(5.1)</td>
</tr>
<tr>
<td>4</td>
<td>Septage</td>
<td>127,265</td>
<td>158,600</td>
<td>124.6</td>
<td>17.5</td>
</tr>
<tr>
<td>5</td>
<td>Total Retail</td>
<td>25,393,294</td>
<td>29,051,100</td>
<td>98.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

### Secondary Wholesale Treatment

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>South St. Joseph Industrial Sewer District</td>
<td>1,586,265</td>
<td>1,776,800</td>
<td>112.0</td>
<td>(3.3)</td>
</tr>
<tr>
<td>7</td>
<td>National Beef Leathers</td>
<td>342,604</td>
<td>381,700</td>
<td>111.4</td>
<td>0.0</td>
</tr>
<tr>
<td>8</td>
<td>Triumph Foods</td>
<td>1,130,439</td>
<td>1,251,600</td>
<td>110.7</td>
<td>(0.3)</td>
</tr>
<tr>
<td>9</td>
<td>Total Secondary Wholesale Treatment</td>
<td>3,059,308</td>
<td>3,410,100</td>
<td>111.5</td>
<td>(1.8)</td>
</tr>
<tr>
<td>10</td>
<td>Total</td>
<td>32,452,602</td>
<td>32,461,200</td>
<td>100.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

### Summary

- **2.5% average Retail increase**
- **1.8% average Wholesale decrease**
Impact on Typical Residential Customer

An average Residential customer contributing 3,000 gallons per month: Monthly bill will increase by $1.20 from $59.97 to $61.17 during next fiscal year
Thank you

Questions

Building a World of Difference

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BrownC@bv.com

6 May 2019