FINANCE COMMITTEE

Monday, June 9, 2025 4:30 PM

Administration Conference Room, City Hall

1. **Call to Order**
2. **Financial Updates**
3. **Action Items**
   A. Approve the minutes for the April 28, 2025, regular meeting
4. **Non-Action Items**
   A. Sewer Fund Corrective Actions Overview
5. **Unfinished Business (postponed from prior meetings)**
6. **Other Business**
7. **Adjourn**

Posted Date & Time: June 6, 2025 1:15pm By: KS

Finance Committee Meeting

Monday, April 28, 2025 4:30 PM

Administration Conference Room, City Hall

Minutes

1. Call to Order

Chair Wylie called the April 28, 2025, meeting to order at 4:30 p.m. A quorum was present.

Members Present: Chair Douglas Wylie, Vice Chair Bob Bennett, Philip Wassmer and Dean Katerndahl

City Staff Present: City Administrator Alexa Barton, Deputy City Administrator/Finance Director Bryan Kidney, Assistant City Administrator Jeffery Rhodes, City Attorney John Mautino, Public Works Director Dan Harper, Parks & Recreation Director Brittanie Propes and City Clerk Melissa McChesney

2. Financial Updates

A. City Administrator Approvals

City Administrator Alexa Barton provided a summary of purchases within her approval authority.

3. Action Items

A. Approve the minutes for the April 7, 2025, meeting

Bob Bennett moved to approve the minutes for the April 7, 2025, meeting. Philip Wassmer seconded; motion passed 4-0.

B. Approve on-call professional services agreements with Gibbens, Drake & Scott, Inc. for mechanical engineering services

City Administrator Alexa Barton stated that Gibbens, Drake & Scott Inc. submitted a proposal for professional services.

Bennett moved to recommend that the Board of Aldermen approve on-call professional services agreements with Gibbens, Drake & Scott, Inc. for mechanical engineering services. Wassmer seconded; motion passed 4-0.

C. Approve a farming land use agreement with Wright Livestock Inc. for property near the Wastewater Treatment Plant

City Administrator Alexa Barton said that the City had leased the farm land at the wastewater treatment plant to the Kringle family since 2014, and they were no longer able to do the work under the agreement. She added that the City would issue a refund for the remainder of the agreement.

Bennett moved to approve a resolution approving a farming land use agreement with Wright Livestock Inc. for property near the Wastewater Treatment Plant in the amount of $3,000 annually. Wassmer seconded; motion passed 4-0.

4. Non-Action Items

A. <u>Sewer Fund Projects</u>

City Administrator Alexa Barton said it was determined that issues were found in the Sewer Fund when accounts receivable continued to be collected for closed accounts instead of writing them off, which overstated how much the City had. She said a plan had to be created to systematically address the issues. The Platte County Regional Sewer District did not want to consider taking over sewer until the issues were fixed. Rubin Brown was selected as the consultant for cost allocation planning.

Discussion focused on looking at larger rate increases, and a large sewer project that would be needed in Riss Lake which would require the creation of a plan to finance the repairs.

B. <u>Legacy Project: T3C--Tourism collaboration, communication and coordination</u>

City Administrator Alexa Barton said she met with Mayor Katerndahl about the T3C (Tourism collaboration, communication and coordination) platform to broaden the Parade of Hearts to be an all-inclusive platform. They requested a one-time payment from local municipalities of $10,000. The Board of Aldermen would need to select a person to represent the City and make decisions, which she recommended should be someone outside City staff and elected officials. She said the economic development fund would cover the expense, and she sought feedback from the Committee to determine if it was something they wanted the City to pursue.

The consensus of the Committee was to move forward with participating in T3C.

5. Unfinished Business (postponed from prior meetings)

6. Other Business

City Administrator Alexa Barton stated that in order for the extension of the general temporary property tax levy to be placed on the August 5 ballot, an ordinance had to be approved and submitted to Platte County by the end of May. The extension would be looked at as a no tax increase over 20 years and would raise approximately $7.5 million. Proposed projects for use of the funds included a new transportation building and repairs to City Hall, with the remainder going toward infrastructure. She sought feedback from the Committee on the direction for the projects to be funded. The consensus of the Committee was to move forward with an ordinance to the Board of Aldermen on May 6 with 50 percent of the funds going to transportation and 50 percent going to infrastructure.

7. Adjourn

Chair Wylie adjourned the meeting at 5:49 p.m.

Submitted by:

____________________ Melissa McChesney City Clerk	____________________ Approval Date

ITEM 4.A.

For 6/9/2025

Board of Aldermen - Finance Committee Meeting

CITY OF PARKVILLE
Policy Report

Date: June 5, 2025

Prepared By: Reviewed By:

ISSUE:
Sewer Fund Corrective Actions Overview

BACKGROUND:
See attached Sewer Fund Corrective Actions Overview

STRATEGIC GOAL(S):

BUDGET IMPACT:

ALTERNATIVES:

STAFF RECOMMENDATION:

POLICY:

SUGGESTED MOTION:

ATTACHMENTS:
1. 6-9-2025 Sewer Fund Corrective Overview

Submitted by: Alexa Barton & Bryan Kidney
June 6, 2025

The Issues

Over the past decade, a series of financial management practices within the City's sewer operations has created significant problems—problems that only recently became fully visible to administration upon the restructuring of City staff at the end of 2024.

The City historically operated on a cash reporting basis for sewer billing, recognizing revenue only when payments were received, rather than when billed. Over time, no consistent monthly reconciliation occurred to tie monthly billings to collections. Delinquent sewer accounts accumulated for years without proper review or write-off procedures. The accounts receivable reported in financial statements grew artificially large, masking underlying cash flow concerns.

At the same time, the sewer fund faced escalating emergency repairs: failure of the Sewer Plant Clarifier, major repairs at the McAfee Pump Station, SCADA system replacement, and significant issues at Riss Lake following power outages. These repairs steadily consumed the fund's reserves without a replenishment plan.

Despite early warnings in past budget forecasts—such as a 2022 forecast proposing annual 13% rate increase for consideration to address infrastructure needs—yet the City continued with a one-time 10% increase followed by minimal 3% annual increases without identifying a portion of rates for capital replacement. This decision, coupled with the emergency expenditures, led to a decline in the fund balance from $953,000 at the end of 2021 to a projected $188,000 by the end of 2024.

When current City staff conducted a full review of the sewer fund's operations, billing practices, and financial management systems in 2024, it became clear that longstanding issues had combined to put the City's sewer infrastructure and financial health at risk.

Problems Identified

- Lack of regular reconciliation between billing and collections.
- Delinquent account balances overstate receivables.
- Fund balance dramatically reduced due to emergency repairs and insufficient rate adjustments.
- Aging infrastructure with critical replacement needs (outlined by City engineering consultant).
- Underestimated rate needs to address aging infrastructure.

Steps to Address:

1. Financial Assessment and Findings through Agreed Upon Procedures (AUP):
RubinBrown LLP has been engaged to perform Agreed Upon Procedures (AUP) that will allow them to report on the actual findings related to the city's new process of reconciling sewer charges to cash receipts, evaluate accounting methods, and assess internal controls. Their findings will guide best practice improvements for billing and reporting.

2. Temporary Financial Consultant, C Gray Consulting, LLC, Support:
A consultant who specializes in finance, including Incode, the city's financial accounting system, is assisting RubinBrown and the City's Finance Department during the AUP, assist with automating the city's Cost Allocation Plan (listed below), cover key duties as needed, serve as budget analyst, and help migrate to Incode 10 financial software (commence 1/1/2026, "go-live" 7/1). At time of start-up, work time will be approximately 10-12 hours per week.

3. Modernization of Cost Allocation through Aptemiz, Inc.:
Aptemiz will build an automated, federally compliant Cost Allocation Plan (CAP) for the City, ensuring that indirect costs, including administrative services, are properly and equitably charged to appropriate funds -- also adding a specific Sewer Fund CAP. This will automate current manual processes, enhance financial transparency, and establish a defensible framework for cost recovery and compliance. (Contract in process).

4. Future Sewer Rate Study:
Staff recommends a professional sewer rate study, (Raftelis cooperative agreement in process) to ensure that future rate structures adequately fund capital projects, operations, and necessary reserve targets. (City prior rate study, on or about 1998, Shafer, Kline & Warren, presented 2000: Parkville Sewer Rate Study May 2000.pdf)

5. Debt Financing Evaluation:
The city will work with our current municipal financial advisor, Columbia Capital, to review financing strategies for major infrastructure replacement project(s) aimed at preventing further deterioration of the sewer system. Current analyses of condition are based on findings from the City Engineering Consultant Jay Norco of North Hills, and prior engineering studies.

Please note that an initial overview of a portion of the city's sewer infrastructure has been completed. Once the full system review is finished and the report is available, it will be presented to the Board of Aldermen during a work session.

Partner	Role
RubinBrown LLP	Perform AUP, reconcile billings, and assess controls
C Gray Consulting, LLC	Support AUP, assist City Finance operations, plan for software transition
Aptemiz, Inc.	Build Citywide and Sewer Fund Cost Allocation Plans
Columbia Capital	City's financial partner: review rate study, and structure the size and terms for financing sewer improvements
City Staff	Oversee all corrective actions, lead rate study, manage debt planning

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Costs

Service	Estimated Cost
RubinBrown AUP Engagement	$12,000 – $20,000 (Sewer Fund)
Aptemiz Cost Allocation Plan (Citywide and Sewer)	$15,000 total ($12,000 Citywide + $3,000 Sewer Fund)
C Gray Consulting, LLC	$100/hour (not to exceed $50,000) (based on CAP)
Columbia Capital	Included within Debt Transaction (based on size of financing)
Future Rate Analysis, Raftelis Financial Consultant	Included within financial transaction ($15,000-$20,000)

Estimated Timeline(s)

Following Board acknowledgment and approval:

Action Item	Projected Completion
Final AUP Report (RubinBrown)	2-3 months
Completion of Cost Allocation Plans (Aptemiz)	2-3 months (concurrent with AUP)
Support by C Gray Consulting, LLC	4–6 months

Action Item	Projected Completion
Sewer Rate Study Initiation	2-3 months
Capital Financing Recommendations	Conclusion of projects

Closing Summary

The challenges facing the Parkville Sewer Fund developed over many years. Current staff, recognizing the seriousness of the situation, brought these issues forward with this structured corrective action plan.

The recommended corrective action plan is comprehensive yet targeted. It strengthens financial controls, stabilizes the sewer fund's fiscal position, and prepares the City to responsibly manage upcoming capital needs. By taking swift action—guided by expert partners, supported by the Board—the City addresses the financial health, protects our infrastructure investments, and ensures transparency and accountability to the community.