BOARD OF ALDERMEN
Work Session Agenda
CITY OF PARKVILLE, MISSOURI
Tuesday, May 4, 2021 5:30 PM
City Hall Board Room

1. GENERAL AGENDA

A. Sewer Utility Options (Public Works)

2. ADJOURN

Posted Date & Time: 4/30/21; 11:38 a.m. By: MM

ITEM 1.A.

For 5/4/2021

Board of Aldermen - Work Session

CITY OF PARKVILLE
Policy Report

Date: April 29, 2021

Prepared By:
Alysen Abel, Public Works Director

Reviewed By:
Joe Parente, City Administrator

ISSUE:
Sewer Utility Options (Public Works)

BACKGROUND:
As part of the Fiscal Year 2021 Budget process, a Sewer Budget was approved that included a 3% rate increase to support the operations and maintenance of the sewage collection and treatment system, and to continue to make long term capital improvements to the system. Part of the budget discussion included whether the Sewer Fund is adequately reimbursing the General Fund for sewer tasks and city-wide overhead being charged to the General Fund. An update to the 2016 Cost Allocation Administrative Transfer study was requested, to determine the level of reimbursement.

As part of the consideration of an ordinance to set sewer rates, the updated study was presented and a recommendation to increase sewer rates from the proposed 3% to 6% was included, in order to adjust the Administrative Transfer to a level that closed the gap between the costs incurred by the General Fund and the amount of eligible transfer.

The first reading of the sewer rate ordinance was held on February 16, 2021. During the meeting, as part of the overall discussion, the Board of Aldermen directed staff to look at alternatives associated with the staffing of the sewer operations. Staff would review other sewer operations alternatives to determine whether some options existed that may provide a greater benefit to city operations and service levels, and costs for our citizens.

Staff initiated a review of different options. In doing so, it examined various alternatives that could provide options to the city, should they decide to modify the current operations. The overall goal of the analysis was to help identify the “best sewer option at the least cost to the City, without sacrificing quality and service, without losing too much control over the long term condition of the sewer system, and the rates for our citizens.”

This Work Session will provide an opportunity to discuss the Sewer Utility Options Report that has been compiled by city staff.

In addition to the presentation, there will be some follow-up to a request made by the Board during the consideration of the second reading of the Sewer Rate Increase Ordinance. During the public hearing, a number of questions were raised by a citizen concerning the city’s sewer management system, including sewer rates, the administrative transfer to the General Fund to reimburse it for expenses incurred by the General Fund, and the Administrative Charge study conducted for the city by its Financial Advisor, Baker Tilly. The Board of Aldermen voted down the Sewer Rate Increase Ordinance for now, and directed staff to provide a response by Baker Tilly addressing some of the comments made by the citizen concerning the study. It was noted by some members they did not want to proceed with the rate increase ordinance until this information has been received.

The Work Session will cover both topics. First, a memorandum has been provided by Baker Tilly addressing the citizen comments. It is provided as Attachment 1. Staff has also provided copies of the original Administrative Transfer Study and the Baker Tilly Board presentation (Attachments 2 and 3). Baker Tilly will be available to address any additional questions from the Board concerning their Administrative Transfer Cost Allocation study.

Secondly, the City Administrator, Public Works Director, and Contract City Engineer has compiled a Sewer Utility Options Report. Staff will present a summary of the report at the work session. A full copy of the report is provided as Attachment 4.

<u>Additional Background about the Sewer Fund</u>

The Sewer Fund is a self-supporting enterprise fund that operates on its own revenue, distinct from the City's General Fund. It is supported by user fees from residents, businesses, and institutions that are part of the system. The Sewer System services the majority of residents in Parkville, while other residents are serviced by the Platte County Regional Sewer District (PCRSD). The system includes a sewage treatment plant, which is operated in accordance with state and federal regulations. It also includes the sewage collection system, which transmits sewage from residences, commercial buildings, and institutions to the Sewer Plant for treatment. Sewer rates are established, and users pay for their share of the cost collecting and treating the sewage. The Sewer Fund collects these fees, and incurs the cost of operating the system, including maintenance and capital outlay expenses.

The City contracts with Alliance Water Resources (AWR) to manage the actual sewer operations, including the sewage treatment plant and major pump stations. City staff provides for the overall management and support of the sewer system, including administration, customer support, public works, accounting, billing, inspection, maintenance, support services, and capital improvements. The costs for most of these services are paid out the city's General Fund, which is supported by general taxation. The Sewer Fund, which is designed to be self-supporting by user fees, reimburses the General Fund for its costs.

The level of reimbursement for General Fund expenses is determined by a Sewer Allocation Study. The study reviews the tasks performed by each City staff member, measuring those tasks that support the sewer operations, in addition to other tasks. The costs incurred in the General Fund for sewer related services, including city-wide overhead to support the Sewer operations, is calculated as part of the study. The costs determined by this study stated the City could reasonably transfer an amount to the General Fund,from the Sewer Fund, to pay for the costs of the Sewer System. The transfer also mitigates the inequity of Parkville residents, who are serviced by the PCRSD, but receive no benefit from the city sewer system. To return equity, the reimbursement to the General Fund is used to support general city operations, such as police protection and street maintenance, for all city residents.

The 2016 study determined $365,644 of General Fund expenses may be assigned to the Sewer Fund to cover personnel costs, as well as direct and indirect costs for sewer-related expenses funded by the General Fund. The 2021 Sewer Allocation Study states that a reasonable transfer of $449,800 can be made from the Sewer Fund to the General Fund to compensate for sewer related expenses. Most of the increase since 2016 is attributed to higher personnel and overhead costs since the original study. The detailed study is available as Attachment 3.

Since 2015, the City has increased the amount of the administrative transfer from the Sewer Fund to the General Fund to attempt to make the Sewer Fund self-sufficient, and not to rely on the General Fund for support. The allocation increased from $100,000 in 2015 to $280,000 in 2020. The 2021 budget included a sewer allocation transfer of $300,000. As part of the consideration of the 2021 Sewer Rate Ordinance, it was proposed the transfer be increased to $350,000 to help close the gap between the costs incurred in the general fund, the amount of the transfer. The transfer would be 78% of the total allowable costs.

BUDGET IMPACT:
The Sewer Utility Options provides a cost estimate for each city option. A more detailed analysis, including the budget impact, would be necessary should the city decide to consider any of the alternatives.

ALTERNATIVES:
1. Receive the information in the Work Session.
2. Receive the information from the Work Session, and direct staff to seek additional information.
3. Receive the information in the Work Session, and take no further action at this time.
4. Postpone the item.

STAFF RECOMMENDATION:
As this is a work session, no staff recommendation is provided.

ATTACHMENTS:
1. Baker Tilly Memorandum
2. Administrative Charge to Sewer Fund Study
3. Presentation
4. Sewer Options Report

Baker Tilly US, LLP
9229 Ward Parkway
Suite 104
Kansas City, MO 64114
United States of America

Memo

To:	Joseph D. Parente, City Administrator
From:	Nick Dragisich
Date:	April 26, 2021
Subject:	Administrative Charge to Sewer Fund – Response to Questions

I have watched the portion of the video of the April 6, 2021 Board of Aldermen Meeting related to the sewer allocation study and I have reviewed the document you provided me entitled, *City of Parkville - Baker Tilly Cost Allocation Summary,* which was part of the presentation made to the Board. In response to the City's request, I have provided a response to the questions raised in the context of this memo.

I will begin with the responses to the document. I quote each comment and follow that with my response.

(A) Represents a rate basis salary & benefits charge using staff's allocation of total time.

Response - That is correct. The salary and benefits charged represent the cost of each employee reporting time spent on sewer-related activities. The cost charged to sewer related activities was the employee's effective hourly rate determined as shown in the table below.

Employee Effective Hourly Rate Example

Available Hours		
Total Annual Work Hours		2,080.00
Training/Continuing Education Hours		(60.00)
Vacation/Holiday/Sick Leave Hours		(312.00)
Hours Available For Work-Related Tasks		**1,708.00**
Employee Cost		
Salary/wages	$	50,000
F.I.C.A./Medicare	$	3,825
Retirement	$	6,000
Health, Life, Dental	$	6,000
Total Employee Cost	**$**	**65,825**
Hourly Rate (Total Employee Cost/Total Annual Work Hours)	**$**	**31.65**
Effective Hourly Rate (Total Employee Cost/Hours Available for Work Related Tasks)	**$**	**38.54**

(B) Allocation of all other department costs, whether sewer related or not.

Response - Other department costs were allocated by multiplying the percentage of employee costs for sewer related activities (employee costs for sewer related activities/total employee costs for department which was 14.07%) times the other department operating costs. These costs included items like insurances, telephone, utilities, postage, building maintenance, publications, office supplies, vehicle gas and oil, and other operating expenses. These costs are either directly used by the staff in this department in the performance of their activities or support the functions of the employees and/or the department.

(C) Allocation of department capital costs, whether sewer related or not, and without regard to useful life.

Response - The department capital costs are for expenditures that the City includes in its capital improvement program but are not necessarily expenditures for capital assets. For example, the Administration Department capital program includes $30,000 for painting City Hall. Painting City Hall is a maintenance expenditure that would not be considered a capital asset that would be depreciated. It also includes $16,000 for safety improvements for City Hall. These safety improvements will provide protection for City staff including those who provide services that support the Sewer Fund. The Community Development capital improvement program includes $60,000 for an update to the City's Master Plan. Master planning for a city typically includes sewer infrastructure as a necessary component especially as it relates to growth and development.

The departments included in the sewer allocation are all within the City's General Fund. The General Fund is accounted for as a governmental fund. Governmental funds expense capital assets in the year in which they are purchased. It is the only time the acquisition cost of an asset is accounted for in the financial statements. This results in the cost of existing capital assets not being recovered through the allocation of their acquisition costs over time (depreciation expense) and reduces the cost allocated to the Sewer Fund. The acquisition cost of fixed assets like buildings, equipment, vehicles, computer hardware and software, furniture, fixtures, and other capital assets used by City staff to provide support services to the Sewer Fund are excluded because there is no annual cost in the City's budget to allocate.

Enterprise funds, like the Sewer Fund, are accounted for on an accrual basis. They do not expense capital assets so the cost does not show up on the income statement in the year it is acquired, but rather the expense is capitalized and depreciated over its useful life. This depreciation is shown as an operating expense on the income statement each year until it is fully depreciated. This enables the Sewer Fund to recover the cost of its assets through the fees it charges to its customers.

(D) Allocation of what is described as Department Overhead time.

Response - Department overhead is the direct personnel cost of the time management staff and line staff spend on department wide overhead activities. These include time spent on activities like:

- Providing Supervision/Management/Direction
- Citizen Contact & Follow-Up
- Council Meetings and Follow-Up
- Budget & Financial Control
- Projects Planning & Management
- Represent Department at Internal Meetings

- Represent Department at External Meetings
- Procurement of goods and services

These activities are necessary for the department to function and for the staff to provide the services they are responsible for delivering including services provided to the Sewer Fund. Overhead in the Administration Department allocated to the Sewer Fund was limited to include only the personnel cost of providing supervision/management/direction because the other overhead costs were allocated as part of City-wide overhead. The department overhead for Community Development and Public Works allocated to the Sewer Fund included all if the overhead cost identified in the employee time surveys.

(E) Primarily mayor and board salaries. These costs are incurred regardless of whether the city operates a sewer system.

Response - This comment refers to the allocation of the Mayor and Board budget to the Sewer Fund as City-wide overhead. The cost of the Mayor and Board ($73,206) was allocated based on the City's total budgeted expenses. The total budgeted expenses were $12,533,739 and the budget expenses for the Sewer Fund were $1,661,220 so the Sewer Fund was allocated $9,703 ($1,661,220/$12,533,739 x $73,206 = $9,703) of the cost of the Mayor and Board.

The cost of the mayor and board will be incurred regardless of whether the City operates a sewer system is a correct statement. However, the purpose of this cost allocation is to allocate the cost that benefit the Sewer Fund to the Sewer Fund. The mayor and board perform services that directly benefit the Sewer Fund including setting policies, approving budgets, approving capital improvements, setting rates, authorizing operating expenditures and the payment of bills, authorizing the issuance of debt to pay for capital assets, and a host of other activities that benefit the Sewer Fund. Allocating costs to activities that benefit from those expenditures provides equity to the payors of those costs. There is no rationale nexus between property values and sewer use. In addition, as has been pointed out a number of times, some taxpaying properties are not served by the City's Sewer Fund. Allocating costs that benefit the Sewer Fund provides equity by having the customers of the Sewer Fund pay for those costs and not passing them on to property taxpayers who are not customers of the Sewer Fund.

(F) Allocation of non-personnel General Fund costs excluding capital and transfers. Includes costs that are specifically non-sewer.

Response - This comment is related to the city-wide overhead allocation of the Administration budget. The Administration Department performs a broad range of services that benefit the City's overall operations and functions including:

- Managing the City's budget
- Revenue forecasting
- Providing accounting and financial services
    - Accounts payable/receivable
    - Preparing financial statements
    - Processing payroll
    - Paying bills
- Managing special assessments

- Processing business and other City required licenses
- Maintaining official City records
- City elections
- Human resource functions
    - Hiring
    - Personnel training
    - Employee relations
    - Policies and procedures
- Proving public information
- Legal services
- Managing the City's property, liability, workers comp, and unemployment insurances
- Building maintenance and repair

These services benefit the entire City operation and are allocated as overhead to the other City departments within the General fund and to other funds of the City.

The amount allocated as overhead costs excluded costs identified as sewer related activities, costs identified as other fee-based activities (activities for which the City charges and collects a fee), and transfers out. This resulted in overhead costs of $1,078,277 allocated to other departments and funds. The allocation of these costs was based on two factors, forty percent was allocated based on the number of full-time-equivalent (F.T.E.) employees in each department or fund and sixty percent was allocated based on the total budget of each department or fund. The allocation based on F.T.E.s was based on the data collected from employee surveys indicating time spent on human resources relate activities. The amount of Administrative overhead allocated to the Sewer Fund was $90,285.

(G) Allocation of general costs, whether sewer related or not.

<u>Response</u> - This comment is related to allocation of the Public Information expenses to the Sewer Fund. The Public Information Division is responsible for community outreach. This includes live streaming and backup of public meetings, website management, and production of the City newsletter. The Sewer Fund has a presence on the City's website including a webpage for Sewer Billing and webpage for the Wastewater Treatment Plant. A review of the past six City Newsletters finds articles related to the Sewer Fund in each of them. The live streaming of public meetings allows customers of the Sewer Fund to view and observe discussions about the Sewer Fund. The Sewer Fund clearly benefits from the Public Information expenses and its allocation of these overhead expenses in the amount of $4,031.

(H) Virtually every employee not classified as law enforcement, parks, or nature sanctuary allocated time to the sewer

<u>Response</u> - Employees were asked to complete a survey about the time they spent on activities in their position over the course of an average year. Activities included overhead activities, sewer related activities, all other fee-based activities, human resources activities, all other activities, time spent training/continuing education, and holiday/vacation/sick leave/other leave time. The surveys completed by each employee was reviewed by their supervisor for accuracy.

Employee surveys showed that five employees reported no time spent on sewer-related activities, seven employees reported spending 2% or less time on sewer-related activities, six employees reported spending 5% of their time on sewer-related activities, one employee reported spending 6% of their time on sewer-related activities, and five employees reported spending 20% or more of their time on sewer-related activities.

Other questions/comments

Personnel Cost Differences:
The was a comment relative to the personnel cost in the allocation not matching the personnel costs in the budget. The personnel cost used in the allocation were the personnel costs for employees currently employed at the time the allocation was performed. The cost of each employee was provided by name and detailed by wages, F.I.C.A. & Medicare, Lagers, Health, Life, & Dental, and any other compensation they received. The budgeted personnel costs for Administration and Public Works were greater than the cost of employees currently in those departments and the budgeted personnel costs for Community Development were less than the cost of the employees currently in that department. The use of personnel costs based on employees currently employed provided a more accurate allocation and avoided either overstating or understating the costs to be allocated to the Sewer Fund.

It is important to note that budgeted revenues and budgeted expenses are often different than the actual expenses the City incurs over the course of its fiscal year. The 2019 Auditor's report for the City states on page 8:

> *Actual revenues exceeded budgeted revenues by $110,618 primarily due to license and permits exceeding budgeted revenues. Actual expenditures were $448,973 under the final budget. The City routinely outperforms budget due to careful management, conservative budgeting, and personnel savings due to routine vacancies throughout the year. Costs were managed well below budget. Additional savings were realized in professional services.*

Costs were double and triple Counted:
There was a concern that costs were double and even triple counted. As stated in our original memorandum, great care was taken not to double count expenses. Direct sewer-related expenses were determined by the employee surveys and department operating costs. Department overhead costs were also determined by the employee surveys and operating costs. Operating costs for each department were allocated to overhead, sewer-related activities, all other fee-based activities, and all other activities. These allocations were added up to ensure they matched the total costs. Any costs in the Administration Department that would be allocated as City-Wide overhead were not allocated as department overhead to the sewer-related costs. Any costs currently allocated to the Sewer Fund from the Administration Department were deducted from the total sewer-related costs identified by this study.

It is important to understand that this cost allocation is not developed with mathematical certainty because it relies on the allocation of employee time which they estimated, it relies on budgeted expenses which may be different from actual expenditures at the end of the fiscal year, and it can be impacted by expenses that may arise during the fiscal year that could not be reasonably foreseen during the development of the budget. However, it is a rational cost allocation based on a methodology that is widely used and accepted for this purpose. It provides equity to taxpayers by not using property taxes to pay for activities that benefit and/or support the Sewer Fund but rather transfers those costs to the customers of the Sewer Fund.

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Memo

To:	Joseph D. Parente, City Administrator
From:	Nick Dragisich
Date:	January 28, 2021
Subject:	Administrative Charge to Sewer Fund

In 2016, Springsted Incorporated (now Baker Tilly) assisted the City in determining and recommending an administrative charge allocation from the City's General Fund to its Sewer Fund. We were recently retained to review and update this administrative charge allocation to ensure it was equitable and fairly allocated the costs incurred. The administrative allocation should reflect the direct support provided by the General Fund to the Sewer Fund and indirect support provided by the City's overhead activities that benefit the Sewer Fund.

The direct support provided by the General Fund was determined by gathering data related to the time employees in General Fund departments spend on activities that directly benefit the Sewer Fund. The General Fund departments where these activities were found included: Administration, Community Development, and Public Works. Each employee in these departments was asked to complete a time-spent profile where they estimated the percentage of their time spent over the course of an average year on activities incumbent to their positions. The time spent on each activity was then converted to a cost based on the employee's effective hourly cost. The effective hourly cost was determined by taking total personnel cost including salary and wages, fringe benefits, FICA and Medicare, retirement, and insurances divided by the actual time the employee was available to provide services. The available time is the 2,080 annual work hours minus hours of vacation, holiday, sick leave, and training. For example: an employee with an annual salary of $55,949 and benefits plus FICA and Medicare of $16,317 would have a total annual cost of $72,266 or $34.74/hour ($72,266/2080 hours = $34.74/hour). The employee's time includes fifteen percent for training, vacation/sick leave/holidays. This results in an effective cost of $40.87/hour ($34.74/(1.0-.0.15) = $40.87). The personnel cost of each activity was used to proportionately allocate other department operating costs to that activity. This cost was then increased to include the overhead cost of the department to arrive at the total cost. A summary description of each department is provided below.

Administration Department:
The Administration Department has a staff of eight including six full-time and two part-time employees. Each of these employees reported spending time on activities related to the Sewer Fund. These activities primarily included:

- Handling of customer complaints
- Responding to questions related to the Sewer Fund
- Accepting and processing payments for sewer services
- Supervision of sewer billing staff and processes
- Preparing and mailing sewer bills to customers
- Stopping and starting sewer services

The cost of these sewer related services was determined to be $194,136. Department overhead for Administration was limited to the percent of time spent providing supervision/management/direction because the other overhead costs were allocated as City-wide overhead. Department overhead allocated to these sewer related services was $15,122 resulting in total Administration Department operating costs that support the Sewer Fund of $209,258 as shown in the table below.

Administration Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	$ 194,136
Department Overhead	$ 15,122
Total Costs Supporting the Sewer Fund	**$ 209,258**

Public Works Department:
The Public Works Department has a staff of thirteen including ten full-time and three part-time employees. Nine of the employees reported spending some of their time on sewer related activities primarily including:

- Managing capital improvement projects from conception through construction
- Creating bid documents, contracts, and policy reports for sewer capital improvement projects
- Reviewing contract and insurance documents for compliance to contracts
- Communication with contractors regarding contract documents and compliance
- Performing inspections on construction of sewer infrastructure and compile inspection reports

The cost of these sewer related services was determined to be $104,577. Department overhead allocated to these sewer related services was $28,070 resulting in total operating costs that support the Sewer Fund of $127,647. These Public Works Department costs are shown below.

Public Works Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	$ 104,577
Department Overhead	$ 28,070
Total Costs Supporting the Sewer Fund	**$ 132,647**

Community Development Department:
The Community Development Department has a staff of five including three full-time and two part-time employees. Four of the employees reported spending some of their time on sewer related activities primarily including:

- Ensure adequate sewer easements are identified on applications, plats and maps for building and development within the City limits
- Coordinate and provide data, information, maps and imagery to the City's Public Works Director and on-call engineer for tasks pertaining to the mapping of existing and new sewer lines
- Provide records of sewer lines identified on past applications and approved plans

The cost of these sewer related services was determined to be $21,825. Department overhead allocated to these sewer related services was $7,106 resulting in total operating costs of the Community Development Department that support the Sewer Fund of $28.931. The Community Development costs are shown below.

Community Development Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	$ 21,825
Department Overhead	$ 7,106
Total Costs Supporting the Sewer Fund	**$ 28,931**

City-Wide Overhead Costs:
The costs incurred by the City in providing support to its operating departments enabling them to provide their services and to other funds established by the City are overhead costs that need to be appropriately allocated. These costs include services like paying bills, issue payroll checks, coordinate purchasing functions, human resources, IT, providing overall policy goals and direction, and others that provide a City-wide benefit. These supporting functions were identified in the expenditures for the Mayor and Board, Administration, Public Information, and Information Technology.

The City-wide costs of these supporting functions were allocated proportionately to each department and Fund of the City based either on expenditure amounts or the number of full-time-equivalent employees (F.T.E.'s). The choice of allocation method was based on the most appropriate method for the cost being allocated. For example, our previous analysis of the Administration Department identified $209,258 of sewer related costs and $92,599 of other non-overhead costs or a total of $301,857 of non-overhead expenses. This leaves $1,078,227 ($1,380,085 - $301,875 = $1,078,228) of costs supporting City-wide functions. Administration staff reported they spent approximately forty percent of their time on human resources activities so forty percent of the costs of supporting City-wide activities were allocated based on the number of F.T.E.'s and the remaining sixty percent were allocated based on expenses. The other City-wide allocations were based on Baker Tilly's experience in cost allocation studies both in terms of previous studies performed and in the considerable experience of its consulting staff as public-sector managers. In addition, care was taken to not double count expenses in those departments where sewer-related activities and other fee-related activities were identified. The allocation of these department costs is shown below. The allocations resulted in a proportional cost to the Sewer Utility of $104,657.

2021 Budget	Mayor and Board	Administration	Public Information	Information Technology	Total Allocated Overhead
F.T.E.s	-	6.50	-	-	6.5
Total Expenses	$ 73,206	$ 1,380,085	$ 30,410	$ 60,745	$ 1,544,445
Expenses Allocated to Activities	$ -	$ 301,857	$ -	$ -	$ 301,857
Net Expenses	$ 73,206	$ 1,078,228	$ 30,410	$ 60,745	$ 1,242,588
Percent City-Wide Overhead	100.00%	78.13%	100.00%	100.00%	
Allocation Based on F.T.E.s	0.00%	40.00%	0.00%	100.00%	
Allocation Based on Expenses	100.00%	60.00%	100.00%	0.00%	
Mayor and Board	$ 428	$ 3,779	$ 178	$ -	$ 4,384
Administration	$ 6,298	$ 114,672	$ 2,616	$ 8,312	$ 131,898
Municipal Court	$ 1,009	$ 27,074	$ 419	$ 2,558	$ 31,059
Community Development	$ 2,099	$ 63,945	$ 872	$ 6,394	$ 73,310
Police	$ 9,698	$ 249,140	$ 4,029	$ 23,019	$ 285,886
Public Works	$ 4,672	$ 168,409	$ 1,941	$ 17,904	$ 192,926
Parks & Recreation	$ 2,632	$ 23,261	$ 1,093	$ -	$ 26,986
Sewer Utility	$ 9,703	$ 90,285	$ 4,031	$ 639	$ 104,657
Nature Sanctuary	$ 362	$ 16,815	$ 150	$ 1,918	$ 19,245
Public Information	$ 178	$ 1,570	$ 74	$ -	$ 1,821
Information Technology	$ 355	$ 3,135	$ 147	$ -	$ 3,638
Transportation Sales Tax Fund	$ 6,770	$ 59,826	$ 2,812	$ -	$ 69,408
Debt Service Funds	$ 15,527	$ 137,216	$ 6,450	$ -	$ 159,193
Reserve Fund	$ -	$ -	$ -	$ -	$ -
Eliminations	$ -	$ -	$ -	$ -	$ -
Park Sales Tax Fund	$ 8,593	$ 75,937	$ 3,570	$ -	$ 88,099
Economic Development	$ 58	$ 516	$ 24	$ -	$ 599
Parks Donations	$ -	$ -	$ -	$ -	$ -
Veterans Memorial	$ 380	$ 3,355	$ 158	$ -	$ 3,892
Court Recoupment Fees	$ 3	$ 28	$ 1	$ -	$ 33
Police Training Fees LET	$ 12	$ 106	$ 5	$ -	$ 123
Police Shop	$ 56	$ 495	$ 23	$ -	$ 574
TIF Development	$ 2,805	$ 24,787	$ 1,165	$ -	$ 28,757
Market Place Project 1 &2	$ -	$ -	$ -	$ -	$ -
Market Place CID #1 & #2	$ 10	$ 93	$ 4	$ -	$ 107
Creekside Development	$ -	$ -	$ -	$ -	$ -
Fewson Project	$ -	$ -	$ -	$ -	$ -
Capital Projects	$ 1,560	$ 13,786	$ 648	$ -	$ 15,994
Totals	**$ 73,206**	**$ 1,078,228**	**$ 30,410**	**$ 60,745**	**$ 1,242,588**

The total cost of City Departments in support of the Sewer Fund is then the sum of the individual department operating costs and the City-wide overhead allocation. This resulted in a total operating and overhead cost of $475,494 based on the City's 2021 budget. The City already allocates $25,694 to the Sewer Fund for personnel costs in the Administration budget. Deducting these costs gives a net cost available to allocated to the Sewer Fund of $449,800. A detailed breakdown is provided below.

Total City Costs Supporting the Sewer Fund

City Costs Supporting the Sewer Fund	Sewer Related Activities	Overhead	Total
General Fund Administration	$ 194,136	15,122	209,258
General Fund Community Development	$ 21,825	7,106	28,931
General Fund Public Works	$ 104,577	28,070	132,647
City Wide Overhead	$ -	104,657	104,657
Total Cost Supporting the Sewer Fund	**$ 320,538**	**154,955**	**475,494**
Less Costs Allocated in Budget	**$ (25,694)**	**-**	**(25,694)**
Net Cost Available to Allocate to the Sewer Fund	**$ 294,844**	**$ 154,955**	**$ 449,800**

City of Parkville, MO Update Administrative Charge to Sewer Fund

February 9, 2021

Presented by: Nick Dragisich

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Purpose

- Update 2015 administrative charge allocation from General Fund to Sewer Fund
    - Operating cost that provide direct support to the Sewer Utility
    - Overhead costs incurred in providing services
    - Avoid duplicate charge allocations

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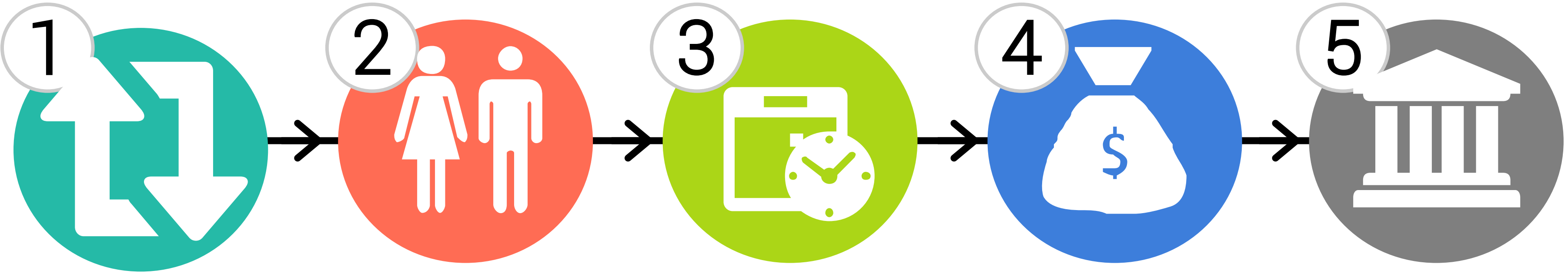
Why Allocate Costs

- Sewer customers and taxpayers are not the same base
- City taxpayers exclude
  - o Exempt properties who can be relatively large sewer users
  - o Out-of-town sewer customers
- Provides equity by allocating costs to properties/customers who receive sewer services

Process



GATHER DATA

- Departments providing direct support to Sewer Utility

EMPLOYEE TIME

- Activities that provide direct support to Sewer Utility
- Overhead activities that support Department
- Other activities

CONVERT TIME

- Effective hourly cost
- Cost = total personnel cost/actual time employee provides services

COST

- Cost = percent of time spent x hours worked x effective hourly cost
- Allocate Department operating costs proportionate to

CITY-WIDE OVERHEAD

- Allocate City-wide overhead costs
- Mayor and Board
- Administration
- Public Information
- Information Technology

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Administration Department

- Handling sewer customer complaints
- Responding to questions related to the Sewer Fund
- Accepting and processing payments for sewer services
- Supervision of sewer billing staff and processes
- Preparing and mailing sewer bills to customers
- Stopping and starting sewer services

Administration Department Operating Costs that Support the Sewer Fund		
Sewer Related Activities	$	194,136
Department Overhead	$	15,122
Total Costs Supporting the Sewer Fund	**$**	**209,258**

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Public Works Department

- Managing capital improvement projects from conception through construction
- Creating bid documents, contracts, and policy reports for sewer capital improvement projects
- Reviewing contract and insurance documents for compliance to contracts
- Communication with contractors regarding contract documents and compliance
- Performing inspections on construction of sewer infrastructure and compile inspection reports

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Public Works Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	$ 104,577
Department Overhead	$ 28,070
Total Costs Supporting the Sewer Fund	**$ 132,647**

Community Development Department

- Ensure adequate sewer easements are identified on applications, plats and maps for building and development within the City limits
- Coordinate and provide data, information, maps and imagery to the City's Public Works Director and on-call engineer for tasks pertaining to the mapping of existing and new sewer lines
- Provide records of sewer lines identified on past applications and approved plans

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Community Development Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	$ 21,825
Department Overhead	$ 7,106
Total Costs Supporting the Sewer Fund	**$ 28,931**

City-Wide Overhead

- Cost incurred to provide support to operating department and funds
  - Paying bills
  - Issuing payroll checks
  - Coordinating purchasing functions
  - Human Resources
  - Information Technology
  - Overall policy, goals, and direction
  - Other

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City-Wide Overhead

2021 Budget	F.T.E.s	Expenses	Mayor and Board	Administration	Public Information	Information Technology	Total Allocated Overhead
F.T.E.s			**-**	**6.50**	**-**	**-**	**6.5**
Total Expenses			**$ 73,206**	**$ 1,380,085**	**$ 30,410**	**$ 60,745**	**$ 1,544,445**
Expenses Allocated to Activities			**$ -**	**$ 301,857**	**$ -**	**$ -**	**$ 301,857**
Net Expenses			**$ 73,206**	**$ 1,078,228**	**$ 30,410**	**$ 60,745**	**$ 1,242,588**
Percent City-Wide Overhead			**100.00%**	**78.13%**	**100.00%**	**100.00%**	
Allocation Based on F.T.E.s			**0.00%**	**40.00%**	**0.00%**	**100.00%**	
Allocation Based on Expenses			**100.00%**	**60.00%**	**100.00%**	**0.00%**	
	F.T.E.s	**Expenses**					
Mayor and Board	-	$ 73,206	$ 428	$ 3,779	$ 178	$ -	$ 4,384
Administration	6.50	$ 1,078,228	$ 6,298	$ 114,672	$ 2,616	$ 8,312	$ 131,898
Municipal Court	2.00	$ 172,699	$ 1,009	$ 27,074	$ 419	$ 2,558	$ 31,059
Community Development	5.00	$ 359,311	$ 2,099	$ 63,945	$ 872	$ 6,394	$ 73,310
Police	18.00	$ 1,660,413	$ 9,698	$ 249,140	$ 4,029	$ 23,019	$ 285,886
Public Works	14.00	$ 799,978	$ 4,672	$ 168,409	$ 1,941	$ 17,904	$ 192,926
Parks & Recreation	-	$ 450,654	$ 2,632	$ 23,261	$ 1,093	$ -	$ 26,986
Sewer Utility	0.50	$ 1,661,220	$ 9,703	$ 90,285	$ 4,031	$ 639	$ 104,657
Nature Sanctuary	1.50	$ 61,898	$ 362	$ 16,815	$ 150	$ 1,918	$ 19,245
Public Information	-	$ 30,410	$ 178	$ 1,570	$ 74	$ -	$ 1,821
Information Technology	-	$ 60,745	$ 355	$ 3,135	$ 147	$ -	$ 3,638
Transportation Sales Tax Fund	-	$ 1,159,072	$ 6,770	$ 59,826	$ 2,812	$ -	$ 69,408
Debt Service Funds	-	$ 2,658,419	$ 15,527	$ 137,216	$ 6,450	$ -	$ 159,193
Reserve Fund	-	$ -	$ -	$ -	$ -	$ -	$ -
Eliminations	-	$ -	$ -	$ -	$ -	$ -	$ -
Park Sales Tax Fund	-	$ 1,471,200	$ 8,593	$ 75,937	$ 3,570	$ -	$ 88,099
Economic Development	-	$ 10,000	$ 58	$ 516	$ 24	$ -	$ 599
Parks Donations	-	$ -	$ -	$ -	$ -	$ -	$ -
Veterans Memorial	-	$ 65,000	$ 380	$ 3,355	$ 158	$ -	$ 3,892
Court Recoupment Fees	-	$ 544	$ 3	$ 28	$ 1	$ -	$ 33
Police Training Fees LET	-	$ 2,048	$ 12	$ 106	$ 5	$ -	$ 123
Police Shop	-	$ 9,593	$ 56	$ 495	$ 23	$ -	$ 574
TIF Development	-	$ 480,224	$ 2,805	$ 24,787	$ 1,165	$ -	$ 28,757
Market Place Project 1 &2	-	$ -	$ -	$ -	$ -	$ -	$ -
Market Place CID #1 & #2	-	$ 1,793	$ 10	$ 93	$ 4	$ -	$ 107
Creekside Development	-	$ -	$ -	$ -	$ -	$ -	$ -
Fewson Project	-	$ -	$ -	$ -	$ -	$ -	$ -
Capital Projects	-	$ 267,085	$ 1,560	$ 13,786	$ 648	$ -	$ 15,994
Totals	**47.50**	**$ 12,533,739**	**$ 73,206**	**$ 1,078,228**	**$ 30,410**	**$ 60,745**	**$ 1,242,588**

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Springsted and Umbaugh

Total Cost of Supporting Sewer Utility

- Total cost is sum of:
  - Administration
  - Public Works
  - Community Development
  - City-wide overhead
- Less costs already allocated
  - $25,694 personnel costs in Administration Department

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Total Cost of Supporting Sewer Utility

City Costs Supporting the Sewer Fund		Sewer Related Activities		Overhead		Total
General Fund Administration	$	194,136		15,122		209,258
General Fund Community Development	$	21,825		7,106		28,931
General Fund Public Works	$	104,577		28,070		132,647
City Wide Overhead	$	-		104,657		104,657
Total Cost Supporting the Sewer Fund	**$**	**320,538**		**154,955**		**475,494**
Less Costs Allocated in Budget	**$**	**(25,694)**		**-**		**(25,694)**
Net Cost Available to Allocate to the Sewer Fund	**$**	**294,844**	**$**	**154,955**	**$**	**449,800**

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Questions?

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SEWER UTILITY OPTIONS

The Parkville Board of Aldermen have directed staff to research various options related to the management and operations of the Sewer Utility.

> *Overall Goal: Establish the "Why, What, Who, and How? Provide the best sewer option at the least cost to the City, without sacrificing quality and service, without losing too much control over the long term condition of the sewer system, and the rates for our citizens.*

City staff has examined various options, and has identified those that were determined to be most practical as it relates to the current operation and administration of the sewer system, and outside entities that could offer services.

As part of this report, staff will describe each option and identify some of the pros and cons of each. It will also provide an estimate of the cost impact for each option. The estimate of cost was prepared using the Administrative Transfer worksheets prepared by Baker Tilly, which enabled staff to modify the allocation of time for sewer related tasks based on each scenario. The worksheets then recalculated the direct expenses and overhead expenses that are attributed to sewer expenses incurred by the General Fund. A scenario was prepared for the three options where the city continued to own the sewer system.

It is noted that the compiled information is presented as an overview to the Board of Aldermen. If the Board determines it wishes to consider any of the options, a more detailed analysis, including possibly retaining professional services to assist the City in determining costs and benefits, should be considered to assist in any decision.

<u>OPTION 1: NO CHANGE TO THE SEWER UTILITY</u>

The City would continue to contract with Alliance Water Resources (AWR) to manage the sewer operations. The City would continue to offer administrative support and general oversight for sewer related tasks. The City and AWR would continue to work together on project management and contract administration. An administrative transfer would continue to be made by the Sewer Fund to reimburse the General Fund for its costs for sewer related functions performed by city staff, and the Sewer Fund's share of city-wide overhead, in accordance with the Sewer Allocation Study.

<u>Pros</u>:

1. The City would continue to work with Alliance Water Resources, who specializes in operating sewage treatment plants, and utilize the knowledge and experience of the greater network of professionals at AWR.
2. The City would continue to have control over the sewer utility including rate increases.
3. The City would continue to have control over customer service issues.
4. The City would continue to have control over investing in long term sewer system upgrades, including continuing the annual CCTV inspection program as part of the long term capital improvement program.

5. The City would continue to take advantage of operational efficiencies by spreading certain sewer related responsibilities to other city staff who are performing similar duties in other departments. Positions in finance, construction inspections, infrastructure maintenance, plan review, billing services, customer service, etc. absorbs, as part of their regular duties, sewer tasks without the need to hire additional city staff in the Sewer Fund.
    a. The Sewer Fund reimburses the General Fund for sewer expenses provided by the General Fund. This provides equity for Parkville taxpayers who are not part of the city's sewer system.
    b. Reimbursement to the General Fund allows these dollars to be allocated to other city-wide services, such as police protection, street maintenance, and capital outlay projects.
6. The City would continue to assist Riss Lake with billing for its private Grinder Pump system.

Cons:

1. General Fund City staff members, who dedicate a portion of their time toward the sewer utility, could otherwise dedicate their time to other tasks, or new tasks not being performed.
2. In order to reimburse the General Fund for the direct costs for sewer tasks, and the Sewer Fund's share of city-wide overhead, the City is required to update the sewer allocation administrative transfer study on a regular basis
3. The City pays a slight premium for having a third party contractor operate the treatment system.

Estimate of cost (Administrative Transfer + Direct Changes in the Sewer Budget:

No Change to Sewer Utility (Current Administration)			
City Costs Supporting the Sewer Fund	**Sewer Related Activities**	**Overhead**	**Total**
General Fund Administration	$ 194,136	15,122	209,258
General Fund Community Development	$ 21,825	7,106	28,931
General Fund Public Works	$ 104,577	28,070	132,647
City Wide Overhead	$ -	104,657	104,657
Total Cost Supporting the Sewer Fund	**$ 320,538**	**154,955**	**475,494**
Less Costs Allocated in Budget	**$ (25,694)**	**-**	**(25,694)**
Net Cost Available to Allocate to the Sewer Fund	**$ 294,844**	**$ 154,955**	**$ 449,800**

OPTION 2: EXPANDED SERVICES BY AWR

The City would continue to contract with AWR to manage the operations of the sewer utility. The City would contract with AWR to provide additional administrative services, such as processing sewer bill payments and providing customer service, but under this option the City retains ownership of the sewer system. The City would continue to assist with other administrative support and general oversight, such as plan review and inspections of new infrastructure. The City and AWR would continue to work together on project management and contract administration. A reduced administrative transfer would be made from the Sewer Fund to the General Fund to compensate for sewer related functions that are being performed by AWR. The fee paid to AWR would increase for the additional billing and customer service tasks. An administrative transfer would continue to be made by the Sewer Fund to reimburse the General Fund for its costs for sewer related functions performed by city staff, and the Sewer Fund's share of city-wide overhead, in accordance with the Sewer Allocation Study. This transfer would be adjusted to reflect the shift in expenses to the Sewer Fund. Note: Staff does not anticipate that city staff levels could be reduced, because staff currently perform other essential tasks that are not sewer-related.

Pros:

1. The City would continue to work with Alliance Water Resources, who specializes in operating sewage treatment plants, and utilize the knowledge and experience of the greater network of professionals at AWR.
2. The City would continue to be in complete control over all aspects of the sewer utility.
3. The City would have control over the quality of the sewer maintenance.
4. The City would have control over sewer rate increases.
5. The City would continue to have a level of control over customer service issues.
6. The City would no longer be responsible for billing and most customer service calls.
7. The City would continue to have control over investing in long term sewer system upgrades, including continuing the annual CCTV inspection program as part of the long term capital improvement program.
8. This option would reduce the amount of administrative support by city staff for billing and customer service. For the remaining sewer related tasks, the city would continue to take advantage of operational efficiencies by spreading certain sewer related responsibilities to other city staff who are performing similar duties in other departments. Positions in finance, construction inspections, infrastructure maintenance, and plan review, etc. absorbs, as part of their regular duties, without the need to hire additional city staff in the Sewer Fund.
    a. The Sewer Fund reimburses the General Fund for sewer expenses provided by the General Fund. This provides equity for Parkville taxpayers who are not part of the City's sewer system.
    b. Reimbursement to the General Fund allows these dollars to be allocated to other city-wide services, such as police protection, street maintenance, and General Fund capital outlay projects.
9. The City would continue to assist Riss Lake with billing for private Grinder Pump system.

10. General Fund City staff members who perform sewer related tasks dedicate less amount of their time toward the sewer utility, time which could be dedicated to other tasks, or new tasks not being performed.
11. This option would reduce the amount of administrative tasks by city staff. The sewer administrative cost allocation study would be re-calculated to remove some of the tasks that city staff would be less responsible for. The Sewer Fund's share of the city-wide overhead would also be adjusted to reflect the shift in expenses to the Sewer Fund.

Cons:

1. General Fund City staff members, who dedicate a portion of their time toward the sewer utility, could otherwise dedicate their time to other tasks, or new tasks not being performed.
2. City pays a premium for having a private third party contractor operate the system and maintain the billing and customer service system.
3. The City would have reduced control over the quality of customer service.
4. The City would need to educate the sewer customers with regard to sewer related changes.
5. In order to reimburse the General Fund for the direct costs for sewer tasks, and the Sewer Fund's share of city-wide overhead, the City is required to update the sewer allocation administrative transfer study to calculate the direct costs, and Sewer Fund's share of city-wide overhead costs.

Estimate of cost (Administrative Transfer + Direct Changes in the Sewer Budget:

Expanded Services by AWR Option			
City Costs Supporting the Sewer Fund	**Sewer Related Activities**	**Overhead**	**Total**
General Fund Administration	$ 43,820	3,433	47,253
General Fund Community Development	$ 21,825	7,106	28,931
General Fund Public Works	$ 104,577	28,070	132,647
City Wide Overhead	$ -	114,461	114,461
Total Cost Supporting the Sewer Fund	**$ 170,222**	**153,070**	**323,292**
Less Costs Allocated in Budget		**-**	**-**
Net Cost Available to Allocate to the Sewer Fund	**$ 170,222**	**$ 153,070**	**$ 323,292**
Increased Cost for AWR for Sewer Billing and Customer Service (Estimate)			**$100,000**
Less Costs Allocated in Budget			**$ (25,694)**
Expanded Services by AWR Option			**$ 397,598**

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OPTION 2: Stand Alone Sewer Budget

The City would create a stand-alone Sewer Department. The City would hire a Utility Director, operations staff, and administrative staff to run the various functions with the sewer utility. Although the sewer-related functions would be covered through a separate department, there would be continued oversight by the City Administrator, Finance Department, and Board of Aldermen. The City could continue to contract with Alliance Water Resources (AWR) to manage the operations of the sewer utility, and reserve discontinuing the option and employing city employees to directly perform the services presently being provided. The Administrative Transfer would be re-calculated to reflect the transfer of direct costs to the Sewer Budget. The Sewer Fund's share of the city-wide overhead would also be adjusted to reflect the shift in expenses to the Sewer Fund.

Pros:

1. The City would continue to be in complete control over all aspects of the sewer utility.
2. The City would have control over the quality of the sewer maintenance.
3. The City would have control over sewer rate increases.
4. The City would continue to have control over customer service issues.
5. The City would continue to have control over investing in long term sewer system upgrades, including continuing the annual CCTV inspection program as part of the long term capital improvement program.
6. If the City chooses, it could continue to work with AWR, who specializes in operating sewage treatment plants, and utilize the knowledge and experience of the greater network of professionals at AWR.
7. This option would reduce the amount of administrative support performed by general fund city staff.
    a. Billing, customer service, some finance, inspections, infrastructure maintenance, and some plan review would become part of the regular duties of the Sewer Department. Additional staff would be hired to perform the tasks.
    b. Some work in the General Fund would continue, although at a reduced level. Finance work such as budgeting, reporting, bank statements, etc. would continue to be performed by General Fund staff. Long term capital improvement planning and budgeting would still have a level of involvement too.
    c. For the remaining sewer related tasks, still being performed by General Fund staff:
        i. The Sewer Fund reimburses the General Fund for sewer expenses. This provides equity for taxpayers who are not part of the City's sewer system.
        ii. Reimbursement to the General Fund allows these dollars to be allocated to other city-wide services, such as police protection, street maintenance, and General Fund Capital Outlay projects.
8. The City would continue to assist Riss Lake with billing for private Grinder Pump system.
9. General Fund City staff members who perform sewer tasks dedicate less time toward the sewer utility, time which could be dedicated to other tasks, or new tasks.
10. This option would significantly reduce the amount of administrative tasks by city staff. The sewer administrative cost allocation study would be re-calculated to remove some of the

tasks that city staff would be less responsible for. The Sewer Fund's share of the city-wide overhead would also be adjusted to reflect the shift in more expenses to the Sewer Fund.

Cons:

1. The City would be required to hire new personnel to operate the stand-along Sewer Department. The positions would need to cover tasks associated with most administration, billing, operations, maintenance and inspection.
2. If the City decided hire sewer treatment operations staff, it would be terminating a long-standing relationship with a valued contractor (AWR).
    a. The City would lose the institutional knowledge gained by the Alliance staff members.
    b. The City would not have access to a larger network of professional within Alliance.
    c. City would be responsible for advanced levels of certifications and training needed for sewer personnel in accordance with state regulations.
    d. If there is staff turnover, the City would be responsible for backfilling those positions until permanently filled.
3. This option would result in the hiring of new employees, which would increase the overall number of Full Time Equivalent city employees (4.4 FTE). Staff does not anticipate that city staff levels could be reduced, because existing staff currently perform other essential tasks that are not sewer-related.
4. The City would need to educate the sewer customers with regard to sewer related changes.
5. In order to reimburse the General Fund for the direct costs for sewer tasks, and the Sewer Fund's share of city-wide overhead, the City is required to update the sewer allocation administrative transfer study to calculate the direct costs, and Sewer Fund's share of city-wide overhead costs.

Estimate of cost (Administrative Transfer + Direct Changes in the Sewer Budget:

Stand Alone Sewer Department Option			
City Costs Supporting the Sewer Fund	**Sewer Related Activities**	**Overhead**	**Total**
General Fund Administration	$ 29,762	2,318	32,081
General Fund Community Development	$ 8,511	2,771	11,282
General Fund Public Works	$ 14,026	3,765	17,791
City Wide Overhead	$ -	178,345	178,345
Total Cost Supporting the Sewer Fund	**$ 52,299**	**187,199**	**239,498**
Less Costs Allocated in Budget		**-**	**-**
Net Cost Available to Allocate to the Sewer Fund	**$ 26,605**	**$ 187,199**	**$ 239,498**
New Personnel Added to Sewer Budget (includes benefits and payroll costs)			**$320,746**
Less Costs Allocated in Budget			**$ (25,694)**
Stand Alone Sewer Department Cost			**$ 534,551**

OPTION 3: CONSOLIDATION WITH THE PLATTE COUNTY REGIONAL SEWER DISTRICT

Under this option, the City would enter into an agreement with the Platte County Regional Sewer District (PCRSD) where it transfers the ownership of the Sewage Treatment Plant and sewage collection system to PCRSD. Under this option, the current city system would become part of the regional system and the PCRSD would become responsible for the operation, maintenance, and capital improvements to the City's system. Similar to when the City sold its water system, it would no longer have any responsibility for the sewer system. For this analysis, it is assumed there would be no compensation provided to the City. The PCRSD would accept the assets as well as the long term liabilities of operating and maintaining the sewer system.

Pros:

1. The City no longer has responsibility for providing sanitary sewer services, and would concentrate its efforts on other city services.
2. This model may result in some cost efficiencies. For example, the Executive Director and administrative staff of the PCRSD may be able to absorb some of the Parkville administrative workload, reducing the number of new positions required to be hired to support Parkville' system. Other costs, such as operating a second large treatment plant, and the maintenance of the miles of transmission lines, are less likely to see these types of savings since employees would have to be replaced and maintenance improvements would continue to be required on the Parkville facilities.
3. City staff time would no longer be required to perform sewer tasks, and the time could be dedicated to other tasks, or new tasks not being performed.
4. The need to perform a cost allocation study for the Administrative Transfer to the General Fund for sewer related cost is eliminated.
5. The equity issue is eliminated for Parkville taxpayers who are not part of the City's sewer system, but who have indirectly been contributing to the sewer system via the general fund expenses for sewer related activities.

Cons:

1. The City would not have control over the quality of the sewer maintenance and repairs.
2. The City would not have control over the quality of customer service.
3. The City loses control over rate setting for our sewer customers.
4. The City, and its taxpayers, are not compensated for the millions of dollars it spent to construct the current sewer treatment and collection system.
5. While it is unknown, there is the possibility that Parkville residents could help pay for future improvements to the current PCRSD system through higher rates (Likewise, PCRSD customers may help pay for future improvements to the current Parkville system through higher rates).
6. The Platte County Regional Sewer District does not have an elected board. The Board members are appointed.
7. Riss Lake would be required to seek a similar agreement with PCRSD, for its private Grinder Pump system billing.
8. The Administrative Transfer to the General Fund is eliminated.

a. Through existing city staff efficiencies, current sewer and overhead tasks are absorbed into regular duties. These efficiencies are no longer used.
b. The General Fund would no longer be reimbursed through the Administrative Transfer from the Sewer Fund, including the Sewer Fund's share of city-wide overhead. To maintain equity, reimbursement to the General Fund results in these dollars being allocated for other city-wide services, such as police protection, street maintenance, and General Fund Capital Outlay projects. These changes would be required to be balanced in future operating budgets.

<u>OPTION 4: SELL THE UTILITY</u>

The City would hire a consultant to assist with determining the value of the assets included in the sewer utility. The City would sell the sewer utility to a third party for a lump sum payment through a competitive bidding process. All of the administration and operations functions would be transferred to the purchaser of the utility. The City could look at including a clause in the contract that provides revenue to the City through a franchise-type fee, similar to what exists for other utilities.

<u>Pros</u>:

1. The City receives a large payment for the value of the utility. These funds could be re-invested in infrastructure in the community. The City could also negotiate, as part of the sale, limits on rate increases for a period of time.
2. The private utility would likely have vast experience in operating water and sewer utilities.
3. The City has experience with selling the water utility in the 1980s, as an example (could be a pro or con).
4. The City would not have the burden of the sewer utility, and would be able to reduce administrative costs.
5. Potential revenue from franchise fees being assessed for the use of the City's right-of-way.

<u>Cons</u>:

1. The City would have to deal with procurement rules and the difficulty in adequately analyzing and understanding both the value of the asset and the conditions under which a proposal could be evaluated. The City would want to achieve the best outcome in terms of value and contractual terms.
2. The City would have no control over future rates for residents.
   a. Sewer rates would reflect the private utility being a "for-profit" entity.
   b. Sewer rates would reflect borrowing costs by the private utility, to acquire the asset from the city.
   c. A private utility may increase rates or defer long term capital improvements to ensure profits for its owners or shareholders.
   d. Sewer rates would reflect the private utility passing along federal and state corporate taxes, and local property taxes, to customers.
   e. The 5% Franchise Fee for the sewer utility's use of the City's right of way would be added to sewer bills.

3. The private utility would have higher costs for the issuance of debt for capital investments. It would not have access to lower interest rates available to municipal owned sewer utilities, through tax exempt SRF Financing from the state.
4. The City would not have control over the quality of the sewer maintenance and repairs.
5. The City would not have control over the quality of customer service.
    a. Deferred maintenance or long term capital improvements could result in sewer failures causing an increased frequency in sewer backups in homes and businesses.
6. Riss Lake would be required to seek a similar agreement with the new utility, for its private Grinder Pump system billing.
7. The City would need to educate the sewer customers with regard to sewer related changes.
8. The General Fund would no longer be reimbursed through the Administrative Transfer from the Sewer Fund, including the Sewer Fund's share of city-wide overhead. To maintain equity, reimbursement to the General Fund results in these dollars being allocated for other city-wide services, such as police protection, street maintenance, and General Fund Capital Outlay projects. These changes would be required to be balanced in future operating budgets.