

1. GENERAL AGENDA

Mayor Nanette K. Johnston opened the work session at 5:37 p.m. on May 4, 2021, at City Hall, 8880 Clark Avenue, Parkville. In attendance were aldermen Philip Wassmer, Dave Rittman, Brian Whitley, Robert Lock, Douglas Wylie, Marc Sportsman and Greg Plumb.

The following staff was also present via videoconference:

Joe Parente, City Administrator

Kevin Chrisman, Police Chief

Alysen Abel, Public Works Director

Stephen Lachky, Community Development Director

Matthew Chapman, Finance/Human Resources Director

Chris Williams, City Attorney

A. Sewer Utility Options (Public Works)

City Administrator Joe Parente presented information about the sewer allocation study and options for the City's sewer system; presentation attached as Exhibit A. He said that on April 6 the Board of Aldermen denied the second reading of the ordinance to implement a six percent increase to the sewer rates and directed staff to work with Baker Tilly to review the allocation study to address their concerns with its methodology.

Parente provided five alternatives for the City's sewer system using two models - retaining ownership or transferring/selling. The first model provided three options and the first option was to not make any changes. The second option was to retain the services of Alliance Water Resources for billing and customer service. The third option was to create a stand-alone sewer department. Discussion focused on how the allocation would be affected if Alliance took over billing and customer service and what the effect would be with having a person from Alliance staffed at City Hall.

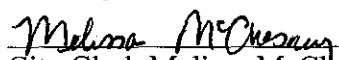
The second model included two options for transferring or selling the sewer utility. The first option was to transfer it to the Platte County Regional Sewer District (PCRS), if they were interested, with no compensation to the City or selling the sewer utility with compensation to the City. Discussion focused on transferring the PCRS sewers in Parkville to the City, concerns about the quality of other systems if the City were to sell, the impact to customers on the City's system, the value of the City's sewer utility and more accurately tracking staff time on sewer-related work.

2. ADJOURN

The work session ended at 7:02 p.m.

The work session minutes for May 4, 2021, having been read and considered by the Board of Aldermen, and having been found to be correct as written, were approved on this the 18th day of May 2021.

Submitted by:


City Clerk Melissa McClesney

2021-049



Sewer Utility Options

Board of Aldermen
Work Session
May 4, 2021



Follow-up – Sewer Administrative Transfer Study

City of Parkville, MO Update Administrative Charge to Sewer Fund

February 9, 2021

Presented by: Nick Dragisich



Baker Tilly US, LLP
3229 Ward Parkway
Suite 104
Kansas City, MO 64114
United States of America

Memo

To: Joseph D. Pavente, 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 - Sewer Utility 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 basic 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	(80.00)
Unproductive/Other Non-Work Related Hours	(177.00)
Hours Available For Work Related Tasks	1,823.00
Employee Cost:	
Base Salary	\$ 50,000.00
Health Insurance	\$ 1,000.00
Retirement	\$ 1,000.00
Medical, Life, Dental	\$ 5,000.00
Total Employee Cost	\$ 57,000.00
Hourly Rate (Total Employee Cost/Total Annual Work Hours)	\$ 27.89
Effective Hourly Rate (Total Employee Cost/Hours Available for Work Related Tasks)	\$ 31.26
Targeted	\$ 36.34



Summary Discussion on Sewer Options

- February 16th Board Meeting – Board Request for Sewer Options
- Staff has identified five options
 - The options were reviewed in summary at the April 6th Board meeting
 - Each option will be explored in more depth this evening
 - Public Works Director, City Engineer, and Alliance Water Resources are available to assist
- Based on Direction from the Board after the Work Session, there may be a need to have a more detailed analysis performed.



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.

OPTION 1: NO CHANGE TO THE SEWER UTILITY

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.

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 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.

No Change to Sewer Utility (Current Administration)			
	Sewer Related Activities	Overhead	Total
City Costs Supporting the Sewer Fund			
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



Sewer Utility Options – Two Models

City Retains Ownership

- Option One: No Change to the Current Administration of the Sewer Operations
- Option Two: No Change to Current Administration of the Sewer Operations, but seek alternatives for some of the administrative functions (such as billing and billing customer service).
- Option Three - Stand Alone Sewer Budget

City No Longer Owns Utility

- Transfer to the Platte County Regional Sewer District
- Sale of the Sewer System to a private utility



City Maintains Ownership - Benefits

- The City continues to maintain control over the quality of sewer services, rates, long term investment in facilities, etc.
- The City could 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, purchasing, customer service, billing services, construction inspections, infrastructure maintenance, and plan review absorbs, as part of their regular duties, sewer tasks without the need to hire additional city staff in the Sewer Fund
- 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
 - These dollars are then allocated to regular city services such as police protection and street maintenance



City Ownership Challenges

- General Fund City staff members, who dedicate a portion of their time toward the sewer utility, could otherwise dedicate their time to other tasks
- 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 reimbursement.



Sewer Utility – Options One and Two Comparison

Option One: No Change to the Current Administration of the Sewer Operations

Option Two: Seek alternatives for some of the administrative functions (billing and customer service)

- The City would no longer be responsible for billing and most customer service calls
- This option would reduce the amount of administrative support by city staff for billing and customer service



Examples of Direct Staff Functions

- Billing Clerk (60% - billing administration and customer issues)
- Treasurer (28% - supervising billing, customer issues, and other financial tasks)
- Public Works Assistant (33% - Bidding and procurement, contract administration, capital projects)
- Construction Inspector (22% - Inspections of sewer infrastructure, capital projects)
- Public Works Director (20% - sewer operations, plan review, managing capital projects, budgeting)
- Front Desk Assistants (10% - accepting payments and customer issues)
- City Clerk (6% - customer issues and accepting payments)
- Finance/HR Director (5% of time – financial)
- Building and Development positions (5% - Development plan review, easements, utility locates, utility mapping and platting)
- City Administrator (3% - oversight and budgeting)
- Public Works Operations (2% - operations support for sewer plant)



Cost Comparison and Discussion

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

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



Stand Alone Sewer Budget Option

- Most Direct sewer expenses included in the Sewer Budget
- A greatly reduced level of General Fund direct expenses for Sewer Administration
- General Fund overhead expenses, for the Sewer Fund's share of the overhead, continue to be charged to the Sewer Fund
- Assumes 4.4 New FTE and no reduction in GF FTE



Stand Alone Sewer Budget Option

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

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	\$ 52,299	\$ 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



Three City Control Options – Discussion?

No Change to Sewer Utility (Current Administration)			
	Sewer Related Activities	Overhead	Total
City Costs Supporting the Sewer Fund			
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

Expanded Services by AWR Option				Stand Alone Sewer Department Option			
	Sewer Related Activities	Overhead	Total		Sewer Related Activities	Overhead	Total
City Costs Supporting the Sewer Fund				City Costs Supporting the Sewer Fund			
General Fund Administration	\$ 43,820	3,433	47,253	General Fund Administration	\$ 29,762	2,318	32,081
General Fund Community Development	\$ 21,825	7,106	28,931	General Fund Community Development	\$ 8,511	2,771	11,282
General Fund Public Works	\$ 104,577	28,070	132,647	General Fund Public Works	\$ 14,026	3,765	17,791
City Wide Overhead	\$ -	114,461	114,461	City Wide Overhead	\$ -	178,345	178,345
Total Cost Supporting the Sewer Fund	\$ 170,222	153,070	323,292	Total Cost Supporting the Sewer Fund	\$ 52,299	187,199	239,498
Less Costs Allocated in Budget				Less Costs Allocated in Budget			
Net Cost Available to Allocate to the Sewer Fund	\$ 170,222	\$ 153,070	\$ 323,292	Net Cost Available to Allocate to the Sewer Fund	\$ 52,299	\$ 187,199	\$ 239,498
Increased Cost for AWR for Sewer Billing and Customer Service (Estimate)			\$100,000	New Personnel Added to Sewer Budget (includes benefits and payroll costs)			\$320,746
Less Costs Allocated in Budget			\$ (25,694)	Less Costs Allocated in Budget			\$ (25,694)
Expanded Services by AWR Option			\$ 397,598	Stand Alone Sewer Department Cost			\$ 534,551



Sewer Utility Options - Presentation

Discussion on Sewer Options – City Retains Ownership

- Option One: No Change to the Current Administration of the Sewer Operations
- Option Two: No Change to Current Administration of the Sewer Operations, but seek alternatives for some of the administrative functions (such as billing and billing customer service)
- Option Three - Stand Alone Sewer Budget

Discussion on Sewer Options – City No Longer Owns Utility

- Transfer to the Platte County Regional Sewer District
- Sale of the Sewer System to a private utility



City Sells Utility - Benefits

- The City no longer has responsibility for providing sanitary sewer services, and would concentrate its efforts on other city services
- The need to perform a cost allocation study for the Administrative Transfer to the General Fund for sewer related cost is eliminated
- The equity issue is eliminated for Parkville taxpayers who are not part of the City's sewer system
- Sale to a private utility could produce revenue to reinvest in other city capital improvements



Consolidate with PCRSD

Option Four – Consolidation with Platte County Regional Sewer District (PCRSD)

- The City transfers the ownership, operation, and maintenance of the Sewer System to the PCRSD
- The city would no longer be responsible for providing sewer service to residents, and be completely out of the sewer business
- The PCRSD Board would need to approve the transfer. It is assumed all assets, fund balances, and obligations would be transferred. It is also assumed the city would not be compensated for the transfer.



Sell the Utility

Option Five – Sell the Sewer Utility to a Private Entity

- The City would sell the utility to a private entity, similar to its past sale of the water utility
- The City would no longer be responsible for providing sewer service to residents, and be completely out of the sewer business
- The City would be compensated for the value of the sewer system



Sewer Sale/Transfer Challenges and Discussion

- The City would not have control over the quality of sewer service, customer service, sewer maintenance and repairs.
- The City loses control over rate setting for our citizens
- Transfer Option
 - Assumes no compensation for the sewer system
 - While control issue is lost for the city, PCRSD is a public entity
- Sale Option
 - Difficulties in assessing value of the system
 - Future issues – rates for our citizens (for profit, taxes, borrowing costs, etc.)
 - Long term capital investment in system?



Sewer Utility Options

Questions and Further Direction
from the Board?

