

*Lee's Summit Water Utilities is dedicated to providing reliable water and sanitary sewer services responsibly and efficiently for the health and safety of our community with exceptional customer service, integrity and pride.*

# **Water & Sewer Rates Recommendation**

January 12, 2026



# Purpose of Rate & Financial Planning Review



- Develop a Financial Plan
  - Adequately fund operating needs and capital improvement plan
  - Review factors impacting revenues
  - Trends (irrigation, growth rates, type of growth, etc)
  - Other (inflation, renewal goals, etc)
  - Financing (potential costs, if deployed)
- Ensure Rates meet Goals
  - Ensure Financial Performance Metrix's are met
    - Ordinances, Reserves, Debt Service Coverage, Ratios
- Develop the Cost of Service Analysis



# Cost of Service Purpose and Steps



Purpose - Allocation of costs to customer classes for design of rates to recover costs

## Cost of Service Steps

- Revenue Requirements – Compare revenues to the expenses to determine rates necessary to meet the revenue
- Cost of Service – Allocation of the revenue requirements to the various customer classes
- Rate Design – Structure of rates for each customer class to meet revenue requirements along with any other goals & objectives

# Strategic Plan – Financial Viability Goals



## *5.1. Manage debt and cash reserves to ensure successful execution of our long-range plans, meet short-term needs, and prepare Water Utilities for the future.*

5.1.1. Develop annual comprehensive budgets that accurately project operational requirements and monitor performance.

5.1.2. Manage rates and fees to optimize revenue stability from year-to-year, ensure excellent value, equity, and affordability



## *5.2. Communicate and execute Water Utilities' budget to ensure alignment with strategic priorities.*

5.2.1. Maintain a rolling 5-year Capital Improvement Plan.

5.2.2. Maintain the following ratios:

5.2.2.1. Debt service coverage ratio at a minimum of 1.50.

5.2.2.2. Debt service ratio less than 20%.

5.2.2.3. Interest coverage ratio greater than 5.

5.2.2.4. Revenue to expense ratio greater than 100%.

5.2.2.5. Operational reserves:

5.2.2.5.1. Minimum operating reserves at 90 days of operating expenses.

5.2.2.5.2. Current ratio greater than 6%.

5.2.2.5.3. Liquidity ratio greater than 6%.

5.2.3. Annually evaluate significant cost factors for changes in operational costs including energy, supply contracts, and staffing costs.

5.2.4. Adhere to proper accounting policies and procedures.

5.2.5. Maintain administrative compliance for federal and/or state grants.

5.2.6. Prepare annual cost of service analysis for a 10-year period.

5.2.7. Maintain inventory management by tracking parts, supplies, and equipment utilized by Water Utilities employees.

5.2.8. Utilize technology (data analytics) to better communicate and display Water Utilities' financial health and reporting metrics.



# Strategic Plan – Deliver Infrastructure and Operational Excellence Goals



## ***1.3. Proactively maintain assets to provide reliable distribution and delivery of drinking water.***

1.3.1. Continue CIP investment in anode retrofit program. Track and re-evaluate anode program investment levels with success rate of prolonging of assets annually (trend curve can be used to estimate the investment level resulting in cost-effective reduction in break rate).

1.3.3. Maintain an asset renewal rate of the water system that is between 1-2% annually.



## ***1.4. Proactively maintain assets to provide reliable sewer collection and conveyance.***

1.4.3. Maintain a system renewal/replacement rate for the wastewater collection system in alignment with condition scores.

1.4.4. Maintain a facility/equipment renewal/replacement rate in alignment with the Facilities Asset Master Plan.



# Update of Significant Cost Drivers



- Water Purchases
  - City of Independence
    - No Projected rate increase impact for FY26, future rate increases set at 3%
  - Kansas City Water
    - Rate increase of 5.36% effective 5-1-25, with a projected increase of 5% this year
    - Model projected 4.5% for the next two years and future rate increases set at 3%
- Sewer Treatment
  - Middle Big Creek
    - FY26 rates were increased from \$47 to \$49 per connection, FY27 is projected at \$51
  - Little Blue Valley Sewer District
    - Rate increases were expected to be approximately 6% per year to satisfy debt service needs and accommodate growth
- System Renewal/Reinvestment for the 10-year period
  - Water Construction is over \$132m
  - Sewer Construction is nearly \$77m
- Personnel
  - Updated IAM labor agreement (4-year term) – 43% of workforce represented
  - Compensation Analysis in progress
  - Healthcare adjusted to market conditions

# Water Rate Schedule

5 – Years Projected



Effective Date	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
Required Revenue Increase	4.00%	5.00%	5.00%	5.00%	4.00%	4.00%

Monthly Base Charge (by meter size)	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
<b>0.625</b>	\$ 12.62	\$ 13.25	\$ 13.91	\$ 14.61	\$ 15.19	\$ 15.80
<b>0.75</b>	14.12	14.83	15.57	16.35	17.00	\$ 17.68
<b>1</b>	18.92	19.87	20.86	21.90	22.78	\$ 23.69
<b>1.5</b>	31.53	33.11	34.77	36.51	37.97	\$ 39.49
<b>2</b>	63.06	66.21	69.52	73.00	75.92	\$ 78.96
<b>3</b>	100.89	105.93	111.23	116.79	121.46	\$ 126.32
<b>4</b>	126.11	132.42	139.04	145.99	151.83	\$ 157.90
<b>6</b>	151.34	158.91	166.86	175.20	182.21	\$ 189.50
<b>8</b>	214.40	225.12	236.38	248.20	258.13	\$ 268.46
<b>10</b>	441.40	463.47	486.64	510.97	531.41	\$ 552.67

Water Volume Charge (\$/1,000 gal)						
Residential	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
<b>0 - 7,000 gals</b>	\$ 5.37	\$ 5.63	\$ 5.91	\$ 6.21	\$ 6.46	\$ 6.72
<b>7,000 - 15,000 gals</b>	6.30	6.62	6.95	7.30	7.59	\$ 7.89
<b>Over 15,000 gals</b>	7.87	8.27	8.68	9.11	9.47	\$ 9.85

Commercial:	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
<b>All Usage</b>	\$ 6.30	\$ 6.62	\$ 6.95	\$ 7.30	\$ 7.59	\$ 7.89

# Sewer Rate Schedule

5 – Years Projected



Effective Date	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
Required Revenue Increase	4.00%	5.00%	5.00%	5.00%	4.00%	4.00%

Monthly Base Charge (by meter size)	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
<b>0.625</b>	\$ 17.67	\$ 18.55	\$ 19.48	\$ 20.45	\$ 21.27	\$ 22.12
<b>0.75</b>	20.07	21.07	22.12	23.23	24.16	\$ 25.13
<b>1</b>	26.89	28.23	29.64	31.12	32.36	\$ 33.65
<b>1.5</b>	44.82	47.06	49.41	51.88	53.96	\$ 56.12
<b>2</b>	71.72	75.31	79.08	83.03	86.35	\$ 89.80
<b>3</b>	89.66	94.14	98.85	103.79	107.94	\$ 112.26
<b>4</b>	125.51	131.79	138.38	145.30	151.11	\$ 157.15
<b>6</b>	179.31	188.28	197.69	207.57	215.87	\$ 224.50
<b>8</b>	215.17	225.93	237.23	249.09	259.05	\$ 269.41
<b>10</b>	268.95	282.40	296.52	311.35	323.80	\$ 336.75

Sewer Volume Charge (\$/1,000 gal)						
Residential	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
All Usage	\$ 6.70	\$ 7.04	\$ 7.39	\$ 7.76	\$ 8.07	\$ 8.39

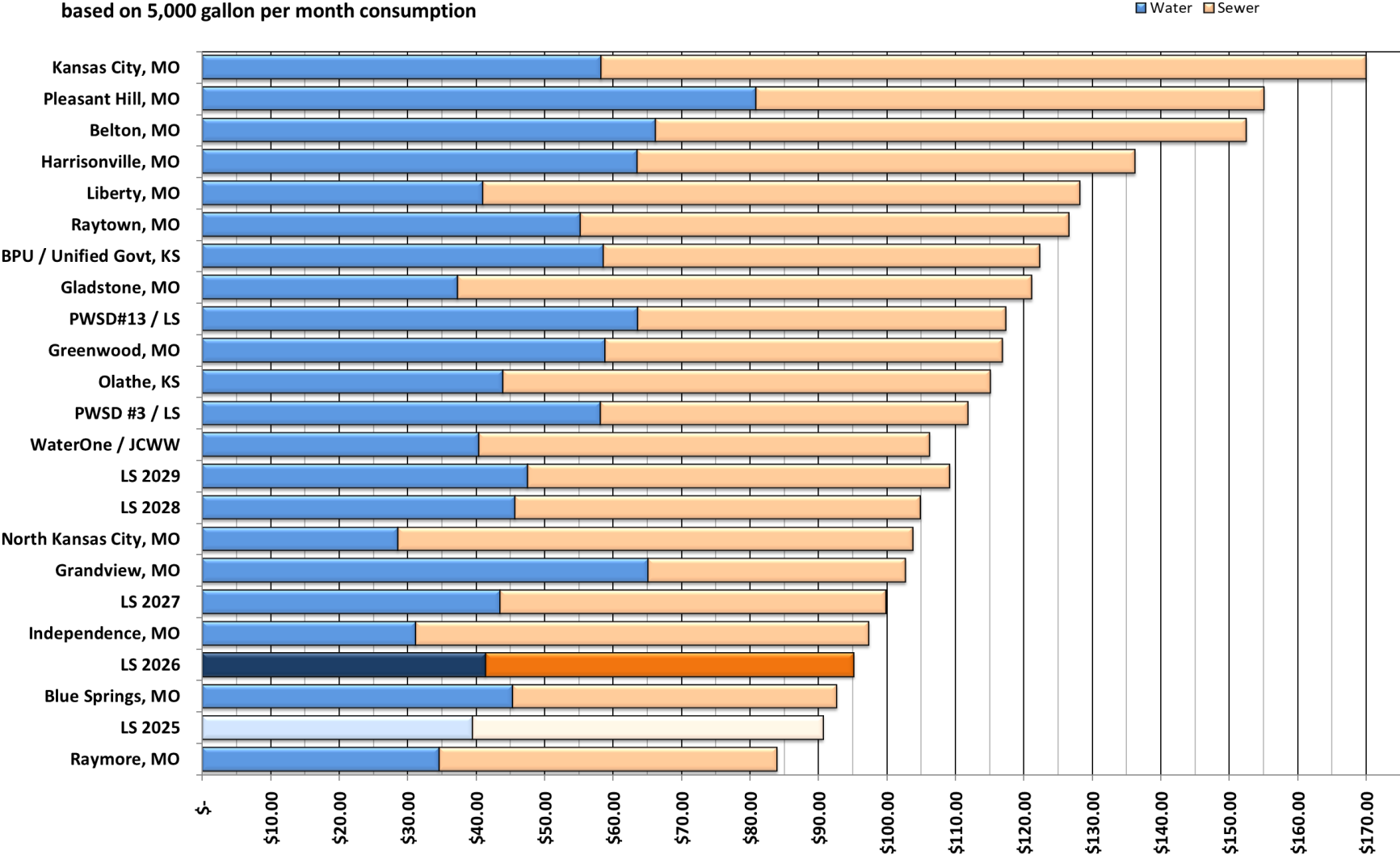
Commercial:	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
All Usage	\$ 6.70	\$ 7.04	\$ 7.39	\$ 7.76	\$ 8.07	\$ 8.39



# Residential Rate Comparison



January 2026  
based on 5,000 gallon per month consumption

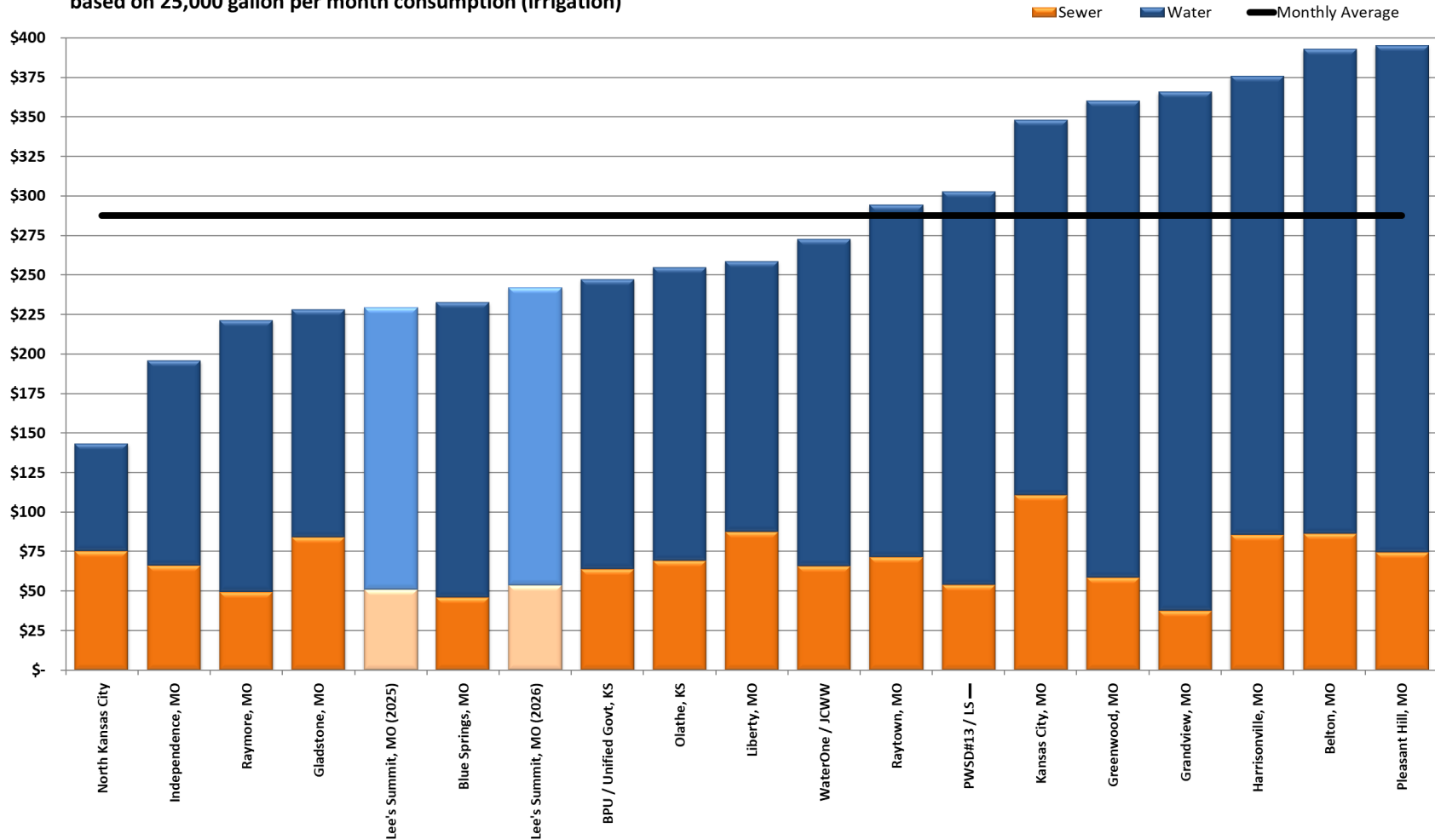


# Residential Rate Comparison

## Irrigation @ 25,000 gallons



Residential Rate Comparison  
January 2026  
based on 25,000 gallon per month consumption (irrigation)



# Residential Rate Comparison

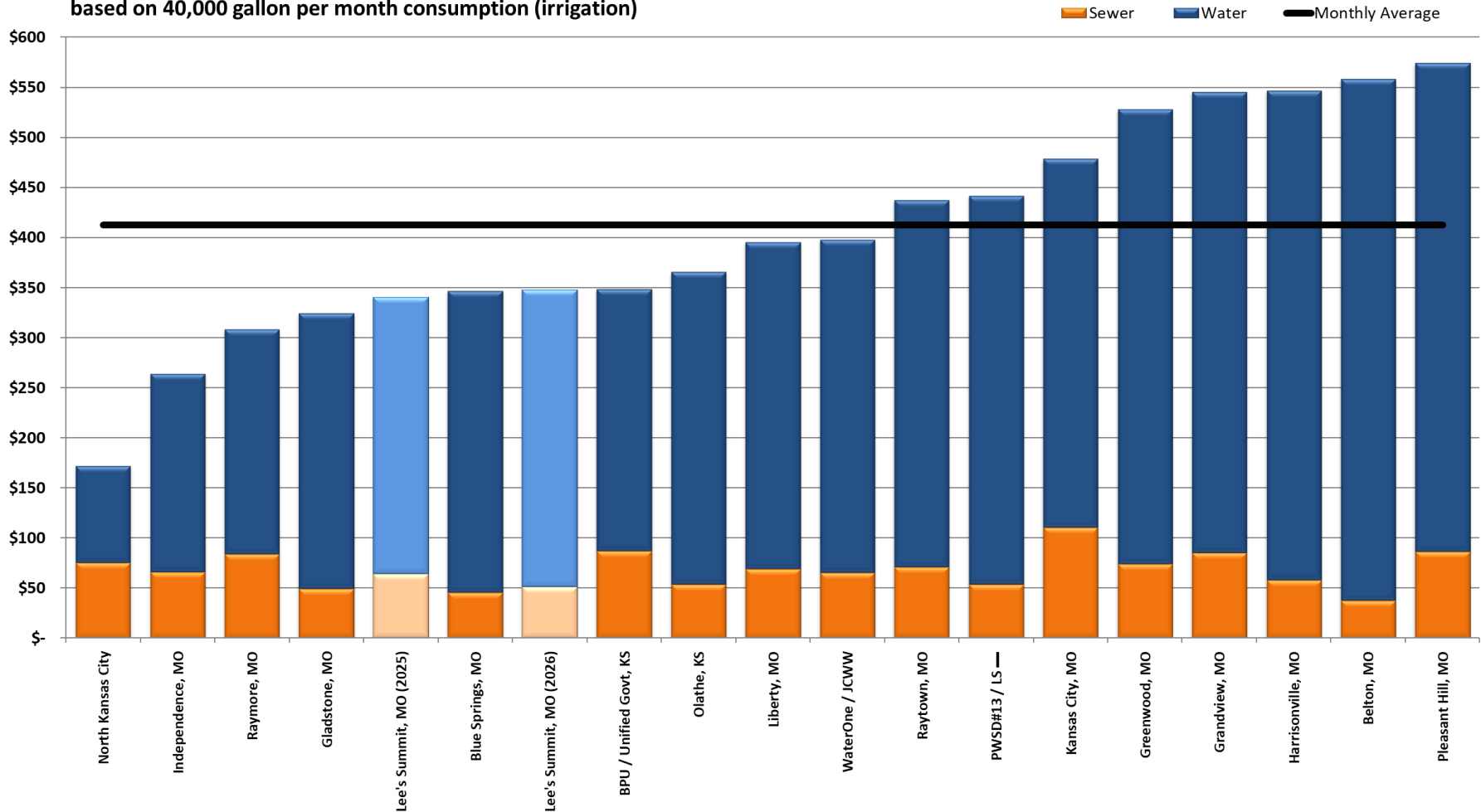
## Irrigation @ 40,000 gallons



### Residential Rate Comparison

January 2026

based on 40,000 gallon per month consumption (irrigation)

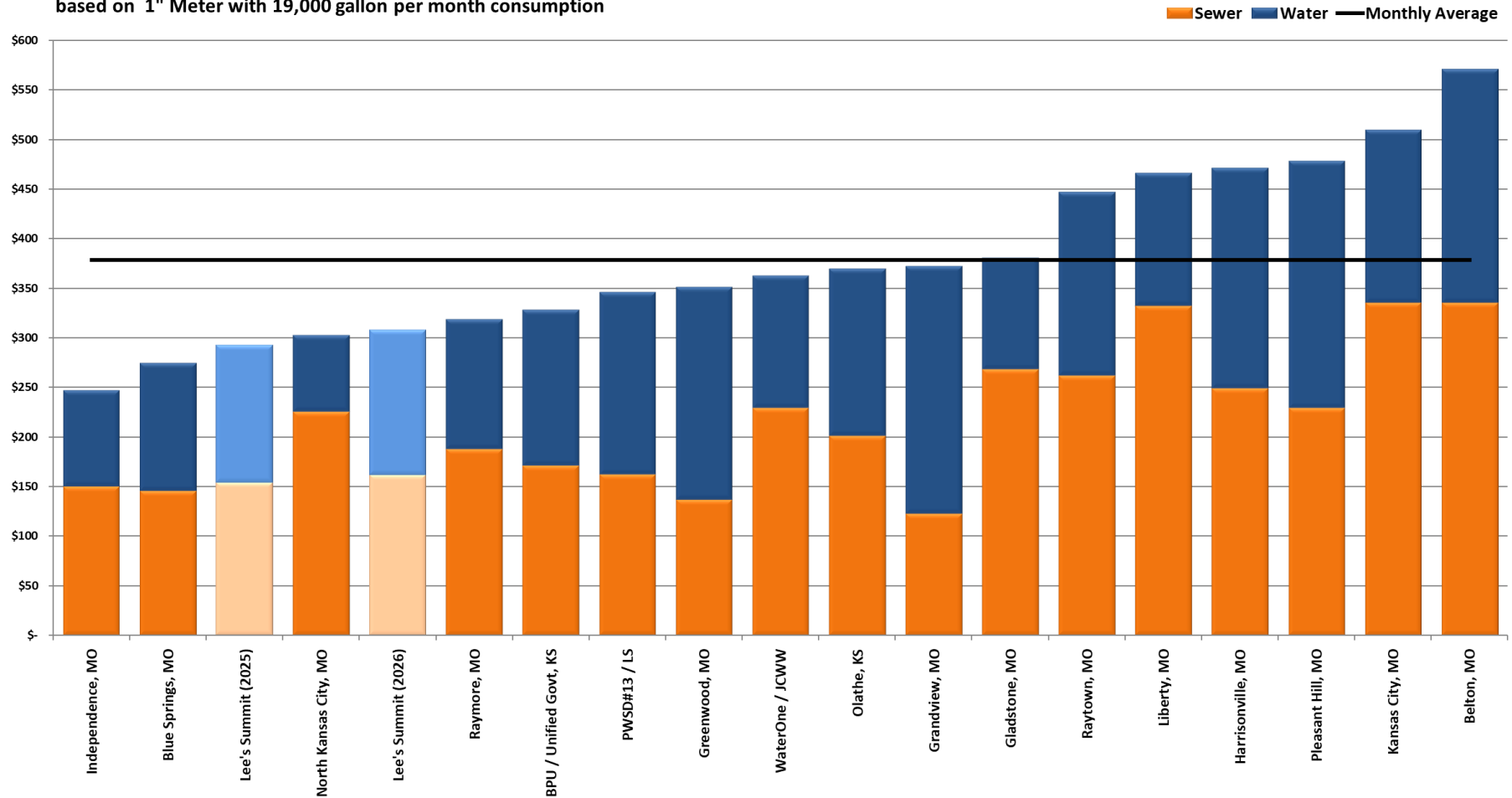


# Commercial Rate Comparison

(1" Meter with 19,000 gallons per month consumption)



Commercial Rate Comparison  
November 2025  
based on 1" Meter with 19,000 gallon per month consumption



# Commercial Rate Comparison

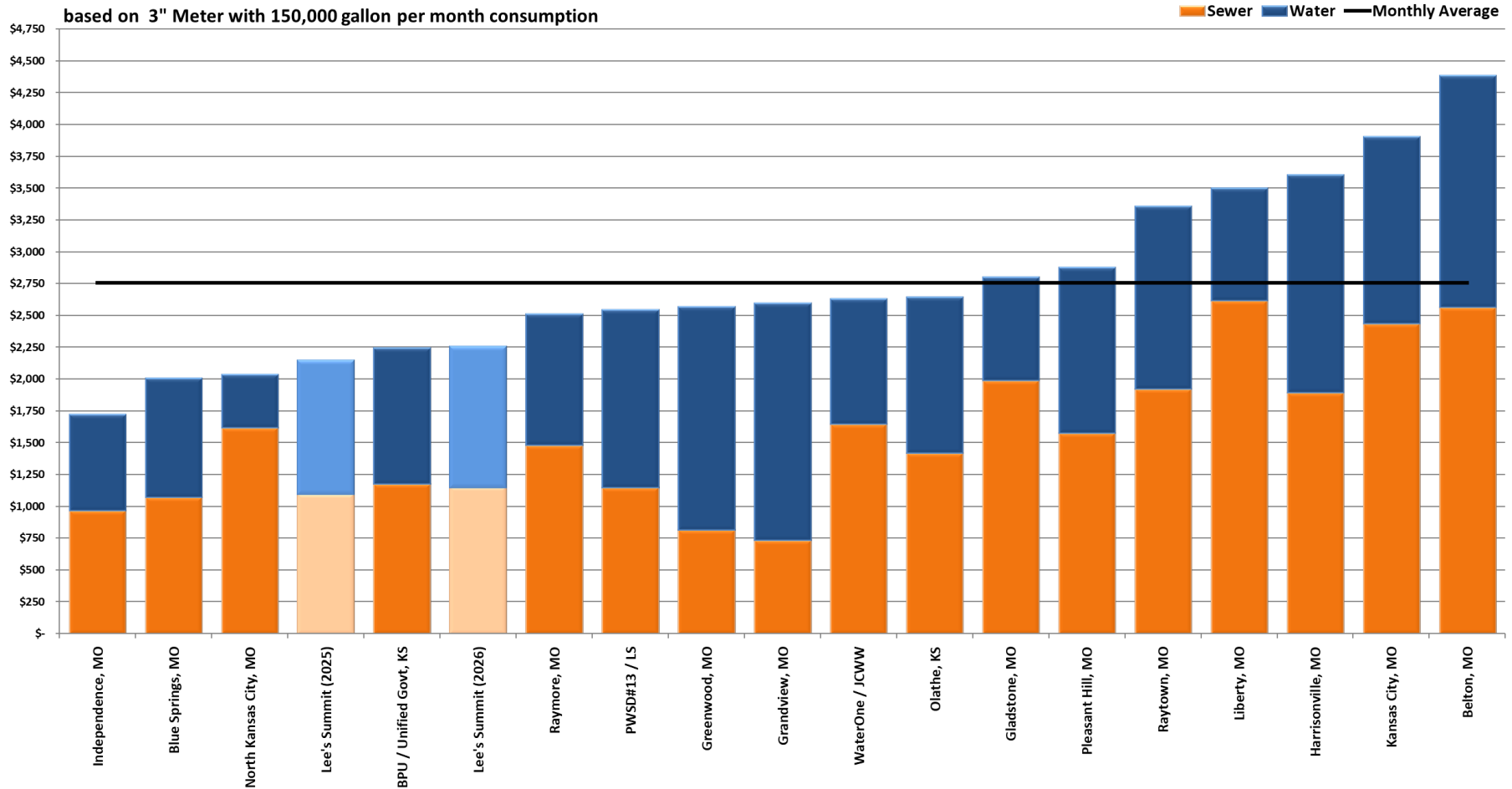
## (3" Meter with 150,000 gallons per month consumption)



### Commercial Rate Comparison

November 2025

based on 3" Meter with 150,000 gallon per month consumption



# Questions

