

WATER UTILITIES ADVISORY BOARD

Wednesday, December 11, 2019

5:30 p.m.

Lee's Summit Water Utilities Service Center
1200 SE Hamblen Road
Lee's Summit, MO 64081

Maybrook Conference Room

Members Present:

Mike Atcheson (Developer) Chair
Kay Ford (Resident)
Roger Tilling (Outside City Resident)
Mark Leetch (Resident)
Cynda Rader (Resident)
Colleen Fullerton (Business)

Staff Present:

Mark Schaufler, Director of Water Utilities
Brent Boice, Asst. Director
Jeff Thorn, Asst. Director
Dana Arcuri, Office Coordinator

1. Call to Order

Mr. Mike Atcheson called the meeting to order at 5:35 p.m.

2. Roll Call

3. Approval of Agenda

Ms. Kay Ford made a motion to approve the agenda and was seconded by Mr. Mark Leetch. The Board agreed for the approval of the agenda.

4. Approval of Action Letter

A. 2019-3200 Approval of Minutes from the December 12, 2018 Meeting

With there being no corrections, the December 12, 2018, Water Utilities Advisory Board minutes were approved on motion by Ms. Cynda Rader and seconded by Mr. Roger Tilling. The board unanimously voted to approve the December 12, 2018 minutes.

5. Business

A. 2019-3196 Presentation of Water Tap Fee Report and Recommendations

Mr. Boice presented the following:

- Statement of Applications for Service (summary of the applications for service)
There were 303 tap permits issued this past year that equates to 428.33 equivalent units. (EU)
- Statement of Water Tap Fee Collections and Disbursements (summary of the tap fees collected and disbursed)
Water Utilities collected \$1,457,090 for FY 2018-2019 in tap fee revenues. This includes transfer from the Operating Fund to fund the payoff of the Harrisonville Agreement. Expenditures for the period totaled \$1,081,216, which included costs associated with the acquisition of the additional water supply through cooperative agreements with Kansas City and Harrisonville and expenditures related to upsizing projects.

- Summary Statement of Water Tap Fee Projects (summary of the water tap fee projects initiated and completed which are consistent with the adopted project list)
Water Tap Fee Projects have been updated to reflect proposed project additions and adjustments to meet future growth.

Mr. Boice advised based upon current projects and taps consumed, there were 6,040 units available at FYE 2018-2019. The current fee does not provide sufficient revenues to ensure that the fund is self-sustaining without a fee adjustment.

Staff recommended a 3.0% increase to be effective July 1, 2020. In keeping with the Board's prior recommendations, an incremental increase of 2.0% per year through 2025 and 1.5% increase subsequent years of the tap fee model is recommended to ensure the sustainability of the fund.

Below is the recommended modifications to the Water Tap Fee Project list to meet projected growth:

- Addition – SE Improvements – Hamblen \$2,281,000
- Addition – Pryor Road – Scherer to Longview \$1,889,000
- Addition – Hook Road – Tower to 291 \$4,038,000

Ms. Rader made a motion recommending for City Council's approval of the revised project list as indicated on the Summary Statement of Water Projects Report and adjusting the residential EU tap fee to \$3,581 effective July 1, 2020, utilizing 454 residential EU units per year as the growth projection. Motion was seconded by Mr. Tilling and unanimously passed by the board.

B. 2019-3205 Presentation of Financial Planning and Rate Recommendations

Mr. Boice touched on the key issues of the Cost of Service model advising the model provides a financial plan to meet the ongoing operating and capital needs of the Utility.

- The Cost of Service model identifies increased revenue needs for each of the next 10 years and is consistent with findings of the Strategic Plan.
- The model addresses the infrastructure rehabilitation needs as identified and schedules the projects in accordance with the financial plan.
- The model is in compliance with financial and rate policies specified in the Strategic Plan and presented to the Water Utilities Board.
- The model generates a cost allocation between customer classes consistent with industry stands to be fair and equitable.

Discussion took place regarding the annual model update:

- FY19 Performance resulted in approximately \$2.5m additional funds to incorporate into the model.
- Revenue increases in Water Sales, Interest Earnings and Sewer Reimbursements. Expenses were lower due to position vacancies.

Water Purchases:

City of Independence – no rate increase for current year; future rate increases remain 3%

Kansas City – current year rate increase expected to be 1%; future rate increases set at 3% for 2020 to 2029

Sewer Treatment:

Middle Big Creek – anticipates rate increase from \$32.50 per connection each month to \$34.50

Little Blue Valley Sewer District – adjusted due to wet weather for 2018 and basis of future expenditures

Further discussion of the need to invest in the system renewal projections, the Cost of Service model was adjusted to ensure that sufficient revenues were generated over the projected 10-year planning period of the model. Water and Sewer rates have been projected for a 5-year period based on that plan. The plan anticipates 4% increases will be necessary over the remaining 5 years of the plan.

Mr. Tilling made a motion to append the rate schedule with a 4% increase to water and sewer rates effective January 1, 2024 as set forth by the Cost of Service model. Motion was seconded by Ms. Colleen Fullerton and unanimously passed by the board.

C. 2019-3204 Presentation on Convenience Fees for Credit Card Payments

Mr. Boice and Mr. Schaufler made mention that water utility payments have been transitioning over the last several years away from the traditional mailing to more convenient methods for customers. Currently, Water Utilities accepts VISA and MasterCard payments through three different sources; UtilityLink or Web, Telephone (IVR) or at one of the payment counters. Credit Card payments has become the most popular method of payment.

Processing fees have been increasing as the volume of payments made with credit cards has increased. In FY19, fees exceeded \$368,000 for processing and payment gateway.

Water Utilities is in the process of the Web/IVR payment system to provide some additional enhancements to the customers. The current configuration will be to continue to absorb all credit card fees, however, the City has initiated a convenience fee of 2.5% as of December 1, 2019. With the new system, the Utility could adjust to a convenience fee model. This would reduce the cost shared by all customers which appears to be in alignment with the survey results.

Based on the discussion and feedback the board recommends to City Council the implementation of the convenience fee no less than the fee assessed by the City.

6. Discussion Regarding Future Meetings

- **Sewer Tap Fee Recommendations**

This is being reviewed with outside consultants to look at the project cost; development vs user. It's thought this rate hasn't changed since 1988.

- **Water Tap Fee Recommendations**

This, too, is being reviewed by outside consultants.

- **Strategic Plan Update**

This was originally adopted in 2012 and the goal is to update this and tie it in with the City's Ignite plan.

7. Roundtable

Mr. Atcheson amended the agenda for the election of officers for Chair and Vice Chair. Ms. Rader made a motion nominating Mr. Atcheson as the Chairperson. Motion was seconded by Ms. Ford. The board unanimously approved Mr. Atcheson to continue as the Chairperson for the board. Ms. Colleen Fullerton made a motion nominating Ms. Rader as the Vice Chair. The motion was seconded by Ms. Ford. The board unanimously approved Ms. Rader as Vice Chair for the board.

8. Adjournment

With there being no further business the meeting was adjourned at 7:26 pm