

## Legislation Text

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**File #:** BILL NO. 17-130, **Version:** 1

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AN ORDINANCE AUTHORIZING A SETTLEMENT AGREEMENT BY AND BETWEEN THE CITY OF LEE'S SUMMIT AND KANSAS CITY POWER & LIGHT FOR RESOLUTION OF DISPUTED ELECTRIC FRANCHISE TAX RECEIPTS AND AUTHORIZING THE CITY MANAGER TO EXECUTE SAID AGREEMENT BY AND ON BEHALF OF THE CITY.

Issue/Request:

AN ORDINANCE AUTHORIZING A SETTLEMENT AGREEMENT BY AND BETWEEN THE CITY OF LEE'S SUMMIT AND KANSAS CITY POWER & LIGHT FOR RESOLUTION OF DISPUTED ELECTRIC FRANCHISE TAX RECEIPTS AND AUTHORIZING THE CITY MANAGER TO EXECUTE SAID AGREEMENT BY AND ON BEHALF OF THE CITY.

Key Issues:

The City sought proposals from qualified firms / providers for the purpose of conducting a utility franchise tax audit to determine if the appropriate amount of revenue is being collected. The audit included electric, natural gas, cable, telephone utilities, and an audit of the City's leased and owned street light system.

The audit was to verify the financial statements from all franchisees that were submitted during the last five (5) calendar years (2008-2013) and include an audit of the City's leased and owned street light system for the last five (5) calendar years. The audit tasks generally included a review and examination of the utility's work orders, meter readings, customer billings, billing summaries, and general ledger to inspect the taxable receipts for each and to identify misreported or unreported sales. Misreported or unreported sales could include, but are not limited to, revenues from the following sources;

- General residential and commercial sales
- Late penalties and forfeited deposits
- Returned check charges
- Connects, disconnects, re-connect fees
- Account initiation fees, new or existing service
- Minimum billing charges
- Interest earned on security deposits
- Charges for meter tests, out of cycle meter readings
- Bad debt recoveries
- Charges for special billing
- Receipts from a city for furnishing street lighting
- Receipts from the bill payment assistance program for reimbursement of discounted rates

Following analysis by TriStem, KCP&L, and the City of Lee's Summit, it was found that the City was owed approximately \$30,310.72 in additional electric franchise tax revenue from 2008-2013. The settlement

agreement will close the audit period and authorize payment to TriStem Ltd and then remittance to the City.

The only remaining open audit item remaining is for the City's leased and owned streetlights.

Proposed City Council Motion:

FIRST MOTION: I move for second reading of AN ORDINANCE AUTHORIZING A SETTLEMENT AGREEMENT BY AND BETWEEN THE CITY OF LEE'S SUMMIT AND KANSAS CITY POWER & LIGHT FOR RESOLUTION OF DISPUTED ELECTRIC FRANCHISE TAX RECEIPTS AND AUTHORIZING THE CITY MANAGER TO EXECUTE SAID AGREEMENT BY AND ON BEHALF OF THE CITY.

SECOND MOTION: I move for adoption of AN ORDINANCE AUTHORIZING A SETTLEMENT AGREEMENT BY AND BETWEEN THE CITY OF LEE'S SUMMIT AND KANSAS CITY POWER & LIGHT FOR RESOLUTION OF DISPUTED ELECTRIC FRANCHISE TAX RECEIPTS AND AUTHORIZING THE CITY MANAGER TO EXECUTE SAID AGREEMENT BY AND ON BEHALF OF THE CITY.

Background:

The City has four major categories of franchise utilities operating within the City limits; Cable, Electric, Telephone, and Natural Gas, with a total of approximately 25 individual franchisees. The franchisees are regulated by Missouri State Statutes 94.110 - 94.120 and the City's code of ordinances under Chapter 28, Article 2, Section 28-90 - 28-120. As set forth by these regulations, the City is to be paid 7% of the gross receipts collected by all electric, natural gas, and telephone franchisees and 5% of gross receipts collected by cable franchisees. This audit was the first of its kind initiated by the City.

Presenter: Nick Edwards | Director of Administration

Recommendation: Staff Recommends Approval

Committee Recommendation: N/A