

SMITHVILLE BOARD OF ALDERMEN
WORK SESSION
April 7, 2026 6:00 p.m.
City Hall Council Chambers and Via Videoconference

1. Call to Order

Mayor Boley called the meeting to order at 6:00 p.m. A quorum of the Board was present: Marv Atkins, Kelly Kobylski, Melissa Wilson, Leeah Stone, Chelsea Dana and Dan Hartman.

Staff present: Cynthia Wagner, Gina Pate, Chief Lockridge, Jack Hendrix, Rick Welch, Linda Drummond, Mayra Toothman, Dave Schuerger and Brandon Green. Matt Denton was present via Zoom.

City Attorneys present: Padraic Corcoran.

2. Update of Combined Water and Wastewater Systems Fund CIP Projects

Assistant to the Public Works Director Mayra Toothman provided an overview of the updated Capital Improvement Plan for the combined water and wastewater fund, the revised timing, cost estimates, and system needs based on the 2018 Water Master Plan and the 2021 Wastewater Master Plan. The CIP spans ten years through 2036, with the first five years containing detailed project information and the later years serving as a funding roadmap. One of the most significant adjustments is the shift of the water treatment plant expansion from 2029 to 2032, with an updated cost of approximately \$32 million including engineering. Two new system enhancements, Supervisory Control and Data Acquisition (SCADA) and Advanced Metering Infrastructure (AMI), have been added to modernize operations and improve accuracy and responsiveness. The City previously issued \$8.5 million in Certificates of Participation (COPs) to support several major water and wastewater projects, including improvements at the water treatment plant and the 144th Street Pump Station and force main. Additional projects such as the Stonebridge Pump Station, the river crossing water main, and the Smith's Fork force main are scheduled to begin construction this year.

The City also began a lake sampling program to better understand taste and odor concerns. Although sampling indicated the presence of compounds that can cause these issues, levels were not high enough to justify a treatment project at this time. Staff will continue monitoring and incorporate findings into the future design of the expanded water treatment plant. Operational adjustments and new chemical feed equipment are being used to address taste and odor on an ongoing basis. Staff are recommending the implementation of the SCADA system to 2026, using available funding, to improve real-time monitoring, operational consistency, and responsiveness. The estimated cost is \$250,000, and staff intends to bring a proposal forward for Board consideration. The AMI project, planned for later, will modernize meter reading by providing real-time usage data to both utility billing and customers, improving accuracy and efficiency.

Several upgrades to the existing water treatment plant are planned in the coming years, including improvements to the primary clarifier, mix chamber, and high-service pump room. The major expansion project, now planned for 2032, will double plant capacity from 2.5 to 5 million gallons per day. As the project approaches, staff will evaluate treatment options, potential phasing, and funding strategies. The City will also continue investing in the distribution system through water line replacements and looping projects to enhance reliability and service.

The wastewater plant operates at a rated capacity of 1.125 million gallons per day, with planned improvements in 2027 to increase capacity to 1.5 million gallons per day. The Board recently approved an agreement with HDR to begin preliminary design work, and the project

will use a construction manager at risk delivery method. Additional wastewater system projects include the multi-phase Owens Branch interceptor, which will extend from the treatment plant to the Little Platte River to serve the northern portion of the community, and the Rocky Branch sanitary sewer project, which will support the Forest Oaks area and increase capacity in the southern part of town. Other improvements involve upsizing the Hills of Shannon sewer line and continuing the replacement of aging lift stations. Routine maintenance programs, including annual sewer rehabilitation, SBR cleaning, and influent pump station cleaning, remain ongoing to preserve system reliability.

Mayra clarified that postponing a dedicated treatment project does not eliminate the issue from long-term planning of the taste and odor problem; instead, continued sampling and data collection will guide whether specific treatment components should be incorporated into the future water treatment plant expansion. To address the issue now new chemical feed systems and operational adjustments are being used to manage taste and odor, and staff will continue testing additional treatment options throughout the summer. The SCADA system is expected to further support these efforts by improving water circulation and reducing stagnation through better real-time operational control. Mayra also noted that more consistent hydrant flushing has already begun and is contributing to improved water movement within the system.

Board members raised questions about why the delay of the water treatment plant expansion, and staff explained that updated population and growth projections indicate that additional capacity will not be needed until approximately 2032, later than originally anticipated. They also discussed the role of homeowners regarding plumbing systems in water quality concerns. The Board directed staff to develop educational materials to help residents understand how aging pipes, water heaters, and other household systems can affect taste, odor, and discoloration. Staff agreed that public education would be beneficial and noted that Public Works are preparing to launch informational videos that could include guidance on routine maintenance such as water heater flushing.

3. Rate Study Presentation

Tom Beckley with Raftelis Financial Consultants presented the results of the 2026 Rate Study. He provided an overview of the water and sewer rate study, beginning with the essential role that water and wastewater utilities play in supporting public health, safety, and the long-term economic viability of the community. He noted that unlike other utilities that have become obsolete over time, water and sewer services will remain permanent and indispensable, requiring ongoing investment to meet regulatory requirements, operational demands, and system growth. He explained that the rate study process evaluates how much revenue the current rate structure generates, forecasts operating and maintenance expenses, and incorporates the capital needs outlined in the updated CIP. He noted that while the CIP presents costs in 2026 dollars, actual construction costs will be higher due to inflation, particularly for large projects such as the water treatment plant expansion. Capital cost inflation in the water industry has outpaced general inflation, making timing decisions increasingly important as delaying projects can significantly increase their eventual cost.

Tom explained that the financial analysis began with a review of current revenues, which total approximately \$7.7 million annually under existing rates. Operating and maintenance expenses were projected forward from the 2026 budget using cost-specific inflation factors, resulting in an overall escalation of roughly six percent per year. Existing debt service obligations were then added. He noted that the utility fund remains in a stronger position than many comparable communities because current revenues are still sufficient to cover both operating costs and existing debt. The next step is incorporating capital funding needs that include approximately \$56 million in major projects scheduled between 2027 and 2031. These include

the Owens Branch interceptor, the wastewater treatment plant expansion, and the engineering and design work for the future water treatment plant expansion. To support these projects, the plan anticipates issuing \$24 million in Certificates of Participation (COPs) in 2027, structured with interest-only payments during construction, with an additional \$46 million in borrowing between 2030 and 2032 to fund the water treatment plant expansion once the growth and population require it. The utility fund will also continue cash-funding approximately \$16 million in ongoing rehabilitation and maintenance projects, such as slip-lining and other routine system improvements, which are most appropriately funded through annual revenues rather than long-term debt.

When these capital needs are layered onto the financial model, the analysis shows the combined impact of cash-funded projects and new debt service obligations, illustrating the gap between projected revenues and the funding required to operate, maintain, and reinvest in the system at the level necessary to ensure long-term reliability.

Tom explained how the financial model is structured, noting that operating and maintenance costs must always be paid first, followed by existing debt service, with cash-funded capital serving as the final priority. This is the requirements of lenders, who rely on a well-maintained system as collateral and therefore require utilities to preserve operations before addressing any other financial obligations. Cash-funded capital is the first element reduced when revenues fall short, which is why the model builds upward from operating costs to debt service and then to capital needs. When these components are combined, the total funding requirement rises well above current revenue levels, illustrating the need for rate adjustments to sustain the system over the long term. The proposed revenue line reflects the level of funding necessary to meet operational needs, pay existing and future debt, and maintain appropriate investment in system rehabilitation.

Tom explained that the recommended rate adjustments include an 8 percent increase for water and a 30 percent increase for sewer in 2027, reflecting the more immediate and substantial needs on the wastewater side, including the Owens Branch interceptor and the wastewater treatment plant expansion. Although the City maintains a combined water and wastewater fund, the rate study evaluates water and sewer costs separately to ensure fairness for customers who receive only one of the two services. The analysis shows that water rates will need to increase by 8 percent annually for several years, with a larger increase anticipated when the water treatment plant expansion approaches. Sewer rates will require a 15 percent increase in 2028 and 2029, followed by more moderate increases thereafter. For customers receiving both services, the combined impact in 2027 is approximately 19 percent, with average increases of about 12 percent per year from fiscal years 2028 through 2031.

Tom noted that a previously projected 15 percent increase for 2026 was not implemented, and the absence of that adjustment contributes to the larger increase now required. Had that increase occurred the current recommendation would be closer to 9 percent overall rather than 19 percent. Tom also addressed wholesale water sales to Water District No. 8, explaining that while the district is currently charged \$7.14 per thousand gallons, a full cost-of-service analysis indicates the City could justify a rate of \$10.37 per thousand gallon.

A comparison of regional utility rates showed that the City is currently near the upper end of the range for similar communities, and the proposed adjustments would place it slightly higher but still comparable to systems with similar infrastructure responsibilities. He emphasized that communities operating their own treatment plants naturally face higher costs than those purchasing wholesale water, and that growth-related capacity needs require the City to build major infrastructure ahead of demand.

He noted that the impact fees, which are intended to ensure that new development contributes appropriately to the cost of expanding system capacity. Impact fees, which are intended to place new customers on equal footing with existing customers by ensuring that growth contributes proportionally to the cost of system capacity. He explained that the sewer impact fee appears appropriate based on current asset and cost information, while the water impact fee for a standard three-quarter-inch residential meter, currently set at \$3,100, could be increased to approximately \$4,200 based on updated capacity costs.

Because impact fees must balance cost recovery with the need to remain competitive in attracting development, the Mayor suggested not implementing the full increase at once and suggested that a phased approach may be more appropriate. Larger meter sizes would adjust proportionally, maintaining the capacity-based structure adopted during the previous rate study.

The Board discussed the potential effects of impact fee adjustments on residential and commercial development, noting that earlier increases had temporarily slowed activity. Staff emphasized that while development must pay its fair share, the City must also remain mindful of regional competitiveness. They discussed affordability considerations for existing customers. Using standard industry metrics, Tom noted that the average residential bill represents approximately 1.5 percent of median household income and remains below the federal affordability threshold. Even for lower-income households, the percentage remains within acceptable ranges, though staff acknowledged that rising bills can still pose challenges for some customers.

The Board discussed the structure of the rate adjustments, noting that previous studies placed more emphasis on volumetric charges to encourage conservation and reduce the burden on low-usage households. Tom explained that the current recommendation applies uniform percentage increases across all customers rather than restructuring the rate design, as the City had already made significant structural changes in earlier years. While more complex tiered rate structures can promote conservation, they also add administrative challenges and were not recommended at this time. Cynthia noted that additional discussion during upcoming budget sessions and the annual retreat is planned to discuss and obtain Board further direction in order to begin planning for public communication regarding the proposed changes.

The Board discussed considering the balance between housing affordability, development costs, and the need for new customers to contribute fairly to system capacity. While impact fees must support long-term infrastructure needs, the City's limited available land for large-scale residential growth reduces the risk of deterring development. The Board discussed revisited the projected water rate increases in the future, with questions about whether slightly higher annual adjustments in the near term might help soften the impact of a larger increase anticipated around the time of the water treatment plant expansion. Tom acknowledged that such an approach is possible but emphasized the uncertainty of long-range cost projections and the importance of maintaining flexibility as economic conditions evolve.

The Board discussed funding strategies and the importance of being prepared for potential federal or state infrastructure programs, as communities with ready-to-build projects are often best positioned to benefit when funding becomes available. Staff noted that while grants for public utilities are rare and often targeted toward distressed or declining communities, the City continues to pursue opportunities such as the American Rescue Plan Act (ARPA) and Water Resources Development Act (WRDA) and has already submitted preliminary information to remain eligible for future programs. The Board also discussed financing methods, including the potential use of the State Revolving Loan Fund, which would require voter approval and will be explored further during upcoming strategic planning discussions.

Some of the Board had concerns about the practice of paying interest-only during the early years of major debt issuances. Tom explained that while not ideal, this approach helps moderate rate impacts during periods of significant capital investment and is preferable to capitalizing interest, a practice common in some communities that increases long-term costs. The Board also reflected on the broader challenges facing water-scarce regions across the country, noting that while rate increases are difficult, the community benefits from a reliable local water source and does not face the extreme supply constraints seen in other areas.

The Board had questions about why certain improvements were not undertaken earlier, particularly given past population projections. Staff explained that earlier forecasts anticipated more rapid growth, but actual development has occurred more slowly, delaying the need for major expansions. In addition, the existing water treatment plant is approaching the end of its useful life, and the planned expansion will more than likely be the construction of a new facility rather than capacity increase. Staff noted that growth-related infrastructure must be built ahead of demand, which inevitably requires existing customers to bear some portion of the cost until new users connect to the system. Board members acknowledged the complexity of these decisions and the importance of maintaining a long-term, sustainable approach to utility planning.

The Board continued its discussion by reflecting on the City's historical investment levels and how past decisions have shaped current infrastructure needs. Staff noted that years ago the City experienced frequent water line breaks. As funding for rehabilitation has increased, the frequency of breaks has declined significantly, demonstrating the direct relationship between sustained investment and system reliability. Board members acknowledged that while the community once took pride in having some of the lowest water rates in the region, the long period without rate adjustments created a backlog of needs that the City is still working to address. Although the required increases are difficult, they are necessary to maintain service levels and avoid the types of failures that previously affected residents.

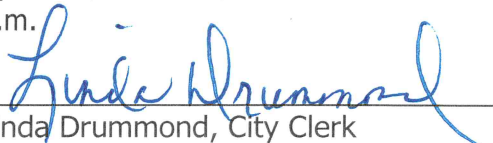
Staff also explained that the City's slip-lining program and other rehabilitation efforts only began within the past several years, meaning that much older clay and sewer infrastructure is only now being systematically addressed. Board members discussed how the City's growth, from roughly 4,000 residents in the early 2000s to more than 11,000 today, has placed additional demands on the system. Staff noted that slower-than-projected growth, combined with lower consumption per household, has delayed the need for certain expansions, but emphasized that the City must avoid constructing facilities before they are needed while still preparing for future demand.

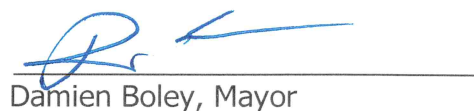
The Board also highlighted the importance of long-term planning, noting that the City's proactive work on the water intake project allowed it to take advantage of ARPA funding when it became available. Staff reiterated that maintaining a ten-year CIP and keeping major projects as close to shovel-ready as positions the City to benefit from federal or state funding opportunities.

4. Adjourn

Alderman Hartman moved to adjourn. Alderman Wilson seconded the motion.

Ayes – 6, Noes – 0, motion carries. The Mayor declared the work session adjourned at 7:03 p.m.


Linda Drummond, City Clerk


Damien Boley, Mayor