

**SMITHVILLE BOARD OF ALDERMEN
WORK SESSION**

February 20, 2025 6:00 p.m.

City Hall Council Chambers and Via Videoconference

**This meeting was rescheduled to 6:00 p.m. Tuesday, February 25
due to emergency facility issues**

1. Call to Order

Mayor Boley, present, called the meeting to order at 5:59 p.m. A quorum of the Board was present: Marv Atkins, Kelly Kobylski, and Ronald Russell. Leeah Shipley joined the meeting at 6:25 p.m. Melissa Wilson and Dan Hartman were absent.

Staff present: Cynthia Wagner, Gina Pate, Chief Lockridge, Chuck Soules, Rick Welch, Jack Hendrix, Matt Denton and Linda Drummond.

Financial Advisors, Todd Goffoy, Piper Sandler and Megan Miller, Gilmore and Bell were present via Zoom.

2. Discussion of Utility Projects Financing

Cynthia noted that the memo provided in the packet for the Water and Wastewater systems fund is the beginning point for significant ongoing conversations anticipated regarding upcoming investment in our utility infrastructure. The Water Master Plan was completed in 2018 and the Wastewater Master Plan in 2021. These plans outline important needs and investment requirements for our utility system, guiding the development of the Capital Improvement Plan (CIP). However, growth patterns and available funding will influence when projects occur.

Our quarterly financial updates have noted cash flow concerns as we implement these plans. For years, we have discussed debt issuance and identified the need for financing, specifically using Certificates of Participation. After reviewing options, the City has decided not to pursue privatization of our utilities, and we will focus on our long-term plans instead.

Cynthia noted that Chuck Soules, Public Works Director, presented details on the projects from the Water and Wastewater Master Plans and will answer any questions. These projects have been reviewed over the years as part of the budget process. Cynthia explained that we have an 8 to 10-year plan that projects a \$70 million investment in the City's utility system. Rick Welch, Finance Director, will provide financial details about cash flow and the need for debt financing. Our financial advisors, Todd Goffoy, Piper Sandler and Megan Miller, Gilmore Bell, will be available to discuss financing options and answer questions about timing and debt needs.

Cynthia explained that tonight, staff's goal is to address the Board's questions regarding our utility projects and financing alternatives. Staff seeks the Board's guidance on the financing strategy we have developed. In the coming months, we will review historical expenditures, rate increases, and discuss the future of our utilities through the budget process. Cynthia noted that this meeting is the first of many discussions aimed at planning for our utilities' future, and staff will take direction from the Board for the implementation plan.

Chuck noted that the water and wastewater master plans were created to meet the growing needs of the community and to improve aging infrastructure. The plans include estimated costs, and the timing and costs of larger projects will depend on community growth. Staff is looking for funding through grants, low-interest loans, and cost-sharing options. The bid opening for the 144th lift station was today, and the bids came in at \$3.4 million. Additional expenses are expected with Evergy, along with potential contingency costs, which will be brought forward for consideration in March. The City will receive \$1.5 through congressional funding secured by Representative Grave's. The earmark expenditure will be administered by the Corps of Engineers. Chuck explained that it took a year to finalize an agreement with the Corps, and the environmental assessment and public comment period are in progress.

Alderman Russell asked if the cost estimates were current.

Chuck explained that they were, but added that prices for equipment and materials have continued to fluctuate a lot since COVID.

Cynthia emphasized that the costs mentioned are the net costs for the combined Water and Wastewater system, representing the total cost to the city. This amount does not include grant funding or other financing methods. These costs will have to be covered through utility rates.

Chuck stated that discussions about the 144th Street lift station began in 2013, and it has been in the works since he joined the City five years ago. The design changed due to capacity issues, now featuring the West Bypass. This project will allow for decommissioning the overloaded Hills of Shannon Pump Station. The Stonebridge Lift Station aims to improve capacity and system integrity, enabling the decommissioning of other obsolete lift stations.

CWWS Capital Improvement Projects				
Project name	Accomplishes	Estimated Net Cost to CWWS	Timeline	Impact
West Bypass 144th Lift Station	The project is needed for capacity improvements in the southern portion of Smithville and will allow staff to decommission lift stations that are under capacity.	\$3,000,000	Out to bid, with construction anticipated to begin late spring/early summer 2025	Capacity and System Integrity
Stonebridge Lift Station	The project is needed for capacity improvements in the southern portion of Smithville and will allow staff to decommission lift stations that are under capacity. New school bus barn has limited service.	\$1,530,000	Bid Spring 2025, with construction anticipated mid-to late summer 2025	Capacity and System Integrity
River Crossing - 12-inch Waterline	This project is needed to ensure adequate water supply north of the Little Platte River. Currently, there is only one 8" main across the river and this improvement will provide additional capacity and reliability.	\$1,10,000	Bid Spring 2025, with construction anticipated mid-to late summer 2025	Capacity and System Integrity
Smith Fork Force Main	The new pump station at Smith Forks identified the 4" force main was restricted. This project will provide continued service and increased capacity in north Smithville.	\$700,000	Bid Spring 2025, with construction anticipated mid-to late summer 2025	Capacity and System Integrity

Owens Branch Gravity Line	This multi-phased sanitary sewer gravity line project will provide additional capacity to the north end of town and enable removal of some lift stations	\$6,850,000	Multi-phased, design beginning 2025 and construction beginning in 2026	Residential Capacity
Wastewater Treatment Plant Facility Plan	Identifies existing plant systems and preliminary design for DNR permitting of WWTP expansion.	150,000	2025	System Capacity
Water Treatment Plant Improvements	Maintenance and improvements to existing facility.	\$1,430,000	2025	System Integrity and Plant Maintenance
Smith's Fork Park Waterline	Replace existing waterline serving Smith's Fork Park	\$170,000	2026	System Integrity
Highway 92 & Commercial Street Waterline	This water line connection is crucial to ensure that the newly relocated booster station has an adequate water supply.	\$450,000	2026	System Integrity
McDonalds / Central Bank Lift Station	This project will help the City eliminate two costly sewer pump stations, McDonald's, and Central Bank lift stations	\$730,000	Design 2025 Construction 2026	System Integrity
Tower to Major Mall 8" Water line	The connection will accommodate the expected growth south of 92 Highway, and provides additional water supply for the southwest water tower	\$205,000	Design 2026; construct 2027	Capacity and System Integrity
Day Care Lift Station	Project is not currently in the CIP, but is a system efficiency need once the Stonebridge station is decommissioned.	\$450,000	2027	System Efficiency
Water Plant Expansion	Plant expansion for growth and taste and odor control	\$15,000,000	Design will begin in 2027 with construction anticipated in 2029	System Capacity
Wastewater Plant Expansion	Plant expansion to accommodate growth	\$4,000,000	Design will begin in 2027 with construction anticipated in 2029	Capacity and System Enhancement

- Timing of expansion projects will depend upon population growth in the community.
- All financial estimates account for future funding needed for projects that have not yet been identified to address community growth and utility needs.

Chuck noted that the River Crossing project involves installing a 12-inch line to replace an eight-inch line to ensure reliability and address capacity issues. The Smith's Fork main is a six-inch line that will replace a restricted four-inch line for increased capacity. The Owens Branch gravity line project for residential development in Smithville is being developed in three phases, as the existing force main is at capacity. HDR is working on the wastewater treatment facility plan to assess current systems and prepare for DNR permitting. Improvements to the water treatment plant are underway, including replacing carbon and lime feeders, filter media, and deteriorating piping and valves.

The water line project aims to replace the line that supplies water to the campgrounds and sports fields at Smith's Fork Park. This will prepare for future major park improvements. The water line on Highway 92 is necessary to maintain good water pressure and supply to the south booster station. The wastewater master plan includes reducing the number of lift stations, specifically at 144th Street where the McDonald's and Central Bank lift stations will be replaced with gravity systems. The daycare lift station will also be replaced with a gravity system once Stonebridge is developed. Additionally, a new water line from the tower to the major mall is planned to support growth in the southwest

area, addressing previous fire flow issues in Bart Heights by allowing the installation of new fire hydrants.

Two major projects, the water plant expansion and the wastewater plant expansion, will depend on community growth. The water plant expansion will also focus on addressing taste and odor issues. Currently, work is being done with HDR to create a testing plan for water sampling at the lake to assist in this work. Results and possible treatment options will be presented to the board.

There is also consideration for replacing the old cast iron water line at Church and Mill, which has experienced several breaks. This replacement is important to prevent future disruptions after other improvements are completed. These projects represent the main plans for the upcoming years.

Alderman Russell asked if we would have to spend \$1.4 on Water Treatment Plant improvements just for immediate needs, and then are we going to have to redo all those improvements again when we do the water plant expansion.

Chuck explained that we will not waste these improvements. We will be adding capacity and doing some rehabilitation of the old plant. A new portion will be built, and we will continue to maintain and upgrade the plant.

Cynthia noted that the water treatment plant is old and has not had many upgrades. Some improvements in the pump rooms need maintenance, and there has not been investment in that infrastructure. These necessary improvements will help us for now and will not be replaced.

Chuck explained that the carbon and lime feeders will be reused, and the filter is new. Some piping may need changes due to expansion, which may require some replacements. Certain valves are difficult to operate, affecting the plant's flexibility. If one filter fails, it should not require shutting down half the plant. Instead, there should be a way to isolate the issue, allowing repairs without stopping overall operations. Currently, shutting off a mud valve leads to shutting down three filters and part of the plant, which is not efficient.

Alderman Russell asked because HDR is reviewing changing laws and ensuring we meet EPA requirements for water treatment, we will need to add anything to the water facility. Will it be necessary due to the study they are preparing.

Chuck explained on the water side, the focus will be on improving taste and odor, determining what systems might be needed for better control. For the wastewater side, issues like phosphate, phosphorus, and ammonia need to be addressed. Currently, they are reviewing the plant facility and future requirements. There are no new water treatment processes expected at this time, especially after handling lead and copper concerns recently in-house. They conducted comprehensive testing from August to October, with results received in December and a permit due in January. The new regulations and requirements for permits are being evaluated, particularly for the wastewater side.

Mayor Boley asked if has our flushable wipe issue been reduced.

Chuck explained The bar screen is performing well this year and did not freeze, even though the heater was off due to a blown fuse during a cold spell. The unit is now enclosed, which has helped its performance. The team addressed the heating issue and confirmed it is functioning well. The main issue remaining is cleaning related to disposable wipes. The team plans to clean the influent pumps in the main wet well, but overall, they are not facing the same problems as before and are successfully removing debris.

Chuck noted that on March 18 staff will be bringing forward for approval the purchase of new equipment called wet well wizards, which are degreasers for lift stations. Currently, they use Dawn dish soap to manage grease, but the wet well wizards will help keep materials moving and aerated, preventing solidification. This equipment is budgeted at \$6,000 per lift station.

Rick Welch, Finance Director
CWWS Projected Cash Flow

City of Smithville CWWS Projected Cash Flow February 2025									
	2025	2026	2027	2028	2029	2030	2031	2032	2033
Beginning Cash	\$ 7,725,820	\$ 11,068,796	\$ 4,315,569	\$ 4,259,313	\$ 2,726,787	\$ 618,870	\$ (1,826,285)	\$ (2,294,523)	\$ (660,496)
Revenue *	7,143,660	7,679,435	8,255,392	8,874,546	9,495,765	10,160,468	10,871,701	11,632,720	12,447,011
<i>Debt Issuance</i>	7,000,000	-	8,000,000	-	13,000,000	13,000,000	7,000,000	5,000,000	-
Expense **	10,800,684	14,432,662	16,311,648	10,407,073	24,603,682	25,605,623	18,339,939	14,998,694	20,439,554
End Cash	\$ 11,068,796	\$ 4,315,569	\$ 4,259,313	\$ 2,726,787	\$ 618,870	\$ (1,826,285)	\$ (2,294,523)	\$ (660,496)	\$ (8,653,040)
Required Reserve	1,186,323	1,281,179	1,451,097	1,513,273	1,728,663	1,909,012	2,041,189	2,159,765	2,239,120
Major Project Outlay (projected)	4,210,000	7,315,000	8,250,000	2,000,000	15,000,000	15,000,000	7,000,000	3,000,000	8,000,000
Total 9 Year Outlay									\$ 69,775,000
Additional COP									\$ 15,000,000
Revenue Bonds									38,000,000
Total Planned Financing									\$ 53,000,000

* Revenue assumes an annual increase

** Expense projections include an annual operational inflation increase, current and future debt payments, and current major projected project costs

Rick noted that his projected cash flow starts our discussion about funding the expected project costs. For revenue, we expect an annual increase from organic growth, usage, and potential rate hikes, with conservative estimates included. On the expense side, he accounted for annual operational inflation and included current and future debt payments based on when the debt will be issued. The major projected project cost currently stands at \$4,210,000, as previously explained. As years advance towards 2033, operational costs are projected to increase to nearly \$11 million, all included in the expense line along with debt issuance.

Todd Goffoy presented an overview of municipal debt financing.

Why Issue Bonds

- New Construction, Renovations, Improvements, Equipment Acquisition
 - Subject to various state & federal laws
- Refinance Existing Bonds
 - Must be within 90 days of the call date to be tax-exempt
- Temporary Notes/Bonds
 - Grant Anticipation Notes

- Construction Financing
- Bond Anticipation Notes

Types of Bonds

- General Obligation Bonds (GO Bonds)
- Certificates of Participation (COPs)
- Utility Revenue Bonds

General Obligation Bonds

- Full Faith and Credit
- Supported by the City's Taxing Ability
- Debt Service Property Tax Levy (mostly)
- Lowest Interest Rates
- 4/7th's or 2/3rd's voter majority required
- Missouri Constitutional Debt Limit (20% of Assessed Value, comprised of two 10% "buckets")
- Amortization (payback) period up to 20 years permitted

Certificates of Participation

- Lease Purchase Financing
- Voter approval NOT required
- Subject to an annual appropriation in the City budget
- Financed property/equipment generally serves as "security" for the lease
- Higher borrowing costs than GO Bonds
- No Statutory size limitation or final maturity
- What is the revenue stream to pay the lease payments?

Utility Revenue Bonds

- For Municipal Utility Purposes (i.e., Water, Sewer, Electric)
- Subject to simple majority voter approval
- Secured by a net revenue pledge of the utility system
- Repaid from user fees, such as water/sewer bills
- Generally amortized over 20-25 years

State Revolving Fund Program

- State and federal funds w/SRF program ran by Missouri DNR
- Low interest loan program (about 60% reduction from general market)
- Must have voted bonds to participate
- Application process with DNR
- Intended Use Plan (both drinking water and clean water)

Todd explained that revenue bonds are funded by user fees and are not considered property taxes or any other type of tax. The last slide discusses a variation of revenue bonds under the Missouri Department of Revenue's state revolving fund program (SRF). This program, established in the early '90s, offers low-interest loans with approximately a 60% reduction in borrowing costs compared to current market rates. As of today, financing through SRF could secure a 20-year interest rate of about 1.8% to 1.85%, which is very low.

He noted that when applying for SRF, a detailed process must be followed, including completing a due diligence questionnaire. A project must be approved either by the Clean Water Commission for sewer projects or the Drinking Water Commission for water projects. Once a project is on the intended use plan and if revenue bonds approved by voters, obtaining the low-interest loan can proceed quickly.

Todd explained that utilizing certificates of participation (COPs) for initial projects and a cash flow analysis that incorporates potential future revenue bonds, which would need voter approval. Questions are welcome at this stage for further clarification.

Mayor Boley noted that the City had not issued debt since 2018. We had COPs from 2018 they were refinance and then the GEO Bonds were 2018 approved by the voters.

Cynthia pointed out that the city has not issued debt since those noted by the Mayor, and there have been discussions about issuing Certificates of Participation (COPs) for the 144th Street Station project. The city has been able to delay debt financing due to securing alternative funding sources. The project's scope has changed over time since the plan was started. A decline in cash flow was anticipated as this project plan progressed. Staff and financial advisors began discussing various financing options with the governing body because the need for funding is approaching. The project costs have been finalized, and funding will be required for further projects in this fund. The city plans to use a combination of COPs and revenue bonds, which will need voter approval, and will gather feedback from the governing body before proceeding.

Mayor Boley inquired about the age of Forest Oaks.

Jack confirmed it was built in 1993, with plans for it to connect to the city's sewer system.

Jack noted that by 2013, HDR was contracted to start project evaluations and design.

Mayor Boley remarked that maintaining approximately 33 pump stations is costly, with annual expenses around half a million dollars for electricity and maintenance. Transitioning to gravity-based systems can reduce costs significantly compared to pumping systems.

Chuck added that many pump stations are small and aging, requiring substantial maintenance.

Mayor Boley emphasized how gravity can help improve efficiency since many areas, like Harbor Lakes and Harborview, require long pumping distances.

Mayor Boley mentioned that a previous meeting was canceled due to a sewer backup in City Hall.

Cynthia clarified was not related to the city's overall sewer system. During the budget process, more discussion about the City Hall sewer system is expected.

Alderman Russell raised a question regarding the interest rates for utility revenue bonds compared to General Obligation (GO) bonds.

Todd explained that conventional revenue bonds tend to have slightly higher rates than GO bonds but lower than COPs.

Alderman Russell also asked about the process for securing SRF funds and its implications on debt issuance.

Mayor Boley clarified that voter approval is required before initiating debt services .

Todd explained that the SRF application process can start early and takes up to a year, allowing time to schedule a bond election.

Mayor Boley added that instead of selling bonds on the market, they would be sold to the State of Missouri.

Megan clarified that the ballot question specifies the type of bonds and does not specify the rate.

Mayor Boley reflected on past challenges with downtown project planning due to uncertainty about passing bond measures, leading to early applications with DNR.

Cynthia emphasized that there are needs totaling \$70 million and that planning is crucial to recommend CIPs and other funding sources, urging ongoing discussion to focus on the first round of funding.

Rick outlined a timeline for debt issuance, planning to issue \$7 million in 2025, followed by \$8 million in 2027. A reimbursement resolution would be brought forward soon. The plan indicates multi-year funding to ensure timely project completion.

Cynthia reiterated the importance of understanding financials and processes as they prepare for debt issuance.

Alderman Russell questioned the revenue streams for the COPs, noting concerns about cash flow in future years.

Cynthia outlined the necessity of a utility rate study since rate revenues support projects. Increased development can contribute funds through impact fees, and they plan to calculate financial projections collaboratively.

Mayor Boley highlighted that the Board requested an estimate for addressing taste and odor issues in water, clarifying that voter approval will determine the funding and implementation of those improvements, particularly for projects scheduled in 2029, 2030, and 2031.

3. Discussion of 3-Month Budget Review and CIP Update

Due to the time and the people waiting for the regular session Mayor Boley postpone the discussion of the 3-Month Budget Review and CIP Update to the March 4 Work Session.

4. Adjourn

Alderman Atkins moved to adjourn. Alderman Kobylski seconded the motion.

Ayes – 4, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 7:01 p.m.

Linda Drummond, City Clerk

Damien Boley, Mayor