

**CITY OF PARKVILLE
Policy Report**

Date: May 14, 2021

Prepared By:

Alysen Abel, Public Works Director

Reviewed By:

Joe Parente, City Administrator

ISSUE:

Approve the first reading of an ordinance to implement a six percent rate increase for the sewer utility (Public Works)

BACKGROUND:

The Sewer Fund is a self-sustaining enterprise fund that operates on its own revenue, distinct from the City's General Fund. The Sewer Fund includes maintenance and capital outlay expenses that need to be offset by the revenue collected. In addition, the Sewer Fund includes an administrative transfer to the General Fund for personnel costs that support the sewer operation, including administration, public works, accounting, billing, inspection, and support services.

In 2016, the City hired Springsted (now Baker Tilly) to perform a Sewer Allocation Study to review the tasks performed by each City staff member, measuring those tasks that support the sewer operations. The costs determined by this study stated the City could reasonably transfer to the General Fund, funds from the Sewer Fund, to pay for the costs of the Sewer System. The other revenues in the General Fund are used to support general city operations, such as police protection and street maintenance, and would be relieved of the expense of the sewer operations with the administrative transfer. The 2016 study determined \$365,644 of General Fund expenses may be assigned to the Sewer Fund to cover personnel costs, as well as direct and indirect costs for sewer-related expenses funded by the General Fund.

In late 2020, the City engaged Baker Tilly to review the current data and update the sewer allocation fee, factoring in the sewer-related tasks carried out by the City's workforce. Staff members from Public Works, Administration and Community Development were surveyed, providing a detailed listing of activities, both related to sewer activities and non-sewer activities. The total of direct costs and overhead costs are summarized in the report as the amount of administrative funds that may transferred from the Sewer Fund to the General Fund. The 2021 Sewer Allocation Study states that a reasonable transfer of \$449,800 can be made from the Sewer Fund to the General Fund to compensate for sewer related expenses. The detailed study is available as Attachment 1.

Since 2015, the City has increased the amount of the administrative transfer from the Sewer Fund to to the General Fund. The allocation increased from \$100,000 in 2015 to \$280,000 in 2020. The 2021 budget includes a sewer allocation transfer of \$300,000. If additional increases are determined for the 2021 budget, a budget amendment will need to be approved by the Board of Aldermen.

The 2021 Capital Improvements Program includes \$573,800. The projects include the equipment purchases, sewer plant upgrades, the annual CCTV program, Sanitary Sewer Repairs, and reconstruction of the FF Hwy pump station.

The city's fund balance reserve policy provides a target of maintaining working capital of 90 days of operations, in addition to the current fiscal year debt service payments.

Previous to 2017, there have been modest sewer rate increases with a 3% rate increase. Due to sewer related emergencies, and the desire by the Board of Aldermen for the Sewer Fund to support administrative costs incurred in the General Fund, the rates were increase by 10% each year in 2017, 2018 and 2019. The rate was stepped back in 2020 to 5%.

During the budget work session in late 2020, staff presented an increase of 3% in 2021. With each percent rate increase, the City will receive approximately \$15,000 in revenue. A 3% sewer rate increase will result in an average bill of \$54.63, and an increase of \$1.59 over the 2020 rates.

<u>Year</u>	<u>Actual/Proposed Rate Increase</u>	<u>Sewer Base Fee</u>	<u>Sewer Consumption Rate</u>	<u>Average Monthly Bill</u>	<u>Monthly Cost Difference</u>
2017	10.00%	\$13.77	\$0.651	\$41.75	
2018	10.00%	\$15.14	\$0.716	\$45.92	\$4.17
2019	10.00%	\$16.66	\$0.787	\$50.52	\$4.60
2020	5.00%	\$17.49	\$0.827	\$53.04	\$3.18
2021	6.00%	\$18.54	\$0.876	\$56.22	\$1.59
2022	3.00%	\$19.10	\$0.903	\$57.91	\$1.72
2023	3.00%	\$19.67	\$0.930	\$59.65	\$1.74
2024	3.00%	\$20.26	\$0.958	\$61.44	\$1.79

Note: Sewer Consumption Rate is based on 4-person household with an average of 4,300 gallons usage

Sewer rates are calculated based on the average water usage per household during the winter months. Water usage from the winter months of December, January and February are used calculate actual flow into the sewer system. The residents can control their monthly bills by conserving water.

During the April 6, 2021 Board of Aldermen meeting, the Board requested additional information regarding the sewer allocation study. The Board further directed staff to prepare options related to various ways the sewer utility could be managed.

A work session was held on May 4, 2021. Staff presented the results from the Baker Tilly study in more detail, following extensive review of their data collected associated with the Sewer Allocation Study. The results in the study were an accurate reflection of staff's time related to direct and indirect costs associated with sewer related activities.

During a work session on May 4th, staff presented five options related to the management of the sewer utility. The options included:

- Option 1 - No Change to the Sewer Utility
- Option 2 - Expanded Services by Alliance Water Resources
- Option 3 - Stand Alone Sewer Department
- Option 4 - Consolidation with PCRSD
- Option 5 - Sell the Sewer Utility

Based on feedback from the Board of Aldermen, staff will look into a few of the options discussed during the work session. This will include seeking a consultant to assess the value of the existing sewer utility, as well as requesting a scope and fee from Alliance Water Resources related to their expanded services.

BUDGET IMPACT:

For every one percent rate increase, the revenue results in an increase of over \$15,000. A six percent rate increase is recommended in 2021 in order to ensure that revenues meet budgeted expenditure levels and to continue the maintenance and repair work planned in the CIP. The six percent rate increase would result in an additional \$45,502 in revenue.

ALTERNATIVES:

1. Approve the first reading of an ordinance for a 6% rate increase for the sewer utility.
2. Approve the first reading of an ordinance for a modified rate structure to meet the desires of the Board of Aldermen.
3. Take no action and do not implement a rate change in 2021.
4. Postpone the item.

FINANCE COMMITTEE RECOMMENDATION:

At the meeting on February 9, 2021, the Finance Committee received information on the Administrative Cost Allocation Study by Baker Tilly. After discussion, direction was given to staff to prepare a rate ordinance with a 6% increase, with the intent to increase the Administrative Transfer to bring it more closely up to the study results. It was suggested that a rate increase should correlate with any increases in the administrative transfer. The Finance Committee also directed staff to explore alternatives for the operation and maintenance of the city's sewage treatment and distribution system, to determine whether the current structure is the most cost effective, or if other alternatives exist that are more beneficial to the city and the community.

STAFF RECOMMENDATION:

Staff recommends that the Board of Aldermen authorize staff to advertise a public hearing and prepare an ordinance to implement a 6% rate increase for the sewer utility in 2021. If the increase is approved, a corresponding increase in the administrative transfer is also recommended.

POLICY:

Section 703.030(A) of the Parkville Municipal Code states that, "the user charge system shall generate adequate annual revenues to pay the costs of annual operation and maintenance including replacement and cost associated with debt retirement."

The Reserve Policy (Resolution No. 12-01-13) states that, "the sewer utility fund balance should be

able to provide 90 days of operations in addition to the current fiscal year debt service payments.”

RSMo 250.233 states that prior to establishing sewer charges, a public hearing shall be held following at least 30 days’ notice.

SUGGESTED MOTION:

I move to approve Bill No. 3123, an ordinance amending Section 703.040 of the Parkville Municipal Code implementing a six percent increase to the sewer base charge, sewer usage charge and surcharge for customers of the Parkville sewer system, on first reading and postpone the second reading to July 6, 2021.

ATTACHMENTS:

1. Ordinance
2. Sewer Fund Worksheet
3. Sewer Fund Forecast
4. Sewer CIP
5. Sewer Allocation Study
6. Sewer Allocation Study Presentation
7. Sewer Options Report

AN ORDINANCE AMENDING SECTION 703.040 OF THE PARKVILLE MUNICIPAL CODE IMPLEMENTING A SIX PERCENT INCREASE TO THE SEWER BASE CHARGE, SEWER USAGE CHARGE AND SURCHARGE FOR CUSTOMERS OF THE PARKVILLE SEWER SYSTEM

WHEREAS, the City of Parkville, Missouri has constructed wastewater treatment works; and

WHEREAS, the City of Parkville must pay all expenses associated with said treatment works and charge the users of said treatment works accordingly.

BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF PARKVILLE, MISSOURI AS FOLLOWS:

Section 1. Subsection C of Section 703.040 is hereby repealed and replaced to read as follows:

- C. The minimum charge per month shall be eighteen dollars and fifty-four cents (\$18.54). The minimum charge shall apply to all properties connected to the sewer system regardless of water consumption. In addition, each contributor shall pay a user charge for operation and maintenance, including replacement, of eight-seven and six-tenths cents (\$0.876) per one hundred (100) gallons of water as determined in the preceding section.

Section 2. Subsection D of Section 703.040 is hereby repealed and replaced to read as follows:

- D. For those contributors who contribute wastewater the strength of which is greater than normal domestic sewage, a surcharge in addition to the normal user charge will be collected. The surcharge for operation and maintenance, including replacement, is

\$1.1181 per pound BOD
 \$0.9616 per pound SS

Section 3. If any portion or section of this ordinance is determined to be invalid, illegal, or unconstitutional by a court of competent jurisdiction, the decision shall in no manner affect the remaining portions of this Section, which shall remain in full force and effect.

Section 4. This ordinance shall be in effect immediately upon its passage and approval.

PASSED and APPROVED this.6th day of July 2021.

Mayor Nanette K. Johnston

ATTESTED:

City Clerk Melissa McChesney

Sewer Fund (30) Revenues and Expenses									
Type	Account	Description	Account	2018 Actual	2019 Actual	2020 Budget	YTD 10/31/2020	2020 Projected	2021 Budget
Rev: Sewer	Beginning Fund Balance	Projected carryover from prior year.		420,915	531,261	979,986	979,986	979,986	858,858
	Sewer Charges	Charges levied on all utility customers for use of the City's sewer system.	41501-00	1,320,195	1,474,757	1,516,737	1,184,759	1,421,711	1,464,362
	Sewer Tap Fees	Fees required to connect to the City's sewer system (\$1,500/new home).	41502-00	41,850	36,500	30,000	49,000	58,800	59,976
	Sewer Impact Fees	Fees required to compensate the City for the increased demand on the sewer system (\$1,400/new home).	41502-01	34,650	94,076	50,000	46,200	55,440	50,000
	MOAW Bill Collection Payment	Money received from Missouri American Water for accepting water bills at City Hall.	41503-00	444	442				
	Grinder Pump Administration Fee	A fee paid by the Riss Lake Home Owner's Association for collecting and remitting monthly Riss Lake Subdivision grinder pump maintenance fees.	41504-00	4,620	4,620	4,620	3,850	4,620	4,712
Revenues: Sewer				1,401,759	1,610,395	1,601,357	1,283,809	1,540,571	1,579,051
Rev: Interest	Interest Income	Interest earned from sewer fund investments.	41701-00	4,160	4,407	4,500	2,568	3,081	3,500
Revenues: Interest Income				4,160	4,407	4,500	2,568	3,081	3,500
Rev: Misc	Miscellaneous	Includes reimbursements from entities for sewer related expenses.	41804-00		22,317				
Revenues: Misc				-	22,317	-	-	-	-
Sewer Fund (30) Revenues				1,405,918	1,637,119	1,605,857	1,286,377	1,543,653	1,582,551
Total Sources				1,826,833	2,168,380	2,585,843	2,266,363	2,523,639	2,441,409

Sewer Fund (30) Revenues and Expenses									
Type	Account	Description	Account	2018 Actual	2019 Actual	2020 Budget	YTD 10/31/2020	2020 Projected	2021 Budget
Exp: Personnel	Salaries	The total salaries for sewer billing duties. A portion of staff salaries are covered by the Sewer Administrative Fee, as related to sewer work performed.	01-01-00	17,938	20,367	21,094	15,807	21,149	29,137
	FICA & Medicare	This is the City's share of FICA & Medicare cost for its employees.	01-21-00	1,909	1,555	1,650	1,206	1,447	2,229
	Professional Development	Cost of educational seminars and conferences attended by Sewer employees.	01-41-00		358	500		0	500
	Retirement	The City's LAGERS contribution for 2020 is 11.3% of general employee salaries.	01-22-00	425	-	2,450		0	3,292
Expenses: Personnel				20,272	22,280	25,694	17,012	22,596	35,158
Exp: Insurance	Property & Liability	Premium payment for the City's property & liability coverage.	02-01-00	1,313	-	1,400		1,400	-
	Health, Life, & Dental	The City offers health, dental, and life insurance to its employees and subsidizes a portion of the premium. Reflects premium increases for employees.	02-02-00	2,761	3,183	3,533	2,411	3,339	3,673
	Workers Compensation	The workers compensation premium that covers all sewer employees.	02-03-00	63	-	-			-
Expenses: Insurance				4,137	3,183	4,933	2,411	4,739	3,673
Exp: Utilities	Telephone & Voicemail	The charges for local and long distance telephone service for the sewer plant and lift station dialers.	03-01-00	212	-	-	317	380	-
	Electricity	Electric utility charges for the sewer plant and pump stations.	03-02-00	42,710	43,458	46,000	28,898	44,000	46,000
	Water	Water utility charges for the sewer plant.	03-04-00	1,190	1,016	1,500	730	1,000	1,500
	Wi-Fi	The cost of the Wi-Fi hotspot at the sewer plant for internet access.	03-06-00	480		-		0	-
	Trash Hauling	The charges for trash hauling at the sewer plant (\$70/year for Main Lift Station dumpster and \$356.52/year for Sewer Plant dumpster).	03-09-00	120	160	400	-	400	400
Expenses: Utilities				44,712	44,634	47,900	29,945	45,780	47,900
Exp: Office Expenses	Office Supplies	This includes items such as stationery, pens/pencils, folders, etc. as well as computer accessories, meeting supplies and general consumables.	05-01-00	217	331	150	210	251	150
	Postage	All postage and shipping costs, along with any incidental charges.	05-02-00	5,514	6,145	7,000	5,813	6,976	7,000
	Delinquencies	Administrative costs related to delinquency collections such as water shut off costs, filing property liens, and certified letters.	05-06-00	1,454	1,253	100	158	189	100
	Printing	Expenses for printing work not performed by City personnel. This includes items such as business cards, forms, letterhead, and books.	05-04-00	1,770	1,796	2,000	314	376	2,000
Expenses: Office Expenses				8,954	9,524	9,250	6,494	7,793	9,250

Sewer Fund (30) Revenues and Expenses									
Type	Account	Description	Account	2018 Actual	2019 Actual	2020 Budget	YTD 10/31/2020	2020 Projected	2021 Budget
Exp: Maintenance	Building Maintenance & Repair	General maintenance for the sewer plant. Includes crane for the new storage building, containment for diesel storage, soffit on sewer building, flashing on storage building, and new garage door.	06-01-00	17,752	3,429	20,000	32,710	32,710	25,000
	Pump Stations Maintenance	General maintenance for six pump stations in the City. Includes valves on FF Hwy pump station.	06-12-00	7,737	20,071	20,000	13,064	15,000	25,000
	Vehicle Repair & Maintenance	Maintenance for sewer vehicles. Include new tires for sewer truck.	06-21-00	1,170	213	250		500	250
	Tractor / Lawn Mowing Equipment	Maintenance for the sewer plant tractor and lawn equipment.	06-21-02	1,627	800	1,500	274	400	1,000
	Vehicle Gas & Oil	Fuel for sewer division vehicles.	06-22-00	871	754	1,200	365	600	1,000
	Equipment Gas & Oil	Fuel for sewer equipment, including the tractor, mower, and generator.	06-22-01	25	1,202	1,500	37	1,200	1,500
	Software Support Agreement	Annual software maintenance for Data Tech Summit sewer billing software.	06-33-00	2,750	2,867				
Expenses: Maintenance				31,931	29,336	44,450	46,451	50,410	53,750
Exp: City Services	Line Repairs	This covers emergency repairs to sewer lines and manholes. Root control and unexpected clogs. It does not cover repairs budgeted in the sewer CIP.	07-34-00	40,471	38,132	30,000	36,353	38,000	40,000
	One Call Utility Locating	This is a fee charged to the City for every One Call sewer utility locate requested in the City limits.	07-42-00	255	340	2,000	85	200	2,500
	KC Water Dept.	Fees paid to the KCMO Water Department for sewer service provided to some Parkville residents.	07-82-00	30,505	30,728	32,000	32,097	38,517	32,000
	Platte County Regional Sewer District	Fees paid to the PCRSD for wastewater treatment for Parkville residents formerly served by Eastside Pump station.		20,145	21,040	17,600	8,879	10,655	17,600
	Odor Control	Chemical used to mitigate odors from sewer lines.	07-91-00	10,549	18,789	24,000	19,080	28,800	29,000
Expenses: City Services				101,925	109,029	105,600	96,494	116,172	121,100
Exp: Professiona	Engineering Fees	This covers the fees for work performed by the City Contract Engineer for the sewer system, including SSES Program engineering and management.	08-03-00	16,200	14,755	16,000	11,589	14,000	16,000
	Management Contract	Contract with Alliance Water Resources to operate the sewer plant.	08-04-00	299,688	305,310	305,712	254,760	305,712	305,712
	Credit Card Fees	Costs associated with processing credit card transactions.	08-07-00	6,463	8,071	8,000	7,106	8,527	10,000
	Sewer Refunds	Refunds for bill over payments	08-08-00	1,502	330	500	2,013	2,416	500
Expenses: Professional Fees				323,853	328,466	330,212	275,468	330,655	332,212
Exp: Other Exp.	Miscellaneous	Miscellaneous includes uncategorized expenses.	09-21-00	2,380	493	1,500	2,508	1,800	1,500
	DNR Fees	Annual fee to the Missouri Department of Natural Resources based on the number of sewer connections in the City.	09-22-00	1,913	1,927	2,000	1,954	1,954	2,000
Expenditures: Other Expenditures				4,293	2,420	3,500	4,461	3,754	3,500

Sewer Fund (30) Revenues and Expenses									
Type	Account	Description	Account	2018 Actual	2019 Actual	2020 Budget	YTD 10/31/2020	2020 Projected	2021 Budget
Exp: Capital Outlay	Equipment & Machinery	Includes purchase of zero turn mower for maintenance of the sewer plant and pump stations (\$17,000) and DO Meter Unit (\$20,500).	04-31-00	7,691	26,638	-	36,026	36,026	37,500
	Sewer Plant Improvements	Improvements to the sewer plant operations. Replace clarifier floor (\$54,000), mixer for sewer plant (\$12,000) and replace UV bulbs/sleeves/ballasts (\$14,000). 2020 Carryover: Clarifier Drive (\$16,000).	04-51-00	8,876		75,900	5,806	56,232	96,000
	Pump Station Improvements	Improvements to pump stations. Includes FF Hwy Pump Station Repairs (\$140,000)	04-61-00	80,466		-			140,000
	Line Maintenance	Includes 2021 CCTV & Cleaning (\$60,300); and Sanitary Sewer Repairs (\$240,000).	06-42-00	147,720	202,788	750,800	344,785	528,762	300,300
	Other Maintenance	No other maintenance planned for 2020.	06-99-00			-		0	-
Expenditures: Capital Outlay				244,753	229,426	826,700	386,617	621,020	573,800
Exp: Transfers	Administration Transfer to General Fund	Administrative salaries for sewer related work, Missouri One Call services, and other sewer related administrative functions.	08-06-00	190,000	230,000	280,000	233,333	280,000	300,000
	SRF Principal Transfer	Funds are transferred to Debt Service for SRF payments.	12-11-00	155,000	160,000	160,000	146,667	160,000	160,000
	SRF Interest Transfer	Funds are transferred to Debt Service for SRF payments.	12-11-01	20,432	16,267	16,000	11,970	16,000	15,957
	SRF Admin Fee Transfer	Funds are transferred to Debt Service for SRF payments.	12-11-02	5,834	10,479	5,862	228	5,862	4,920
Expenditures: Transfers				371,267	416,746	461,862	392,198	461,862	480,877
Total Sewer Fund (30) Expenditures				1,156,098	1,195,044	1,860,101	1,257,552	1,664,780	1,661,220
Ending Fund Balance Sewer Fund (30)				670,736	973,336	725,742	1,008,811	858,858	780,189

Sewer Fund (30)

Last Updated 10/31/2020

	2018 Actual	2019 Actual	2020 Budget	2020 YTD	2020 Projected	2021 Budget	2022 Projected	2023 Projected	2024 Projected	2025 Projected
<i>Beginning Fund Balance</i>	\$420,915	531,261	979,986	979,986	979,986	858,858	780,189	757,834	1,012,260	1,150,341
Revenues										
<i>Projected Rate Increase</i>	10.00%	10.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Sewer Charges	1,320,195	1,471,357	1,516,737	1,184,759	1,421,711	1,464,362	1,562,239	1,609,106	1,657,379	1,707,101
Sewer Tap Fees	41,850	36,500	30,000	49,000	58,800	59,976	30,450	30,907	31,370	31,841
Sewer Impact Fees	34,650	94,076	50,000	46,200	55,440	50,000	50,750	51,511	52,284	53,068
MOAW Bill Collection Payment	444	442	-	-	-	-	550	550	550	550
Grinder Pump Administrative Fee	4,620	4,620	4,620	3,850	4,620	4,712	4,620	4,620	4,620	4,620
Interest Income	4,160	4,407	4,500	2,568	3,081	3,500	5,050	5,101	5,152	5,203
Transfer from Sewer CIP (33)	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	22,317	-	-	-	-	-	-	-	-
Sewer Fund Revenues:	1,405,918	1,633,719	1,605,857	1,286,377	1,543,653	1,582,551	1,653,659	1,701,795	1,751,355	1,802,383
Total Sources:	1,826,833	2,164,980	2,585,843	2,266,363	2,523,639	2,441,409	2,433,848	2,459,629	2,763,615	2,952,724
Expenditures										
Operating Expenses	540,078	548,872	571,539	478,736	581,898	606,543	617,885	629,448	641,235	653,253
Capital Expenses	244,753	229,426	826,700	386,617	621,020	573,800	561,500	300,700	439,000	3,100,000
Debt Service	181,267	186,746	181,862	158,865	181,862	180,877	176,629	177,221	173,039	30,416
Transfer to General Fund - Admin Fee	190,000	230,000	280,000	233,333	280,000	300,000	320,000	340,000	360,000	380,000
Other Transfers										
Sewer Fund Expenditures:	1,156,098	1,195,044	1,860,101	1,257,552	1,664,780	1,661,220	1,676,014	1,447,369	1,613,274	4,163,669
Estimated Working Capital (deficit):	670,736	969,936	725,742	1,008,811	858,858	780,189	757,834	1,012,260	1,150,341	(1,210,945)
TARGET*	\$363,786	\$381,464	\$394,747	\$336,882	\$397,337	\$407,513	\$411,100	\$419,583	\$423,348	\$288,729

Sewer CIP														
Division	Type	New or Replacement?	Name	Project Description	Comments	Funding Source	Total Cost	2021	2022	2023	2024	2025	Future	Column1
Sewer	Equipment	Replacement	Pump	Pinecrest Pump Rebuild	Replace three adjustable frequency drives, one per year for three years.	100% Sewer Fund	\$ 4,800		\$ 4,800					Equipment & Machinery
Sewer	Equipment	Replacement	RAS Pump Replacement	Replace RAS Pump at WWTP	Replace one return activated sludge pumps. These pumps recycle the organisms that perform the biological treatment.	100% Sewer Fund	\$ 13,000			\$ 13,000				Equipment & Machinery
Sewer	Equipment	Replacement	Zero Turn Mower			100% Sewer Fund	\$ 17,000	\$ 17,000						
Sewer	Equipment	Replacement	Clarifier Drive			100% Sewer Fund	\$ 16,000	\$ 16,000						
Sewer	Project	Replacement	Clarifier Floor	Replacement of Clarifier Floor. One in 2016 and the other in 2018.	Includes removal and replacement of the grout topping on the clarifier floor.	100% Sewer Fund	\$ 54,000	\$ 54,000						Sewer Plant Impvts
Sewer	Project	Replacement	WWTF Treatment Upgrades	Upgrade the treatment processes at the Sewer Plant.	Includes grit removal, third clarifier, sludge dewatering, controls and blower replacement.	Possible SRF Loan	\$ 1,380,000		\$ 30,000	\$ 1,350,000				Sewer Plant Impvts
Sewer	Project	New	WWTF Effluent Pump Station	Install new pump station to protect UV building.	Install effluent pump station to protect the UV building from the flood water of Rush Creek.	100% Sewer Fund	\$ 140,000	\$ 140,000						Sewer Plant Impvts
Sewer	Equipment	New	UV Bulbs, Sleeve & Ballasts			100% Sewer Fund	\$ 14,000	\$ 14,000						Sewer Plant Impvts
Sewer	Equipment	Replacement	Self Priming Pump	Engine Driven Trash Pump for By-Pass and Tank Cleaning. Can be used for flood response and system overflow bypasses.	Portable Unit used to clean various pump station and plant basins	100% Sewer Fund	\$ 28,000		\$ 28,000					Equipment & Machinery
Sewer	Project	New	Ongoing Sanitary Sewer Repairs	Maintenance based on CCTV results		100% Sewer Fund	\$ 1,040,000	\$ 240,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000		Line Maintenance
Sewer	Equipment	New	Mini Camera	Small CCTV camera for smaller segments of pipes		100% Sewer Fund	\$ 25,000		\$ 25,000					Line Maintenance
Sewer	Project	New	CCTV	Program to clean and televise a portion of the 15,000 feet per year of the City's sewers.	Ongoing program, part of the SSES program, will examine the entire system on an 8-year cycle.	100% Sewer Fund	\$ 248,500	\$ 60,300	\$ 61,500	\$ 62,700	\$ 64,000			Line Maintenance
Sewer	Project	Replacement	Mixer for Sewer Plant	Replacement of the mixer at the sewer plant	The existing mixer needs to be replaced. It has been repaired numerous times over the past few years to help extend its life.	100% Sewer Fund	\$ 12,000	\$ 12,000						Sewer Plant Impvts
Sewer	Project	New	DO Meter Unit	Replacement of DO Meter Unit	The DO meter unit needs to be replaced.	100% Sewer Fund	\$ 20,500	\$ 20,500						
							\$ -							
ANNUAL TOTALS								\$ 573,800	\$ 349,300	\$ 1,625,700	\$ 264,000	\$ 200,000	\$ -	
								2021	2022	2023	2024	2025		



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Memo

To: Joseph D. Parente, City Administrator

From: Nick Dragisich

Date: January 28, 2021

Subject: Administrative Charge to Sewer Fund

In 2016, Springsted Incorporated (now Baker Tilly) assisted the City in determining and recommending an administrative charge allocation from the City's General Fund to its Sewer Fund. We were recently retained to review and update this administrative charge allocation to ensure it was equitable and fairly allocated the costs incurred. The administrative allocation should reflect the direct support provided by the General Fund to the Sewer Fund and indirect support provided by the City's overhead activities that benefit the Sewer Fund.

The direct support provided by the General Fund was determined by gathering data related to the time employees in General Fund departments spend on activities that directly benefit the Sewer Fund. The General Fund departments where these activities were found included: Administration, Community Development, and Public Works. Each employee in these departments was asked to complete a time-spent profile where they estimated the percentage of their time spent over the course of an average year on activities incumbent to their positions. The time spent on each activity was then converted to a cost based on the employee's effective hourly cost. The effective hourly cost was determined by taking total personnel cost including salary and wages, fringe benefits, FICA and Medicare, retirement, and insurances divided by the actual time the employee was available to provide services. The available time is the 2,080 annual work hours minus hours of vacation, holiday, sick leave, and training. For example: an employee with an annual salary of \$55,949 and benefits plus FICA and Medicare of \$16,317 would have a total annual cost of \$72,266 or \$34.74/hour ($\$72,266/2080 \text{ hours} = \$34.74/\text{hour}$). The employee's time includes fifteen percent for training, vacation/sick leave/holidays. This results in an effective cost of \$40.87/hour ($\$34.74/(1.0-.0.15) = \40.87). The personnel cost of each activity was used to proportionately allocate other department operating costs to that activity. This cost was then increased to include the overhead cost of the department to arrive at the total cost. A summary description of each department is provided below.

Administration Department:

The Administration Department has a staff of eight including six full-time and two part-time employees. Each of these employees reported spending time on activities related to the Sewer Fund. These activities primarily included:

- Handling of customer complaints
- Responding to questions related to the Sewer Fund
- Accepting and processing payments for sewer services
- Supervision of sewer billing staff and processes
- Preparing and mailing sewer bills to customers
- Stopping and starting sewer services

The cost of these sewer related services was determined to be \$194,136. Department overhead for Administration was limited to the percent of time spent providing supervision/management/direction because the other overhead costs were allocated as City-wide overhead. Department overhead allocated to these sewer related services was \$15,122 resulting in total Administration Department operating costs that support the Sewer Fund of \$209,258 as shown in the table below.

Administration Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	\$ 194,136
Department Overhead	\$ 15,122
Total Costs Supporting the Sewer Fund	\$ 209,258

Public Works Department:

The Public Works Department has a staff of thirteen including ten full-time and three part-time employees. Nine of the employees reported spending some of their time on sewer related activities primarily including:

- Managing capital improvement projects from conception through construction
- Creating bid documents, contracts, and policy reports for sewer capital improvement projects
- Reviewing contract and insurance documents for compliance to contracts
- Communication with contractors regarding contract documents and compliance
- Performing inspections on construction of sewer infrastructure and compile inspection reports

The cost of these sewer related services was determined to be \$104,577. Department overhead allocated to these sewer related services was \$28,070 resulting in total operating costs that support the Sewer Fund of \$127,647. These Public Works Department costs are shown below.

Public Works Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	\$ 104,577
Department Overhead	\$ 28,070
Total Costs Supporting the Sewer Fund	\$ 132,647

Community Development Department:

The Community Development Department has a staff of five including three full-time and two part-time employees. Four of the employees reported spending some of their time on sewer related activities primarily including:

- Ensure adequate sewer easements are identified on applications, plats and maps for building and development within the City limits
- Coordinate and provide data, information, maps and imagery to the City's Public Works Director and on-call engineer for tasks pertaining to the mapping of existing and new sewer lines
- Provide records of sewer lines identified on past applications and approved plans

The cost of these sewer related services was determined to be \$21,825. Department overhead allocated to these sewer related services was \$7,106 resulting in total operating costs of the Community Development Department that support the Sewer Fund of \$28,931. The Community Development costs are shown below.

Community Development Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	\$ 21,825
Department Overhead	\$ 7,106
Total Costs Supporting the Sewer Fund	\$ 28,931

City-Wide Overhead Costs:

The costs incurred by the City in providing support to its operating departments enabling them to provide their services and to other funds established by the City are overhead costs that need to be appropriately allocated. These costs include services like paying bills, issue payroll checks, coordinate purchasing functions, human resources, IT, providing overall policy goals and direction, and others that provide a City-wide benefit. These supporting functions were identified in the expenditures for the Mayor and Board, Administration, Public Information, and Information Technology.

The City-wide costs of these supporting functions were allocated proportionately to each department and Fund of the City based either on expenditure amounts or the number of full-time-equivalent employees (F.T.E.'s). The choice of allocation method was based on the most appropriate method for the cost being allocated. For example, our previous analysis of the Administration Department identified \$209,258 of sewer related costs and \$92,599 of other non-overhead costs or a total of \$301,857 of non-overhead expenses. This leaves \$1,078,227 (\$1,380,085 - \$301,857 = \$1,078,228) of costs supporting City-wide functions. Administration staff reported they spent approximately forty percent of their time on human resources activities so forty percent of the costs of supporting City-wide activities were allocated based on the number of F.T.E.'s and the remaining sixty percent were allocated based on expenses. The other City-wide allocations were based on Baker Tilly's experience in cost allocation studies both in terms of previous studies performed and in the considerable experience of its consulting staff as public-sector managers. In addition, care was taken to not double count expenses in those departments where sewer-related activities and other fee-related activities were identified. The allocation of these department costs is shown below. The allocations resulted in a proportional cost to the Sewer Utility of \$104,657.

2021 Budget	Mayor and Board	Administration	Public Information	Information Technology	Total Allocated Overhead
F.T.E.s	-	6.50	-	-	6.5
Total Expenses	\$ 73,206	\$ 1,380,085	\$ 30,410	\$ 60,745	\$ 1,544,445
Expenses Allocated to Activities	\$ -	\$ 301,857	\$ -	\$ -	\$ 301,857
Net Expenses	\$ 73,206	\$ 1,078,228	\$ 30,410	\$ 60,745	\$ 1,242,588
Percent City-Wide Overhead	100.00%	78.13%	100.00%	100.00%	
Allocation Based on F.T.E.s	0.00%	40.00%	0.00%	100.00%	
Allocation Based on Expenses	100.00%	60.00%	100.00%	0.00%	
Mayor and Board	\$ 428	\$ 3,779	\$ 178	\$ -	\$ 4,384
Administration	\$ 6,298	\$ 114,672	\$ 2,616	\$ 8,312	\$ 131,898
Municipal Court	\$ 1,009	\$ 27,074	\$ 419	\$ 2,558	\$ 31,059
Community Development	\$ 2,099	\$ 63,945	\$ 872	\$ 6,394	\$ 73,310
Police	\$ 9,698	\$ 249,140	\$ 4,029	\$ 23,019	\$ 285,886
Public Works	\$ 4,672	\$ 168,409	\$ 1,941	\$ 17,904	\$ 192,926
Parks & Recreation	\$ 2,632	\$ 23,261	\$ 1,093	\$ -	\$ 26,986
Sewer Utility	\$ 9,703	\$ 90,285	\$ 4,031	\$ 639	\$ 104,657
Nature Sanctuary	\$ 362	\$ 16,815	\$ 150	\$ 1,918	\$ 19,245
Public Information	\$ 178	\$ 1,570	\$ 74	\$ -	\$ 1,821
Information Technology	\$ 355	\$ 3,135	\$ 147	\$ -	\$ 3,638
Transportation Sales Tax Fund	\$ 6,770	\$ 59,826	\$ 2,812	\$ -	\$ 69,408
Debt Service Funds	\$ 15,527	\$ 137,216	\$ 6,450	\$ -	\$ 159,193
Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Eliminations	\$ -	\$ -	\$ -	\$ -	\$ -
Park Sales Tax Fund	\$ 8,593	\$ 75,937	\$ 3,570	\$ -	\$ 88,099
Economic Development	\$ 58	\$ 516	\$ 24	\$ -	\$ 599
Parks Donations	\$ -	\$ -	\$ -	\$ -	\$ -
Veterans Memorial	\$ 380	\$ 3,355	\$ 158	\$ -	\$ 3,892
Court Recoupment Fees	\$ 3	\$ 28	\$ 1	\$ -	\$ 33
Police Training Fees LET	\$ 12	\$ 106	\$ 5	\$ -	\$ 123
Police Shop	\$ 56	\$ 495	\$ 23	\$ -	\$ 574
TIF Development	\$ 2,805	\$ 24,787	\$ 1,165	\$ -	\$ 28,757
Market Place Project 1 &2	\$ -	\$ -	\$ -	\$ -	\$ -
Market Place CID #1 & #2	\$ 10	\$ 93	\$ 4	\$ -	\$ 107
Creekside Development	\$ -	\$ -	\$ -	\$ -	\$ -
Fewson Project	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects	\$ 1,560	\$ 13,786	\$ 648	\$ -	\$ 15,994
Totals	\$ 73,206	\$ 1,078,228	\$ 30,410	\$ 60,745	\$ 1,242,588

The total cost of City Departments in support of the Sewer Fund is then the sum of the individual department operating costs and the City-wide overhead allocation. This resulted in a total operating and overhead cost of \$475,494 based on the City's 2021 budget. The City already allocates \$25,694 to the Sewer Fund for personnel costs in the Administration budget. Deducting these costs gives a net cost available to allocated to the Sewer Fund of \$449,800. A detailed breakdown is provided below.

Total City Costs Supporting the Sewer Fund

City Costs Supporting the Sewer Fund	Sewer Related Activities	Overhead	Total
General Fund Administration	\$ 194,136	15,122	209,258
General Fund Community Development	\$ 21,825	7,106	28,931
General Fund Public Works	\$ 104,577	28,070	132,647
City Wide Overhead	\$ -	104,657	104,657
Total Cost Supporting the Sewer Fund	\$ 320,538	154,955	475,494
Less Costs Allocated in Budget	\$ (25,694)	-	(25,694)
Net Cost Available to Allocate to the Sewer Fund	\$ 294,844	\$ 154,955	\$ 449,800



City of Parkville, MO Update Administrative Charge to Sewer Fund

February 9, 2021

Presented by: Nick Dragisich



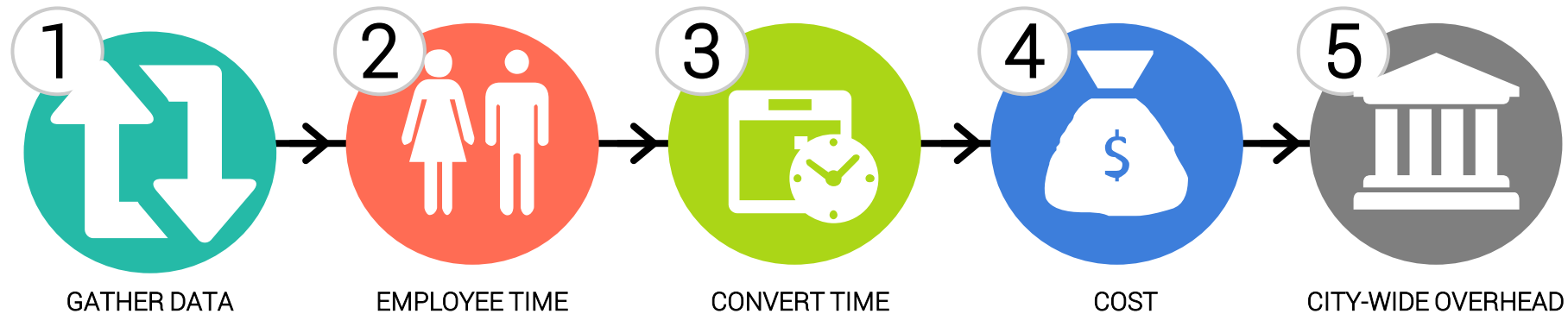
Purpose

- Update 2015 administrative charge allocation from General Fund to Sewer Fund
 - Operating cost that provide direct support to the Sewer Utility
 - Overhead costs incurred in providing services
 - Avoid duplicate charge allocations

Why Allocate Costs

- Sewer customers and taxpayers are not the same base
- City taxpayers exclude
 - Exempt properties who can be relatively large sewer users
 - Out-of-town sewer customers
- Provides equity by allocating costs to properties/customers who receive sewer services

Process



- Departments providing direct support to Sewer Utility

- Activities that provide direct support to Sewer Utility
- Overhead activities that support Department
- Other activities

- Effective hourly cost
- $\text{Cost} = \frac{\text{total personnel cost}}{\text{actual time employee provides services}}$

- $\text{Cost} = \text{percent of time spent} \times \text{hours worked} \times \text{effective hourly cost}$
- Allocate Department operating costs proportionately to

- Allocate City-wide overhead costs
- Mayor and Board
- Administration
- Public Information
- Information Technology

Administration Department

- Handling sewer customer complaints
- Responding to questions related to the Sewer Fund
- Accepting and processing payments for sewer services
- Supervision of sewer billing staff and processes
- Preparing and mailing sewer bills to customers
- Stopping and starting sewer services

Administration Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	\$ 194,136
Department Overhead	\$ 15,122
Total Costs Supporting the Sewer Fund	\$ 209,258

Public Works Department

- Managing capital improvement projects from conception through construction
- Creating bid documents, contracts, and policy reports for sewer capital improvement projects
- Reviewing contract and insurance documents for compliance to contracts
- Communication with contractors regarding contract documents and compliance
- Performing inspections on construction of sewer infrastructure and compile inspection reports

Public Works Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	\$ 104,577
Department Overhead	\$ 28,070
Total Costs Supporting the Sewer Fund	\$ 132,647

Community Development Department

- Ensure adequate sewer easements are identified on applications, plats and maps for building and development within the City limits
- Coordinate and provide data, information, maps and imagery to the City's Public Works Director and on-call engineer for tasks pertaining to the mapping of existing and new sewer lines
- Provide records of sewer lines identified on past applications and approved plans

Community Development Department Operating Costs that Support the Sewer Fund	
Sewer Related Activities	\$ 21,825
Department Overhead	\$ 7,106
Total Costs Supporting the Sewer Fund	\$ 28,931

City-Wide Overhead

- Cost incurred to provide support to operating department and funds
 - Paying bills
 - Issuing payroll checks
 - Coordinating purchasing functions
 - Human Resources
 - Information Technology
 - Overall policy, goals, and direction
 - Other

City-Wide Overhead

			Mayor and Board	Administration	Public Information	Information Technology	Total Allocated Overhead
2021 Budget							
F.T.E.s			-	6.50	-	-	6.5
Total Expenses			\$ 73,206	\$ 1,380,085	\$ 30,410	\$ 60,745	\$ 1,544,445
Expenses Allocated to Activities			\$ -	\$ 301,857	\$ -	\$ -	\$ 301,857
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Percent City-Wide Overhead			100.00%	78.13%	100.00%	100.00%	
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Allocation Based on Expenses			100.00%	60.00%	100.00%	0.00%	
	F.T.E.s	Expenses					
Mayor and Board	-	\$ 73,206	\$ 428	\$ 3,779	\$ 178	\$ -	\$ 4,384
Administration	6.50	\$ 1,078,228	\$ 6,298	\$ 114,672	\$ 2,616	\$ 8,312	\$ 131,898
Municipal Court	2.00	\$ 172,699	\$ 1,009	\$ 27,074	\$ 419	\$ 2,558	\$ 31,059
Community Development	5.00	\$ 359,311	\$ 2,099	\$ 63,945	\$ 872	\$ 6,394	\$ 73,310
Police	18.00	\$ 1,660,413	\$ 9,698	\$ 249,140	\$ 4,029	\$ 23,019	\$ 285,886
Public Works	14.00	\$ 799,978	\$ 4,672	\$ 168,409	\$ 1,941	\$ 17,904	\$ 192,926
Parks & Recreation	-	\$ 450,654	\$ 2,632	\$ 23,261	\$ 1,093	\$ -	\$ 26,986
Sewer Utility	0.50	\$ 1,661,220	\$ 9,703	\$ 90,285	\$ 4,031	\$ 639	\$ 104,657
Nature Sanctuary	1.50	\$ 61,898	\$ 362	\$ 16,815	\$ 150	\$ 1,918	\$ 19,245
Public Information	-	\$ 30,410	\$ 178	\$ 1,570	\$ 74	\$ -	\$ 1,821
Information Technology	-	\$ 60,745	\$ 355	\$ 3,135	\$ 147	\$ -	\$ 3,638
Transportation Sales Tax Fund	-	\$ 1,159,072	\$ 6,770	\$ 59,826	\$ 2,812	\$ -	\$ 69,408
Debt Service Funds	-	\$ 2,658,419	\$ 15,527	\$ 137,216	\$ 6,450	\$ -	\$ 159,193
Reserve Fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Eliminations	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Park Sales Tax Fund	-	\$ 1,471,200	\$ 8,593	\$ 75,937	\$ 3,570	\$ -	\$ 88,099
Economic Development	-	\$ 10,000	\$ 58	\$ 516	\$ 24	\$ -	\$ 599
Parks Donations	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Veterans Memorial	-	\$ 65,000	\$ 380	\$ 3,355	\$ 158	\$ -	\$ 3,892
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Police Shop	-	\$ 9,593	\$ 56	\$ 495	\$ 23	\$ -	\$ 574
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Market Place Project 1 & 2	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Place CID #1 & #2	-	\$ 1,793	\$ 10	\$ 93	\$ 4	\$ -	\$ 107
Creekside Development	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fewson Project	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects	-	\$ 267,085	\$ 1,560	\$ 13,786	\$ 648	\$ -	\$ 15,994
Totals	47.50	\$ 12,533,739	\$ 73,206	\$ 1,078,228	\$ 30,410	\$ 60,745	\$ 1,242,588

Total Cost of Supporting Sewer Utility

- Total cost is sum of:
 - Administration
 - Public Works
 - Community Development
 - City-wide overhead
- Less costs already allocated
 - \$25,694 personnel costs in Administration Department

Total Cost of Supporting Sewer Utility

City Costs Supporting the Sewer Fund	Sewer Related Activities	Overhead	Total
General Fund Administration	\$ 194,136	15,122	209,258
General Fund Community Development	\$ 21,825	7,106	28,931
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Less Costs Allocated in Budget	\$ (25,694)	-	(25,694)
Net Cost Available to Allocate to the Sewer Fund	\$ 294,844	\$ 154,955	\$ 449,800

Questions?

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