

CITY OF WARRENSBURG
PUBLIC WORKS

Council Letter No.23-

January 13, 2022

Honorable Mayor and
Members of the City Council
City of Warrensburg, Missouri

Dear Mayor and Council Members

SUBJECT: Proposed Sanitary Sewer Rate Increase

BACKGROUND:

Proposed rate increases for the wastewater utility are being driven by \$20.3 million in investment at the two wastewater treatment plants for Sequencing Batch Reactors (SBRs) and associated upgrades to meet regulatory requirements. The \$20.3 million will need to be debt financed, which allows the City to recover the cost of the upgrades over their useful life, so the customers in the future who will benefit from them will share in the capital cost associated with the upgrades.

The proposed financial plan assumes the City will be successful in obtaining voter approval to issue revenue bonds supported by the utility's rates and that favorable financing can be obtained from the Missouri Department of Natural Resources through the federally supported State Revolving Fund (SRF) loan program.

The City will need to raise revenues by approximately 28% over the next three years to provide adequate revenue to service the proposed debt. After examining different options with City staff, we are presenting the Council with two options for rate increases over the next three years:

	FY 2023 (April 1, 2023)	FY 2024 (October 1, 2023)	FY 2025 (October 1, 2024)
Option A	9.0%	9.0%	8.0%
Option B	17.5%	0.0%	9.0%

Option B combines the two rate increases that would otherwise occur six months apart into a single larger increase. A typical residential customer using 4,500 gallons/month (6 ccf) will see their monthly sewer bill increase by approximately \$12 per month to approximately \$56.63 per month in 2025 (the increase and total bill vary slightly between the two options).

In addition, this financial model should also provide the City enough cash on-hand to fully fund the retirement of the Enterprise Lift Station.

ISSUE: Consideration of sanitary sewer rate increase

STRATEGIC PLAN:

This is will be included in Focus I: Investment in Infrastructure.

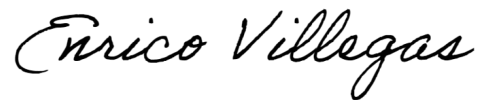
FISCAL IMPACT: \$11,000,000+

ECONOMIC BENEFITS/IMPACT: Come into greater compliance with NDPES Permit with DNR.

RECOMMENDATION:

Staff recommends consideration of

Sincerely,

A handwritten signature in black ink that reads "Enrico Villegas". The signature is written in a cursive, flowing style.

Enrico Villegas
Assistant City Manager/
Director of Public Works

cc: City Manager

