

CITY COUNCIL STUDY SESSION

TO: Mayor and City Council
FROM: Mari E. Macomber, City Manager ^{MSM}
SESSION DATE: July 2, 2012
TIME: 4:30 p.m.
PLACE: Second Floor Conference Room of City Hall

AGENDA:

- **AUDIT REPORT**
- **WASTEWATER TREATMENT PLANT (TMDL)**
- **REVIEW COUNCIL AGENDA**
- **REVIEW NEWSLETTER**

AUDIT REPORT

The Comprehensive Annual Financial Report (CAFR) is a thorough and detailed presentation of the City's financial condition. It's a report on the City's activities and balances for each fiscal year. The CAFR was established as local government's complete accounting record starting in the mid 1940s through the efforts of the Government Finance Officers Association (GFOA) and became mandatory by Federal requirement on all local governments in 1978. Unlike a budget, a CAFR is complete record of assets, investments and gross income from all sources of the City.

Each of you will be presented with the City's Comprehensive Annual Financial Report (CAFR) for the year ending December 2011. This report provides a 12 month representation of the City's financial activity. To view this document prior to Monday, go to http://www.kirksvillegov.com/filestorage/72/122/2606/CAFR_2011.pdf.

The CAFR is prepared in conformance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. The City contracted with audit firm, Hochschild, Bloom & Company from Chesterfield, MO, who began working with the City to complete the 2010 audit. On Monday, Mike Williams, a partner with Hochschild, Bloom & Company will be in attendance to discuss the audit and recommendations from the management letter. Katie Myers, Finance Director will be presenting the Council with the 2011 CAFR.

Once the City Council completes its review on Monday, the resulting CAFR will be presented to the GFOA, which conducts each year a review of applicant local government CAFRs and upon review awards their Certificate of Achievement Award for Excellence in Financial Reporting to those local governments that are in compliance

with their CAFR accounting standards of preparation. The City, through the leadership of the Finance Director has been successfully recognized by GFOA for many years.

Recommendation – The City Council will have an opportunity to receive a report from the auditors and review the various components of the CAFR.

WASTEWATER TREATMENT PLANT

On Monday, we will receive an update from Pat Young with HDR, lead engineering firm working on a plan for our wastewater treatment plant. Mr. Young will update the Council on where things stand with the development of our facility plan for wastewater plant improvements, and where things stand with the permitting process. As part of this, we will be discussing the capacity of the plant, the rate analysis, regulatory requirements and other factors that should be considered as we move closer to a direction for our wastewater system.

Included is a staff report from Public Works Director, John Buckwalter.

Recommendation - This is an opportunity to discuss with Pat the analysis that HDR has completed and the best approach the City should take to address the operation of our wastewater system.

REVIEW COUNCIL AGENDA

NEWSLETTER REVIEW

Attachments

CAFR Staff Report – Katie Myers, Finance Director

Wastewater Treatment Plant Staff Report – John Buckwalter, Public Works Dir

KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT

SUBJECT: Overview of 2011 Comprehensive Annual Financial Report

STUDY SESSION MEETING DATE: July 2, 2012

CITY DEPARTMENT: Finance

PREPARED BY: Katie Myers, Finance Director

Each year, the City undergoes a comprehensive audit of its financial records, financial statements and internal controls over financial reporting for the prior year. The ultimate goal is to achieve an “unqualified opinion” as a result of the audit, which states that the financial statements are presented fairly in all material aspects and that the statements conform to generally accepted accounting principles. The Comprehensive Annual Financial Report (CAFR) is the end product of the audit and not only represents the financial position of the City but also a dedication of many hours of City staff time. Audit preparation actually starts before year-end with the final product presented for auditor review in April. The audit team is generally on-site prior to year-end and then for a week in April examining City records, workpapers and testing of processes. This year the auditors drafted the financial statements, while the City staff prepared the CAFR introduction, management discussion and analysis and statistical section. The auditors compile these financial statements, notes, supplementary information and City-prepared documents into one report, known as the CAFR. The CAFR is sent to the Government Finance Officers Association of the United States and Canada (GFOA) for review and evaluation of City eligibility for a Certificate of Achievement for Excellence in Financial Reporting award. The City has been the recipient of this prestigious award for the past 27 years.

The City solicited bids for auditing services in the fall of 2010. The auditing services were awarded to Hochschild, Bloom & Company LLP of Chesterfield, Missouri for a five year period, ending for the fiscal year end December 31, 2014. Mike Williams, a partner with Hochschild, Bloom & Company LLP, will be in attendance to review the results of the audit with the City Council, including the presentation of the CAFR, single audit report and the recommendations to management.

KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT

SUBJECT: Wastewater Treatment Plant Engineering Update

STUDY SESSION MEETING DATE: July 2, 2012

CITY DEPARTMENT: Public Works

PREPARED BY: John R. Buckwalter, PE Public Works Director

During the April 2, 2012 Study session representatives of the team led by HDR Engineering provided Council with an update on evaluation of the City's wastewater treatment plant and development of an updated facility plan for the plant.

Key points from the April report were:

1. The City's wastewater treatment plant was constructed in 1976, and last upgraded in 1986. Although originally designed to support a population equivalent of 30,000 with a treatment capacity of 5.0 MGD it was derated to 3.16 MGD. The plant's operating permit expired in February 2011.
2. Bear Creek was placed on the 303(d) list of impaired waters, and the Environmental Protection Agency issued a Total Maximum Daily Load (TMDL) with waste load allocations assigned to both the City's wastewater treatment plant and its Municipal Separate Storm Sewer System (MS4).
3. In March 2011 Council selected HDR Engineering of Lee's Summit to lead an engineering team to evaluate the existing plant, prepare a Facility Plan outlining options for upgrade or expansion of the plant, and to assist in permitting. Following a February meeting with DNR a schedule for the near term completion of the TMDL implementation plan was developed calling for a draft implementation plan to be submitted to DNR by June 15th and a final TMDL implementation plan was to be prepared and submitted by July 20. A revised permit application, publication of public notice, and possibly EPA negotiations on permit limits were to follow after July 20th.
4. Parallel to the permitting effort, the team completed the evaluation of the plant and identification of technical alternatives.

Mr. Pat Young, PE, of HDR Engineering will present an update on the WWTP permitting process and TMDL compliance plan. He will discuss proposed WWTP improvements, the recently completed rate analysis, implications of the proposed improvements and rate increases, and the schedule for completion of the Facility Plan.

1. The proposed improvements will provide a plant with an average flow capacity of 4.0 MGD, and a peak flow of 12.0 MGD. Four scenarios of increasingly stringent limits were considered. The cost estimates range from \$16,250,800 for the basic improvements to \$23,515,300 for a plant with enhanced nutrient removal at the current state of the art capability.
2. Rate projections to pay for the basic improvements would require annual rate increases of 12.5% from 2013 to 2015, 8.4% in 2016, and roughly 5% in 2017 to 2019.
3. This rate structure would place the average cost of service for a household above 2% of the published median household income (MHI). This will raise questions of affordability which could have impacts on our permitting. This will be one of the key parts of Mr. Young's presentation, and Council participation will be welcomed as he presents the challenges raised.

The revised schedule for submittal to DNR is the TMDL Implementation Plan on July 20, 2012, followed by Facility Plan Development on August 20, 2012.