Outlook

Item (H)(1)(C) - Stantec Report and Notice of Intent to Raise Wholesale Rates

From Jesse Stephens <JStephens@bcrsd.com>
Date Mon 8/17/2026 7:20 AM
To Jesse Stephens <JStephens@bcrsd.com>

Dear Board of Trustees,

The attached letter was sent to the City of Columbia in response to their letter and notice of intent to raise wholesale rates. Currently, I have a meeting scheduled on 8-27-2026 to review this along with the Henderson Branch Sewer extension project and discuss next steps. I will keep you posted after that meeting.

Jesse Stephens, P.E., Executive Director
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July 22nd, 2026

VIA EMAIL AND U.S. MAIL
Erin Keys, P.E.
Director of Utilities
City of Columbia
701 E. Broadway
P.O. Box 6015
Columbia, MO 65205

Re: Notice of Intent to Increase Sewer Service Fee Percentage; Response to June 30, 2026 Notice and June 26, 2026 Stantec Rate Study

Dear Ms. Keys:

We have received your letter dated June 30, 2026, and the enclosed Sanitary Sewer Utility Rate Study prepared by Stantec Consulting Services, Inc. (the "2026 Study"). As detailed below, after reviewing both documents, along with the rate study that Stantec completed in December 2021 (the "2021 Study), the District does not believe the 2026 Study supports the City's proposed increase in the District's cost-allocation percentage from 0.80 to 0.925.

1. **Scope of the Notice**

Your letter refers generally to "Sewer Connection Agreements." However, the various agreements between the City and the District contain different terms and not every agreement includes language regarding any increase in the District's cost-allocation percentage. Accordingly, please identify precisely which agreements the City intends to cover with its June 30 notice.

2. **The Agreements Require Actual, Calculated Cost - Not Projections**

The "Treatment Fees" section in some of the District's connection agreements with the City, allow the City to change the District's cost-allocation percentage only if the change reflects an increase in the City's actual, calculated cost of providing three specific services: wastewater treatment, pumping, and major trunk and interceptor line maintenance. The agreements expressly require reliance on "calculated actual cost," not a projection or a budget figure.

The 2026 Study does not meet this standard. As stated in footnote 1 on page 7 of the 2026 Study, the revenue sufficiency analysis begins with FY 2026 data. Because FY 2026 was not complete when the Study was finalized, this appears to be a budget figure rather than an actual, calculated cost. Similarly, the cost-of-service and BCRSD allocation analyses in Sections 3 and 5 of the 2026 Study rely on FY 2027 projected revenues and expenses and on the City's five-year capital improvement plan, rather than the City's historical, actual costs.

As the foregoing makes clear, it appears that the revenue and expenses figures used in the 2026 Study are based on the City's 2026 adopted budget and projections, not actual revenue and expenses. A review of past budgets suggests the City's actual revenues have historically come in higher than budgeted. Similarly, past City budgets suggest that actual expenditures have historically come in lower than budgeted. Additionally, the analysis also relies in part on the City's capital improvement plan, which reflects planned and projected improvements that may not come to fruition, rather than focusing on the actual cost of improvements that have been constructed. Although it is currently unknown to the District exactly how these discrepancies would impact the calculations in the study, it is clear that the use of budgeted figures, planned projects and projections renders the 2026 Study an inadequate basis for substantiating the increase proposed for the District's cost-allocation because it is not based on actual costs as required by the agreements.

In order for the District to evaluate whether the City's actual cost share has increased, the agreements require the use of actual, historical cost figures for the three categories identified: treatment, pumping, and major trunk and interceptor line maintenance.

3. Comparison to the 2021 Stantec Study

In reviewing the 2026 Study, we also compared it to the 2021 Study. This comparison raises questions the City should address before any cost-allocation increase should be pursued.

Reserve projections. Figure 2-1 of the 2021 Study projected a cash deficit of approximately $5 million for FY 2025. However, the 2026 Study shows a cash surplus of approximately $25 million for the exact same fiscal year, FY 2025. That swing of roughly $30 million illustrates why projected numbers cannot be used to determine actual costs.

BCRSD cost-allocation methodology. Table 5-1 of the 2026 Study allocates costs between "City Use Only" and "City & District Use" using categories that appear to go beyond the three categories specified in the agreements (i.e. wastewater treatment, pumping, and major trunk and interceptor line maintenance). The same table in the 2021 Study used similar categories but reached very different results:

Cost Category	2021 Study (City-Only / Shared)	2026 Study (City-Only / Shared)	Change in Shared %
Admin Costs	29% / 71%	13% / 87%	+16 pts
Engineering Costs	60% / 40%	19% / 81%	+41 pts
Cash-Funded Capital	60% / 40%	19% / 81%	+41 pts

Nothing in the 2026 Study explains why these allocations moved so significantly toward the District in just five years. In order for the District to determine the source of this discrepancy, please provide the underlying methodology and workpapers for each category, for both the 2021 Study and 2026 Study, so the District can understand what changed and why.

4. Concerns With the 2026 Study's Cost Allocation

Categories outside the contract. As discussed above, the agreements limit any increase in the District's cost allocation to actual cost increases in three specific categories: treatment, pumping, and major trunk/interceptor line maintenance. The 2026 Study allocates costs across additional categories, including administrative costs, engineering costs, debt, cash-funded capital, offsetting revenues, and transfers, none of which are authorized under the contractual formula. Unless each of these items can be specifically tied back to one of the three authorized categories, they should be shifted to the "City Use Only" column or removed in the case of offsetting revenues.

Offsetting revenues. The report (Section 5.1 and Appendix B) nets offsetting revenues and use of fund balance against the cost calculation. Revenues are *not* "calculated actual costs" and therefore including them on the cost side of the ledger is inconsistent with the agreements.

High-strength waste surcharges and treatment costs. Section 7 of the 2026 Study is a new addition that did not appear in the 2021 Study and pertains to surcharges for high-strength industrial waste (BOD and TSS) from customers such as Beyond Meat, Aurora Organic Dairy, and Kraft-Heinz. These are City-only industrial customers, and the District has no comparable customers. Table 7-3 projects that the City will collect roughly $1.6 million in FY 2027 from these customers. Appendix D, Schedule 1 attributes approximately 15.4% of total BOD treatment costs and 6.3% of total TSS treatment costs to high-strength waste presumably from these customers. Applying those percentages to the BOD and TSS totals in Schedule 2 yields an estimated $1,261,000 in costs attributable solely to these City-only industrial customers. That amount should be moved from the "City & District Use" column to the "City Use Only" column. In addition, the 100% shared-use allocation for treatment costs should be reduced by the approximately $1,261,000 attributable to high-strength industrial waste rather than attributing these costs to the District.

Bad debt expense. The 2026 Study allocates a $60,000 bad debt expense to the shared-use category. However, one significant benefit the City receives from wholesaling service to the District is that the City bears no bad-debt risk from the District's individual customers because the District bills its own customers directly. Accordingly, this bad debt expense should be a City-only cost.

Customer service. The 2026 Study allocates 93% of customer service costs to shared use, even though the District handles customer service for its own customers directly. This category should be allocated entirely to City-only cost.

Administrative costs. The 2026 Study allocates 87% of administrative costs to shared use, based on a "weighted" methodology the report does not explain. Please provide the detailed calculation behind this weighting.

Engineering costs. The 2026 Study allocates 81% of engineering costs to shared use, based on the five-year capital improvement plan (CIP). CIP dollars are not a calculated, actual cost. Moreover, this approach does not account for time City engineering staff spend on City-only work, such as development plan review for city-only projects. Please provide a time-accounting of City engineering staff that separates City-only work from shared work.

"Transfers to Associated Fund." Page 60 of the 2026 Study includes a cost category called "Transfers to Associated Fund," allocated 100% to shared use. It is not clear what this transfer represents or why it should be shared with the District.

Debt service. The 2026 Study allocates several debt issuances (the 2007B SRF, the 2010A SRF DLP, and the 2015–2020 Sewer Revenue Bonds) fully to shared use. However, Appendix B, Schedule 1b shows an 86% collections factor for these bonds. If the same 80/20 linear-feet proration the 2026 Study uses elsewhere for collection-system costs applies, approximately 68.8% (0.86 × 80%) of these bonds should be treated as City-only debt. Applied to total debt service of $3,862,992, this is approximately $2,657,738 that should be moved to the City-only category. A preliminary review of the 2015 bond documents suggests projects such as the previously proposed but not completed Henderson Branch sewer extension were funded from bond proceeds. Please provide a project-by-project accounting of how bond proceeds from the referenced issuances were spent so that the District can evaluate whether those expenditures fall within the three permitted cost categories.

Internal inconsistency. Appendix B, Schedule 1b lists a weighted administrative expense factor of 86.6%, which does not match the 92.5% multiplier the City is proposing.

5. A Preliminary Recalculation

Applying only the high-strength waste and debt-service adjustments identified above to the cost allocation shown on page 60 of the 2026 Study produces a materially different result than the City's proposed 92.5% multiplier:

	City Use Only	**City & District Use**	**Total**
Schedule 1 Subtotal (p. 60)	$3,688,591	$23,848,913	$27,537,504
High-Strength Waste Adjustment	+$1,261,062	($1,261,062)	—
Debt Service Proration	+$2,657,738	($2,657,738)	—
CIP Adjustments (pending City data)	TBD	TBD	—

Transfers (pending City clarification)	TBD	TBD	—
Subtotal	**$7,607,391**	**$19,930,113**	**$27,537,504**
Percentage	**27.6%**	**72.4%**	**100%**

This is a preliminary calculation based on a preliminary analysis of the record currently available to the District. It does not reflect the engineering, administrative, and CIP-related adjustments discussed above, which will likely impact the analysis further. Accordingly, we request that the City provide the initial set of documentation and data requested below in order to further this analysis.

6. Requested Documentation

- All workpapers, source data, and calculations underlying the cost allocation the 2026 Study;
- The 2021 Study workpapers to understand the basis for the 2021 percentages and how they changed by 2026;
- A time-accounting of City engineering and administrative staff hours, separating City-only work from shared work;
- A project-by-project accounting of how proceeds from the 2007B SRF, 2010A SRF DLP, and 2015–2020 Sewer Revenue Bonds were spent;
- An explanation of the "Transfers to Associated Fund" line item; and
- A review of the actual, calculated cost of providing three specific services — wastewater treatment, pumping, and major trunk and interceptor line maintenance — for FY 2021 through FY 2025.

7. Contract Amendment Requirement

As you know and as made clear in the 2026 Study itself in Section 5.3, p. 23, "[e]xisting contractual agreements between the City and [the District] govern the current rate methodology, and any modification to the attributable cost multipliers would require negotiation and amendment of those agreements, a process that may take several years to complete." Moreover, "the purpose of [the 2026 Study] is not to support an immediate revenue adjustment, but rather to establish a technically defensible and cost-based framework for future discussions between the City and [the District]." Section 5.3, p. 23. Furthermore, the 2026 Study is simply a "basis for evaluating future rate modifications as contractual agreements are revisited and additional [District] customer connections are added to the regional system." Section 5.3, p. 23.

Accordingly, implementing any change to the District's cost-allocation can only be implemented through a written amendment to the applicable agreements signed by both the City and the District. The City's June 30 notice acknowledges this. Until such an amendment is fully executed, the current 0.80 multiplier remains in effect.

8. Proposed Path Forward

Given the open questions above, the District proposes that the parties pause any change to the District's fee percentage for 2027 and instead take the following actions:

- The City provides the documentation requested above;
- The parties meet to discuss the District's cost-allocation concerns in detail; and
- The parties explore consolidating the District's various agreements with the City into a single master agreement, effective in 2028, that would more comprehensively address the relationship between the District and the City, including with respect to partnerships on proposed infrastructure development.

We welcome the opportunity to meet and discuss these issues. Please contact me at your convenience to schedule a meeting.

Sincerely,

BOONE COUNTY REGIONAL SEWER DISTRICT

Jesse Stephens, P.E.
Executive Director

c: De'Carlon Seewood, City Manager
Nancy Thompson, City Counselor
Tom Ratermann, Assistant Director
Chris Pieper, BCRSD General Counsel