701 East Broadway, Columbia, Missouri 65201

Council Memo

Department Source: Finance
To: City Council
From: City Manager & Staff
Council Meeting Date: July 20, 2026
Re: 10 Year Phased Payment In Lieu of Tax (PILOT) Abatement Schedule for the Columbia Water Treatment Facility Improvements
Impacted Ward: Citywide

Executive Summary

This report has been prepared in response to discussion at the June 1, 2026 City Council meeting regarding concern for the increased PILOT payments due after the completion of the McBaine Water Treatment Plant upgrades. This report provides City Council with an overview of the proposed 10-year phased Payment in Lieu of Tax (PILOT) abatement schedule for recent improvements at the municipal water treatment facility.

Discussion

Construction on the McBaine Water Treatment Plant upgrades began in late 2024 and plans to be completed in August 2026. When the City constructs or purchases infrastructure, because of the dollar threshold (more than $10k) and the timing of the construction (more than a year to complete), accounting rules dictate that these must be listed as capital assets. The expense for a capital asset is not taken all at one time, their cost is spread over their estimated useful life.

The total cost of these upgrades represents a massive injection into the Water Utility's fixed asset pool. The Water Utility makes annual PILOT contributions to the City's General Fund, based on the total value of its fixed assets. Under standard accounting procedures, adding the total project cost to the asset ledger all at once would trigger a sudden, significant increase in the utility's annual PILOT obligation by approximately $870,000.

To prevent an abrupt spike in the utility's gross PILOT expense and protect ratepayer affordability, the completed capital improvement costs will be introduced into the fixed asset base incrementally. The valuation will be added to the utility's recognized fixed assets at a rate of 10% per year over a 10 year period, beginning in Fiscal Year 2027 (FY27).

Below you will find the proposed phased in PILOT model.

- FY27: 10%; 90% PILOT abatement ~ $780k
- FY28: 20%; 80% PILOT abatement ~ $700k
- FY29: 30%; 70% PILOT abatement ~ $580k
- FY30: 40%; 60% PILOT abatement ~ $490k
- FY31: 50%; 50% PILOT abatement ~ $300k
- FY32: 60%; 40% PILOT abatement ~ $315k
- FY33: 70%; 30% PILOT abatement ~ $230k
- FY34: 80%; 20% PILOT abatement ~ $150k
- FY35: 90%; 10% PILOT abatement ~ $73k

- FY36: 100%; 0% PILOT abatement ~ $0

By the final year, the abatement expires, and the full value of the upgrades will be permanently integrated into the utility's standard PILOT valuation calculations.
This plan offers the Water Utility Fund protection from immediate cash flow strains by spreading the fiscal impact over 10 years, and preventing the need for emergency rate adjustments due to PILOT increases.
Currently the estimated project cost is $39,848,409. At this time there is around 5 million in encumbrances, and a little over $8 million in remaining project funds.

Fiscal Impact

Short-Term Impact: Approximately $1.5 million in PILOT payments withheld from the General fund in the first 2 years.
Long-Term Impact: Approximately $2.2 million in PILOT payments withheld from the General Fund in the following 8 years

Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:
Primary Impact: Primary, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Comprehensive Plan Impacts:
Primary Impact: Primary, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Legislative History

Date	Action
08/03/2020	B184-20 Authorizing an agreement for professional engineering services with HDR Engineering, Inc. for the McBaine Water Treatment Plant Upgrades - Phase 1 project.

Suggested Council Action

Discussion of the memo, and issuance of guidance to staff on how to proceed.