

# Hernando County, Florida



## 2024 WATER AND WASTEWATER RATE AND CHARGE STUDY

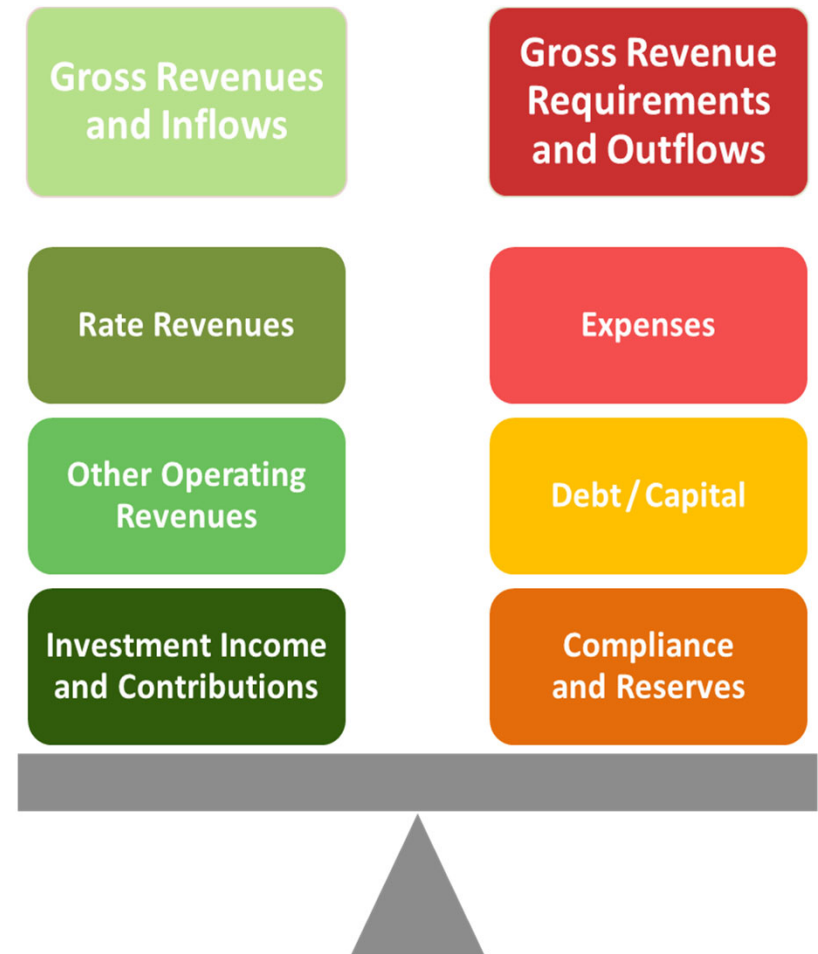
JULY 9, 2024

# AGENDA

- Study Purpose
- Utility Overview
- Connection Fees
- Revenue Sufficiency Analysis
- Proposed Monthly User Rates
- Miscellaneous Service Fees
- Summary of Recommendations

# Study Purpose

- Primary Objective – Develop Sustainable Rate and Financial Plan
  - Evaluate the Sufficiency of Revenues
  - Develop Capital Funding Plan
  - Fund Full Cost of Providing Service
  - Maintain Bond Covenant Compliance
  - Identify Rate and Charge Implementation Plan
    - Monthly User Fees (Next Five Years)
    - Connection Fees (Applied to New Growth)
    - Miscellaneous Service Charges (Recover Full Cost for Customer-specific Services)



# Utility Overview

- Rates Last Formally Adjusted in Fiscal Year 2019
  - Adopted a Five-year Rate Phasing Plan Through Fiscal Year 2024
  - Last Year of Rate Phasing Plan in Effect
- Significant Utility Investment – \$413 Million as of 2023
- Sizable Customer Base – Service to Over:
  - 67,979 Water Accounts / 73,588 ERUs
  - 33,227 Wastewater Accounts / 37,434 ERUs
  - 95% of Customers Served are Single-family Residential
  - Average Residential Monthly Use => 6,500 Gallons
- “AAA-rated” Utility with a “Stable Outlook” by Fitch Ratings
  - Was Recently Reaffirmed February 8, 2024

# Business Practices / Rate Guiding Principles

- Rates Must be Sufficient to Fully Recover Costs of Providing Service
  - Operation and Maintenance Expenses, Including Transfers
  - Debt Repayment for Major Capital Financing
  - Capital Re-investment for Ongoing Plant Replacement / Major Maint.
- “Growth Should Pay for Growth”
  - Capital Investment Allocated to Plant Expansion
- Promote Financially Sustainable Utility
  - Maintain “AAA” Credit Rating
  - Financial Policies / Rate Covenants / Creditworthiness
  - Focus on Liquidity / Debt Coverage / Balanced Capital Funding Plan
- Maintain Comparable and Justifiable Monthly User Rates
- **Objective**: Minimize Financial Risks to Utility to Promote Sustainable Rates Over the Long-term

# CONNECTION FEES

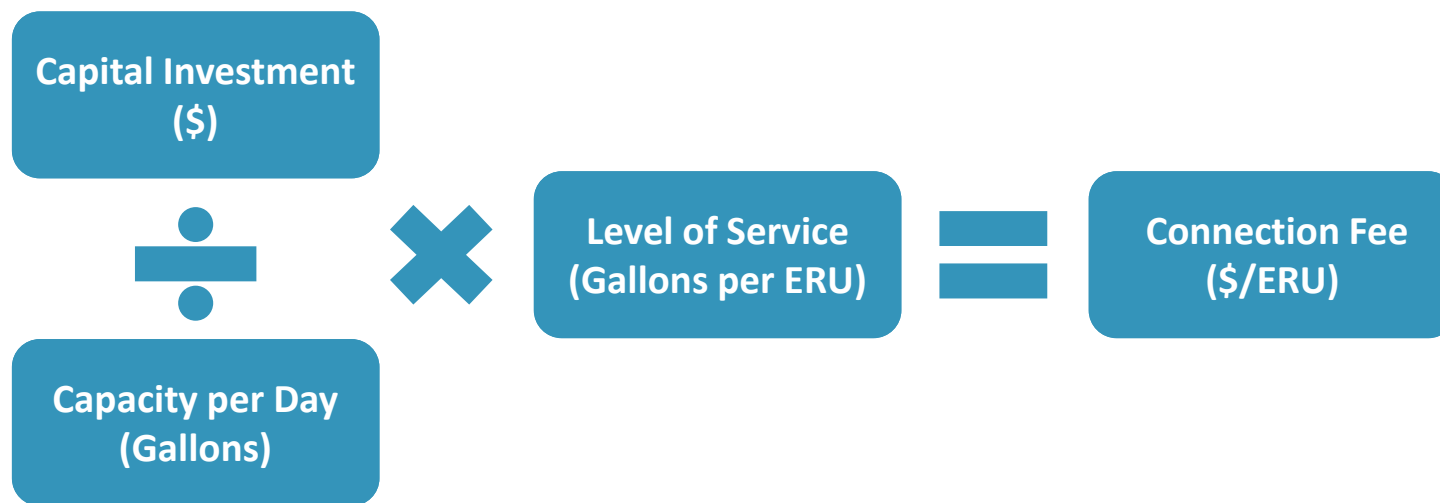
- Connection Fee – Overview
- Development of Proposed Fees
- Connection Fee Comparison
- Conclusions and Recommendations

# Overview

- Connection Fee – Paid by New Development to Fund Infrastructure Costs Allocated to Growth
- Existing Connection Fees in Effect Since 2009 – Approx. 15 Years
  - Last Reviewed in 2018 and was Determined No Adjustment Required
  - Growth was Marginal and Limited Capital Cost Escalation
- County is Now Experiencing Strong New Development
  - Immediate Need for Expansion-related Infrastructure Construction
- Significant Capital Cost Escalations for New Plant Construction – Driving Need to Increase Connection Fees
  - Example => Since 2009, BLS Construction Material Index has Increased Over 75%
  - Approximately 60% of Index Increase Occurred After Last Study (Post-pandemic)

# Development of Connection Fee

- Three Major Components Evaluated:
  - Amount of Expansion-related Capital Costs to be Recovered (\$)
  - Capacity of the Expansion-related Capital (Gallons per Day)
  - The Level of Service (LOS) Apportioned to the ERU Requesting Capacity





# Recommended Connection Fees

- Proposed Connection Fee per ERU (Equivalent to Single-family Residence)

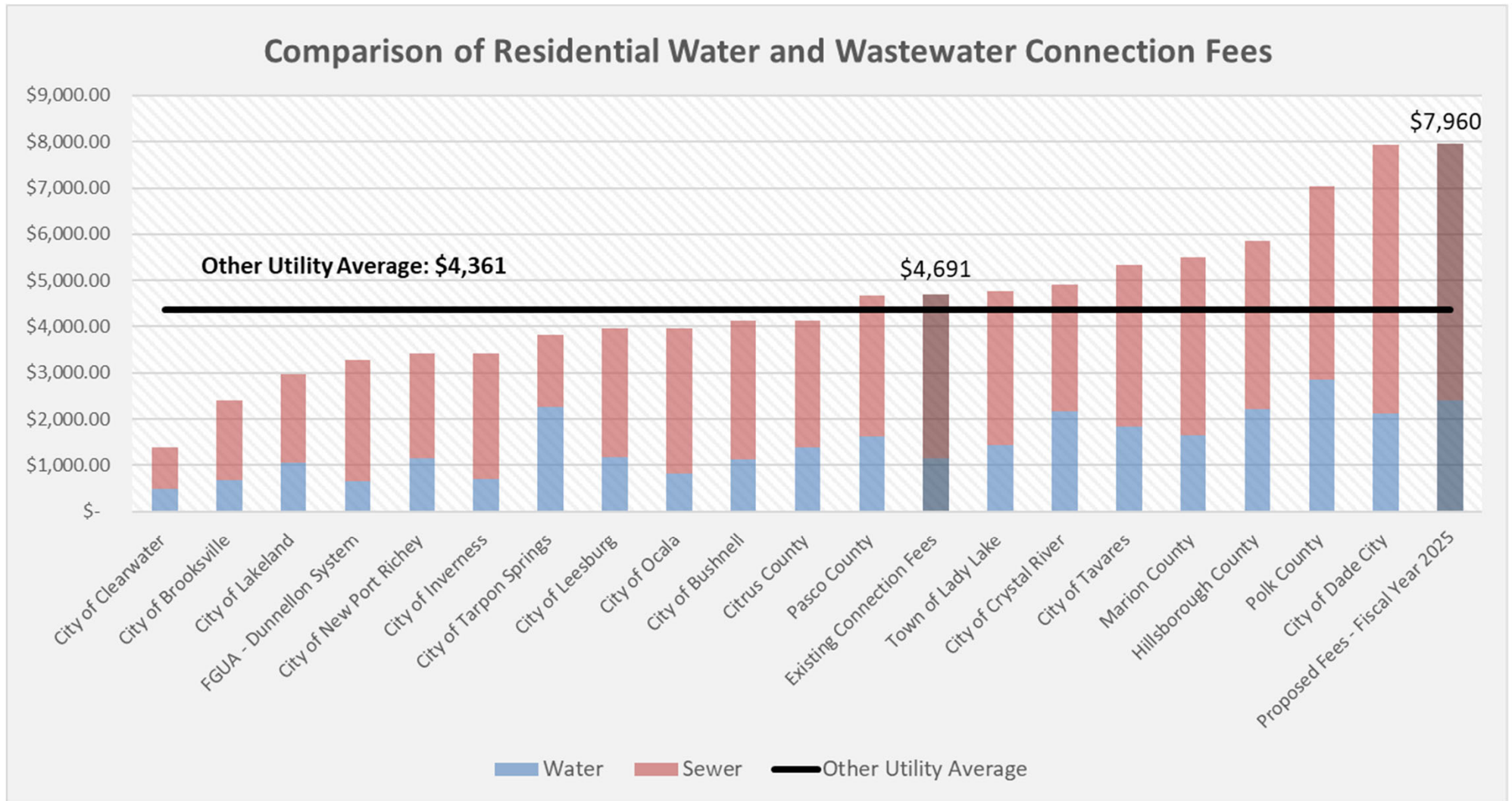
	Water	Wastewater
<b>Cost Component:</b>		
Water Supply and Treatment	\$1,652.07	\$---
Wastewater Treatment and Disposal	---	3,819.32
Major Transmission / Conveyance	<u>745.38</u>	<u>1,744.29</u>
Total Calculated Fee	\$2,397.45	\$5,563.61
Recommended Fee (Rounded)	\$2,397.00	\$5,563.00

# Connection Fee – Existing and Proposed

- Fees are Applied Based on Size of Meter (Meter Equivalents)
  - 5/8-inch is Predominant Meter Installed
  - Represents Over 95% of Customers Served

Meter Size	ERU (Meter Equivalent Factor)	Water Fee		Wastewater Fee		Combined Fees		Difference
		Existing	Proposed	Existing	Proposed	Existing	Proposed	
<b>5/8-inch</b>	<b>1.0</b>	<b>\$1,147.00</b>	<b>\$2,397.00</b>	<b>\$3,544.00</b>	<b>\$5,563.00</b>	<b>\$4,691.00</b>	<b>\$7,960.00</b>	<b>\$3,269.00</b>
3/4-inch	1.5	1,720.50	3,595.50	5,136.00	8,344.50	7,036.50	11,940.00	4,903.50
1-inch	2.5	2,867.50	5,992.50	8,860.00	13,907.50	11,727.50	19,900.00	8,172.50
1 1/2-inch	5.0	5,735.00	11,985.00	17,720.00	27,815.00	23,455.00	39,800.00	16,345.00
2-inch	8.0	9,176.00	19,176.00	28,352.00	44,504.00	37,528.00	63,680.00	26,152.00
3-inch	16.0	18,352.00	38,352.00	56,704.00	89,008.00	75,056.00	127,360.00	52,304.00
4-inch	25.0	28,675.00	59,925.00	88,600.00	139,075.00	117,275.00	199,000.00	81,725.00
6-inch	50.0	57,350.00	119,850.00	177,200.00	278,150.00	234,550.00	398,000.00	163,450.00
8-inch	80.0	91,760.00	191,760.00	283,520.00	445,040.00	375,280.00	636,800.00	261,520.00
10-inch	115.0	131,905.00	275,655.00	407,560.00	639,745.00	539,465.00	915,400.00	375,935.00
12-inch	215.0	n/a	515,355.00	n/a	1,196,045.00	n/a	1,711,400.00	n/a

# Regional Fee Comparison with Other Jurisdictions



# Industry Trends in Fee Level

- Utilities With New-Facility Expansion Programs Significantly Adjusting Connection Fees

Utility	Status	Water (per ERC)	Wastewater (per ERC)	Combined (per ERC)
Collier County	Presented to Development Services Committee, Going To BOCC July 9, 2024	\$6,470	\$5,614	\$12,084
City of Mt. Dora	Presented to Council on April 2, 2024 Workshop (Wastewater-only Adjustment)	\$1,340	\$7,975	\$9,315
Polk County	Finance Committee Approved, Resolution Going to BOCC	Ph. 1 -\$2,941 / Ph. 2 \$3,038	Ph. 1 -\$5,182 / Ph. 2 \$6,169	Ph. 1 -\$8,125 / Ph. 2 \$9,207
Groveland	Presented to Council June 21, 2024 Ordinance Readings July 1 and July 15	\$3,830	\$10,090	\$13,920
Lake Alfred	Effective March 6, 2023	\$6,333	\$5,021	\$11,354
City of Auburndale	Effective September 2023	\$3,127	\$4,917	\$8,044
City of Labelle	Presented Council Workshop June 27, 2024	\$4,052	\$3,815	\$7,867
City of Palm Coast	Effective May 1, 2024	\$3,497; increasing to \$4,378 effective May 1, 2027	\$3,931; increasing to \$4,415 effective May 1, 2027	\$7,428; increasing to \$8,793 effective May 1, 2027
Florida Community Services Corp. of Walton County	Effective March 1, 2024	\$3,092.66	\$4,824.54	\$7,917.20
South Walton Regional Utilities, Inc.	Effective October 1, 2023	\$2,733.53	\$4,649.00	\$7,382.53

# REVENUE SUFFICIENCY ANALYSIS

- Business Practices / Rate Guiding Principals
- Key Factors Affecting Rate Recommendations
- Identify Water and Wastewater Rate Revenue Adjustments
- Present Projected Fiscal Position
- Recommendations

# Enterprise Fund

- Utility is Reported as an Enterprise Fund of the County for Financial Reporting Purposes
- According to the GASB:

*“Enterprise Funds should be used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.”*
- 95% of Recurring Utility Revenue Derived from User Rates
- Full Faith and Credit of the County is Not Pledged on Behalf of the Utility

# Key Factors Affecting Rate Recommendations

# Inflation and Other Expense Impacts

- County's Existing Rates Established in 2019

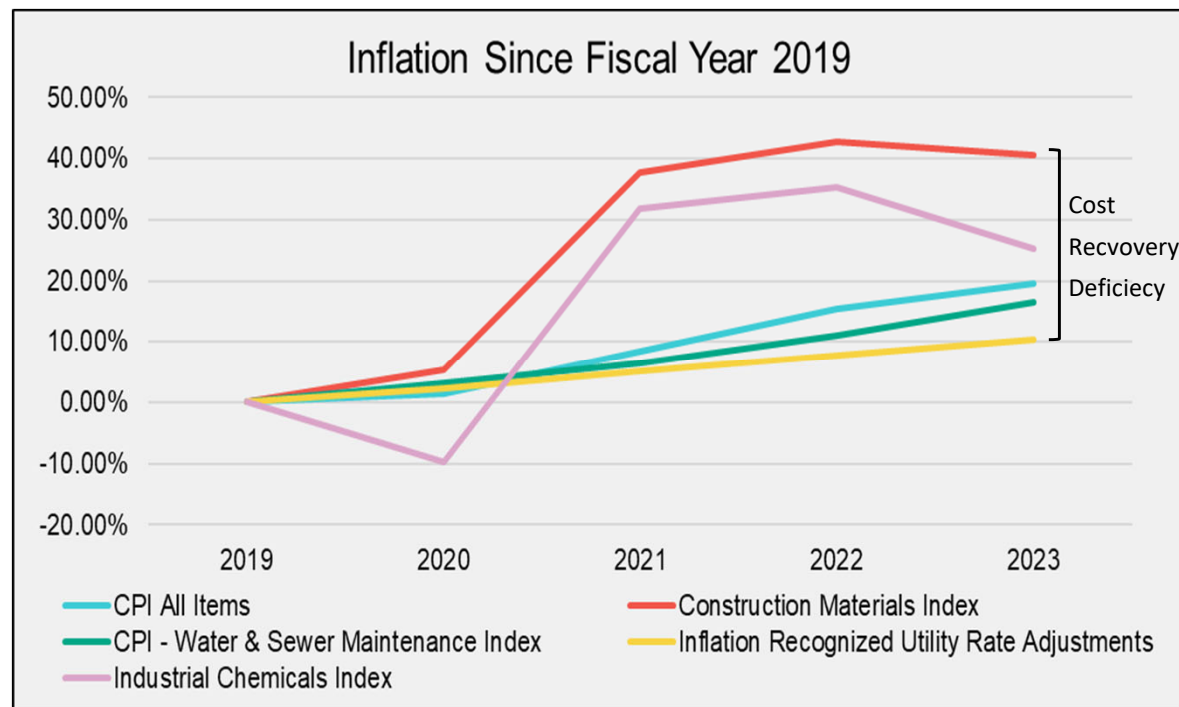
- Rate Phasing Plan Assumed CPI = 2.5%/Year
- Recognized Compounded Inflation in Plan Through 2023 = 10.4%

- Since 2019 – Inflation Indices:

- CPI has Increased 20%
- Construction Materials Index has Increased 41%
- Industrial Chemicals Index has Increased 25%
- Has been Absorbed by Rates

- Other Expense Factors:

- New Water and Wastewater Expansions Coming Online
- Increased Labor Costs
  - 10.7% Salary Adjustment Effective 2024 (Staff Retention and Market Competitiveness)
- Average Annual Total Operating Expense Increase = 4.1% from 2019 to 2023





# Major Issues Facing Utility

- System Growth – Incremental Costs
  - Forecast Recognizes Continued Strong Development for 5-year Forecast Period
    - Water – Approximately 1,000 New Accounts per Year (1.4% Compound Growth)
    - Wastewater – Approximately 860 New Accounts per Year (2.4% Compound Growth)
      - New Development Includes Both Water and Wastewater Service
      - Includes Effects of Septic-to-Sewer Programs that are Underway
  - Results in Need for New Plant Capacity Expansions / Facility Upgrades
    - Ridge Manor WRF (\$63.0M) – Expansion to 2.0 MGD FY 2025
    - Centralia Water Plant and Transmission (\$29.1M) – New Plant FY 2027
    - Killian and Lockhart Road WTP – Expansions / Upgrades (\$15.9M) FY 2024
    - Wiscon WTP – 2.0 MGD Expansion (\$9.7 M) FY 2024
    - Glen WRF (\$90.0M) – Expansion 3.0 MGD Beginning FY 2030 (Outside Forecast)
    - Will Result in Incremental Increased Operating Expenses

# Major Issues Facing Utility (cont'd.)

- Significant Capital Infrastructure Needs – Primary Rate Driver
  - FY 2024-2029 Capital Improvement Needs = \$274.0 Million

	Amount	Percent
<b>Capital Projects:</b>		
Water System	\$93,563,154	34.15%
Wastewater System	180,387,330	65.85%
Total Projects	\$273,950,484	100.00%
<b>Funding:</b>		
Operating Reserves	\$41,657,157	15.27%
Renewal and Replacement Fund	5,993,394	2.19%
Water and Wastewater Connection Fees Fund	24,076,748	8.79%
Rate Revenues (Budgetary Capital)	5,079,673	1.85%
Capital Fund	61,480,608	22.44%
ARPA	14,905,739	5.44%
Grants / Other Contributions	45,703,046	16.68%
Future Debt – Issued FY 2027	25,374,117	9.26%
Future Debt – Issued FY 2025	49,680,000	18.13%
Total Funding	\$273,950,484	100.00%

# Major Issues Facing Utility (cont'd.)

- **Need for Continued Asset Major Maintenance and Replacement**
  - Major Issue Facing Utilities Across the Country
- **\$413 Million in Gross Depreciable Assets – Original Cost when Placed into Service**
  - Depreciation Expense => \$10.0 Million
- **\$766 Million Estimated Replacement Cost (Based on ENR Trend Analysis)**
  - Equivalent Depreciation Expense => \$18.0 Million
- **Recommend Levelized Capital Re-investment Plan (from Rates)**
  - Target Towards Replacement Cost (Today's Dollars)
  - Limits Future Debt for Major / Expansion-related Capital Financing
  - Promotes Flexibility in Funding and Long-term Rate Sustainability
- **Two Funds Managed by County to Fund Capital and Major Maintenance Projects**
  - Renewal and Replacement (R&R) Fund
  - Capital Fund

# Major Issues Facing Utility (cont'd.)

- **R&R Fund**

- Establishment of R&R Fund – Required by Bond Resolution
  - Minimum Deposit Equal to 5% of Previous Years Gross Revenues
  - Equals Average Deposit of \$2.8 Million Annually During Forecast Period
- Current Policy – Increased Minimum Deposit from Rates Equal to 10% of Current Year Rate Revenues
- Financial Plan Recommends Increasing Minimum R&R Fund Deposit to 15%
  - Based on Higher Costs of CIP / Major Repair and Maintenance Needs
  - Major Repair and Maintenance – Operating Expenses Managed Similar to CIP
  - Promotes Service Availability and Reliability
- Additional \$4.8 Million to R&R Fund
  - Increases Liquidity and Improves Debt Coverage (\$7.6 Million Average Annual Deposit during Forecast Period)
- Greater Deposit Level will be Viewed Favorably by Rating Agencies

# Major Issues Facing Utility (cont'd.)

- **Capital Fund**

- Internal Fund Established Dedicated to Capital Re-investment / Expansion
- In Addition to Deposits Made to R&R Fund
- Establishment of Capital Fund
  - County Policy – Minimum Deposit Equal to 5% of Current Year Sales Revenues
- Financial Plan Recommends Maintaining Recent Capital Fund Deposit level of 10% Current Year Rate Revenues
  - Based on Higher Costs of CIP
  - Promotes the Going-concern of the Utility (continuity of reliable service)
  - Deposit of \$5.6 Million Annually During Forecast Period - Limits Future Debt Requirements
  - Proactive Management Viewed Favorably by Rating Agencies

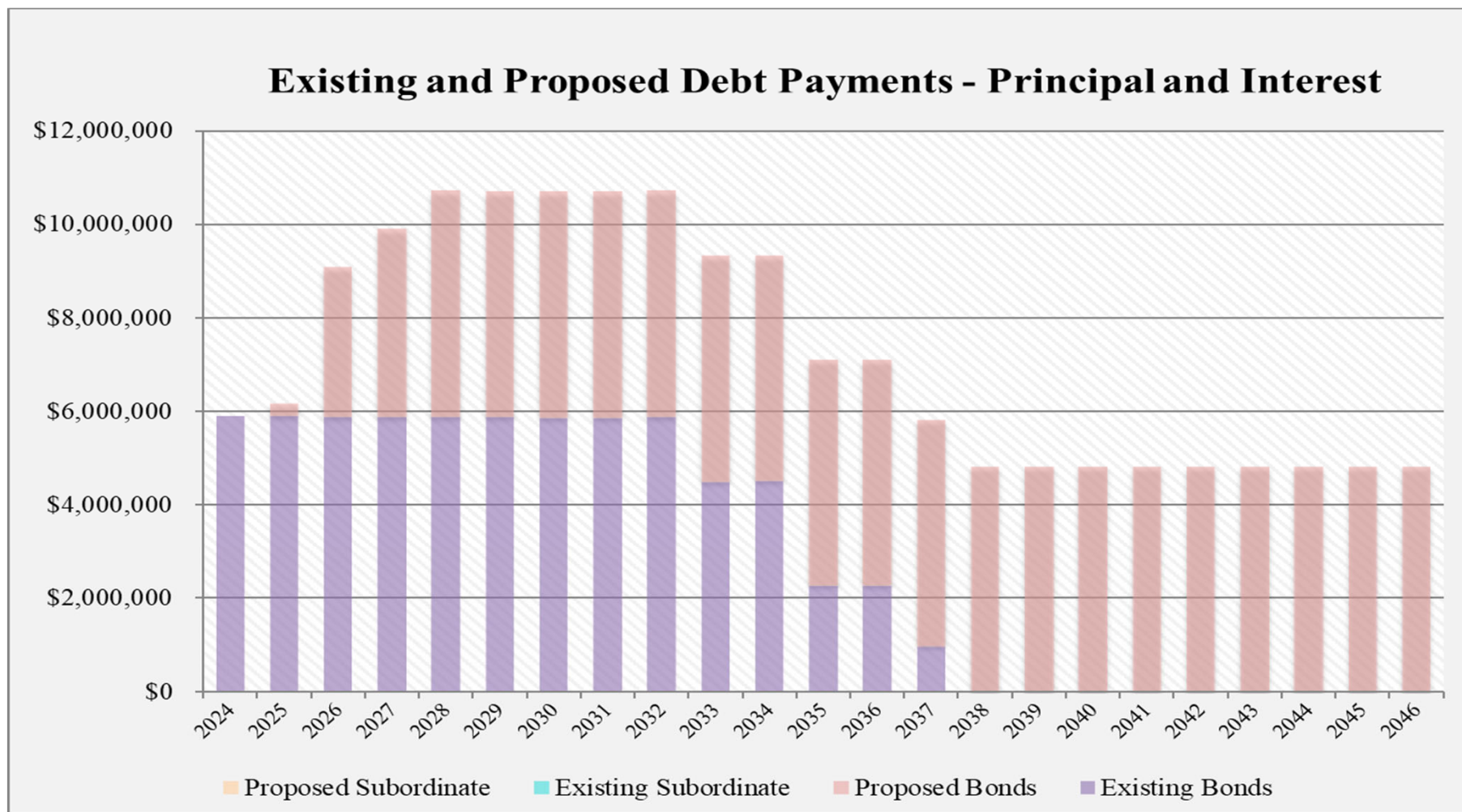
# Major Issues Facing Utility (cont'd.)

- Additional Future Debt Required to Fund a Portion of the Capital Improvement Plan
  - Increased Annual Debt Service by Approximately \$4.8 Over the Forecast Period
  - Financed Projects Assumed in CIP Funding Plan:
    - Ridge Manor WRF Expansion – \$49.7 Million
    - Centralia Well and Transmission Line – \$25.4 Million

Proposed Debt Service						
Proposed Additional Bonds / Loans	Total Principal of Bonds	Projected Issuance Date	Assumed Annual Interest Rate	Terms / Years	Estimated Annual Debt Service	Assumed Maturity Date
Additional Revenue Bonds, Series 2025	\$51,940,000	9/1/2025	4.50%	30	\$3,188,677	March 2055
Additional Revenue Bonds, Series 2027	25,895,000	4/1/2027	4.75%	30	1,636,809	October 2056

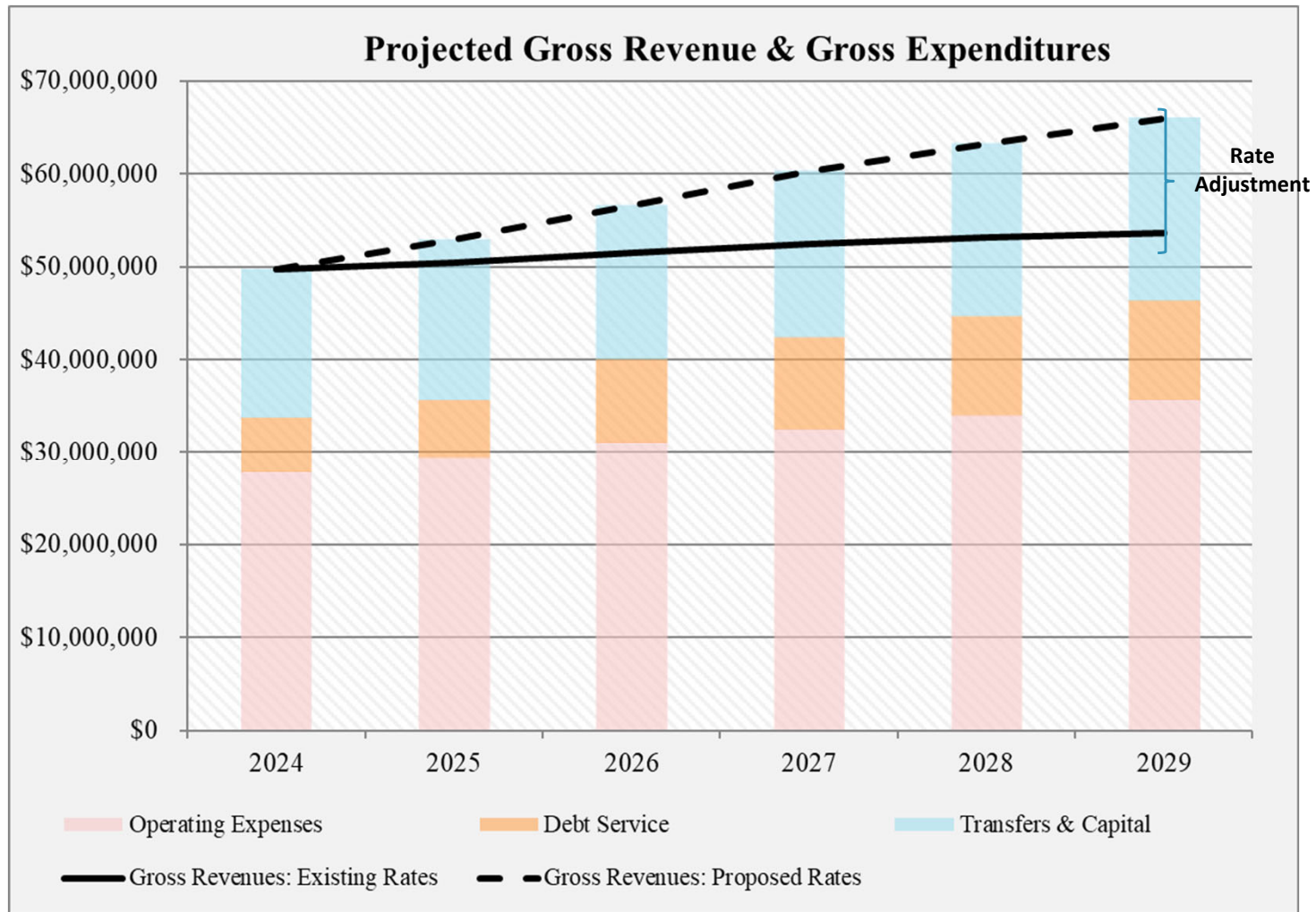
# Projected Revenue Requirements

- Projected Debt Service Payments Set to Decline Starting in 2033
  - By 2037 Debt Payments Projected to be comparable to 2024 Payment Levels
  - Will provide Additional Financing Capability for Glen WRF Expansion (Just Outside Forecast Period)



# Projected Revenue Requirements

- Existing Rates not Considered Sufficient to Fund Projected Revenue Requirements
- Revenue Requirements Analysis:





# Proposed User Rate Revenue Adjustments

- Recommended Rate Adjustments:

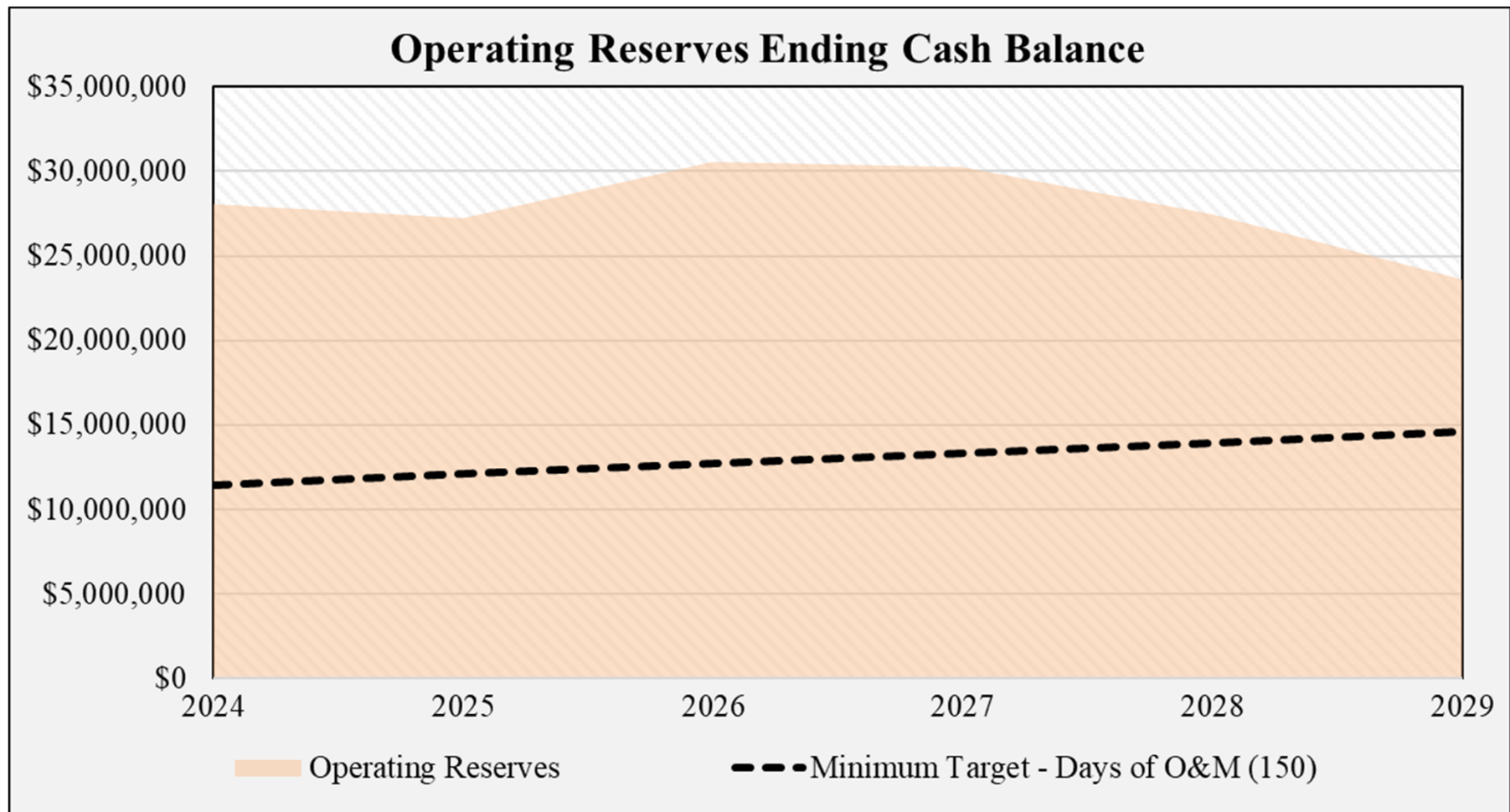
Estimated System Average Rate Percentage Adjustment				
Fiscal Year	Effective Date	Water System Rate Revenue Increase	Wastewater System Rate Revenue Increase	Combined Effective System Increase [1]
2025	10/1/2024	7.00%	3.50%	5.13%
2026	10/1/2025	7.00%	3.50%	4.87%
2027	10/1/2026	7.00%	3.50%	4.88%
2028	10/1/2027	3.50%	3.50%	3.32%
2029	10/1/2028	3.50%	3.50%	3.38%

[1] Amounts shown represents the average annual increase in rate revenue when recognizing the water and wastewater rate adjustments on a combined basis.

- Proposed Rates Will Remain Competitive with “Neighboring” Utilities (Region)

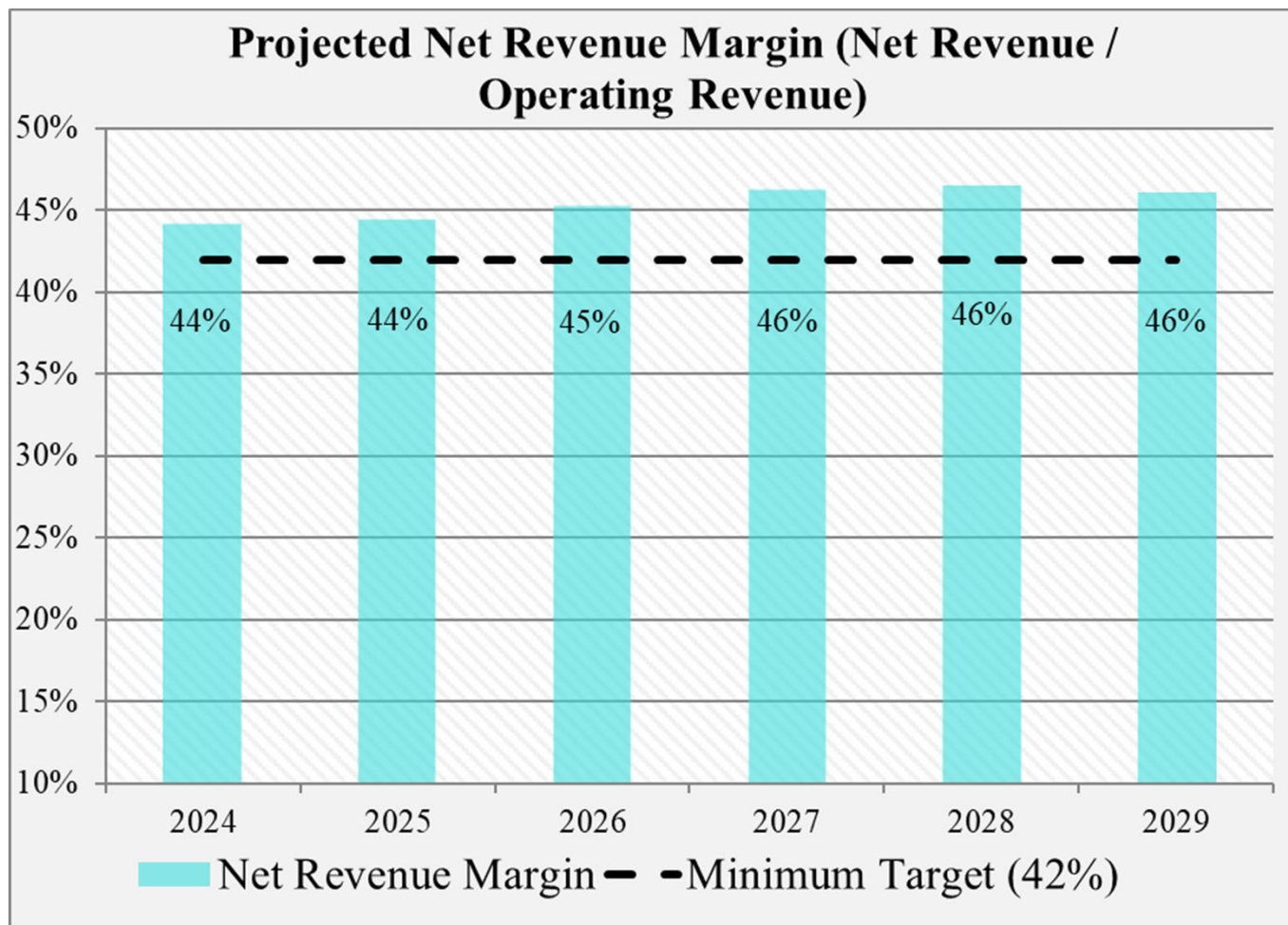
# Rate Plan – Supports Strong Fiscal Position

- **Operating Reserves** – Liquidity to Limit Financial Operating Risk and Provide a Debt Repayment Surety and Future Funds for Glen WWTP
- **Observation** – Favorable Position; Stable Trend



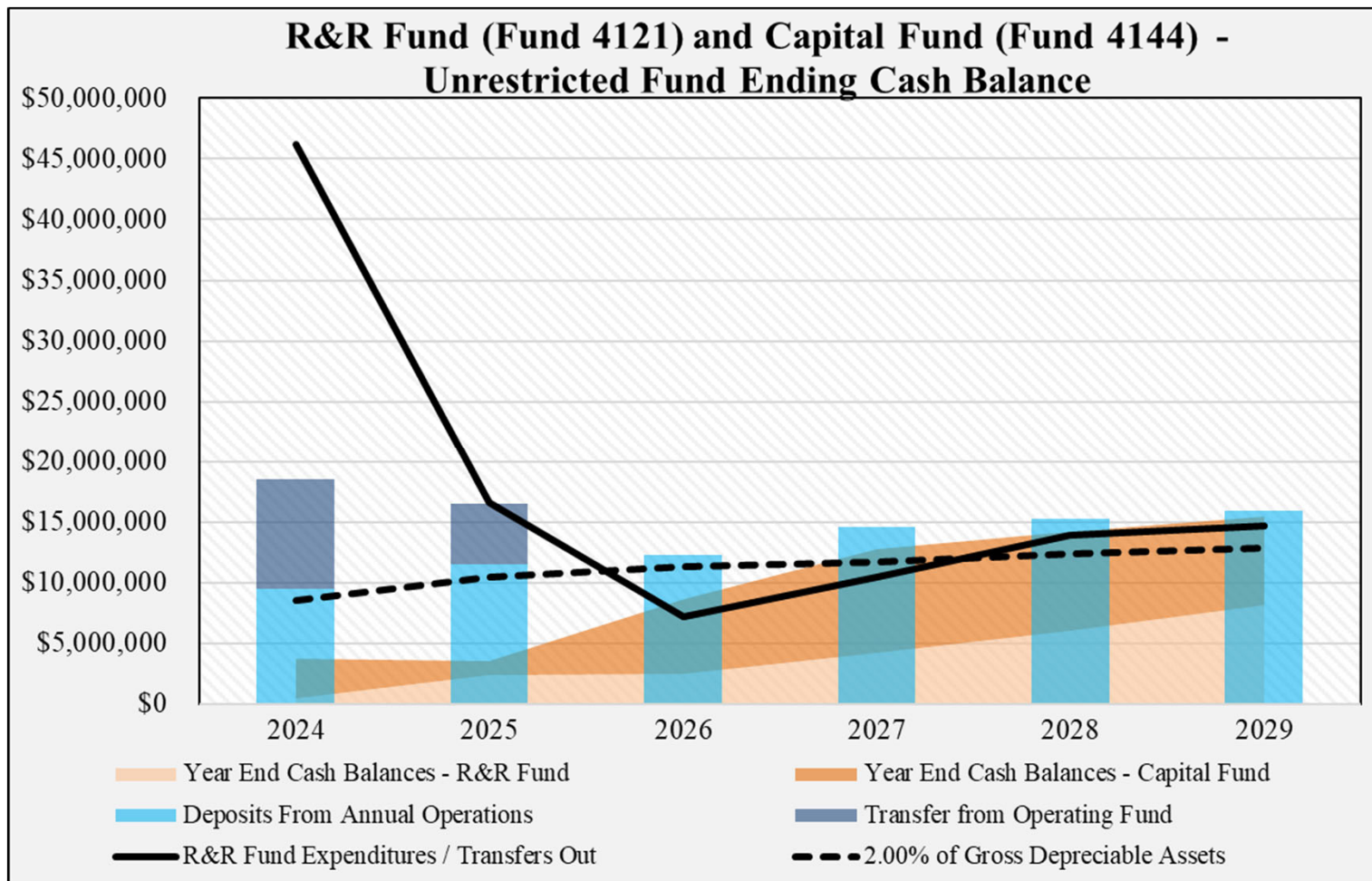
# Rate Plan – Supports Strong Fiscal Position (cont'd.)

- **Net Revenue Margin** – Contribution After Operating Expenses for Debt / Capital Funding and Maintaining Reserves
- **Observation** – Favorable Position; Stable Trend



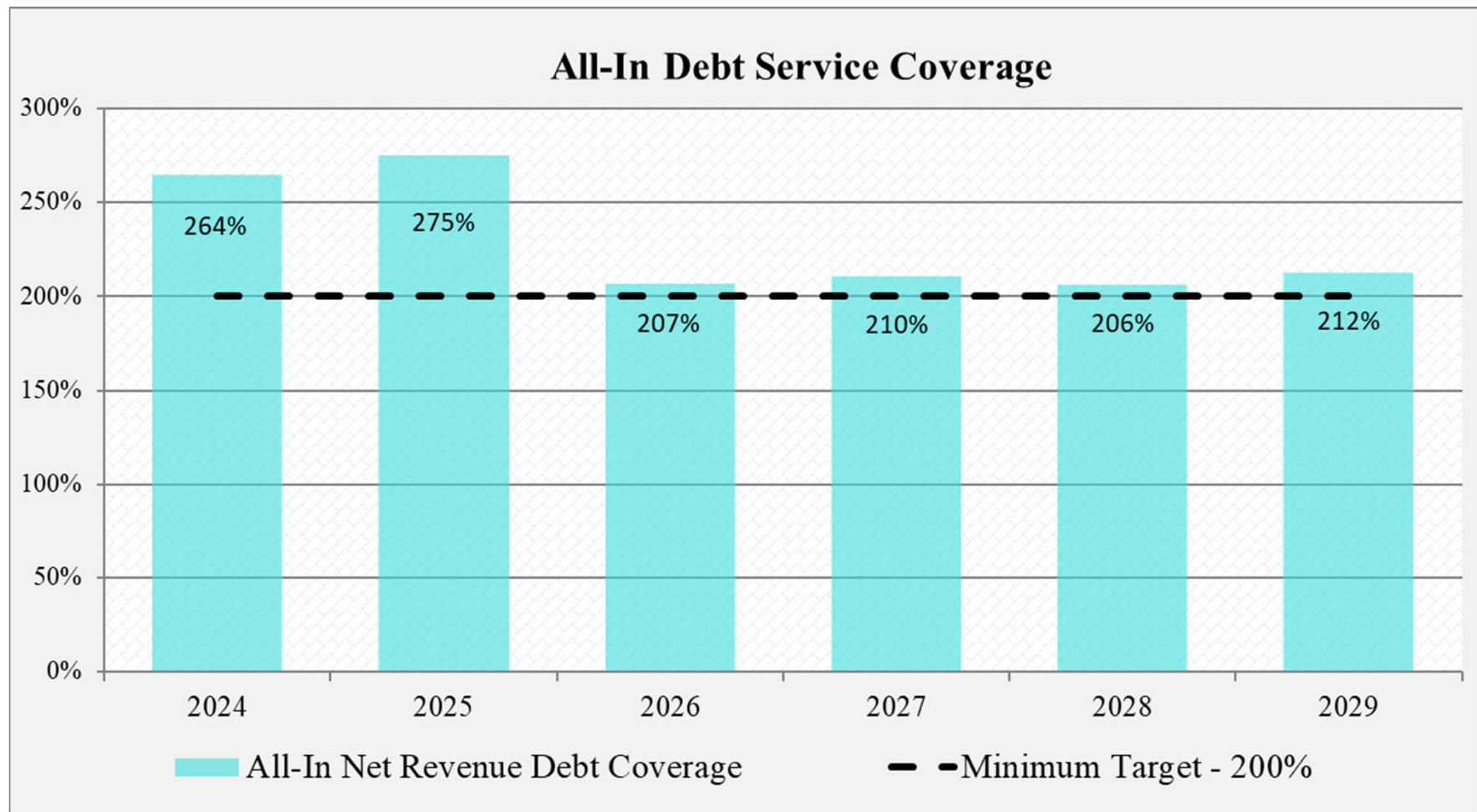
# Rate Plan – Supports Strong Fiscal Position (cont'd.)

- **Capital Reserves** – Available Funds for Capital Re-investment / Renewals and Replacements / Major Repairs and Maintenance
- **Observation** – Favorable Position; Positive Trend



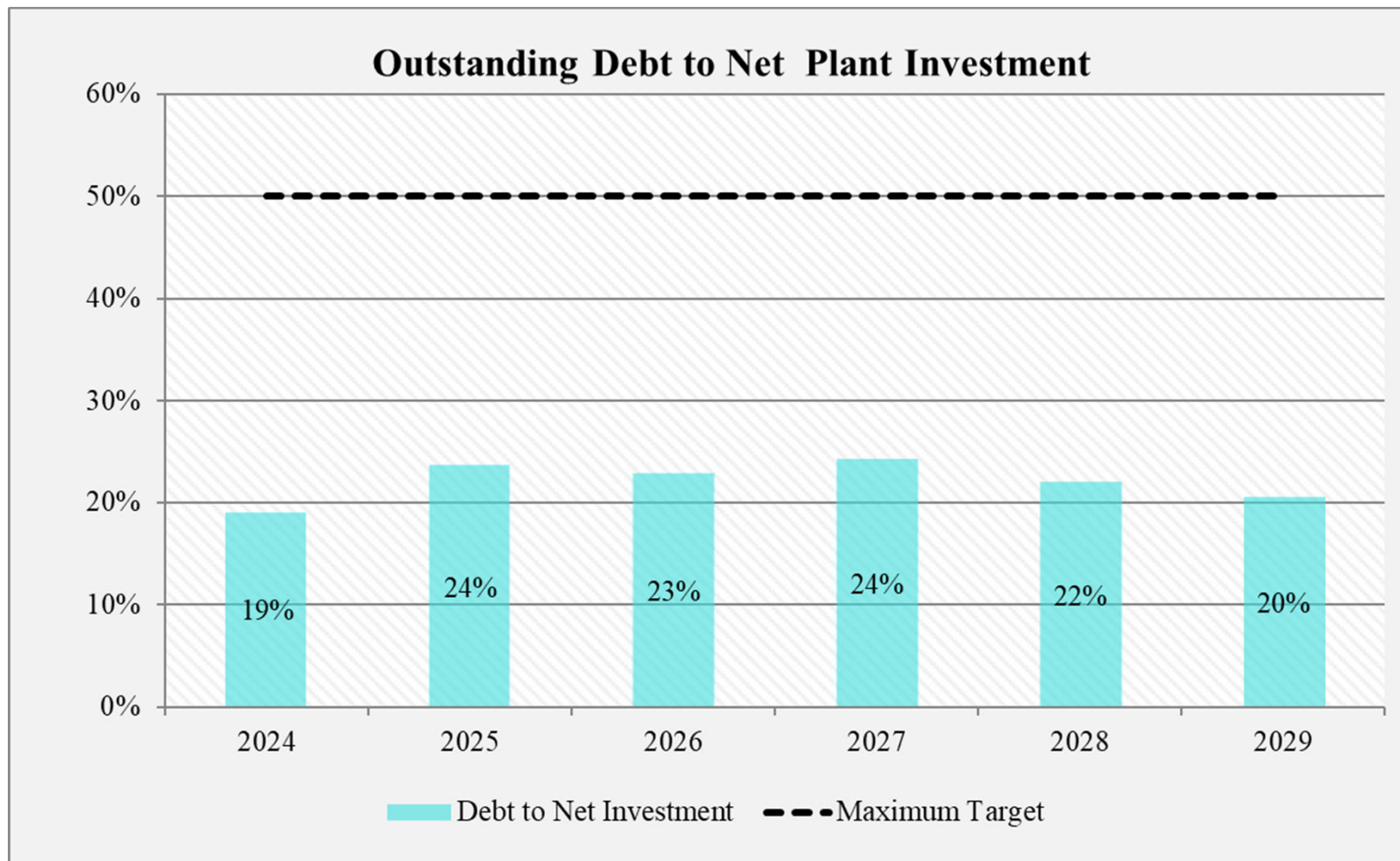
# Rate Plan – Supports Strong Fiscal Position (cont'd.)

- **All-in Debt Coverage** – Ability to Pay Debt; Coverage Provides Funds for Capital re-investment / Renewals and Replacements
- **Observation** – Favorable Position; Stable Trend



# Rate Plan – Supports Strong Fiscal Position (cont'd.)

- **Debt to Net Plant Investment** – Measures Use of Debt for Capital Funding and Leverage Position
- **Observation** – Favorable Position; Stable Trend



# Primary Reasons for Recommended Rate Adjustments

- Increased Cost of Operations and Capital Funding Needs:
  - Recapture of Historical and Continued Inflation Impacts
  - Financing of WWTP and WTP Capacity Expansions Coming Online
    - Additional Personnel and Operations (Incremental Increase)
  - Significant Capital Improvement Re-investment Program
- Additional Debt Service Needed to Fund Portion of Capital Improvement Plan
  - \$51.9 Million Bond / Loan FY 2025
  - \$25.9 Million Bond / Loan FY 2027
- Plan Recognizes Large Capital Project Outside of Forecast
  - Goal is to Phase Rates for this Project to:
    - Minimize Rate Shock if Rates were Adjusted when Financing Occurs
    - Accrue Funds to Buy-down Future Debt Requirements

# RATE DESIGN

- Existing Rate Structure
- Proposed Rate Structure
- Rate Comparisons
- Observations and Recommendations



# Existing Rates

- Rate Structure Includes Base Charge and Monthly Usage Charge
- Common Rate Structure Employed by Public and FPSC-regulated Private Utilities
- Base Charge:
  - Represents Minimum Bill
  - Recovers a Portion of the Fixed Costs of the Utility
  - Currently Accounts for 42% of Total Billed Rate Revenue
- Usage Charge:
  - Recovers Remainder of Revenue Requirements
  - Includes Water Conservation-promoting Rate Structure
  - Required by SWFWMD Consumptive Use Permits

# Existing Rates – Base Charge (\$/Bill/Month)

Base Charge	Meter Equivalent Factor	Water Rate	Estimated 2024 Water Accounts Served	Wastewater Rate	Estimated 2024 Wastewater Accounts Served
Residential Service – All Meters	1.00	\$9.19	65,973	\$25.60	32,650
General Service (Commercial / Multi-family/ Irrigation)					
5/8-inch Meter	1.00	\$9.19	2,463	\$25.60	1,171
3/4-inch Meter	1.50	13.81	88	38.40	51
1-inch Meter	2.50	22.99	483	64.00	79
1 1/2-inch Meter	5.00	45.92	236	128.02	96
2-inch Meter	8.00	73.55	172	204.83	154
3-inch Meter	16.00	147.09	47	409.58	48
4-inch Meter	25.00	229.83	18	639.96	20
6-inch Meter	50.00	459.66	33	1,279.93	30
8-inch Meter	80.00	735.45	---	2,047.88	---
10-inch Meter	115.00	1,057.21	---	2,943.84	---
12-inch Meter	215.00	1,976.52	---	5,503.70	---

# Existing Rates – Usage Charges (\$/Kgal/Month)

Base Charge	Water Rate	2024 Billed Water Flows (Kgal)	Percent of Total Billed Flow by Class	Wastewater Rate
Residential Service (All Customers)				
0 – 5,000 Gallons	\$1.62	2,698,222	51.6%	\$5.70
5,001 – 10,000 Gallons	1.91	1,142,721	21.9%	5.70
10,001 – 20,000 Gallons	2.85	907,071	17.4%	---
20,001 – 30,000 Gallons	3.79	302,531	5.8%	---
30,001 – 50,000 Gallons	5.70	152,572	2.9%	---
50,001 – 75,000 Gallons	9.49	14,108	0.3%	---
Over 75,000 Gallons	13.29	7,838	0.1%	---
General Service (Commercial / Multi-family/ Irrigation)				
Tier 1 (Varies by Meter Size)	1.91	485,868	58.9%	\$5.70
Tier 2 (Varies by Meter Size)	2.85	168,317	20.4%	5.70
Tier 3 (Varies by Meter Size)	3.79	65,899	8.0%	5.70
Tier 4 (Varies by Meter Size)	5.70	50,367	6.1%	5.70
Tier 5 (Varies by Meter Size)	9.49	23,696	2.9%	5.70
Tier 6 (Varies by Meter Size)	13.29	30,399	3.7%	5.70

# Proposed Rates

- Maintained Existing Rate Structure
- FY 2025 Adjusted Water Use Tiers to Promote Increased Water Conservation Incentives
  - Larger Water Users Have Higher Increases
  - Recover Increased Capacity Costs from Upper Tiers
  - Stronger Incentive to Not Excessively Use Water
  - Lower Use Allows for Increased Availability to Serve Future Customers
- Proposed Rate Increases for Remaining Fiscal Years 2026 Through 2029 Applied Uniformly to All Rates

# Water-only Single-Family Residential (SFR) Impacts

- Water-only Single-Family Residential Customers:
  - Example of Water Bills Adjustments – Residential Class
  - Monthly Median Use = 4,000 to 5,000 Gallons
  - Monthly Average Use = 6,000 to 7,000 Gallons

	0 Gallons	4,000 Gallons	5,000 Gallons	6,000 Gallons	7,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	30,000 Gallons
% of Cumulative Residential Bills Rendered	5.1%	48.5%	57.6%	64.6%	69.9%	80.2%	88.9%	93.6%	97.8%
Existing Water Bill	\$9.19	\$15.67	\$17.29	\$19.20	\$21.11	\$26.84	\$41.09	\$55.34	\$93.24
Proposed Water Bill	\$9.85	\$16.41	\$18.05	\$20.05	\$22.05	\$28.05	\$44.05	\$60.05	\$108.05
<b>Change in Monthly Bill</b>	<b>\$0.66</b>	<b>\$0.74</b>	<b>\$0.76</b>	<b>\$0.85</b>	<b>\$0.94</b>	<b>\$1.21</b>	<b>\$2.96</b>	<b>\$4.71</b>	<b>\$14.81</b>
<b>% Increase</b>	<b>7.2%</b>	<b>4.7%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>7.2%</b>	<b>8.5%</b>	<b>15.9%</b>

- Proposed Rate Adjustments for Remaining Fiscal Years 2026 through 2029 Applied Uniformly to All Rates

# Wastewater Single-Family Residential Impacts

- Wastewater-Residential Customers:
  - Approximately 50% of Existing Water SFR Customers Have Sewer
  - Flow Is Capped at 10,000 Gallons
- Single-Family Residential Monthly Bill Adjustments:

	0 Gallons	4,000 Gallons	5,000 Gallons	6,000 Gallons	7,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	30,000 Gallons
Existing Wastewater Bill	\$25.60	\$48.40	\$54.10	\$59.80	\$65.50	\$82.60	\$82.60	\$82.60	\$82.60
Proposed Wastewater Bill	\$26.00	\$50.04	\$56.05	\$62.06	\$68.07	\$86.10	\$86.10	\$86.10	\$86.10
<b>Change in Monthly Bill</b>	<b>\$0.40</b>	<b>\$1.64</b>	<b>\$1.95</b>	<b>\$2.26</b>	<b>\$2.57</b>	<b>\$3.50</b>	<b>\$3.50</b>	<b>\$3.50</b>	<b>\$3.50</b>
<b>% Increase</b>	<b>1.6%</b>	<b>3.4%</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.9%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>4.2%</b>

- Proposed Rate Adjustments for Remaining Fiscal Years 2026 through 2029 Applied Uniformly to All Rates

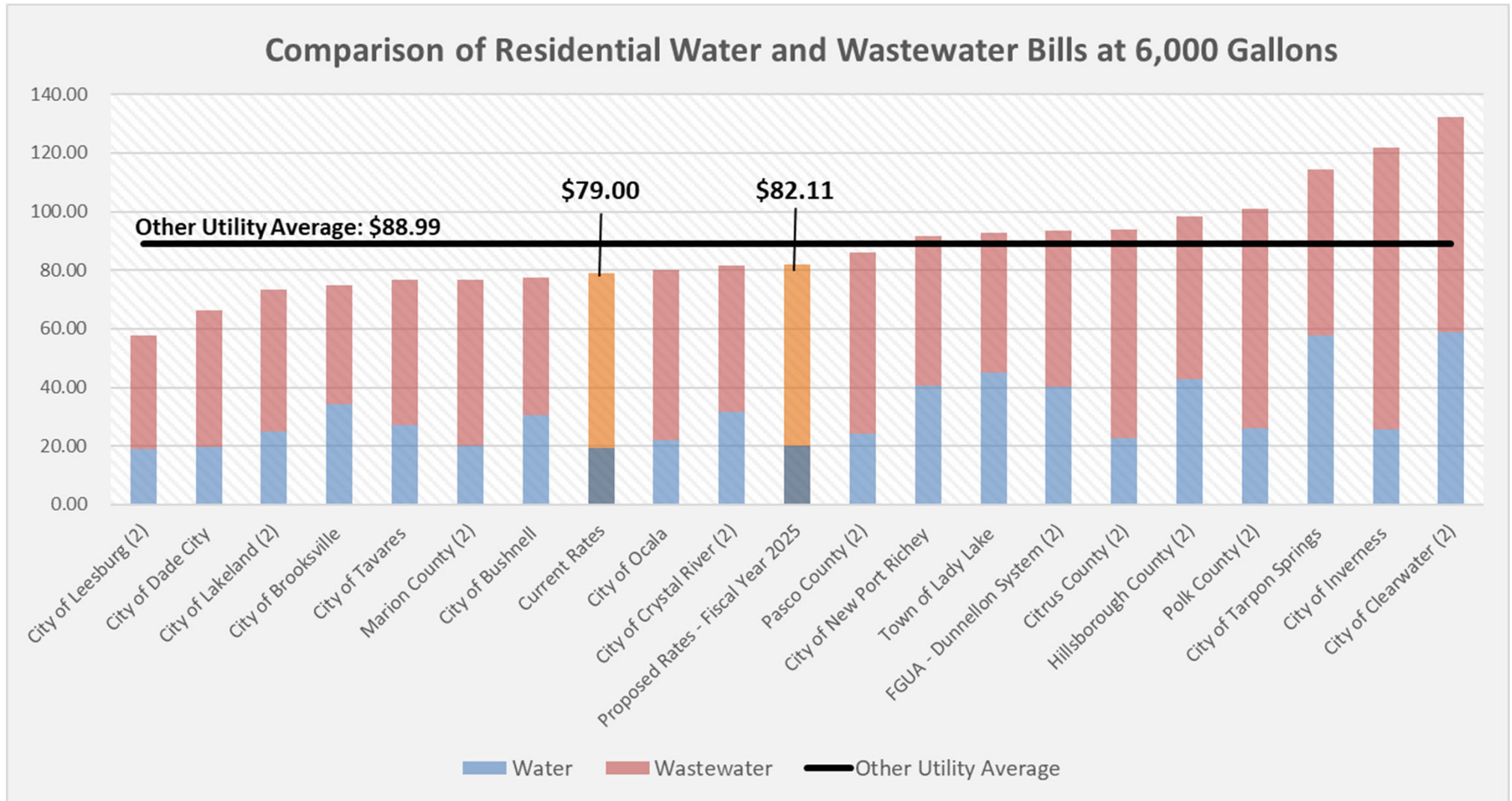
# Combined Service - Single-Family Residential Impacts

- Rates Adjusted to Benefit Low-Water Users
- Combined Utility Service = 50% of SFR Customers Served
- Single-Family Residential Monthly Bill Adjustments:

	0 Gallons	4,000 Gallons	5,000 Gallons	6,000 Gallons	7,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	30,000 Gallons
Existing Combined Utility Bill	\$34.79	\$64.07	\$71.39	\$79.00	\$86.61	\$109.44	\$123.69	\$137.94	\$175.84
Proposed Combined Utility Bill	\$35.85	\$66.45	\$74.10	\$82.11	\$90.12	\$114.15	\$130.15	\$146.15	\$194.15
<b>Change in Monthly Bill</b>	<b>\$1.06</b>	<b>\$2.38</b>	<b>\$2.71</b>	<b>\$3.11</b>	<b>\$3.51</b>	<b>\$4.71</b>	<b>\$6.46</b>	<b>\$8.21</b>	<b>\$18.31</b>
<b>% Increase</b>	<b>3.1%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>5.2%</b>	<b>6.0%</b>	<b>10.4%</b>

- FY 2025 Average System Rate Adjustment = 5.1%

# Monthly Water and Wastewater User Rates Remain Competitive



\* Utilities with a (2) next to their name are currently engaged in a rate study or plan one in the near future.



# Observations and Recommendations

- Existing Rate Structure is Reasonable and Should be Maintained
- Adjust Rates in FY 2025 to Promote a Higher Water Conservation Incentive
  - More Cost Recovery from High Water Users
  - Customers with Water Use Within Allocated LOS Parameters (325 gpd/ERU) Receive Lower Percent Rate Adjustment
- Proposed Rates Maintain Favorable Fixed Cost Recovery Ratio (40% of Total Revenues)
  - Promotes Stable / Predictable Revenue Recovery
  - Viewed Favorably by Credit Rating Agencies
- Proposed Utility Rates Remain Competitive in the Region

# MISCELLANEOUS FEES

- Overview Discussion
- Existing and Recommended Fee Presentation
- Observations and Recommendations

# Overview

- Recovers Cost for Specific Customer Requests Customary in the Industry
  - Customer Deposits
  - Meter Installation and Connection Charges
  - Customer Field and Service Charges (e.g., Turn-ons, Meter Test)
  - Septage Fees
  - Other Specific Requests
- Fees Remained Unchanged for Approximately 5 - 10 Years
  - Provides Additional Financial Resources to System
  - Reduces Need to Recover Costs from All Users via User Fees
- Proposed Rates – Recover the Direct and Allocated Cost of Service and Comparable to Industry

# Customer Deposits

- Payment of Deposit a Condition for Providing Service to All New Customers
  - Limit the Risk of Non-payment of a Utility Bill
  - Deposits Adjusted for Increase in Utility Rates
  - Residential Deposits:

Customer Deposits – Residential		
	Existing	Recommended
Water-only Service	\$50.00	\$60.00
Wastewater-only Service	125.00	175.00
Combined Utility Service	175.00	235.00

- Residential Deposits Returned – 36 Months of Good Payment History
- Commercial Deposits Vary Based on Meter Size
- Deposits Held for Term of Service

# Meter and Service Line Installation Charges

- Cost to Physically Connect to Utility System
  - Not a Connection Fee (Recovery of System Capacity)
- Charged to New Development – One Time Fee
- Primary Cost is Materials and Labor to Install Connection

## Water Meter “Drop-in” and Service Line Installation Fees

	Meter Size	Existing	Recommended
Water Meter-Only “Drop in” (Residential and General Service)	5/8” x 3 /4”	\$350.00	\$380.00
Water Meter-Only “Drop in” (General Service)	All Other Meters	By Developer	By Developer
Water Meter “Drop-in” and Service Line Installation:			
Residential Service (Single Family) Installations	5/8” x 3 /4”	\$690.00	\$1,015.00
General Service (Commercial, Multi-family, etc.) Installations	5/8” x 3 /4”	690.00	1,620.00
General Service (Commercial, Multi-family, etc.) Installations	3 /4”	690.00	1,660.00
General Service (Commercial, Multi-family, etc.) Installations	1”	860.00	1,735.00
General Service (Commercial, Multi-family, etc.) Installations	1-1 /2”	1,500.00	2,750.00
General Service (Commercial, Multi-family, etc.) Installations	2’	1,685.00	Actual Cost
General Service (Commercial, Multi-family, etc.) Installations	Above 2”	Actual Cost	Actual Cost

# Customer Field and Service Fees

- Fees for Customer-requested Services
  - Initiation of a New Service
  - Premises Visits for Initiation of Service, Turn-ons/offers, Meter Re-reads and Inspections, Leak Detection, etc.
  - Administrative Service Requests
- Fees for Other Field Services
  - Backflow Testing and/or Inspections
  - Temporary (Hydrant) Meter Installation and Relocate
- Penalty Fees for Illegal Activities and Delinquent Customer Actions
- In Developing Recommended Fees Where Applicable, a Market Comparison was Performed

# Customer Field and Service Fees (cont'd.)

Customer Services-Requested Fees		
	Existing	Recommended
<b>Meter Inspection and Data Download (Customer-requested)</b>		
Meter Determined as Accurate	\$50.00	\$55.00
Meter Determined as Inaccurate	No Charge	No Charge
<b>Meter Test Certification Bench Test (Customer-requested)</b>		
5/8-inch x 3/4-inch Meters	\$85.00	\$110.00
All Other Meters	85.00	Actual Cost
Meter Determined as Inaccurate	No Charge	No Charge
<b>Trip Related and Service Turn-on or Turn-off (Customer-requested)</b>		
Trip Charge (Includes Turn-on/-off & Premise Visits) (Workdays 8:00 am to 3:30 pm)	\$40.00	\$50.00
Trip Charge (Including Turn-on/-off & Premise Visits) (Weekdays after 3:30 pm, Weekends, Holidays)	80.00	100.00
Trip Charge for Emergency Turn-on (Weekdays after 3:30 pm, Weekends, Holidays)	n/a	100.00
Turn Off Meter for Emergency Leak (Workdays 8:00 am to 3:30 pm)	No Charge	No Charge
Turn Off Meter for Emergency Leak (Weekdays after 3:30 pm, Weekends, Holidays)	80.00	No Charge
<b>Establish New Account / Service (Customer Requested)</b>		
Establish New Account (Initiation of Service)	n/a	\$50.00

# Customer Field and Service Fees (cont'd.)

- Fees for Field and Administrative and Other Field Services

<b>Administrative and Other Field Services-Requested Fees</b>		
	<b>Existing</b>	<b>Recommended</b>
<b>Administrative Fees</b>		
Property Debt Search, per Parcel	n/a	\$15.00
Returned Mail – per Piece Returned (Not Including Final Statements)	5.00	5.00
Utility Lien Filing Fee	80.00	80.00
Release of Utility Lien Filing Fee	50.00	50.00
<b>Backflow Prevention Assembly Device Testing</b>		
Compliance Enforcement Including Test (Existing Fee does Not Include Enforcement Costs)	\$75.00	\$200.00
<b>Temporary Water Meter (Hydrant Meter) Deposits and Fees</b>		
Deposit (per Meter Assembly)	\$1,800.00	\$2,650.00
Delivery and Install Meter Assembly (Workdays 8:00 am to 3:30 pm)	85.00	150.00
Relocate or Remove Meter (per request) (Workdays 8:00 am to 3:30 pm)	40.00	65.00



# Customer Field and Service Fees (cont'd.)

- Fees for Delinquent Customer Actions and Illegal Activities

Penalty Fees Due to Customer Actions		
	Existing	Recommended
<b>Delinquent and Penalty Fees</b>		
Disconnect Due to Delinquent or Non-payment of Services	n/a	\$20.00
Reconnect Due to Delinquent or Non-payment of Services		
During Normal Hours (Workdays 8:00 am to 3:30 pm)	\$40.00	\$50.00
During After Hours (Workdays after 3:30 pm, Weekends, Holidays)	40.00	100.00
Return Trip Due to Obstruction or Customer Negligence (Each Attempt)	40.00	50.00
Removal of Meter up to One Inch (for Delinquent or Unauthorized Use)	40.00	50.00
Septage Dumping – Delinquent and Account Reinstatement	150.00	150.00
Late Payment Fees	5% of Unpaid Balance	5% of Unpaid Balance
<b>Tamper Fees (Tampering of Water Service Assembly)</b>		
Tamper Fee – First Offense	n/a	\$150.00
Tamper Fee – Each Subsequent Offense	n/a	250.00
<b>Unauthorized Connection</b>		
Unauthorized Connection – Each Offense	n/a	Actual Cost + Estimated Usage

# Septage Fees

- Treatment of High Strength Septic / Chemical Toilet Waste
  - Fees have not been Adjusted in 5 Years
  - Recommended Fees Based on Cost Analysis
  - Considered as a User Fee – Recommend Application of Rate Phasing / Index Plan

<b>Recommended Septage Fees – for the Forecast Period</b>			
<b>Fiscal Year</b>	<b>Effective Date</b>	<b>Wastewater System Rate Revenue Increase</b>	<b>Recommended Septage Fees (per 1,000 Gals.)</b>
2025	10/1/2024	3.50%	\$105.00
2026	10/1/2025	3.50%	\$109.00
2027	10/1/2026	3.50%	\$113.00
2028	10/1/2027	3.50%	\$117.00
2029	10/1/2028	3.50%	\$121.00

# Septage Fees

- Septage Fee Comparison:

	Rate per 1,000 Gallons
Hernando County - Existing	\$85.00
Hernando County – Proposed (FY 2025)	105.00
Current Fees - Other Public Utilities:	
Brevard County	\$80.84
Charlotte County	80.00
Collier County	50.00
Manatee County	80.00
Pasco County	193.00
Pinellas County	40.00
Sarasota County	100.00
City of Tallahassee (Leon, Gadsden, Liberty, Wakulla and Jefferson Counties)	114.00
City of Tampa	75.54
Other Public Utilities - Average	\$90.38

# Observations and Recommendations

- Miscellaneous Fees and Customer Service Practices are Customary in the Industry
- Proposed Fees are Based on the Estimated Cost to Perform/ Provided Customer-requested Services
- Proposed Fees Not Subject to Inflation Indexing
  - Exception: Septage Fees (based on treatment costs) Subject to Rate Phasing Plan / Indexing
- Additional Revenue Reduces Monthly User Fee Requirements

# Study Presentation Conclusion

- The Utility is in Last Year of 5-Year Rate Phasing Plan Adopted in 2019
- Utility Is Very Capital Intensive
  - Current Gross Plant Investment as of 2023 Estimated at = \$413 million
  - Five-year CIP (FY 2024-2029) Anticipated to Increase Plant Investment by over \$270 million (65%)
  - The Cost of Infrastructure Construction has Materially Increased
- The Utility is Rated at “AAA” with Stable Outlook
  - Favorable and Should be Maintained
  - Primary Rating Criteria Focuses on Ability to Fund CIP and Maintaining a Strong Fiscal Position
    - Liquidity (Cash) and Debt Service Coverage
- Board Should Consider the Adoption of the Rate Plan Prepared by Staff

# Study Presentation Conclusion (cont'd.)

- Consider Adoption of Connection Fees to Recognize Capital Construction Market Conditions
  - Applicable Only to New Development
  - Shifts Financing Burden for Expansion Capital Projects from Existing Customers
- Consider Adoption of Miscellaneous Fees and Charges to Recover Cost
  - Proposed Fees are Customary in Industry
  - Meter and Service Line Installation Fees Applicable Only to New Development
  - Other Fees Associated with Existing Customers Served
    - Equitable Since Recovers Cost from the Specific Customer-requested/-actions
  - Increased Revenues Reduce Requirements Funded from User Rates

# Study Presentation Conclusion (cont'd.)

- Consider Adoption of the Five-year Rate Phasing Plan
  - Based on the Cost to Provide Service by Each Utility
  - Recognizes Market Conditions Affecting Rates (Inflation, Growth, Regulatory Requirements)
  - Will Support the Issuance of New Debt and Maintain “AAA” Credit Rating
    - Maintenance of Strong Fiscal Position During Planning Period
  - Will Position the Utility for Projected Plant Expansions Anticipated Beyond the Five-year Forecast Period
    - Cost of Expansion of the Glen WRF Currently Estimated at \$90 Million
  - Proposed Rates Provides Increased Water Conservation Pricing
    - Lower Rate Adjustments for Low Water Users
    - Objective – Reduce Excessive Water Use to Limit Expansion-related Capital Construction and Meet WUP Conditions

# Questions and Discussion

