

**FRUITLAND PARK CITY COMMISSION  
WORKSHOP MEETING AGENDA**

**June 24, 2019**

City Hall Commission Chambers  
506 W. Berckman Street  
Fruitland Park, FL 34731

**6:00 p.m.**

- 1. CALL TO ORDER, INVOCATION AND PLEDGE OF ALLEGIANCE**
- 2. ROLL CALL**
- 3. UTILITY RATE STUDY** (city manager/city treasurer)  
Workshop to address the utility rate study increase; review recommendations and determine the type of rate increases to incorporate into the proposed water wastewater rate ordinance for consideration at the June 27, 2019 regular meeting:
- 4. OTHER BUSINESS**
- 5. ADJOURNMENT**

Any person requiring a special accommodation at this meeting because of disability or physical impairment should contact the City Clerk's Office at City Hall (352) 360-6727 at least forty-eight (48) hours prior to the meeting. (§286.26 F.S.)

If a person decides to appeal any decision made by the City of Fruitland Park with respect to any matter considered at such meeting or hearing, he or she will need a record of the proceedings, and ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. The city does not provide verbatim records. (§286.0105, F.S.)

**PLEASE TURN OFF ELECTRONIC DEVICES OR PLACE IN VIBRATE MODE.**

June 13, 2019

CITY OF FRUITLAND PARK, FLORIDA

# UTILITY RATE STUDY

---

Fiscal Year 2020  
Preliminary Results



**GovRates, Inc.**

Utility, Financial, Rate, and Management  
Consultants for Governments

[www.govrates.com](http://www.govrates.com)



UTILITIES



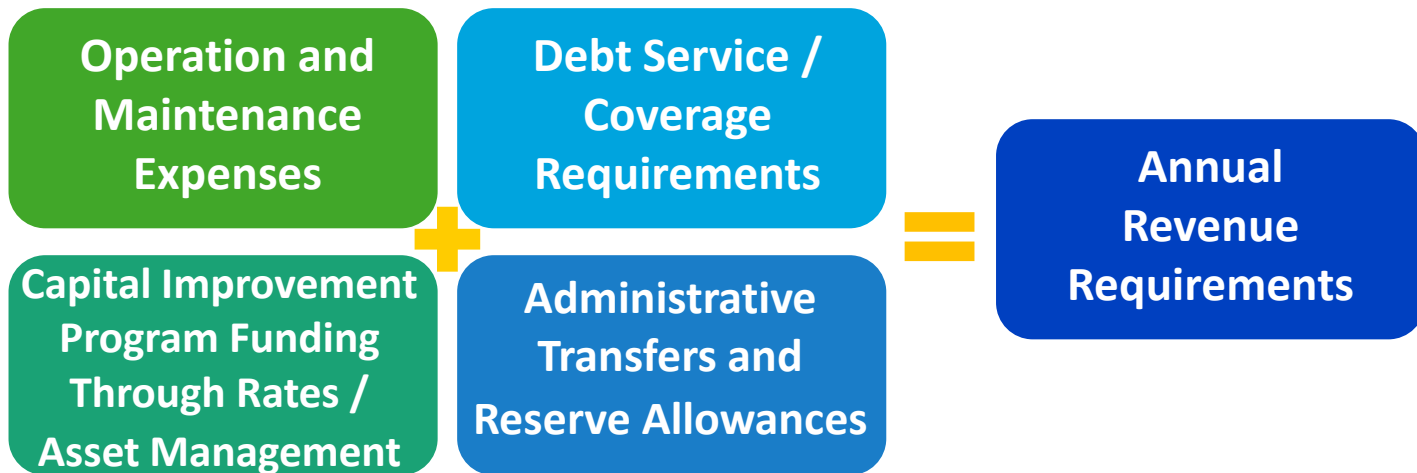
# Utility Overview

- **Utility Provides Essential Service on Continuous Basis**
  - Public Health and Safety – Primary Objective
  - Highly-Regulated (FDEP / SJRWMD / Florida Department of Health)
  - Permits Require Satisfactory Operating Performance
  
- **Enterprise Fund: Operations Primarily Funded Through Monthly User Rates**
  
- **City's Largest "Business"**
  - Over \$12.6 Million Original Cost of Installed Assets Under City Management



# Revenue Requirements

## ➤ Financial Forecast Considers the Following:

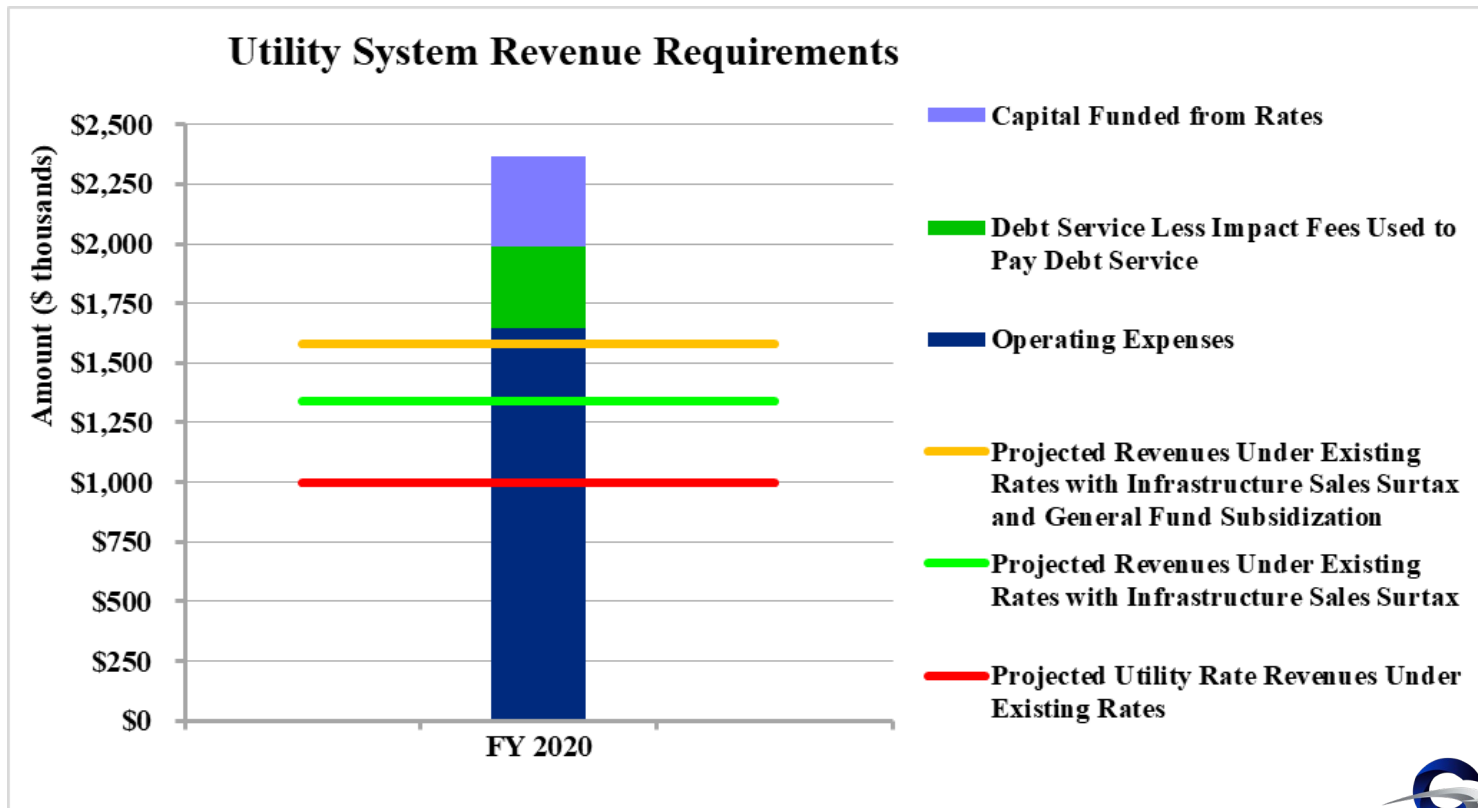


- Ongoing – Allows Assets to Meet Useful Service Lives
- Major – Extends Useful Service Lives of Assets



# Major Issues Affecting Utility System

- **Utility Rates Insufficient to Fund System Operations Based on Preliminary Fiscal Year 2020 Budget**
  - Currently Funding \$240K of 300K+ Annual Town of Lady Lake Wastewater Charges Through General Fund Revenues



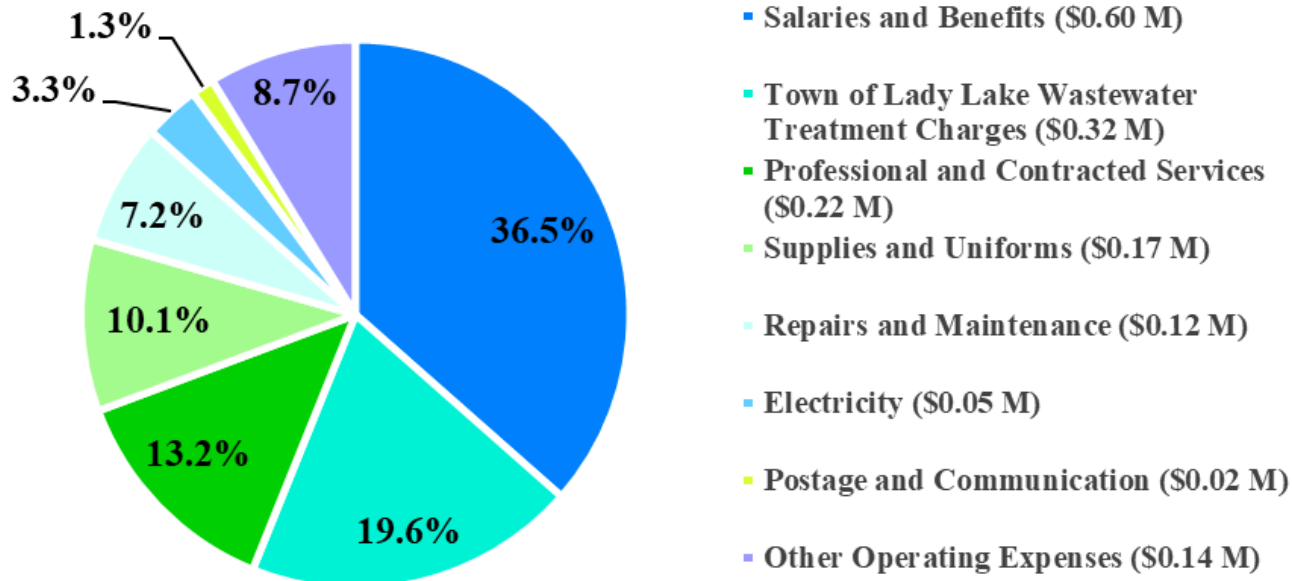


# Major Issues Affecting Utility System (cont.)

## ➤ Operating Expenses Higher Than Recent History

- Fiscal Year 2020 Budgeted Operating Expenses Are Considered by City Staff to Be Representative of Costs to Sustainably Run System and Accommodate System Growth
- Utility Is Highly-Regulated: Possible Future Fines and Consent Orders If Line Breaks Due to Inadequate Maintenance Cause Pollution

Summary of Fiscal Year 2020 Operating Expenses (Total = \$1.6 Million)





# Major Issues Affecting Utility System (cont.)

- **City Not Meeting Debt Service Coverage Requirement Associated with Outstanding State Revolving Fund (SRF) Loans That Financed City's Wastewater Utility System**
  - Formal Agreements Between City and Florida Department of Environmental Protection (FDEP)
  - Rate Covenant: City Commission Agreed to Establish Rates Such That Net Revenues Plus Impact Fees Would Be At Least Equal to 115% of SRF Loan Debt Service
  
- **Financial Risks of Not Meeting Coverage Requirement**
  - Technical Default
  - If Trend Continues and Payments Are Missed, All Principal May Become Due Immediately
  - Negatively Affects Ability of City to Secure Future Financing for Critical Capital Needs



# Major Issues Affecting Utility System (cont.)

Description	Under Existing Rates	To Meet Minimum Coverage Requirement
Gross Revenues	\$ 997,410	\$ 1,599,280
Operating Expenses	<u>1,644,211</u>	<u>1,644,211</u>
Net Revenues	(646,801)	(44,931)
Impact Fees	<u>203,250</u>	<u>203,250</u>
Net Revenues Plus Impact Fees	\$ (443,551)	\$ 158,319
SRF Loan Debt Service	137,668	137,668
Debt Service Coverage Without Rate Adjustments (115% Required)	<u><u>-322%</u></u>	<u><u>115%</u></u>
Gross Revenues Required		\$ 1,599,280
Less Other Operating Revenue and Unrestricted Interest Earnings		<u>155,208</u>
Revenues Required to Be Recovered Through Monthly User Rates		\$ 1,444,072
User Rate Revenue Under Existing Monthly User Rates		842,202
<b>Additional Revenue Required to Meet Minimum Debt Service Coverage</b>		<b>\$ 601,870</b>
<b>Increase in User Rate Revenue Required to Meet Minimum Debt Service Coverage</b>		<b><u><u>71.5%</u></u></b>





# Major Issues Affecting Utility System (cont.)

- **Inadequate Funding for Capital Projects**
  - **Include Projects to Extend Service Availability**
  - **Developers Expect Both Water and Wastewater Service to Be Available**
  - **Expanding Customer Base Provides More Units Over Which to Spread Utility System Fixed Costs (Lower Future Rate Adjustments)**



# Major Issues Affecting Utility System (cont.)

## ➤ Fiscal Year 2020 Revenue Requirements Analysis

Description	Revenue Requirements
Operating Expenses	\$ 1,644,211
SRF Loan Debt Service	137,668
Florida Department of Transportation Note	14,186
Equipment Purchases	47,500
System Improvements	330,000
Gross Revenue Requirements	\$ 2,173,566
Less Other Operating Revenue and Unrestricted Interest Earnings	155,208
Less Impact Fees Used to Pay Growth-Related Debt Service	151,855
Less Transfers from General Fund to Pay Town of Lady Lake Wastewater Charges	240,000
Net Revenue Requirements	\$ 1,626,503
Add Allowance for 100% SRF Loan Debt Service Coverage from Net Revenues	168
Net Revenue Requirements to Be Recovered from Monthly User Rates	\$ 1,626,671
User Rate Revenue Under Existing Monthly User Rates	842,202
<b>Additional User Rate Revenue Required to Meet Revenue Requirements</b>	<b>\$ 784,470</b>
<b>Increase in User Rate Revenue Required to Meet Revenue Requirements</b>	<b>94.0%</b>

## ➤ Minimal Available Operating Reserves to Phase-In Adjustments





# Existing Monthly Water User Rates

- **75% of Utility Customers Only Have Water Service**
- **Uniform Among Customer Classes**
- **25% Outside-City Surcharge as Allowed Per Florida Statute 181.191**

Description	Gallons	Rate
Base Rate	Includes First 3,000 Gallons of Usage	\$ 17.10

## Volumetric Rates:

Block 1 per 1,000 Gallons	3,001 to 5,000	\$ 1.00
Block 2 per 1,000 Gallons	5,001 to 9,000	1.39
Block 3 per 1,000 Gallons	9,000 to 14,000	1.83
Block 4 per 1,000 Gallons	14,001 to 18,000	2.43
Block 5 per 1,000 Gallons	Over 18,000	2.98



# Proposed Changes to Monthly Water User Rates

- **Higher Base Charges for Larger Meter Sizes**
  - Consistent with Existing Wastewater Rate Structure
  - Larger Meters Have Higher Demand for System Capacity and Should Pay a Greater Portion of System Fixed Costs
  
- **Elimination of Minimum 3,000 Gallons Included in Base Rate**
  - Promotes Equity for Small Users and Customers with No Monthly Usage
  
- **4 Volumetric Price Blocks for Single Family Residential Customers**
  - Cover Indoor / Essential, Discretionary, and Excessive Usage
  - Price Blocks Link to 250 Gallons Per Day Level of Service Standard (About 8,000 Gallons Per Month)
  - Expanded Price Blocks for Larger Meter Sizes
  
- **Uniform Volumetric Rate for Multifamily and Commercial Classes**
  
- **3 Volumetric Price Blocks for Irrigation Customers**
  - Priced at Discretionary and Excessive Usage Rates
  - Expanded Price Blocks for Larger Meter Sizes



# Proposed Monthly Water User Rates

- **Maintained 25% Outside-City Surcharge**

## PROPOSED MONTHLY BASE CHARGES

Description	Rate
<u>Base Rate by Meter Size:</u>	
3/4" Meter or Smaller	\$ 17.10
1" Meter	28.50
1-1/2" Meter	57.00
2" Meter	91.20
3" Meter	171.00
4" Meter	285.00



# Proposed Monthly Water User Rates (cont.)

## SINGLE FAMILY RESIDENTIAL VOLUMETRIC RATES

Description	Rate
Block 1 per 1,000 Gallons	\$ 3.00
Block 2 per 1,000 Gallons	6.00
Block 3 per 1,000 Gallons	9.00
Block 4 per 1,000 Gallons	12.00

## SINGLE FAMILY RESIDENTIAL VOLUMETRIC PRICE BLOCKS

Meter Size	Meter Equivalent Factor	Water Consumption Usage Range (gallons)			
		Block 1	Block 2	Block 3	Block 4
3/4" or Smaller	1.00	0 to 8,000	8,001 to 16,000	16,001 to 24,000	Above 24,000
1"	1.67	0 to 13,000	13,001 to 27,000	27,001 to 40,000	Above 40,000
1-1/2"	3.33	0 to 27,000	27,001 to 53,000	53,001 to 80,000	Above 80,000
2"	5.33	0 to 43,000	43,001 to 85,000	85,001 to 128,000	Above 128,000





# Proposed Monthly Water User Rates (cont.)

## MULTIFAMILY AND COMMERCIAL VOLUMETRIC RATES

Description	Rate
All Usage per 1,000 Gallons	\$ 3.00

## IRRIGATION VOLUMETRIC RATES

Description	Rate
Block 1 per 1,000 Gallons	\$ 6.00
Block 2 per 1,000 Gallons	9.00
Block 3 per 1,000 Gallons	12.00

## IRRIGATION VOLUMETRIC PRICE BLOCKS

Meter Size	Meter Equivalent Factor	Water Consumption Usage Range (gallons)		
		Block 1	Block 2	Block 3
3/4" or Smaller	1.00	0 to 16,000	16,001 to 24,000	Above 24,000
1"	1.67	0 to 27,000	27,001 to 40,000	Above 40,000
1-1/2"	3.33	0 to 53,000	53,001 to 80,000	Above 80,000
2"	5.33	0 to 85,000	85,001 to 128,000	Above 128,000
3"	10.00	0 to 160,000	160,001 to 240,000	Above 240,000
4"	16.67	0 to 267,000	267,001 to 400,000	Above 400,000





# Water Bill Comparison

- **75% of Utility Customers Only Have Water Service**
- **Single Family Residential Customers Comprise 88% of Customer Base**

## SINGLE FAMILY RESIDENTIAL WATER BILL COMPARISON

Monthly Usage (gallons)	Existing Rates Monthly Bill	Proposed Water Rates - Fiscal Year 2020		
		Monthly Bill	Difference	Cost Per Gallon
0	\$17.10	\$ 17.10	\$ -	
2,000	17.10	23.10	6.00	1.2¢
3,000	17.10	26.10	9.00	0.9¢
4,000	18.10	29.10	11.00	0.7¢
6,000 [*]	20.49	35.10	14.61	0.6¢
8,000	23.27	41.10	17.83	0.5¢
10,000	26.49	53.10	26.61	0.5¢
15,000	36.24	83.10	46.86	0.6¢
20,000	64.39	173.10	108.71	0.9¢

[\*] Historical average monthly usage of a single family residential customer in the System.

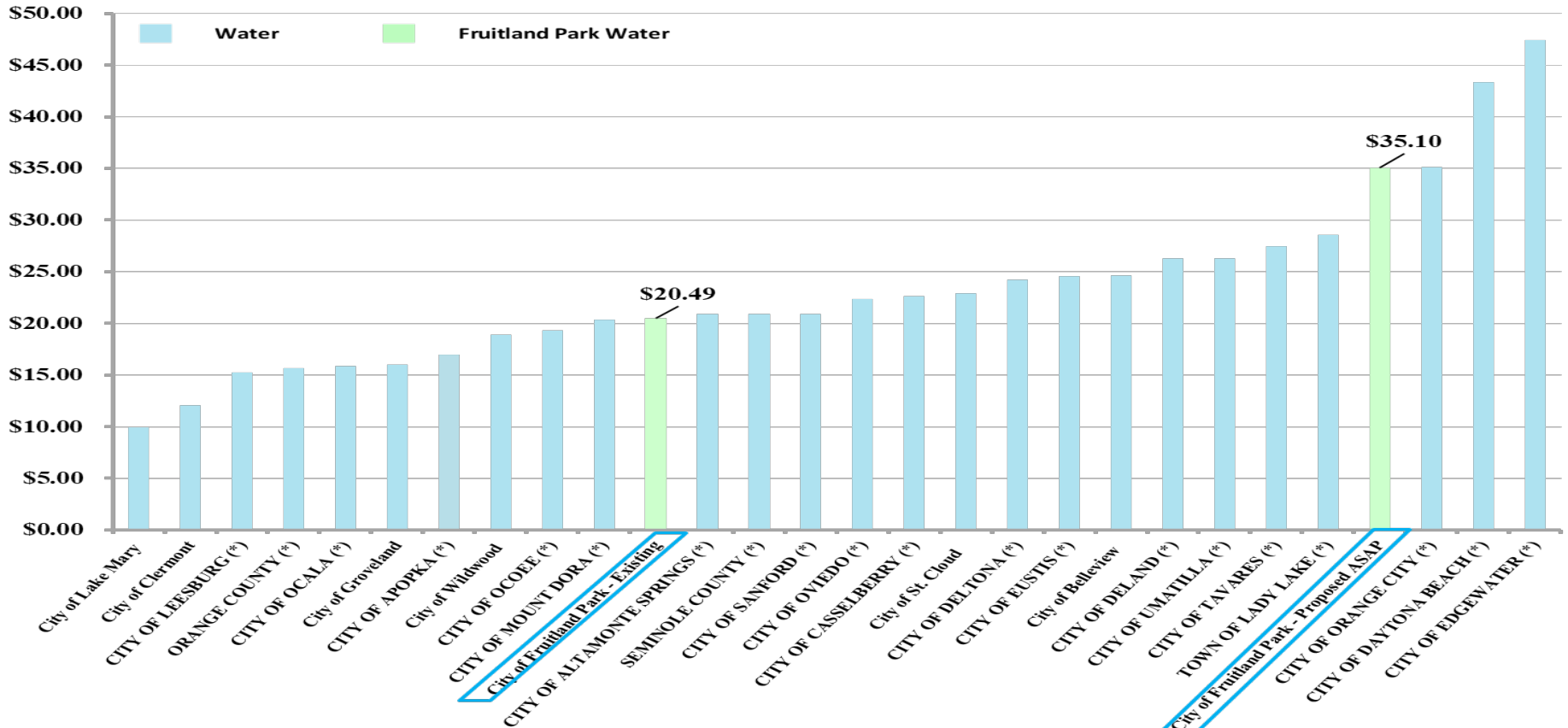




# Water Bill Comparison (cont.)

## ➤ Not a Report Card on How Well Utility Is Performing

### ■ Many Reasons Why Rates Differ Among Utilities



(\*) Utilities in CAPITALIZED letters: i) are involved in rate study; ii) are planning to conduct rate study; or iii) will implement rate revision or price index / pass-through adjustment within twelve months





# Some Reasons Why Rates Differ Among Utilities

- **Size of Existing Customer Base / Available System Growth**
- **Demographics (e.g., Customers Spread Out vs. Close Together, Types of Customers Served)**
- **Level of Capital Improvements to Meet Service Area Growth**
- **Amount of Needed Renewals and Replacements / Remaining Service Life of Assets**
- **Differences in Bond Covenants**
- **Source of Water Supply and Treatment Process Costs**
- **Plant Capacity Utilization and Assistance in Funding of Such Capacity (e.g., Grants, Impact Fees)**
- **Time of Last Rate Review**
- **Amount of General Fund and Administrative Fee Transfers**



# Bulk Potable Water Rate for Central Sumter Utility Company

- **Currently \$0.82 per 1,000 Gallons**
  - Substantially Lower Than Water System Cost Per 1,000 Gallons
  
- **Agreement: Bulk Potable Water Rate Will Be Adjusted Any Time City Adjusts City's Base Rate for Residential Water By the Same Percentage Increase or Decrease in the City's Base Rate for Residential Water**
  - Language Does Not Specifically Address Proposed Water Rate Restructuring
  
- **Recommendation to Work with Central Sumter Utility Company to Determine Appropriate Rate Adjustment Plan**
  - Consider Rate-Phasing Alternatives to Avoid "Rate Shock"



# Existing Monthly Wastewater User Rates

- Only 25% of Utility Customers Have Water and Wastewater Service
- **25% Outside-City Surcharge**

## MONTHLY WASTEWATER BASE RATES

Description	Rate
Residential - All Meter Sizes	\$ 15.71
<u>Commercial by Meter Size:</u>	
3/4" Meter or Smaller	\$ 15.71
1" Meter	35.28
1-1/2" Meter	67.92
2" Meter	107.07
3" Meter	198.44
4" Meter	328.96

## VOLUMETRIC CHARGE

Description	Rate
All Usage per 1,000 Gallons [*]	\$ 1.83

[\*] Billing for single family residential customers is capped at 7,500 gallons





# Proposed Changes to Monthly Wastewater User Rates

- **Residential Billing Cap Increased from 7,500 Gallons to 10,000 Gallons**
  - Typical Billing Cap Used by Neighboring Utilities
  - Provides More Billable Flow Over Which to Recover Costs
  
- **Increased Base Charge for 3/4-Inch Meter from \$15.71 to \$25.00**
  - Consistent with Levels Charged By Neighboring Utilities



# Proposed Monthly Wastewater Rates

➤ Only 25% of Utility Customers Have Water and Wastewater Service

## MONTHLY WASTEWATER BASE RATES

Description	Rate
Residential - All Meter Sizes	\$ 25.00
<u>Commercial by Meter Size:</u>	
3/4" Meter or Smaller	\$ 25.00
1" Meter	41.67
1-1/2" Meter	83.33
2" Meter	133.33
3" Meter	250.00
4" Meter	416.67

## VOLUMETRIC CHARGE

Description	Rate
All Usage per 1,000 Gallons [*]	\$ 5.18

[\*] Billing for single family residential customers is capped at 10,000 gallons





# Combined Water and Wastewater Bill Comparison

- **Only 25% of Utility Customers Have Water and Wastewater Service**
- **Single Family Residential Customers Comprise 88% of Customer Base**

## SINGLE FAMILY RESIDENTIAL COMBINED WATER AND WASTEWATER BILL COMPARISON

Monthly Usage (gallons)	Existing Rates Monthly Bill	Proposed Water Rates - Fiscal Year 2020		
		Monthly Bill	Difference	Cost Per Gallon
0	\$32.81	\$ 42.10	\$ 9.29	
2,000	36.47	58.46	21.99	2.9¢
3,000	38.30	66.64	28.34	2.2¢
4,000 [*]	41.13	74.82	33.69	1.9¢
6,000	47.18	91.18	44.00	1.5¢
8,000	52.71	107.54	54.84	1.3¢
10,000	55.93	129.90	73.98	1.3¢
15,000	65.68	159.90	94.23	1.1¢
20,000	93.83	249.90	156.08	1.2¢

[\*] Historical average monthly usage of a single family residential customer in the System.

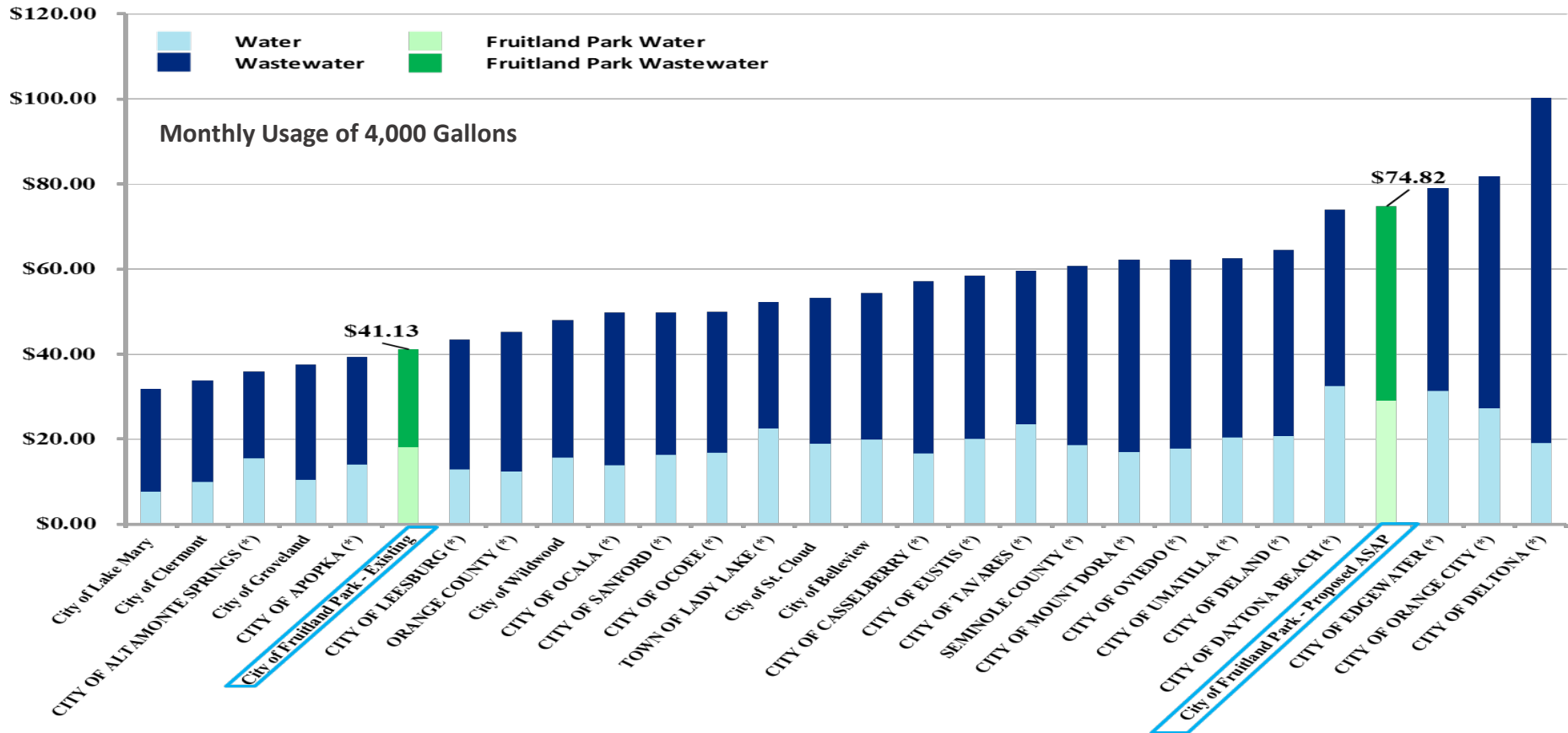




# Combined Water and Wastewater Bill Comparison (cont.)

## ➤ Not a Report Card on How Well Utility Is Performing

### ■ Many Reasons Why Rates Differ Among Utilities



(\*) Utilities in CAPITALIZED letters: i) are involved in rate study; ii) are planning to conduct rate study; or iii) will implement rate revision or price index / pass-through adjustment within twelve months

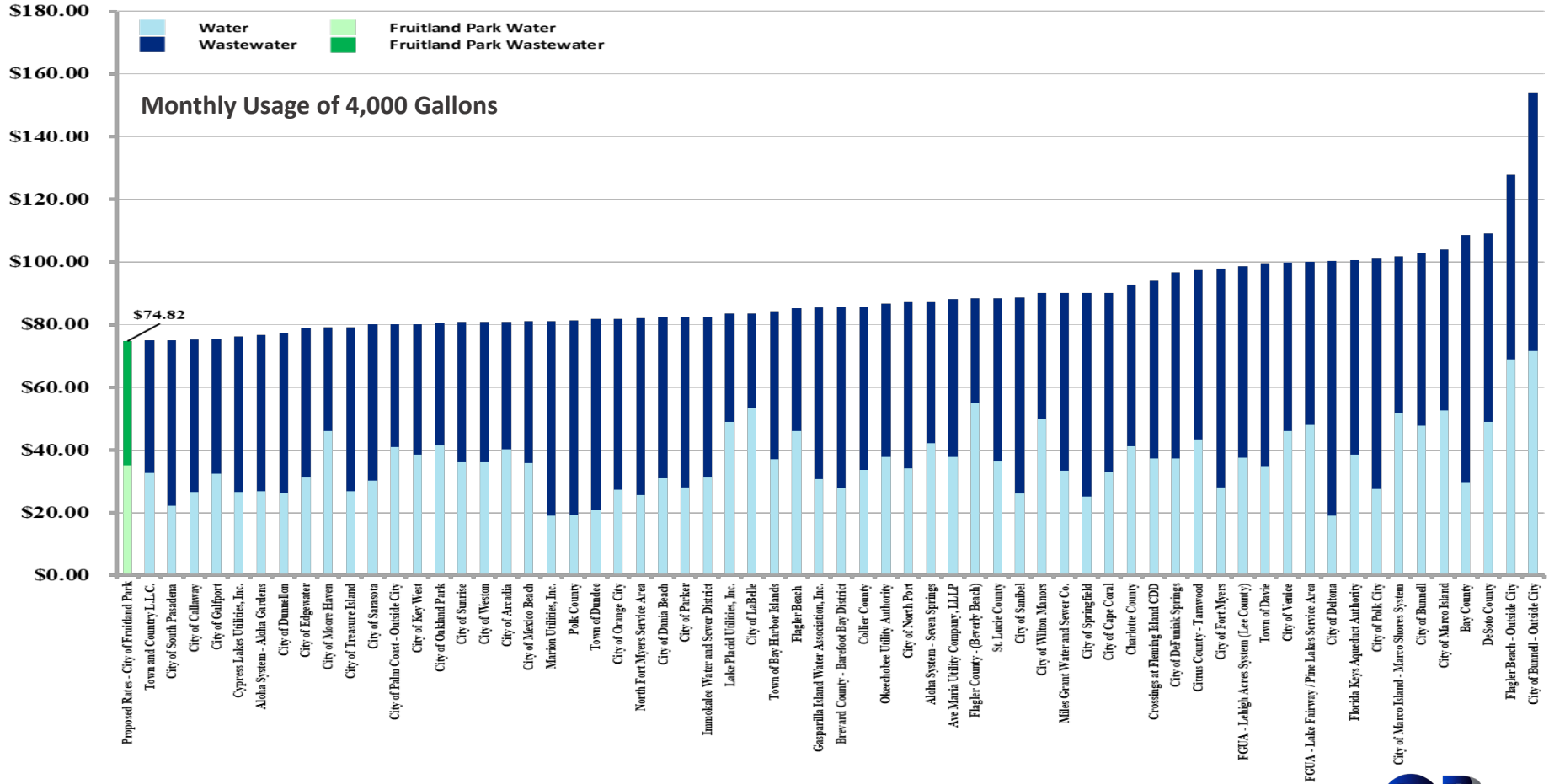






# Combined Water and Wastewater Bill Comparison (cont.)

## Utilities in State of Florida with Higher Rates Than What Is Proposed for Fruitland Park





# Proposed Residential Monthly User Rates Considered Affordable By Utility Industry Standards

- **Environmental Protection Agency: Monthly Water and Wastewater Bill Less Than 4.5% of Median Household Income Considered Affordable**

Description	Fruitland Park, FL	
Monthly Water and Wastewater Bill for Average Single Family Residential Customer Under Proposed User Rates [1]	\$	74.82
Median Monthly Household Income per U.S. Census Bureau [2]		3,093
Percent of Total		2.4%

[1] Monthly usage of 4,000 gallons.

[2] \$37,113 annual median household income for Fruitland Park / 12 months.



# Water and Wastewater User Rate Options

- **Status Quo Is Not Financially Feasible**
  - Need to Address Debt Service Coverage Issue and Properly Fund Utility Operations (Health and Safety Issue)
  - Utility Currently on Path to Insolvency (Minimal Operating Reserves)
- **Lady Lake Wastewater Service Agreement:**
  - Lady Lake Currently Charging More for Wastewater Service Than What City Expected Based on Agreement (Billing Dispute)
  - City May Want to Explore Legal Options
- **Option 1: Adopt Some Form of Rates as Presented**
  - Develop Long-Term Plan to Eliminate Utility's Dependence on General Fund Revenues
  - Determine Whether to Have Long-Term Repayment Plan for General Fund Loans to Utility or to Forgive Loans (Would Need to Set Rates Accordingly)
  - Comprehensive Annual Financial Report for Fiscal Year 2018 Indicates \$884,550 Due to General Fund from Utility as of September 30, 2018



# Water and Wastewater User Rate Options (cont.)

- **Option 2: Pledge General Fund Revenues in Addition to Utility Revenues and Impact Fees to Repay Existing SRF Loans**
  - Would Eliminate Debt Service Coverage Issue
  - Increase General Fund Subsidization Temporarily to Allow More Gradual Phase-In of Rate Adjustments (Long-Term Plan Would Be to Eliminate Subsidization)
  - Determine Whether to Have Long-Term Repayment Plan for General Fund Loans to Utility or to Forgive Loans (Would Need to Set Rates Accordingly)
  
- **Option 3: Exit the Utility Business**
  - Sell Service Area
  - Would Lose Ability to Set Rates
  - Could Possibly Be Subject to 25% Outside-Municipality Surcharge from Public Provider



# Water and Wastewater Impact Fees

- **Currently \$985 per Water Equivalent Residential Unit (ERU) and \$3,080 per Wastewater ERU**
  - Not Much City-Funded Investment in System Since Impact Fees Last Calculated
  
- **Town of Lady Lake Currently Charging City \$3,172 per ERU for Treatment Capacity Through "Operational Costs" in Agreement**
  - Higher Than City's Total Wastewater Impact Fee per ERU
  
- **Recommendation: City Currently Has Funding in Place for Master Plan Updates. Approve Master Plan Updates and Adjust Impact Fees Based on Findings**



# Inactive Account Policy

- **City Does Not Currently Bill for Inactive or "Vacant" Accounts**
- **Recommendation: Bill Property Owners Monthly Base Charges for Service Where Service Is Available, Regardless of Whether Property Is Considered Active Account**
  - **Utility Has Built Supply, Treatment, Transmission, and Distribution / Collection Infrastructure to Provide Service and Utility Continues to Incur Fixed Costs to Maintain "Ready-to-Serve" Condition**
  - **Billing Inactive or Vacant Accounts Reduces Overall Costs to Year-Round Customers and Helps Keep User Rates Lower**



# Meter Installation Charges

- **Largest Other Operating Revenue**
- **Recommendation to Adopt "Actual Cost Plus 10% Administration Fee" for All Meter Sizes**
  - **Administration Fee Is Allowance for Supervisory Overheads and Departmental Overheads to Maintain Infrastructure to Provide Service**
  - **If City Charges Less Than Cost, Existing Ratepayers Must Make Up the Difference**



# Grinder Pump Policy

- **City Owns Grinder Pumps Attached to Several Wastewater Customer Dwellings**
  - Grind Waste Into Fine Slurry and Pump It Into Central Wastewater System
  
- **City Staff Spends Substantial Amount of Time Repairing and Replacing Grinder Pumps**
  - Typically Due to Customers' Flushing Prohibited Items (i.e., Any Solid or Semi-Solid Objects That Do Not Dissolve Readily in Water)
  
- **Recommendation: Adopt Policy to Invoice Customers for Damage to Grinder Pump Components Due to Customer Negligence or Abuse or Third-Party Acts**
  - Amount Charged for Replacement Would Be Based on: i) Years of Grinder Life Shortened By Incident Assuming Ten (10 ) Year Standard Lifespan; ii) City's Actual Cost of Grinder Pump; and iii) Labor to Install New Grinder Pump





# Requested Commission Action

- **Provide Direction on Water and Wastewater Utility Rates to Get Through Fiscal Year 2020**
  - Multiple Options – Will Finalize Proposed Rates Based on Commission Direction
  - Status Quo Is Not Financially Feasible – Need to Address Debt Service Coverage Issue and Properly Fund Utility Operations (Health and Safety Issue); Utility Currently on Path to Insolvency
  
- **Based on Direction on Water Utility Rates, Work with Central Sumter Utility Company to Develop Appropriate Bulk Potable Water Rate**
  
- **Approve Master Plan Updates and Adjust Water and Wastewater Impact Fees Based on Findings**
  - Currently Charging Growth Less Than City's Cost for Wastewater Capacity
  
- **Adopt Policy to Bill Monthly Base Charges to Inactive Accounts**
  - If Service Is Available, Should Pay Portion of Utility's Monthly Fixed Costs
  - Would Enable City to Spread Utility Costs Over More Billable Units



# Requested Commission Action (cont.)

- **Adopt Meter Installation Charges Based on Actual Cost Plus 10% Administration Allowance**
  - If City Charges Less Than Cost, Existing Ratepayers Must Make Up the Difference
  
- **Adopt Policy to Enable City to Invoice Customers for Damage to Grinder Pump Components Due to Customer Negligence or Abuse or Third-Party Acts**
  
- **Evaluate Sufficiency of Water and Wastewater User Rates Each Year During Budgetary Process**
  - Monitor Customer Growth, Which Will Provide More Accounts Over Which to Recover Utility's Fixed Costs
  - Monitor Response to Any Rate Design Changes

Rate Decisions

**UTILITY RATE STUDY DECISIONS**

	YES	NO
SRF Tech Default - Increase rates 71.5%		
Meet Revenue Requirements - Increase rates 94%		
Change base rate to match meter size for water and sewer		
Change volumetric rates per 1000 gallons - 4 blocks both water and irrigation		
Charge for 1 - 3000 gallons instead of included in base rate		
Increase sewer cap from 7500 to 10,000 gallons		
Water increase residential base charge fm \$15.71 to \$25, change base rate based on meter size		
Sewer increase residential base charge fm \$15.71 to \$25, change base rate for commercial based on meter size		
Increase commercial sewer base rate by meter size		
Bill vacant or inactive accounts monthly base charge because service is available		
Invoice customer for new grinder pumps due to customers negligence or abuse		
Increase meter installation charge cost plus 10%		
Make mandatory sewer connection if available - allow 1 year to complete		
Vote - Pay Lady Lake only what is on chart in the contract (not monthly flow)		
Determine how much increase for Villages based on adjustment for base rates		