

# EXHIBIT D

## EXHIBIT "A"

### POLK COUNTY UTILITIES DIVISION SCHEDULE OF RATES, CHARGES AND FEES

RESIDENTIAL CONNECTION CHARGES					
Effective Date	1/1/2025	10/1/2025	10/1/2026	10/1/2027	10/1/2028
Indexing Rate	3.41%	3.30%	0%	0%	0%
WATER CONNECTION CHARGES					
Type of Residence					
Single Family Detached Units on Lots of 1.0 Acre or Less	\$ 2,941	\$ 3,038	\$ 3,038	\$ 3,038	\$ 3,038
Single Family Detached Units on Lots of More than 1.0 Usable Acre	\$ 2,941	\$ 3,038	\$ 3,038	\$ 3,038	\$ 3,038
Multi-family Units Including Apartments, Condos, Duplexes, Triplexes, etc.	\$ 1,618	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671
Mobile Homes on Lots of Less Than 6000 Square Feet	\$ 1,765	\$ 1,823	\$ 1,823	\$ 1,823	\$ 1,823
Mobile Homes on Lots of 6000 Square Feet or More	\$ 2,941	\$ 3,038	\$ 3,038	\$ 3,038	\$ 3,038
Park Model RVs	\$ 1,618	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671
Destination RVs *	\$ 1,618	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671
All other RVs Including Transient RVs	\$ 1,618	\$ 1,671	\$ 1,671	\$ 1,671	\$ 1,671
WASTEWATER CONNECTION CHARGES					
Indexing Rate	23.53%	19.05%	0%	0%	0%
Type of Residence					
Single Family Detached Units on Lots of 1.0 Acre or Less	\$ 5,182	\$ 6,169	\$ 6,169	\$ 6,169	\$ 6,169
Single Family Detached Units on Lots of More than 1.0 Usable Acre	\$ 5,182	\$ 6,169	\$ 6,169	\$ 6,169	\$ 6,169
Multi-family Units Including Apartments, Condos, Duplexes, Triplexes, etc.	\$ 3,471	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132
Mobile Homes on Lots of Less Than 6000 Square Feet	\$ 3,471	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132
Mobile Homes on Lots of 6000 Square Feet or More	\$ 5,182	\$ 6,169	\$ 6,169	\$ 6,169	\$ 6,169
Park Model RVs	\$ 2,850	\$ 3,393	\$ 3,393	\$ 3,393	\$ 3,393
Destination RVs *	\$ 3,471	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132
All other RVs Including Transient RVs	\$ 5,182	\$ 6,169	\$ 6,169	\$ 6,169	\$ 6,169
*NOTE:					
A Destination RV must be: (1) Sited on a lot owned in fee simple by the user; (2) Sited in a park that is a platted subdivision; (3) Sited on a lot 3,000 square feet or larger; and (4) Sited in a park that does not have a dump station or undivided interest lot sales or time share lot sales. This category of user is subject to inspection by Polk County Utilities to ensure that Destination RVs are not transient RVs. Destination RV lots used by Transient RVs will be subject to a 1.0 ERC sewer connection charge.					

### COMMERCIAL CONNECTION CHARGES

#### Water Connection Charges

Commercial Water Connection charges will be assessed on projected daily usage, in accordance with the Polk County Utilities Code, divided by 250 gallons to calculate the Equivalent Residential Connection (ERC). This ERC will be multiplied by connection charge assessed for a single Family Detached Unit on lots one acre or less.

#### Wastewater Connection Charges

Commercial Wastewater Connection charges will be assessed on projected daily usage, in accordance with the Polk County Utilities Code, divided by 200 gallons to calculate the Equivalent Residential Connection (ERC). This ERC will be multiplied by connection charge assessed for a single Family Detached Unit on lots one acre or less.



**POLK COUNTY UTILITIES**

# **Utility Rate and Connection Fee Study**

**FINAL REPORT / March 2024**



March 25, 2024

Ms. Tamara Richardson, P.E.  
Polk County Utilities, Director  
1011 Jim Keene Blvd.  
Winter Haven, FL 33880

Subject: **Utility Rate and Connection Fee Study**

Dear Ms. Richardson:

Raftelis Financial Consultants, Inc. (Raftelis) has completed its review of the water and wastewater rates and fees for Polk County Utilities (PCU) and has summarized the results of our analyses, assumptions, recommendations, and conclusions in this report, which is submitted for your consideration. The analysis included the preparation of a long-range financial forecast of utility needs through Fiscal Year 2033 (Study Period) to evaluate the adequacy of monthly service rates resulting in proposed rate and fee recommendations for the next five (5) years (from Fiscal Year 2025 through 2029 or the "Implementation Period"). In addition, Raftelis also reviewed the level of water and wastewater connection fees, which are charges paid by new development to recover the costs of providing water and/or wastewater capacity, and other miscellaneous utility fees. Based on the assumptions relied upon in the development of the utility system (System) revenues and expenditure needs, Raftelis has identified the need for water and wastewater rate and fee adjustments.

During the course of the study, it was determined that the proposed rates should meet a number of goals and objectives. The single most important objective of our analysis was to develop proposed utility rates to produce sufficient revenue to meet the projected expenditure requirements of the water and wastewater systems in order to meet the System's financial obligations and fund the anticipated capital needs of the System. Other goals and objectives considered in the study include:

1. The proposed rates should maintain a financial position consistent with performance criteria used by rating agencies and the utility industry. This guideline entails the following:
  - a. Compliance with the rate covenants outlined in existing Bond Resolution.
  - b. Maintenance of adequate operating reserves.
2. The proposed rates should be based on full cost recovery principles.
3. The proposed rates should promote the continued conservation of water resources.
4. The proposed rates should recognize historical rate structures or forms and avoid potential rate shock.
5. The proposed rates, to the extent practical, should be comparable with those of neighboring utility systems.

Ms. Tamara Richardson, P.E.  
Polk County Utilities  
March 25, 2024  
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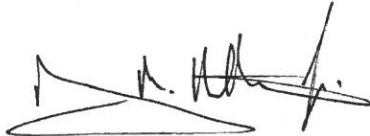
The proposed monthly rates and miscellaneous utility fees for water and wastewater service are expected to meet the goals and objectives outlined above and should be sufficient to provide for the recovery of the total costs anticipated for PCU. To recoup PCU's existing and future water and wastewater infrastructure improvements necessary to serve new growth, this study also recommends increasing the water and wastewater connection fees.

Following this letter, we have provided an executive summary that briefly summarizes the results of our study and outlines our recommendations and conclusions. The remainder of the report provides additional details regarding the rate and financial analysis conducted on behalf of PCU.

We appreciate the opportunity to be of service to the County and would like to thank County staff for their valuable assistance and cooperation during the course of this study.

Respectfully submitted,

**RAFTELIS FINANCIAL CONSULTANTS, INC.**

A handwritten signature in black ink, appearing to read "M. Hamilton, Jr.", with a large, sweeping horizontal stroke underneath.

**Murray M. Hamilton, Jr.**  
*Vice President*

MMH/dlc  
Attachments

## Section 2 – Review of Connection Fees

### General

PCU, as well as other publicly owned utility systems, face increasing capital commitments necessary to expand water and wastewater system facilities to serve new growth. The utility business is capital intensive and requires the commitment of significant resources in advance of the growth in demand. In addition, System improvements and regulatory compliance also require significant capital expenditures in today's utility business environment. Further, the impact of inflation on System operating expenses and on the cost of new and replacement facilities results in upward pressure on monthly utility user rates. The compelling capital needs associated with the utility business and the desire to control the increase in monthly utility user rates and charges have resulted in the use of funding alternatives such as PCU's water and wastewater connection fees to finance, in part at least, the cost of System expansion.

A connection fee is a charge imposed on new users of real property to help finance the capital cost of constructing public facilities necessary to serve new residents. The purpose of a connection fee is to assign, to the extent practical, growth-related capital costs to those new residents or users responsible for such additional costs. The connection fee can be considered to be a new user's contribution to those facilities or capital costs that are required in order to provide a comparable level of service to that which is being provided to existing customers.

### Connection Fee Criteria

To the extent new population growth and associated development imposes identifiable added capital costs, municipal utility capital funding practices include the assignment of such costs to those residents or System users responsible for the added costs rather than the existing population base. Generally, this practice has been labeled as "growth paying its own way."

Based on our experience within the industry, the implementation and use of connection fees should meet the following minimum criteria:

1. Be based on the most recent and localized data;
2. Provide for separate accounting and reporting of connection fee revenues and expenditures;
3. Limit administrative charges for the collection of fees to actual costs, if any; and
4. Provide reasonable notice of no less than 90 days before the effective date of an ordinance or resolution imposing a new or increased connection fees.

Implementation of connection fees is supported based on existing Florida case law and the Municipal Home Rule Powers Act that grants Florida municipalities the governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services, as limited by legislation or as prohibited by state constitution or general law. Florida courts have ruled that the Municipal Home Rule Powers Act grants the requisite power and authority to establish valid connection fees,

a type of impact fee. The authority for Florida governments to implement valid System connection fees is further granted in the Florida Growth Management Act of 1985.

The initial precedent for connection fees in Florida was set in the Florida Supreme Court decision, *Contractors and Builders Association of Pinellas Authority v. The City of Dunedin, Florida*. In this case, the Court's ruling found that an equitable cost recovery mechanism, such as connection fees, could be levied for a specific purpose by a Florida municipality as a capital charge for services. A connection fee should not be considered as a special assessment or an additional tax. A special assessment is predicated upon an estimated increase in property value as a result of an improvement being constructed in the vicinity of the property. Further, the assessment must be directly and reasonably related to the benefit which the property receives. Conversely, connection fees are not related to the value of the improvement to the property, but rather to the property's use of the public facility.

Until property is put to use and developed, there is no burden upon servicing facilities and the land use may be entirely unrelated to the value or assessment basis of the underlying land. Connection fees are distinguishable from taxes primarily in the direct relationship between amount charged and the measurable quantity of public facilities or service capacity required. In the case of taxation, there is no requirement that the payment be in proportion to the quantity of public services consumed since tax revenue can be expended for any legitimate public purpose.

Based on existing Florida case law, certain conditions are required to develop a valid connection fee. Generally, it is our understanding that these conditions involve the following issues:

1. The connection fee must meet the "dual rational nexus" test. First, connection fees are valid when a reasonable impact or rationale exists between the anticipated need for additional capital facilities and the growth in population. Second, fees are valid when a reasonable association, or rational nexus, exists between the expenditure of the connection fee proceeds and the benefits accruing to the growth from those proceeds.
2. The system of fees and charges should be set up so that there is not an intentional windfall to existing users.
3. The connection fee should only cover the capital cost of construction and related costs thereto (engineering, legal, financing, administrative, etc.) for capital expansions or other additional capital requirements that are required solely due to growth, and which have a useful life of at least five (5) years. Therefore, expenses due to rehabilitation or replacement of a facility serving existing customers (e.g., replacement of a capital asset) or an increase in the level of service should be borne by all users of the facility (i.e., existing and future users). Likewise, increased expenses due to operation and maintenance of that facility should be borne by all users of the facility.
4. The County should maintain a connection fee ordinance or resolution that explicitly restricts the use of fees collected. Therefore, connection fee revenue should be set aside in a separate account, and separate accounting must be made for those funds to ensure that they are used only for the lawful purposes described above.

Based on the criteria above, the proposed connection fees, which are set forth in subsequent sections herein: i) include only the estimated capital cost of facilities necessary to serve anticipated population growth; ii) do not reflect costs associated with renewal and replacement of any existing capital assets (except for any portion



of upgrades allocable to growth, such as “upsizing” transmission lines); and iii) do not include any costs of operation and maintenance of any facilities.

As can be seen above, the courts have addressed three (3) areas associated with the development of the connection fee. These areas include: i) the “fair share” rules dealing with payment of the fee by the affected property owners; ii) the “rational nexus” rules, which focus on the expenditure or purpose of the fee; and iii) the “credits” rules, which recognize fee offsets.

The fair share rules address that the fee can only be used for capital expenditures that are attributable to new growth. The fee cannot be used to finance level of service deficiencies or the replacement of existing facilities required to provide services to existing users. The rules also allow for establishing different fees for different classes of customers and the ability for the payment of a reduced connection fee if applicants can demonstrate that their development will have smaller impact (or capital requirement) than assumed in the fee determination. Additionally, the fair share rules recognize that the cost of facilities used by both existing customers and new growth must be apportioned between the two (2) user groups such that the user groups are treated equally and one group does not subsidize the other.

The rational nexus or benefit rule requires that there be a reasonable relationship between the need for capital facilities and the benefits to be received by new growth for which the fee will be expended. PCU’s existing capital improvement program and the overall specific management of the System are considered to be System-wide, which eliminates the need for utility zones. As such, the proposed connection fees were determined on a System-wide basis. The second nexus condition recognizes that the property must receive a benefit from the public services for which the fee is being applied. With respect to the water and wastewater charge, these facilities are used by and are constructed on behalf of all the property within PCU’s service areas and benefit both residential and commercial customers. As such, all new growth requesting capacity from the System (either water and/or wastewater) are subject to the application of the connection fees.

The credit rule recognizes that if an agency has received property in the form of cost-free capital or there is specific revenue (taxes) that will be used for the capital expenditures for which the connection fee was designed to recover necessitated by new growth, a credit should be applied to the connection fee. Examples of cost-free capital include grants, principal debt forgiveness, contributions by developers, and other sources, which provide funds toward the capital expenditures for which the fee was designed to recover. The credit rule allows for the recovery of costs from new development through connection fees, net of such cost-free capital.

## Development of Connection Fees

There are two (2) significant components to be addressed in designing connection fees. These two (2) components include: i) the level of service to be apportioned to the applicants that request System capacity; and ii) the level or amount of capital costs to be recovered from a new applicant requesting service. Both of these issues are related to the level of the connection fee expressed on an equivalent residential connection or ERC basis (the lowest denominator for the fee, which is discussed later in this report).

### Level of Service Requirements

In the evaluation of the capital facility needs for providing water and wastewater utility services, it is critical that level of service (LOS) standards are established. Pursuant to Section 163.3164 of the Florida Statutes, the level of service means an indicator of the extent or degree of service provided by, or proposed to be provided



by, a facility based on and related to the operational characteristics of the facility. Level of service shall indicate the capacity per unit of demand for each public facility. Essentially, the level of service standards are established in order to ensure that adequate facility capacity will be provided for future development and for purposes of issuing development orders or permits, pursuant to F.S. Section 163.3202(2)(g). As further stated in the F.S. Section 163.3180, each local government shall establish an LOS standard for each public facility located within the boundary for which such local government has authority to issue development orders or permits.

For water and wastewater service, the level of service that is commonly used in the industry is the amount of capacity (service) allocable to an ERC expressed as the amount of usage (gallons) allocated on an average daily basis. The level of service generally represents the amount of capacity allocable to an ERC, whether such capacity is actually used (commonly referred to as “readiness to serve”). As previously mentioned, an ERC is representative of the average capacity required to service a typical individually metered single-family residential connection. This class of users represents the largest number of customers served by a public utility such as PCU and generally the lowest level of usage requirements for a specifically metered account. The existing fees are based on an estimated, reserved water capacity equal to 350 gallons per day (GPD) of capacity, expressed on an average daily flow basis (ADF). The reserved wastewater capacity is equal to 270 GPD (ADF).

Based on a review of the current billing attributes for single-family residential customers, examination of operating data, and discussions with PCU staff, the average water and wastewater demands per ERC have decreased over time. Lower water demands have most likely resulted from more efficient fixtures being installed within new homes, development on smaller lot sizes requiring less irrigation, and the implementation of alternative irrigation resources and systems, such as reclaimed water. The proposed connection fees are based on a recommended LOS of 250 and 200 GPD (ADF) for the water and wastewater systems, respectively. PCU is currently in the process of updating the County’s comprehensive plan, which will include the recommended changes.

## **Existing Plant-in-service**

In the development of the proposed connection fees associated with serving future customers, excess capacity, if any, of the existing utility system available to serve such growth should be considered. Since such capacity is available to serve the near-term incremental growth of the System, it is appropriate to evaluate the capacity availability of such facilities. In order to evaluate the availability of the existing utility plant-in-service to meet future capacity needs, it is necessary to functionalize the assets by specific utility requirement. The functionalization of the existing assets is necessary to: i) identify those assets which should be included in the determination of the impact fees; and ii) match existing plant type to the capital improvements to meet future service needs.

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