



City of Eustis

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TO: EUSTIS CITY COMMISSION

FROM: TOM CARRINO, CITY MANAGER

DATE: July 18, 2024

RE: RESOLUTION NUMBER 24-60: WATER, WASTEWATER, AND RECLAIMED WATER RATE ADJUSTMENT

Introduction:

The purpose of Resolution Number 24-60 is to establish new water, wastewater, and reclaimed water rates to ensure that the facilities used and required are maintained in proper working order and comply with regulatory mandates. Resolution 21-20 established rate adjustments for water, wastewater, and reclaimed water for the period beginning June 1, 2021 and annually each year thereafter through 2025. The effective date of the new rates will be August 1st billing each year. A notice of a 2.5% increase will be included on every utility bill issued in July.

Recommended Action:

Staff recommends approval of Resolution Number 24-60 as submitted.

Background:

In 2016, the City contracted with Public Resource Management Group, Inc. (PRMG) to perform a Utility rate study. PRMG presented the results and recommendations of the 2016 Water, Wastewater, and Reclaimed Water Study to the Commission on February 18, 2016.

In 2021, the Finance Department conducted an in-house study covering the current status and projections of the water, wastewater, and reclaimed water systems through the year ending June 30, 2025. Consideration was given to current financial conditions, projected operation costs, proposed system upgrades, required system upgrades, customer growth, economic assumptions and revenue streams necessary to deliver reliable and quality service to customers.

Based on the analysis of the water, wastewater, and reclaimed water systems, it was determined that an annual increase of 2.5% each year through June 1, 2025, would be sufficient. Other rates were explored in the study however, it was determined that the 2.5% increase allowed the City to balance funding operations with keeping costs reasonable for users.

The Commission has always provided for and ensured proper rates are in effect for the City. This due diligence has been able to satisfy outside agencies such as lending institutions and

bond rating companies, allowing us to obtain financing for major expansions when necessary. The previous study had an initial increase of 7.7% followed by 4 years at 1.7%, which averaged out to 2.9% a year over the five years ending 6-1-2020. As it turned out, the CPI for the same period was also 2.9%. The study currently in use maintained a consistent 2.5% each year, totaling 12.5% for the period reviewed.

Based on the growth of customers as well as future Consumer Price Index, we believe the rates are adequate and just. It is imperative that the City continue to ensure that rates are available to support the operation, maintenance and necessary replacement of the infrastructure; as well as provide assurances to outside agencies, lending institutions and bond rating companies that the City is compliant in providing for operational needs. The current increase in rates should still fulfill that commitment for the coming year.

The City has determined that a new rate study needs to be conducted as a result of economic changes since the in-house study was performed. The previous study provided for the expectation that the City would borrow to fund the expansion project which is well underway. However, the award from the American Rescue Plan Act (ARPA) funds provided the City with \$9,311,369 going toward the expansion, eliminating the need for borrowing. Additionally, the expansion project has incurred significant inflationary costs which has increased the overall cost of the expansion. Construction costs continue to rise.

A new rate study was approved by the Commission and is currently being performed by an outside consultant, Raftelis. Raftelis is a local government & utility management consulting company with national exposure. Raftelis has a system to deal with inflationary factors previously not projected. Raftelis will present their initial findings to the Commission during the July 15, 2024 workshop. Their assumptions are based on this 2.5% rate increase occurring. Based on the recommendations of the new rate study, it is expected that staff will bring a mid-year adjustment of rates to the City Commission for consideration.

The exhibit below illustrates the proposed rate increases based on a typical residential 5,000-gallon monthly bill for water, reclaimed water, and wastewater usage. The cost of irrigation using an additional 5,000-gallon has been included for both those having potable water as well as those able to utilize reclaimed water.

City of Eustis Residential Bill Comparison - 5,000 Gallon Monthly Usage Inside City Rates June 1, 2024		
Description	Current Rate	New Rate 7/1/2024
Water Availability	\$ 12.35	\$ 12.66
Consumption Cost	12.92	13.25
	25.27	25.91
Utility Tax	2.53	2.59
Total Water Charges	27.80	28.50
Sewer Availability	\$ 29.07	\$ 29.80
Consumption Cost	18.19	18.65
Total Sewer Cost	\$ 47.26	\$ 48.45
Total	\$ 75.06	\$ 76.95
Cost of Irrigation based on 5,000 Usage		
Irrigation Potable Water	16.04	16.45
Reclaimed Water	8.10	8.30

Customer located outside the City pay an additional 25% premium as provided by Florida Statute 180.191

Regular water and sewer bills would increase \$1.89 monthly, irrigation meter for potable water would increase \$0.41 monthly, while the reclaimed meter cost increase would only be \$0.20 monthly.

Alternatives:

- Approve Resolution Number 24-60
- Deny Resolution Number 24-60 and wait until the rate study is completed by Raftelis.

Discussion of Alternatives:

Approval of Resolution Number 24-60:

Advantages: Approval of the resolution will adequately fund the operations and debt service requirements of the system and allow it to go forward with adequate funding until the Raftelis rate study is complete.

Disadvantages: The customer rates will be increased by 2.5%.

Denial of Resolution Number 24-60:

Advantages: Utility customers will not experience a rate increase at this time. While an advantage to customers, it is not an advantage to the city.

Disadvantages: The system will fall behind in being able to support its basic operating needs and may not be able to support its debt service payments in the future. Capital repairs and improvements will have to slow down so that the system does not become financially unworkable. Failure to adequately fund operations, repairs and maintenance items could lead to major fines from State and Federal Government, environmental impairment, and real potential concerns for public health. The system may also become limited in its ability to serve water and conduct sewer collection for the residents and businesses of the City of Eustis.

Community Input:

The meeting has been advertised according to requirements. Starting on July 1st, notices are being included in customer bills that provide the increased rates.

Budget/Staff Impact:

These rate increases have been determined by the most current rate study to meet the projected immediate operational needs as well as provide revenue projections to meet debt service requirements.

Prepared By:

Lori Carr, Finance Director

Attachments:

Resolution Number 24-60

Exhibit A - Utility Rate Comparison Current Rate and Proposed new Rate