

City of Labelle

Water and Wastewater Utility

Rate and Connection Fee

Study Presentation

Abbreviated for October 10, 2024

Presented July 11, 2024



LaBelle

FL

Prior Presentation Recap

- Utility is reported as an **Enterprise Fund** for financial reporting purposes
 - › Monthly user rates pay the costs of providing service
- Major issues facing utility
 - › Impacts of inflation on the cost of operation and maintenance and capital projects
 - Consumer Price Index – 20% increase since 2019
 - Construction Materials Index – 41% increase since 2019
 - Industrial Chemicals Index – 25% increase since 2019
 - › All these increases have been absorbed by current utility rates

Prior Presentation Recap (cont.)

- Major issues facing utility (cont.)
 - › Significant capital needs projected for FYs 2024 – 2028 (\$130 million)
 - Consent orders, renewal and replacements, and expansions of capacity
 - › Projected increases in annual debt service payments associated with funding of current and future capital projects
 - › Existing loan agreement rate covenant requirements:
 - City must revise rates to the extent necessary to provide Net Revenues required to make debt payments
 - › Less than 60 days of unrestricted cash in operating reserve fund
 - › FY 2024 cashflows budgeted to be insufficient to cover operations and debt service
 - Use of existing reserves to balance budget

Prior Presentation Recap (cont.)

	Existing	2024	2025	2026	2027	2028
Water System	N/A	80.0%	0.0%	3.5%	3.5%	3.5%
Wastewater System	N/A	120.0%	0.0%	10.0%	10.0%	10.0%
Effective Date	N/A	Aug. 1, 2024	Oct. 1, 2024	Oct. 1, 2025	Oct. 1, 2026	Oct. 1, 2027
Average Bill	\$86.09	\$167.66	\$167.66	\$178.07	\$189.30	\$201.42

Cumulative Average Bill Increase of 134% by 2028

Revised Revenue Sufficiency Analysis



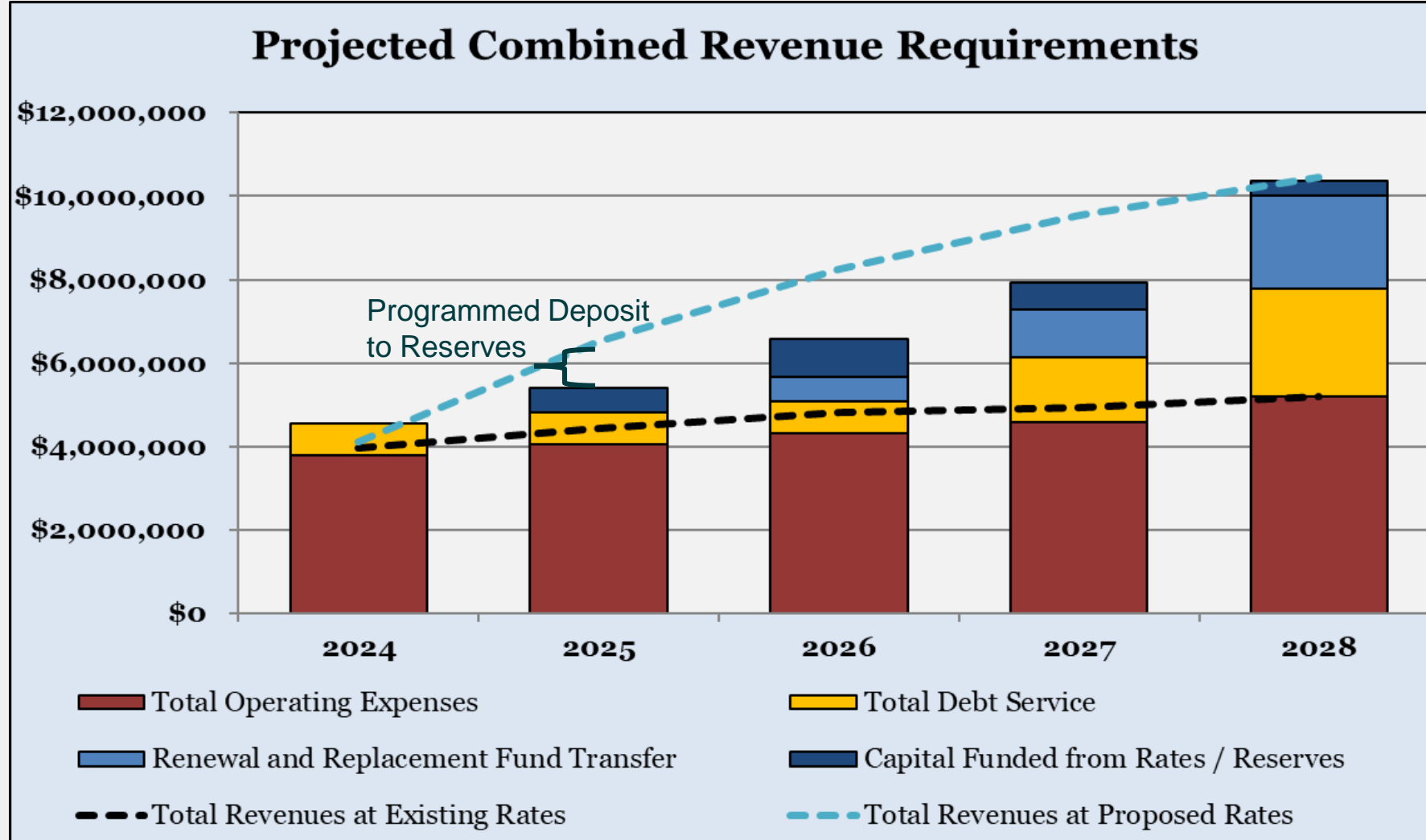
Updates Since Last Meeting

- City and Consulting Engineers provided information on **\$26 Million** in additional grant funding secured for utility capital projects
 - › Significantly reduced anticipated borrowing for funding capital projects
- Updated projected financing assumptions using updated information from FDEP – lower interest rates from 3.3%-3.8% down to **1.1%-2.1%**
- Grant and debt assumption updates reduced the projected annual debt service payments by approximately \$2.3 million per year by 2029
- Extended timeline to build up adequate operating reserves (3 years from 1 year)
- **Updates provide additional flexibility for rate adjustments compared to prior plan**
 - › Proposed rate trajectory was revised to slightly reduce and phase in rate increases
 - Reduced cumulative bill increases to customers by approximately **22%** by 2028

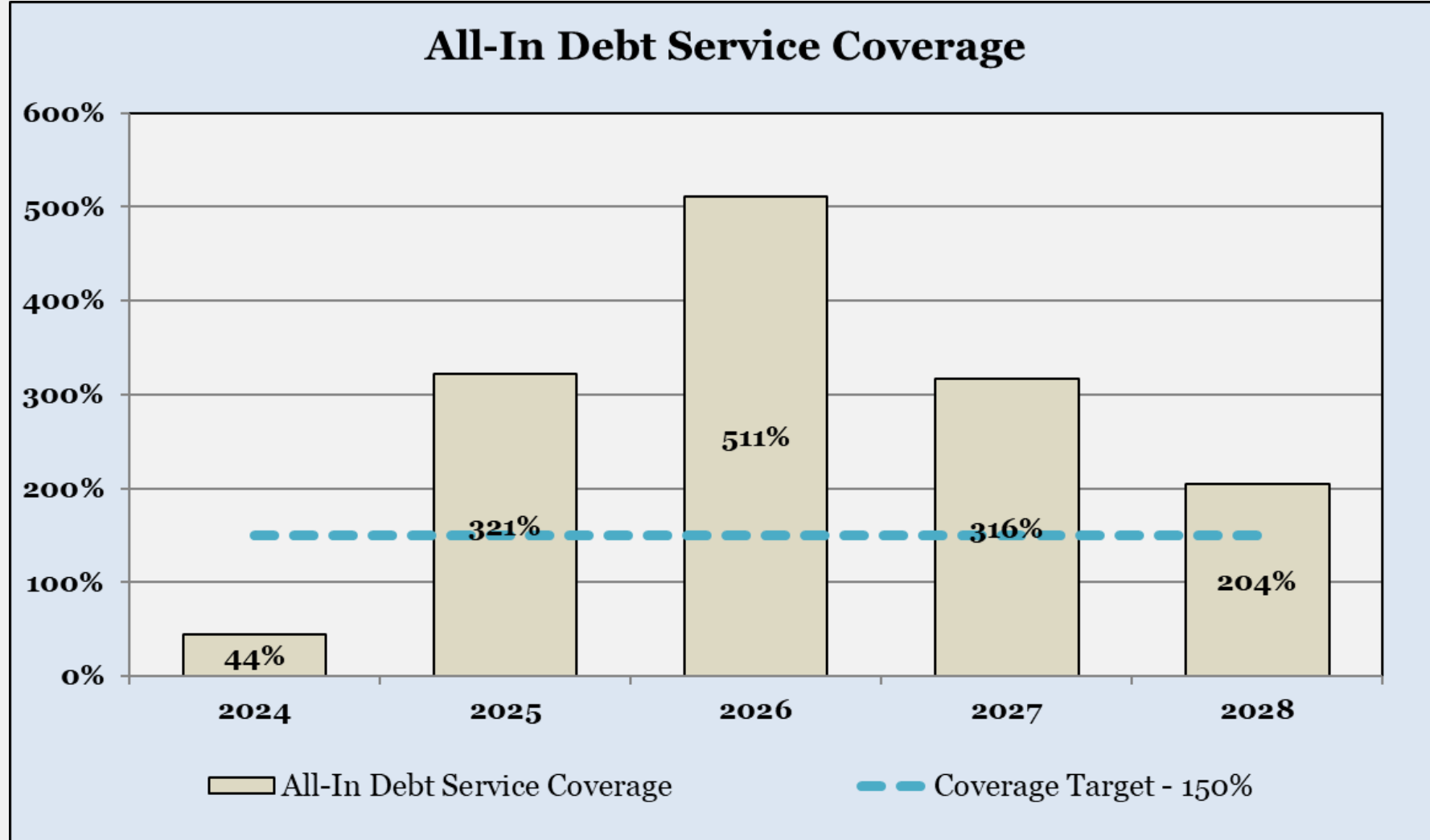
Proposed Rate Adjustments

Description	Existing	2024	2025	2026	2027	2028
<u>Prior Proposal:</u>						
Water System	N/A	80.0%	0.0%	3.5%	3.5%	3.5%
Wastewater System	N/A	120.0%	0.0%	10.0%	10.0%	10.0%
Effective Date	N/A	Aug. 1, 2024	Oct. 1, 2024	Oct. 1, 2025	Oct. 1, 2026	Oct. 1, 2027
Average Bill	\$86.09	\$167.66	\$167.66	\$178.07	\$189.30	\$201.42
Cumulative Increase	N/A	95%	95%	107%	120%	134%
<u>Revised Proposal:</u>						
Water System	N/A	50.0%	0.0%	3.5%	3.5%	3.5%
Wastewater System	N/A	50.0%	0.0%	50.0%	25.0%	3.5%
Effective Date	N/A	Sept. 1, 2024	Oct. 1, 2024	Oct. 1, 2025	Oct. 1, 2026	Oct. 1, 2027
Average Bill	\$86.09	\$129.14	\$129.14	\$155.80	\$176.61	\$182.79
Cumulative Increase	N/A	50%	50%	81%	105%	112%
<u>Overall Changes</u>						
Total Bill Reduction	N/A	45%	45%	26%	15%	22%

Adequacy of Proposed Rates



Adequacy of Proposed Rates (cont.)



Revised Connection (Impact) Fee Analysis



Connection Fee Background

- Connection fees are charged to first time construction or redevelopment that place increased demand on capital facilities
- Purpose of connection fees are to recover growth-related capital costs from new development responsible for such additional costs
- Mitigates growth-related costs from impacting existing users
 - › New growth “pays its own way” for utility infrastructure costs
- Can only be used on expansion-related capital projects or associated debt payments but **not** for renewal and replacement (R&R) projects

Development of Connection Fee

- Three major components
 - › Amount of expansion-related capital costs to be recovered – **net of grants**
 - › Capacity of the expansion-related facilities (Gallons per Day)
 - › Level of Service (LOS) apportioned to the ERU requesting capacity

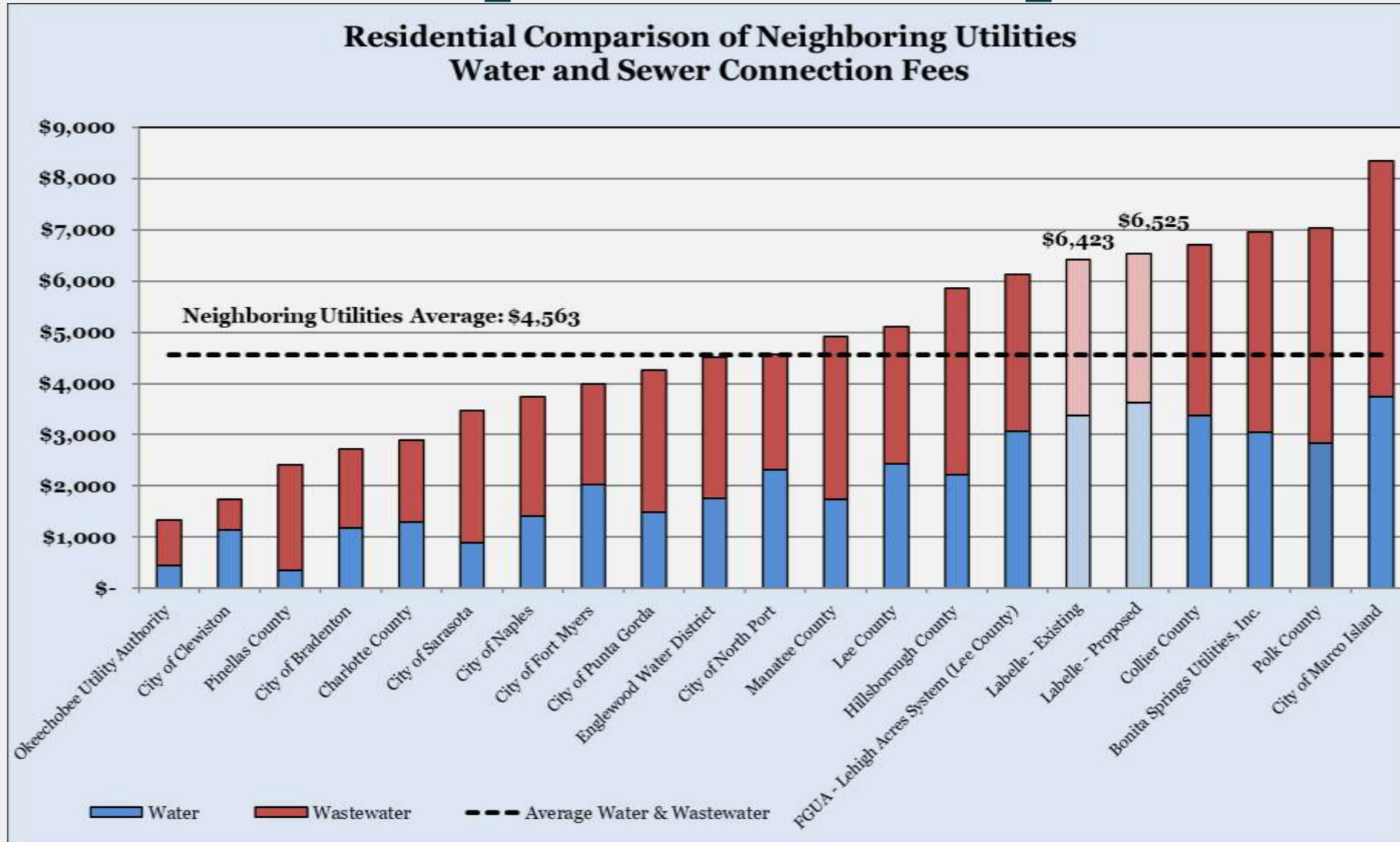


Proposed Connection Fees

Description	Existing Fees	Proposed Fees [*]	\$ Increase / (Decrease)	% Increase / (Decrease)
<u>Prior Proposal – Per Equivalent Residential Unit (ERU):</u>				
Water System	\$3,378.24	\$4,052.00	\$673.76	19.9%
Wastewater System	<u>\$3,045.00</u>	<u>\$3,815.00</u>	<u>\$770.00</u>	<u>25.3%</u>
Total	\$6,423.24	\$7,867.00	\$1,443.76	22.5%
<u>Revised Proposal – Per Equivalent Residential Unit (ERU):</u>				
Water System	\$3,378.24	\$3,627.00	\$248.76	7.4%
Wastewater System	<u>\$3,045.00</u>	<u>\$2,898.00</u>	<u>(\$147.00)</u>	<u>(4.8%)</u>
Total	\$6,423.24	\$6,525.00	\$101.76	1.6%
<u>Changes Compared to Prior Proposal:</u>				
Water System	N/A	(\$425.00)	(\$425.00)	(12.5%)
Wastewater System	N/A	<u>(\$917.00)</u>	<u>(\$917.00)</u>	<u>(30.1%)</u>
Total	N/A	(\$1,342.00)	(\$1,342.00)	(20.9%)

[*] Reductions between proposed fee levels due to additional grant funding.

Connection (Impact) Fee Comparison



Conclusions and Recommendations



Observations

- Revenue Sufficiency:
 - › Existing rates are not projected to be sufficient through Fiscal Year 2028
 - Due to increasing operating expenses, capital costs, and additional debt service costs rate adjustments are proposed for Fiscal Years 2024 through 2028
 - › Total grant funding of \$85.6 million (65.8% of CIP) as provided by the City
 - **Major assumption** – if grant funding decreases, then rates will be impacted
- Connection (Impact) Fees:
 - › Significant capital investment projected - \$130 Million
 - › Proposed fees are slightly higher (mitigated heavily by grant funding)
 - › Increased fees paid by new growth will help shift some cost burden away from existing rate payers

Recommendations

- Adopt proposed monthly user rate adjustment plan
 - › Adopt first 3 years in support of debt financing activities and to improve financial position
 - › Adopt proposed connection (impact) fees
 - › Implementation pending City determination of fee type
- **Reevaluate forecast plan in mid 2025 -**
 - › Changes in capital project costs and timing
 - › Changes in growth and development
 - › Changes in operations and related costs
 - › Changes in grant funding