



TOWN OF LAKE PARK

Stormwater Rate Study

EXECUTIVE SUMMARY / MAY 2023

May 30, 2023

The Honorable Mayor and
Members of the Town Commission
Town of Lake Park
640 Old Dixie Highway
Lake Park, FL 33403

Subject: **Stormwater Rate Study – Executive Summary Report**

Ladies and Gentlemen:

Raftelis Financial Consultant's, Inc. (Raftelis) has completed its study to evaluate the adequacy of the stormwater management system's (System) utility rates for the Town of Lake Park, Florida (Town), and has summarized the results in this letter report for your consideration. The stormwater utility rates are collected annually through a non-ad valorem special assessment. This letter report summarizes the financial forecast and proposed annual assessments for the five- (5) year period ending September 30, 2028 (Study Period).

Project Milestones

The Town Commission engaged Raftelis on January 18, 2023, to prepare a stormwater rate study. Based on the study findings, Town staff held a special workshop for residents and business owners on May 18, 2023. A public notice was posted to the Town's website in April, while a total of 3,687 physical notices (in three languages) were mailed two weeks prior to the workshop. The agenda and presentation materials were made available on the Town's website on May 17, 2023. The presentation was also recorded for those who could not attend the meeting in person.

Following the special workshop, Raftelis finalized the stormwater rate study report on May 30, 2023. The rate study report is a comprehensive, narrative report with tables and figures that support our analyses, conclusions, and recommendations. Town staff have made the stormwater rate study report and supporting presentation documents available on the Town's website. Please refer to these resources for additional information.

Introduction

The Town is required to manage stormwater runoff to i) improve the quality of stormwater discharges by removing pollutants; ii) to protect life, the environment and wildlife habitat; and iii) to protect public / private property from flood damage. The utility is permitted and regulated by the Florida Department of Environmental Protection (FDEP). Routine testing and maintenance are required to ensure that the system infrastructure operates appropriately. In 2022, the Town was required by Florida Law to prepare a 20-year Needs Assessment. The study was prepared by the Town's stormwater engineer who concluded that the aging drainage infrastructure is failing at a faster rate. An estimated 20% of the 10.6 miles of pipe infrastructure should be

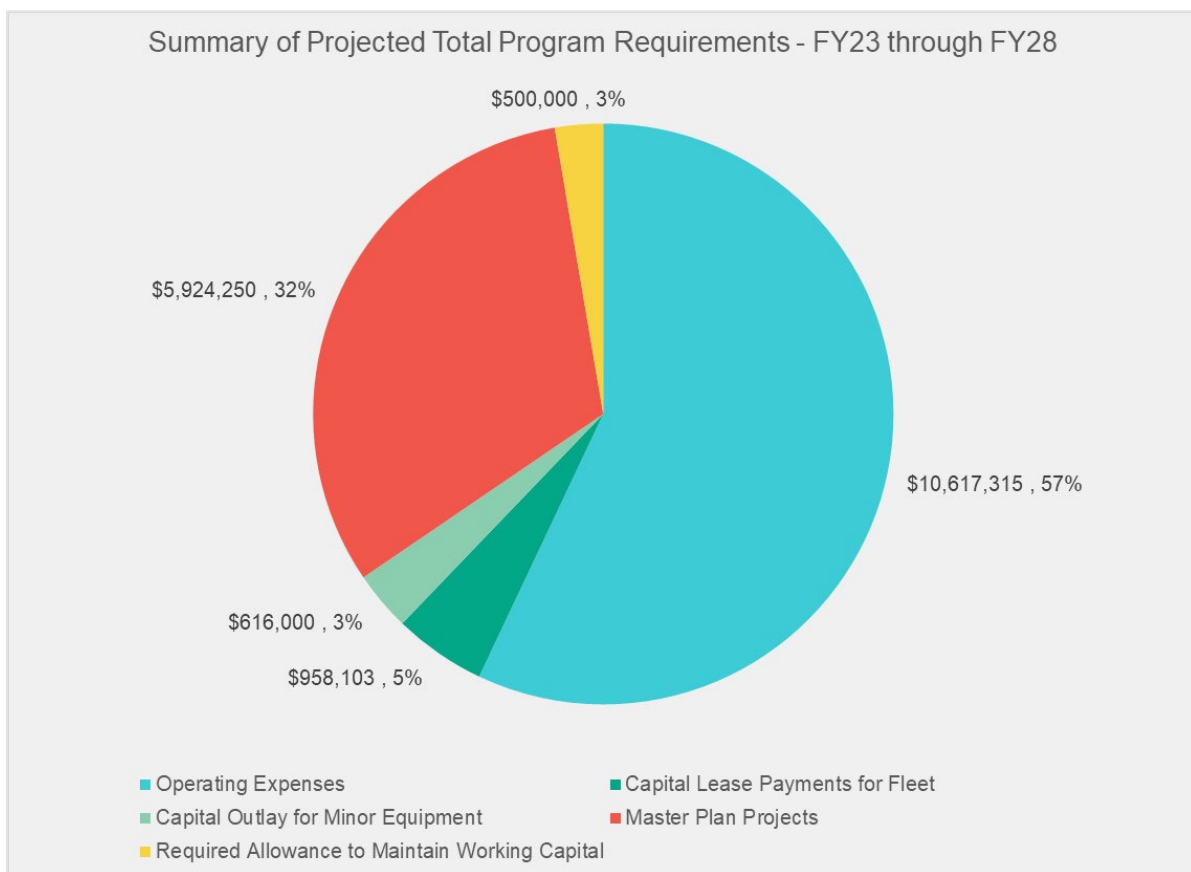
replaced immediately. The Town’s stormwater engineer estimates that the remaining pipe will need to be replaced over the next 20 years. Climate change and environmental stressors also pose a challenge to the Town’s drainage system’s capacity to handle storm events of both small and large magnitudes.

The 20-year Needs Assessment recommendations to address the Town’s concerns of failing infrastructure, climate change, and sea level rise were summarized in a master plan report that was adopted by the Town Commission on July 21, 2021. Pursuant to Resolution No. 40-07-21, the Town Commission found that the proposed master plan improvements were consistent with “the Town’s commitment to preserve life and property, and to mitigate the magnitude, impact, and severity of severe flooding in the Town.”

Financial Analysis of the Stormwater Utility System

The Town’s stormwater system is established as a self-supporting enterprise fund with separate accounting from other departments and resources. The Town has historically used operating reserves to cover actual expenses that exceeded the budgeted amounts while phasing in rate adjustments.

Based on information provided by Town staff, the total projected program requirements during the Study Period exceeds \$18.6 million as summarized below:



As shown on the previous page, the program requirements include operating expenses, capital lease payments to replace existing stormwater trucks, purchases for minor equipment, funding for the rehabilitation and replacement of existing stormwater infrastructure, and allowances to establish and create cash reserve funds to address unforeseen contingencies and natural disasters. There are several primary cost drivers that have had a significant impact on System costs:

- Current operating deficiency
 - FY23 operating expenses exceed current revenues by approximately \$250,000 (24% of existing rates)
- High costs, frequency, and severity of mechanical repairs
 - Replacement of major components due to aging fleet
- Compensation and Recruitment:
 - Highly competitive labor market
 - Stormwater Technician II positions vacant 18+ months
 - Recommended changes to operating salaries and associated benefits
- Competition: long lead times for materials, supplies, equipment, and vehicles
 - Inflationary increases on all business expenditures
- Increased infrastructure repairs and maintenance costs
 - Cure-in-place pipe / pipe replacements
- Newly identified master plan improvement projects
 - Result of 20-year Needs Assessment, as required by State Law

The stormwater utility has exhausted its reserve funds, and therefore cannot continue to operate without a balanced budget that meets the annual expenditure requirements.

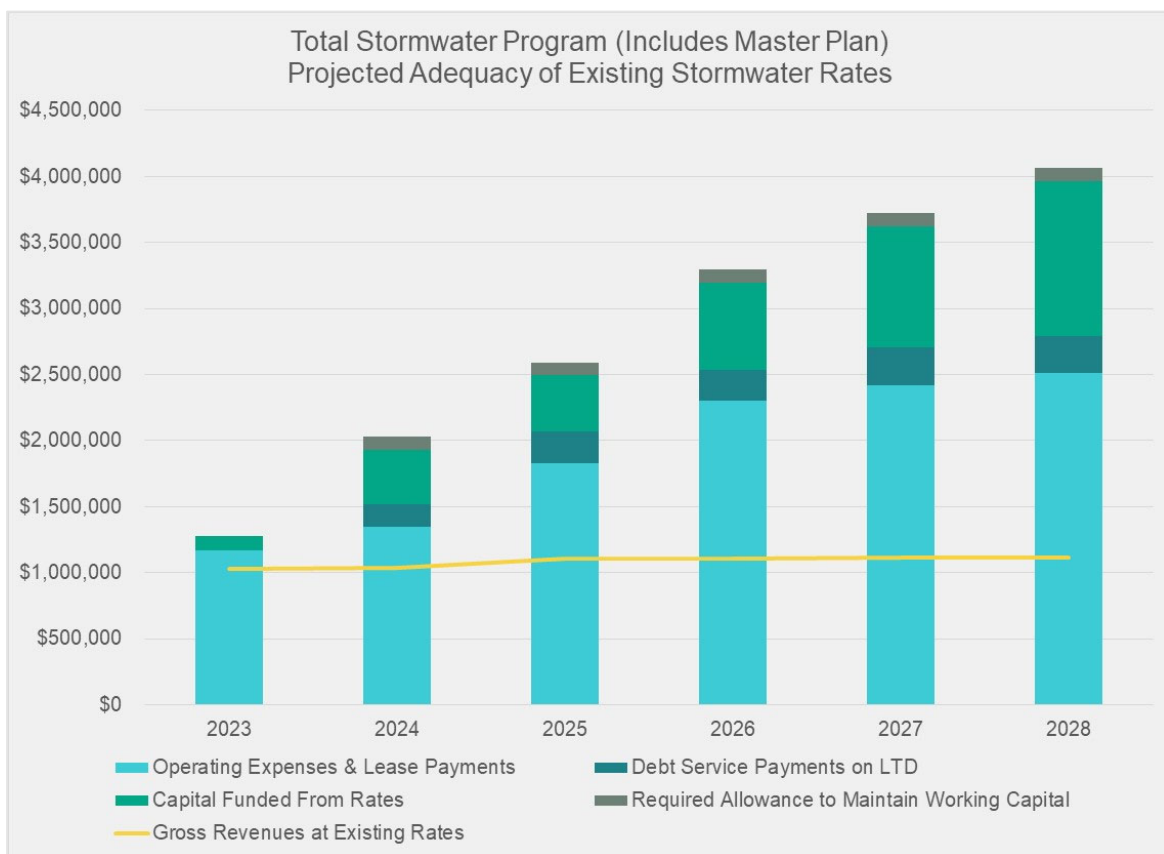
On January 18, 2023, the Town Commission engaged Raftelis to prepare a stormwater utility rate analysis. The goal of this study is to assist the Town in establishing stormwater rates that are sufficient to recover the cost of operating, maintaining, repairing, and financing the System. In order to achieve this goal, certain criteria were established in conjunction with the Town staff that served as guidelines for developing the proposed stormwater rates. The criteria established included: i) proposed rates should address System-wide drainage improvements within the community where a public benefit is served; ii) the Town Commission should consider borrowing a portion of the capital improvement costs early in the Study Period as the master plan recommendations are implemented but becoming self-sufficient over time (by Fiscal Year 2028); iii) rate increases should be phased-in over time to the extent possible; and iv) the Town Commission should consider adopting a reserve policy for the System to provide adequate working capital reserves equal to not less than 90 days of annual expenditures.

The recommendations of this study are based on a financial forecast developed for the System. The financial forecast starts with a projection of customers and revenues, proceeds next with identification of utility operating and capital needs, evaluates the availability and proposed use of existing operating reserves, and, finally,

establishes the timing of rate adjustments. The basis for the study's recommendations is a financial forecast developed for Fiscal Years 2023 through 2028 (previously defined as the Study Period). Town staff have made the stormwater rate study report and supporting presentation documents available on the Town's website. Please refer to these resources for additional information about our principal study assumptions, estimates and results.

Projected Adequacy of Existing Stormwater Rates

Based upon the assumptions used to prepare the System's financial forecast regarding operating expenses and capital needs, the projected net revenue requirements of the System when compared to revenues under existing stormwater rates are summarized below:



As can be seen in the above summary, the projected revenue deficiency is estimated to be approximately \$1.0 million in Fiscal Year 2024, which may increase to \$2.2 million by Fiscal Year 2026, and \$3.0 million by Fiscal Year 2028. By Fiscal Year 2028, operating expenses and capital lease payments comprise approximately half (50%) of the projected revenue deficiency, while the remaining capital improvement costs and annual debt service payments make up the remaining shortfall.

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Existing and Proposed Rates

The Town currently charges \$13.50 per month per equivalent stormwater unit (ESU) for all developed properties, which results in an annual non-ad valorem assessment of \$162 per ESU. To meet the stormwater utility program requirements identified for the Study Period, the following assessments are proposed:

Proposed Stormwater Rates

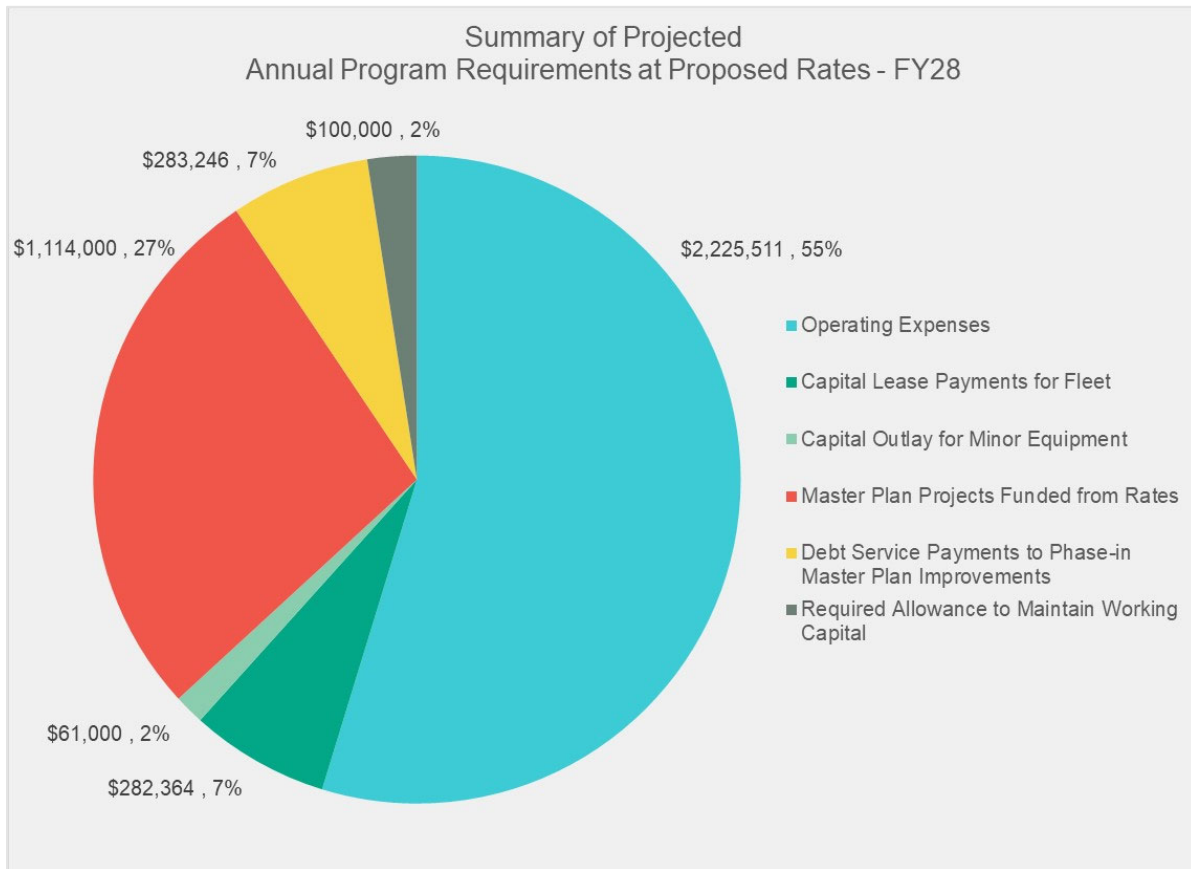
Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Funds Total Program (Including Master Plan Improvements)					
Percent Rate Increase	89%	26%	26%	13%	9%
Proposed Monthly Charge per ESU (Current Fee: \$13.50)	<u>\$25.52</u>	<u>\$32.16</u>	<u>\$40.52</u>	<u>\$45.79</u>	<u>\$49.91</u>
Proposed Annual Assessment per ESU (Current Fee: \$162.00)	\$306.24	\$385.92	\$486.24	\$549.48	\$598.92

As shown above, this study recommends that a series of adjustments be made to the annual assessment. Key benefits of the proposed rate plan include the following:

- Phased-in approach
- Utility becomes self-sufficient after Fiscal Year 2028
- Builds reserves over time
- Under certain conditions, rate may be adjusted by grant revenues

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If the proposed assessments are approved and implemented over the Study Period, by Fiscal Year 2028, the proposed monthly assessment of \$49.91 per ESU (\$598.92 per year) is estimated to fund the following expenditures:



Conclusions and Recommendations

Based on our studies, assumptions, considerations, and analyses as summarized herein, we are of the opinion that:

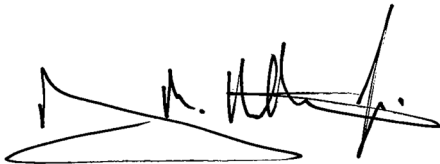
1. The stormwater utility should operate as a self-supporting enterprise fund with separate accounting from other Town departments.
 - a. The Town has consistently used operating reserves to cover actual expenses, but those reserves have been depleted.
2. The Town Commission should consider adopting a reserve policy for the stormwater utility to provide working capital and to help address unforeseen contingencies.
 - a. Town Commission should consider adopting a reserve policy for the stormwater utility to provide working capital and to help address unforeseen contingencies.

3. The existing rates are not adequate to cover the current operations.
 - a. Additional adjustments are also needed to adequately fund the Town's master plan improvement projects.
4. The Town Commission should consider borrowing a portion of the capital improvements in order to phase in the proposed assessments over time.
 - a. The Town Commission should consider adopting the proposed non-ad valorem assessment schedule for Fiscal Years 2024 through 2028 as outlined in this study.
5. This study should be updated within five (5) years.

We appreciate the opportunity to be of service to the Town and would like to thank the Town's staff for their 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 flourish underneath.

Murray M. Hamilton, Jr.

Vice President

MMH/dlc