

Fiscal Year 2025 Rate Adjustment

Community Meetings

January 7, 2025

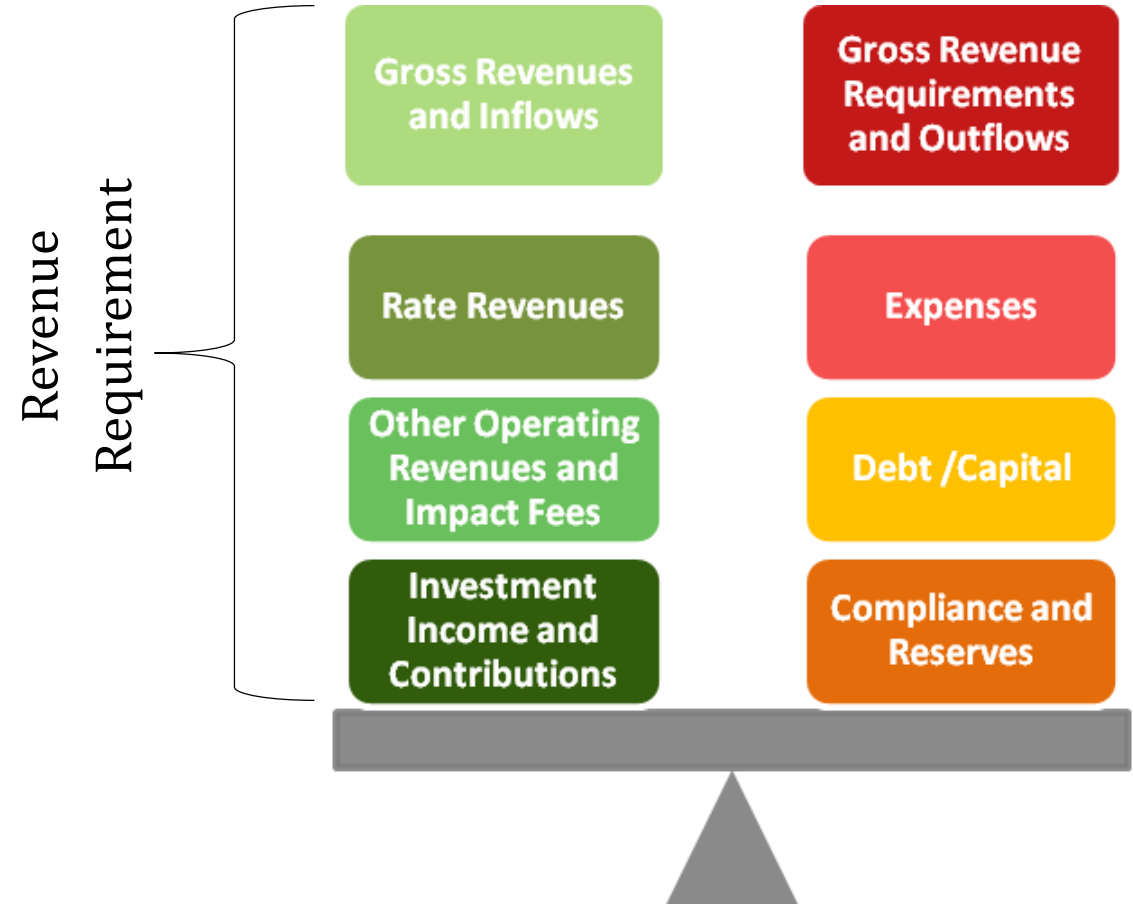
January 9, 2025

January 13, 2025



Summary of Study Purpose

- Objective: Develop Rates to:
 - Begin rate phasing plan to fund construction of new water treatment plant
 - Improve ability to issue bonds to finance CIP
 - Limit rate shock with a single large increase
 - Improve financial position/cash flow due to inflation



System and Rate Background

- Utility is accounted for as an “Enterprise Fund”

- According to Governmental Accounting Standards Board

*Enterprise Funds should be used to account for operations that are **financed and operated** in a manner **similar to private business enterprises** – where the intent of the governing body is that **costs of providing services** to the general public on a continuing basis should be financed or **recovered primarily through user charges**.*

- Primary revenue source – User charge (rate) revenues account for **96%** of total utility recurring revenues

- Significant utility investment made by District

- Over \$138M in depreciable assets (2024) – Original cost
- “Replacement cost” could approach over \$400M
- Assets aging – Will require ongoing renewals and replacements (benefits existing customers)

System and Rate Background (cont'd.)

- District hires independent third-party rate consultant to develop appropriate rates and rate structures
- Last formal rate study performed during Fiscal Year 2023

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water System	20%	10%	3%	3%	3%
Wastewater System	27%	8%	3%	3%	3%

- Adopted rate phasing plan through Fiscal Year 2028
- Water = General Inflation / Indexing
- Wastewater = Recover increased capital costs / East Central Regional WWTP costs
- Adopt just and equitable (Florida Statute)
- The rates for service not adjusted in five years (adopted prior to pandemic)

Increase in the District's Cost

- **The primary reasons for the increase in water and wastewater monthly user rates are due to:**
 - A significant level of capital costs being financed associated with the replacement of the existing water treatment facilities which is expected to start construction in Fiscal Year 2025 with an estimated construction cost of \$356 million.
 - Increased operating expenses associated with the continued impacts of general inflation and increased energy increases and the residual effects on the cost of doing business (chemicals, repairs, transportation, etc.).
 - Increased costs of wastewater treatment and disposal associated with the financing of significant capital improvements through increased deposits to the Renewal and Replacement Fund attributable to the East Central Regional Wastewater Treatment Facility coupled with increased costs of operations at the facility.
 - Increased operating expenses for the water system associated with the need to secure contract services to operate the facilities due to a lack of candidates to fill vacant positions.

Increase in the District's Cost (cont'd.)

- Due to the age and condition of the existing utility plant assets, the proposed rate recommendations provide additional dedicated annual transfers to fund capital expenditures for the ongoing and needed renewal, replacement, betterment and upgrade of System assets.
- Maintain the creditworthiness of the System and a favorable bond credit rating. Maintaining working cash reserves to limit the risk to the utility due to unforeseen changes in revenues, unexpected operating or capital expenses. Provide a plan to achieve the lowest cost of borrowers for capital financing. Promote the long-term financial stability of the System.
- To issue additional bonds, the District must approve rates to have sufficient net revenues to meet the additional bonds test requirement. Rates must be in place to issue the debt to finance the capital improvements to the System.

What is the cost of the new water treatment plant?

A penny a gallon!

Estimated Cost of Treatment Plant	\$400,000,000
Estimated Annual Debt Service Cost Factor	6.25%
Estimated Debt Service Cost	\$25,000,000
FY 2022 & FY 2023 Consumption (in Thousands)	2,463,983
Estimated Cost per 1,000 Gallons	\$10.15
Cost per Gallon	\$0.0101

Rate Determination

- Rate Requirement Determination – Varies depending on four factors
 - Costs Water or Wastewater
 - Fixed Costs or Variable Costs
 - Costs specific to Residential, Commercial, Irrigation or All customer classes
 - Allocation of water and wastewater, fixed and variable to each customer class further broken down by meter size

Proposed Rate Revenue User Fee Adjustments

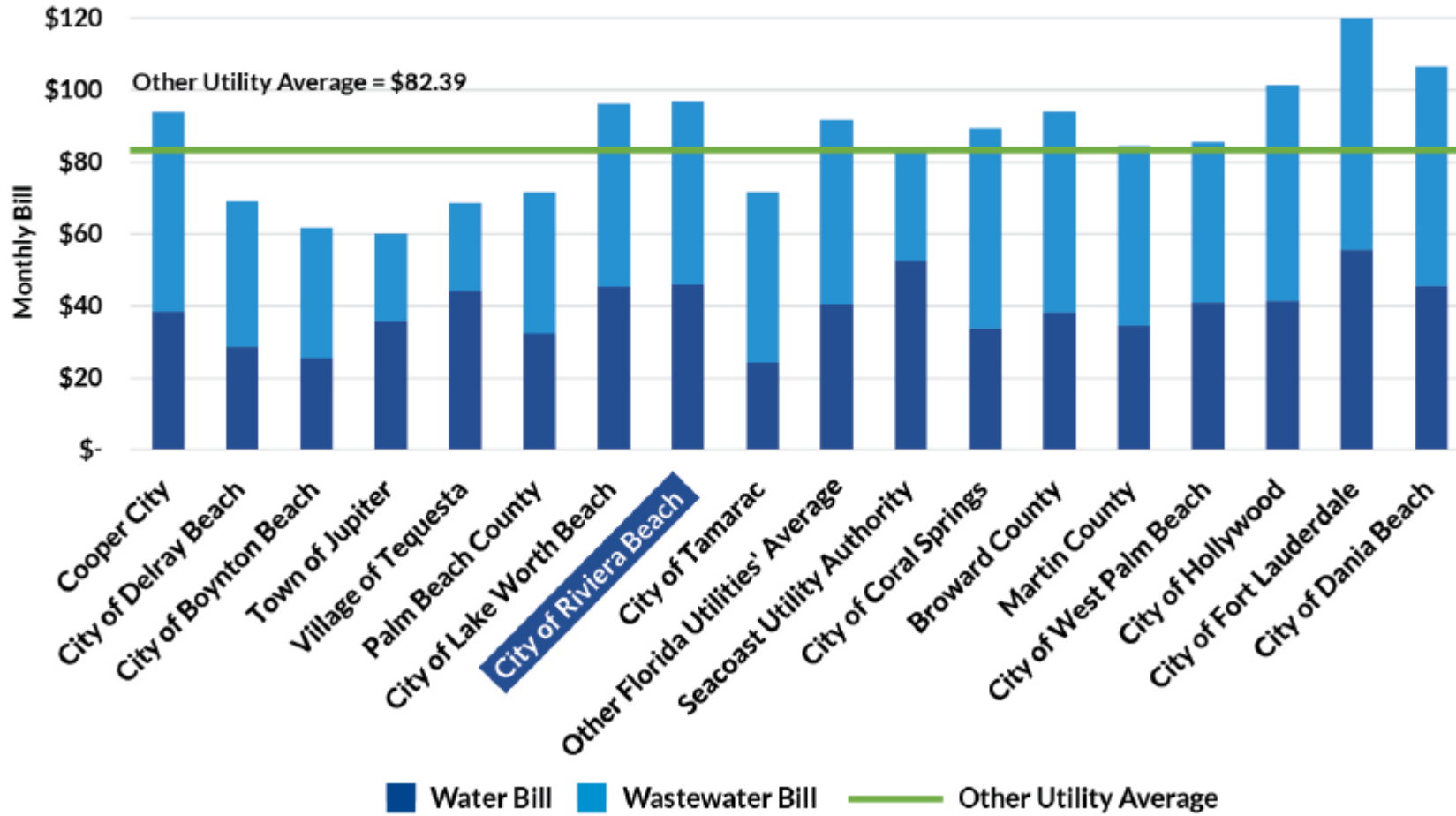
- Proposed water and wastewater adjustments for 2026 to 2029

Recommended % Rate Adjustments for Water Service – Effective October 1 st of each Fiscal Year				
	FY2026	FY2027	FY2028	FY2029
Water System	31.85%	31.85%	29.78%	26%

Recommended % Rate Adjustments for Wastewater Service – Effective October 1 st of each Fiscal Year				
	FY2026	FY2027	FY2028	FY2029
Wastewater System	6.09%	6.09%	6.09%	6%

Average Increase – Combined System				
	FY2026	FY2027	FY2028	FY2029
	18.77%	20.17%	20.28%	18.94%

Comparison of Combined Monthly Water and Wastewater Residential Bills at 5,000 Gallons



Questions and Discussion

