



# **AGENDA**

## **UTILITIES ADVISORY BOARD**

Regular Meeting 2020-08  
August 27, 2020 - 6:30 P.M.

Utilities Department Conference Room, 250 Osmosis Drive, SE

### **CALL TO ORDER:**

### **ROLL CALL:**

### **ADOPTION OF MINUTES:**

1. Regular Meeting 2020-07; July 23, 2020

### **PUBLIC COMMENTS:**

Public comments will be heard by the Utilities Advisory Board on agenda and non-agenda issues. Speakers must complete 'Public Comment Cards' and are limited to 3 minutes each.

### **NEW BUSINESS:**

1. User Rates and Impact Fees

### **OTHER BUSINESS:**

1. Departmental Updates
2. Board Comments

### **ADJOURNMENT:**

Pursuant to Section 286.011, Florida Statutes, Executive Order 20-69, and Palm Bay Resolution 2020-30, notice is hereby given that the Utilities Advisory Board shall hold the above public meeting on August 27, 2020, beginning at 6:30 P.M. and lasting until the meeting is complete. The meeting will be conducted via communications media technology (teleconference/video conference).

Public comments may be submitted via email at [uabcomments@palmbayflorida.org](mailto:uabcomments@palmbayflorida.org). All comments submitted will be included as part of the public record for this virtual meeting and will be considered by the Utilities Advisory Board prior to any action taken. Comments must be received at least twenty-four (24) hours prior to the meeting and shall have a time limit of three (3) minutes.

**Pursuant to Resolution 2020-30, members of the public wishing to use electronic media when addressing the Utilities Advisory Board must provide the electronic file to staff for screening no later than 2:00 P.M. on the day of the meeting.**

**If an individual decides to appeal any decision made by the Utilities Advisory Board with respect to any matter considered at this meeting, a record of the proceedings will be required, and the individual will need to ensure that a verbatim transcript of the proceedings is made, which record includes the testimony and evidence upon which the appeal is based (Section 286.0105, Florida Statutes). Such person must provide a method for recording the proceedings verbatim.**

**In accordance with the Americans with Disabilities Act, persons needing special accommodations for this meeting shall, at least 48 hours prior to the meeting, contact the City of Palm Bay Utilities Department at (321) 952-3410 or Florida Relay System at 711.**

**CITY OF PALM BAY, FLORIDA**  
**UTILITIES ADVISORY BOARD**  
**REGULAR MEETING 2020-07**

Held on Thursday, the 23rd day of July 2020, at the Utilities Department conference room, 250 Osmosis Drive SE, Palm Bay, Florida.

This meeting was properly noticed pursuant to law; the minutes are on file in the Administration Office of the Utilities Department, 250 Osmosis Drive SE, Palm Bay, Florida.

Pursuant to Section 286.011, Florida Statutes, and Executive Order 20-69, this public meeting was conducted via communications media technology (teleconference/video conference).

The meeting was called to order at the hour of 6:41 P.M.

**ROLL CALL:**

<b>CHAIRPERSON:</b>	Robert Grassman	Present (via Teams)
<b>VICE CHAIRPERSON:</b>	Scott Dexter	Present
<b>BOARD MEMBER:</b>	William Pezzillo	Absent
<b>BOARD MEMBER:</b>	Nancy Flickinger	Absent
<b>BOARD MEMBER:</b>	David Weber	Present (via Teams)

**ALSO, PRESENT:** Christopher Little, Utilities Director; Stephanie Sanabria, Utilities Office Manager.

**ADOPTION OF MINUTES:**

**1. Regular Meeting 2020-06; June 25, 2020.**

Motion by Mr. Weber, seconded by Mr. Dexter, to adopt the minutes from the Regular Meeting 2020-06. Motion carried unanimously.

**PUBLIC COMMENTS:**

There were no public comments.

**NEW BUSINESS:**

**1. Consideration of amendments to Board's By-Laws**

Motion by Mr. Weber, seconded by Mr. Scott, to adopt the By-Laws changing the monthly meetings to quarterly meetings. Motion carried unanimously.

**OTHER BUSINESS:**

**1. Department Updates**

Mr. Little discussed meeting with rate consultant STANTEC. A meeting was scheduled with the City Manager.

Mr. Little advised clarifier repair had been completed and was operational.

Mr. Grassman inquired about citizens applying for a hardship if they were unable to pay their water bill. Mr. Little explained that they could reach out to the Utilities Department and request a payment agreement.

**2. Board Comments**

Mr. Weber inquired about a discussion from a year ago regarding rates, different tiers and amount of dates for billing. Mr. Little stated that based on data collected, there would be no benefit in changing the billing days; it would be a wash. Mr. Weber asked for a copy of the data.

**ADJOURNMENT:**

Motion by Mr. Weber, seconded by Mr. Dexter, to adjourn the meeting. Motion carried unanimously. The meeting adjourned at 7:00 P.M.

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Robert Grassman, Chairperson

ATTEST:

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Stephanie Sanabria, Office Manager





## LEGISLATIVE MEMORANDUM

**TO: Utilities Advisory Board Members**

**FROM: Christopher A. Little, P.E., Utilities Director**

**DATE: August 27, 2020**

**RE: Recommended Changes to User Rates and Connection Charges**

### SUMMARY:

The Utilities Department's FY20 rate structure, which was based on Stantec Consulting Services, Inc's 2019 Rate Study for the Utilities Department, was approved by the UAB and City Council on August 29, 2019 and November 21, 2019, respectively. The approvals allowed for the adoption of FY20 rate increases of 4% water, 5% sewer, and 5% reclaimed water.

As part of the 2019 Rate Study, a Five-Year Utility Rate Increase Plan was developed to inform the public, City Council, UAB and other interested parties that a certain level of annual rate increases would be required to meet the key performance indicators. The proposed rate increase plan was as follows:

**2019 Rate Study: Five-Year Utility Rate Increase Plan**

Fiscal Year	2020	2021	2022	2023	2024
Water	4%	4%	4%	4%	4%
Sewer	5%	5%	5%	5%	5%
Reclaimed Water	5%	5%	5%	5%	5%

On June 12, 2020, Stantec was authorized under Task Order No. 9 to evaluate the Utilities Department's financial sustainability and recommend updates as required to maintain the existing level of service, perform required repair and rehabilitation of existing infrastructure, and to expand the utility as necessary to meet future water and sewer demands.

Stantec evaluated the existing rate structure and the proposed projects over a ten-year period. Key performance indicators included the following:

1. Maintain Sufficient Reserve Balances. The Utilities Department is required to maintain an operating reserve to cover three months of Operations and Maintenance expenses (approximately \$4,870,000 in Fiscal Year 2021). The goal is to gradually increase the operating reserve to cover six months.
2. Maintain Sufficient Debt Service Coverage. The Utilities Department is required to maintain a net revenue of 1.1 times the annual debt service. The goal is to increase the coverage to 1.5 times the annual debt service.

3. Balance Debt and Customer Affordability. The Utilities Department is looking to fund Capital Improvement Projects while minimizing debt and increases to the customers' utility bills. To further this goal, the Utilities Department has pursued low-interest loans from the Florida Department of Environmental Protection and has received grant money from Brevard County's Save Our Indian River Lagoon Program.

Stantec found that the Utilities Department's rate structure was generally in-line with best practices and that the FY21 rate increases proposed in the Five-Year Utility Rate Increase Plan should be implemented to maintain the Utilities Department's operation.

In light of the Coronavirus (COVID-19) Pandemic, smaller FY21 user rate increases were evaluated by Stantec and Staff to determine if the Utilities Department could meet the performance indicators without overburdening the rate payers in this time of need and uncertainty. After the review, it was found that a 50% reduction in the recommended FY21 rate increases would not detrimentally impact the Utilities Department's long-term goals and targets as long as the rate increases resume as planned in FY22. The following is a summary of the revised Five-Year Utility Rate Increase Plan:

**2020 Rate Study Update: Five-Year Utility Rate Increase Plan**

<b>Fiscal Year</b>	<b>2020*</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Water	4%	2%	4%	4%	4%
Sewer	5%	2.5%	5%	5%	5%
Reclaimed Water	5%	2.5%	5%	5%	5%

\* Rates were adopted as-is in FY20

Additionally, Stantec evaluated the Utilities Department's connection charges (also known as impact fees, capital charges, etc.) to determine if they are appropriate and align with the current costs. The charges were last evaluated on December 16, 2019 and the last change to the charges occurred on October 1, 2015. The analysis revealed that there should be a reduction in the water connection charge while an increase is necessary for the sewer connection charge. As the City's current sewer connection charge is already the largest in the area, the calculated charge was reviewed, and a lesser charge has been proposed. The following is a summary of the current, calculated, and proposed connection charges:

**2020 Rate Study Update: Connection Charges**

	<b>Current Charge</b>	<b>Calculated Charge</b>	<b>Proposed Charge</b>
Water	2,151.39	2,049.00	2,049.00
Sewer	3,139.20	3,469.00	3,300.00

**RECOMMENDATION:**

Motion to recommend the City Council approve the user rate and connection charge changes as proposed in the 2020 Financial Sustainability Analysis.

## Recommended Changes to User Rates and Connection Charges

August 27, 2020

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Attachment(s): 1) Water and Wastewater Financial Sustainability Analysis and Capital Charges Summary

CL/ss



**City of Palm Bay**

# **Water & Wastewater Financial Sustainability Analysis & Capital Charges Study**

September 3, 2020





# Background & Project Scope

## ■ Background

- Annual financial sustainability analysis performed during City's budget process
- Council requested an annual review of sufficiency of rates
- 2019 FSA: projected 4% (water) and 5% (wastewater) annual rate indexing plan
- In FY 2019, Council approved recommended rate structure modifications

## ■ Project Scope:

- Update the Utility's financial management plan & rate indexing to meet costs
- Perform local residential bill comparison
- Update water & sewer capital charges (impact fees)





# Purpose

## Palm Bay Utilities...

- 1) Provides critical water resources
- 2) Is funded by those using services
- 3) Is a self-sustaining Enterprise Fund:
  - Rates/revenues must align with costs
  - Costs incurred to maintain a high level of service and to meet regulatory requirements and debt covenants

## Proactive planning is best practice:

- Identify 10-year cost requirements
- Update with current data, customers, budgets, debt, etc.
- Establish funding for capital improvements



# Financial Management Plan Revenue Requirements

Fund Capital Improvements, System R&R, & Annual O&M

## Maintain Sufficient Operating Reserves

- 6 months of O&M
- Cover disruptions in revenue or unforeseen expenditures

## Maintain Sufficient Debt Service Coverage

- Net revenues at least 1.5X annual debt service
- Minimize future debt issuances

Financially  
healthy utility  
per rating  
agencies





## Palm Bay, FL

Lower rate increases  
required in FY 21

Resume recommended  
rate indexing plan in FY 22

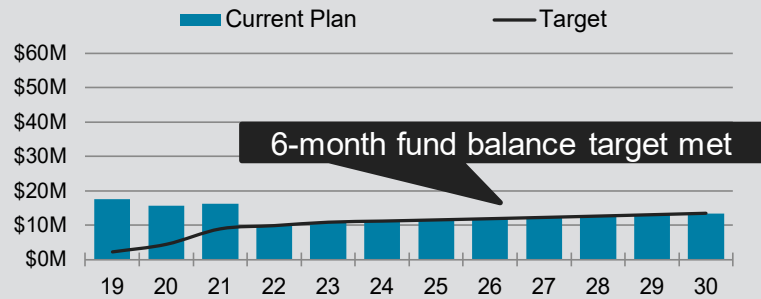


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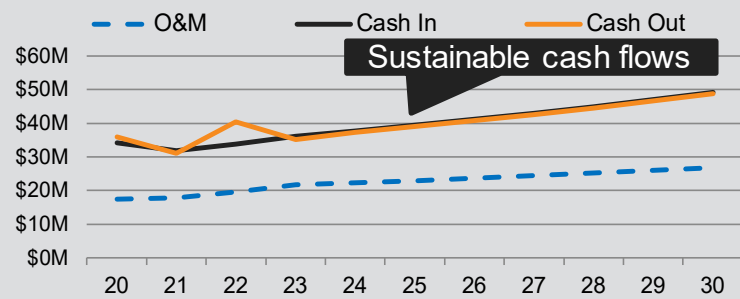
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2025	FY 2030
Water Rate Plan	0.00%	2.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		
Sewer Rate Plan	0.00%	2.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		
Reclaimed Rate Plan	0.00%	2.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		
All-In DSC	1.71	1.71	1.62	1.52	2.29	1.60	1.44	1.54	1.45	1.49	1.58		
Total Single Family Bill	\$75.83	\$77.58	\$81.15	\$84.89	\$88.82	\$92.92	\$97.20	\$101.68	\$106.34	\$111.23	\$116.39		

Debt service requirements met & close to long-term targets

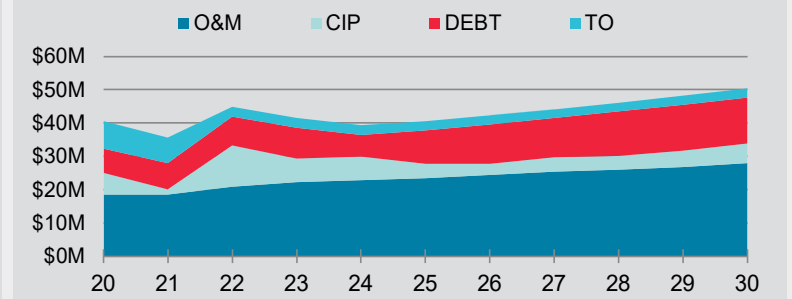
### Operating Fund



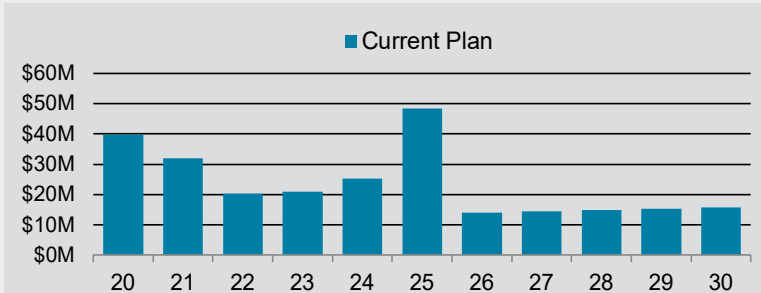
### Revenues vs. Expenses



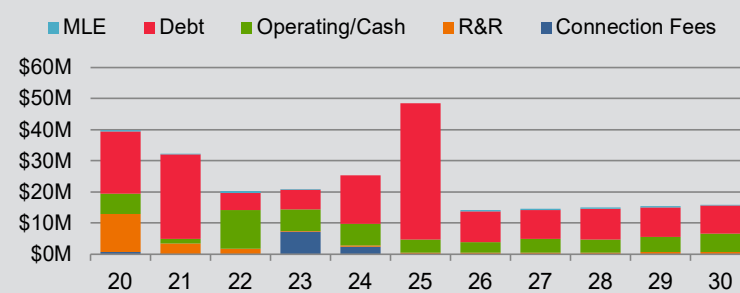
### Expenses by Type



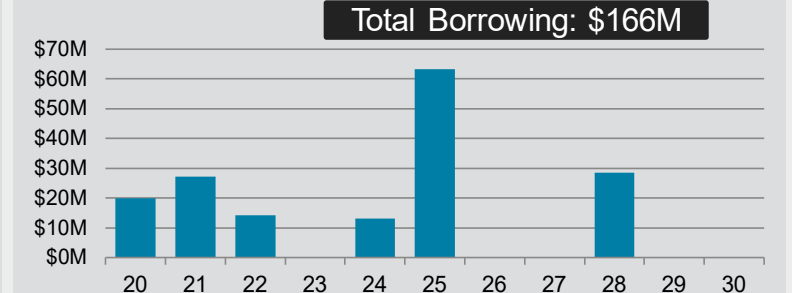
### CIP Spending



### CIP Funding



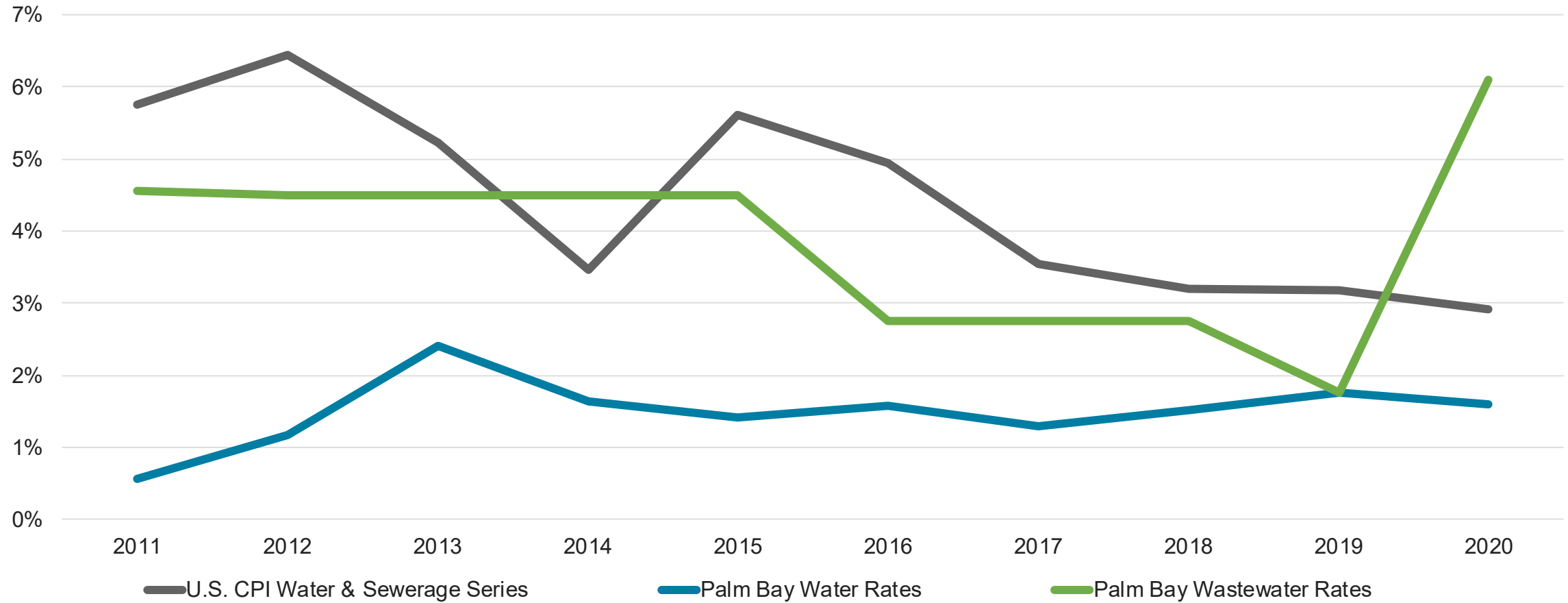
### Borrowing







# Industry Cost Trends



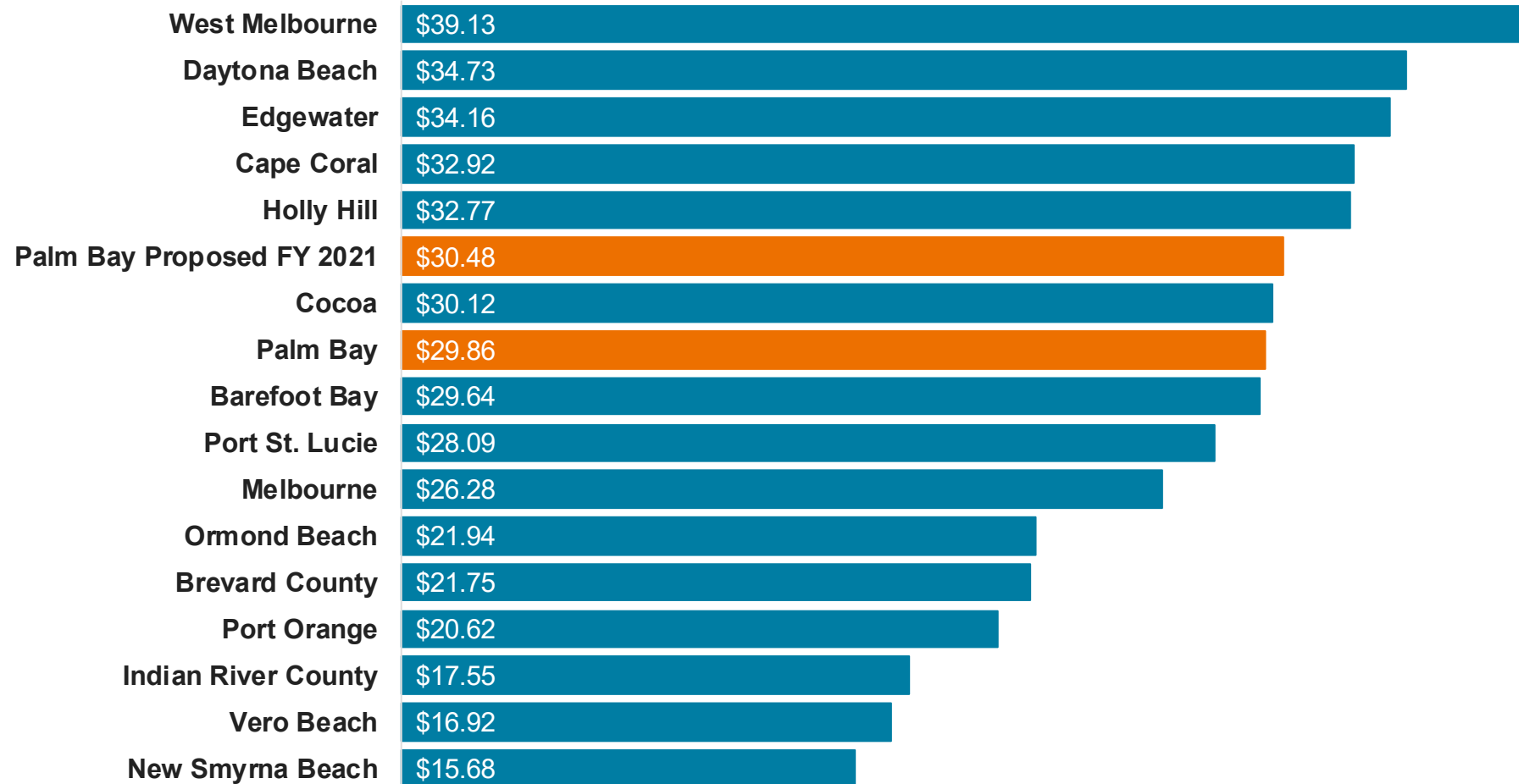
10-Year  
Average

**U.S. CPI – W&S Series = 4.4%**  
**Palm Bay Water = 1.5%**  
**Palm Bay Wastewater = 3.9%**



# Residential Monthly Water Bill Comparison

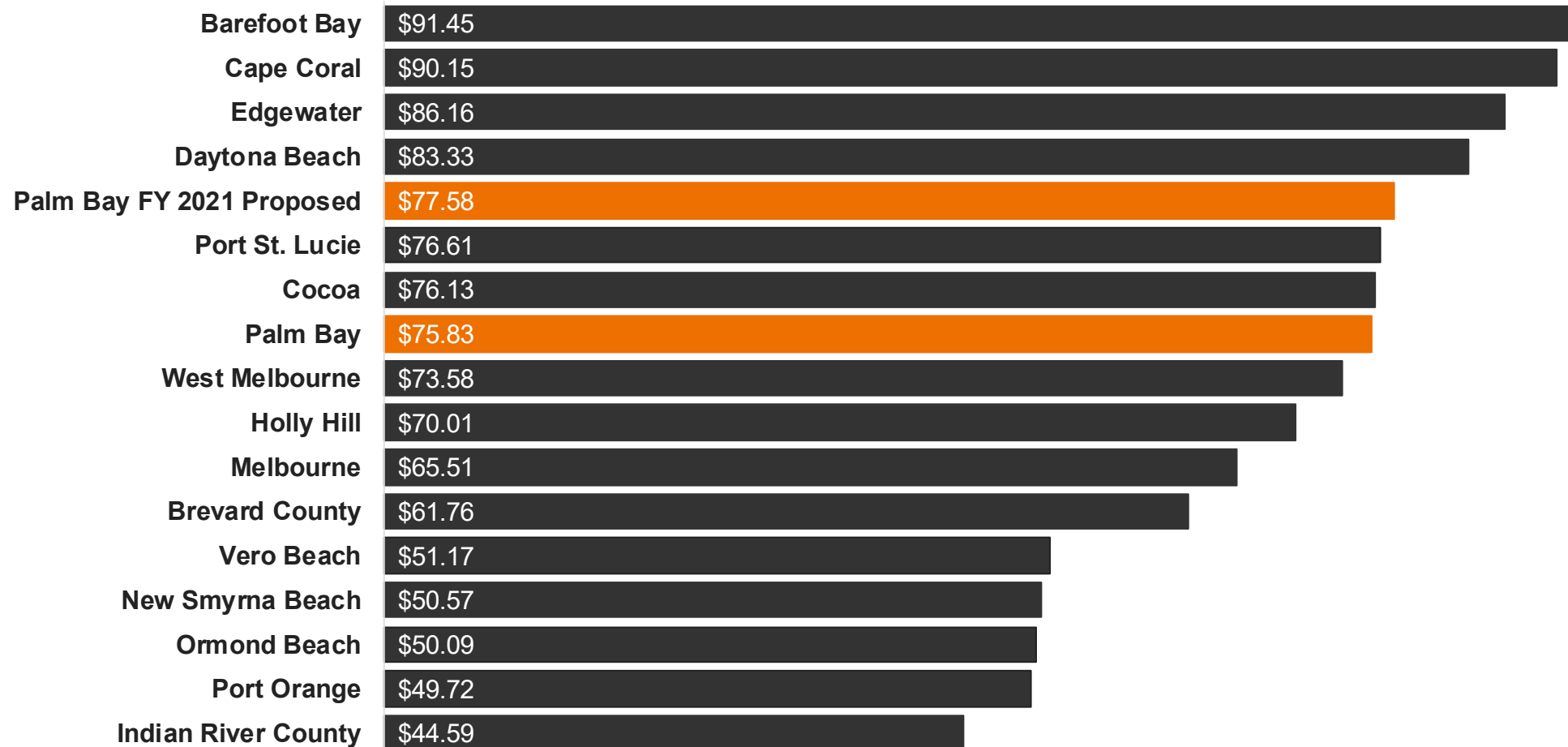
## FY 2020 Rates @ 4,000 Gallons





# Residential Monthly Water & Sewer Bill Comparison

## FY 2020 Rates @ 4,000 Gallons





# Single Family Residential Monthly Bill Impacts: Inside City Water Only

Typical Monthly Usage →

Monthly Use (Gal)	Cumulative Bills	Current Water Bill	Proposed Water Bill	\$ Chg.	% Chg.	
0	6%	\$14.78	\$15.08	\$0.30	2.0%	Water Usage Block 1
1,000	14%	\$18.55	\$18.93	\$0.38	2.0%	
2,000	30%	\$22.32	\$22.78	\$0.46	2.1%	
3,000	48%	\$26.09	\$26.63	\$0.54	2.1%	
4,000	64%	\$29.86	\$30.48	\$0.62	2.1%	Water Usage Block 2
5,000	76%	\$33.63	\$34.33	\$0.70	2.1%	
6,000	84%	\$38.52	\$39.32	\$0.80	2.1%	
7,000	89%	\$43.41	\$44.31	\$0.90	2.1%	
8,000	92%	\$48.30	\$49.30	\$1.00	2.1%	Water Usage Block 3
9,000	95%	\$53.19	\$54.29	\$1.10	2.1%	
10,000	96%	\$58.08	\$59.28	\$1.20	2.1%	
11,000	97%	\$64.86	\$66.20	\$1.34	2.1%	
12,000	98%	\$71.64	\$73.12	\$1.48	2.1%	Water Usage Block 4
13,000	98%	\$78.42	\$80.04	\$1.62	2.1%	
14,000	99%	\$85.20	\$86.96	\$1.76	2.1%	
15,000	99%	\$91.98	\$93.88	\$1.90	2.1%	
16,000	99%	\$100.45	\$102.52	\$2.07	2.1%	
17,000	99%	\$108.92	\$111.16	\$2.24	2.1%	
18,000	99%	\$117.39	\$119.80	\$2.41	2.1%	
19,000	100%	\$125.86	\$128.44	\$2.58	2.0%	
20,000	100%	\$134.33	\$137.08	\$2.75	2.0%	

Approximately 50% of Customers



# Single Family Residential Monthly Bill Impacts: Inside City Water & Sewer

Typical Monthly Usage →

Monthly Use (Gal)	Cumulative Bills	Current Total Bill	Proposed Total Bill	\$ Chg.	% Chg.	
0	6%	\$36.07	\$36.90	\$0.83	2.3%	Water Usage Block 1
1,000	14%	\$46.01	\$47.07	\$1.06	2.3%	
2,000	30%	\$55.95	\$57.24	\$1.29	2.3%	
3,000	48%	\$65.89	\$67.41	\$1.52	2.3%	
4,000	64%	\$75.83	\$77.58	\$1.75	2.3%	
5,000	76%	\$85.77	\$87.75	\$1.98	2.3%	Water Usage Block 2
6,000	84%	\$96.83	\$99.06	\$2.23	2.3%	
7,000	89%	\$107.89	\$110.37	\$2.48	2.3%	
8,000	92%	\$118.95	\$121.68	\$2.73	2.3%	
9,000	95%	\$130.01	\$132.99	\$2.98	2.3%	
10,000	96%	\$141.07	\$144.30	\$3.23	2.3%	Water Usage Block 3
11,000	97%	\$154.02	\$157.54	\$3.52	2.3%	
12,000	98%	\$166.97	\$170.78	\$3.81	2.3%	
13,000	98%	\$179.92	\$184.02	\$4.10	2.3%	
14,000	99%	\$192.87	\$197.26	\$4.39	2.3%	
15,000	99%	\$205.82	\$210.50	\$4.68	2.3%	Water Usage Block 4
16,000	99%	\$220.46	\$225.46	\$5.00	2.3%	
17,000	99%	\$235.10	\$240.42	\$5.32	2.3%	
18,000	99%	\$249.74	\$255.38	\$5.64	2.3%	
19,000	100%	\$264.38	\$270.34	\$5.96	2.3%	
20,000	100%	\$279.02	\$285.30	\$6.28	2.3%	

Approximately 45% of Customers



# Capital Charges

**Different names...**capacity fees, impact fees, capital charges, system development charges/fees, connection charges

**Similar purpose...**one-time fees for cost of capacity to new development

- New customers paying their share of expansion costs
- Excludes O&M, repair and rehabilitation costs

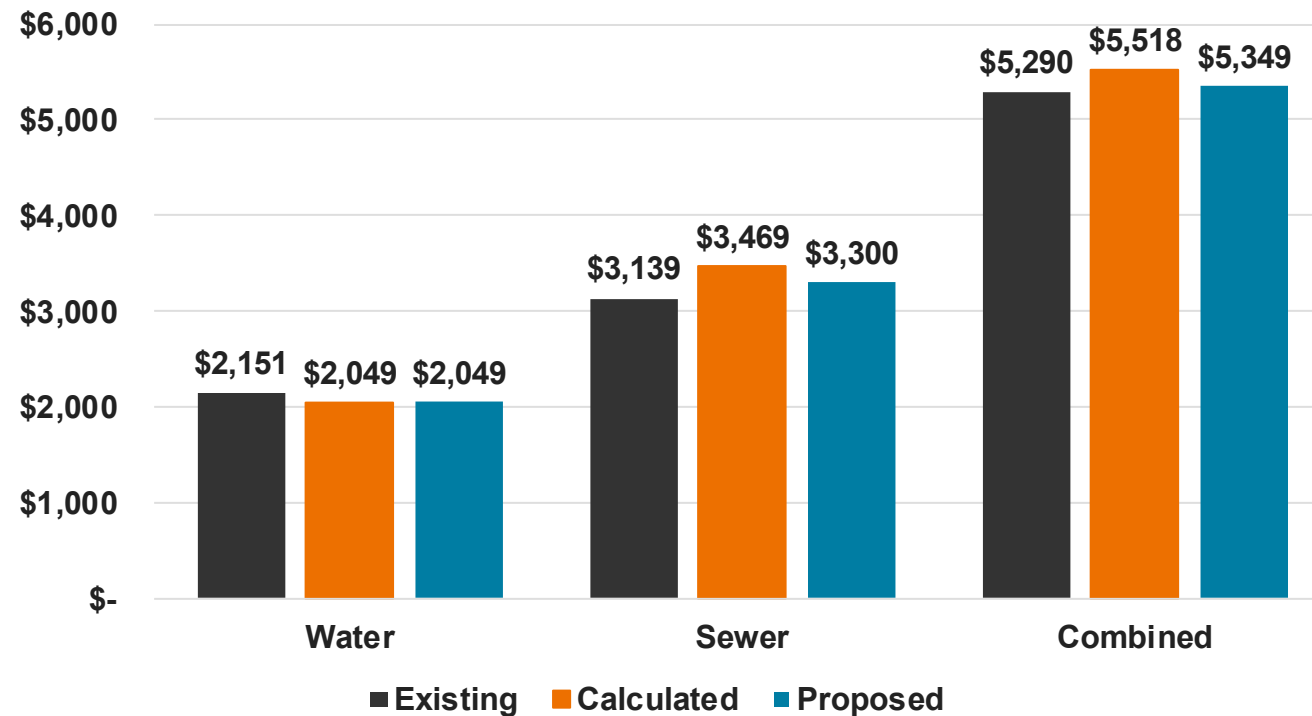
## Cost Basis...

- Replacement cost new less depreciation (RCNLD) of existing Transmission assets
- Plant expansions in 5-yr. CIP (6 MGD Water & 6 MGD WW)
- Debt credit: back out transmission related debt paid with user fees to avoid double recovery of costs



# Capital Charges

Results:



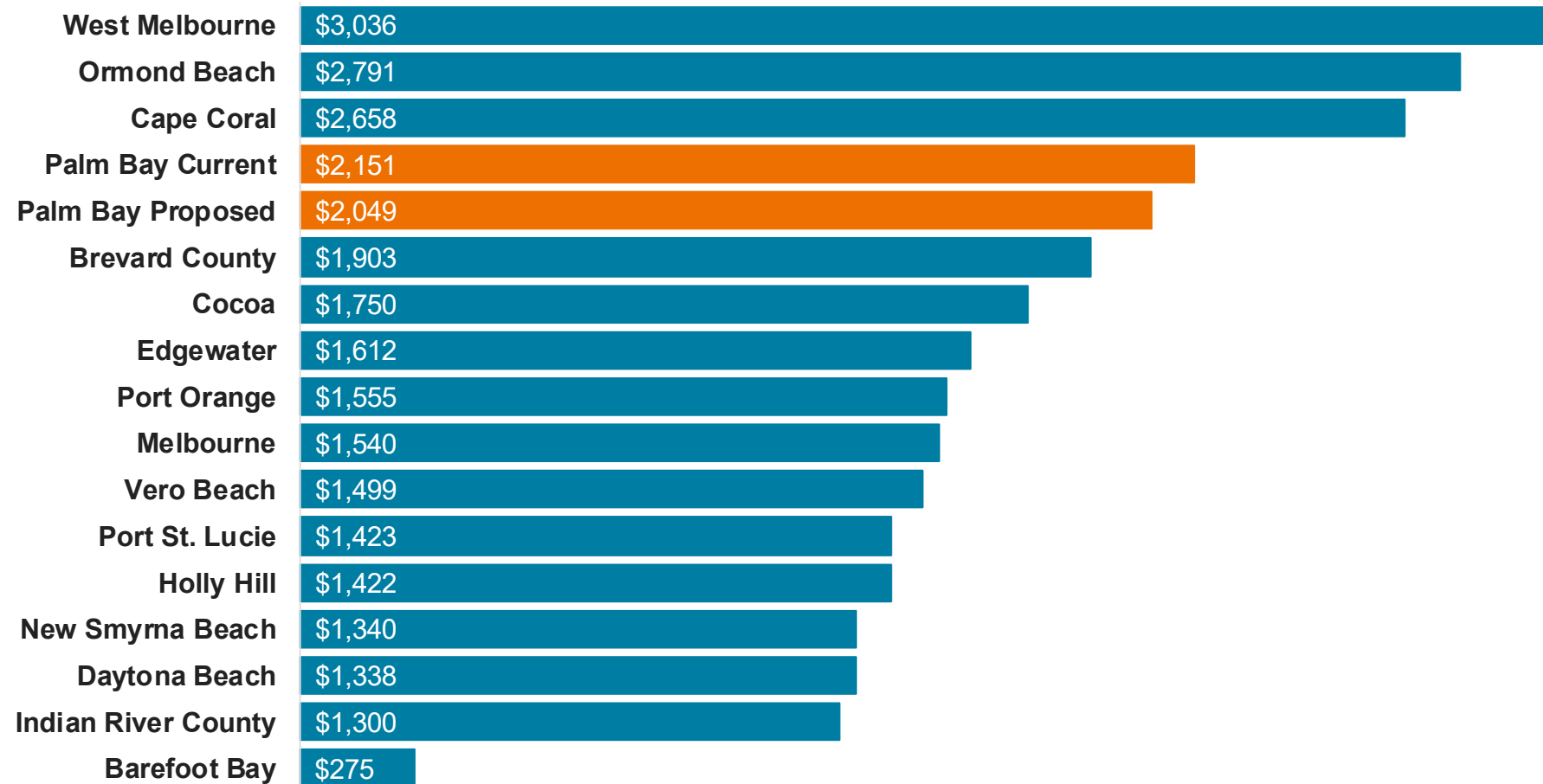
Findings:

- Current charges are generally aligned with costs
- Supports minor adjustments





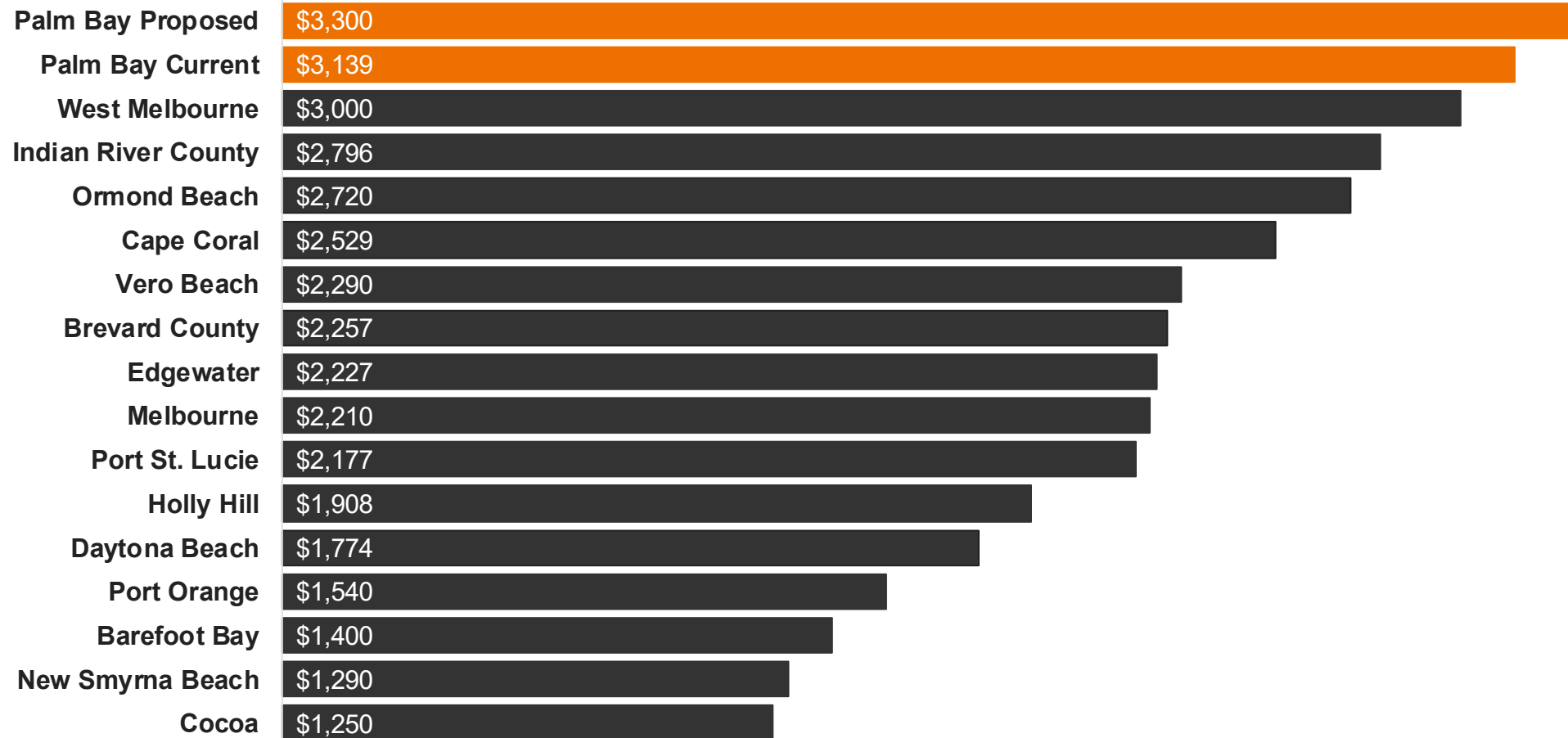
# FY 2020 Water Impact Fee Comparison







# FY 2020 Sewer Impact Fee Comparison





# Recommendations

## ■ Financial Sustainability Analysis

- FY 2021: 2% water & 2.5% wastewater/reclaimed water rate increase
- Updated forecast = 4% water & 5% wastewater/reclaimed water annual rate indexing plan starting in FY 2022
- Continue to update annually for most current data

## ■ Capital Charges

- Current capital charges are generally aligned with costs
- Adopt updated capital charges:
  - Water: \$2,049 per ERU (\$102 decrease)
  - Sewer: \$3,300 per ERU (\$161 increase)
- Periodically evaluate (3-5 years) to ensure reflection of current costs of capacity



# Questions & Discussion

***Jeff Dykstra***

*Managing Consultant, Stantec Financial Services*

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