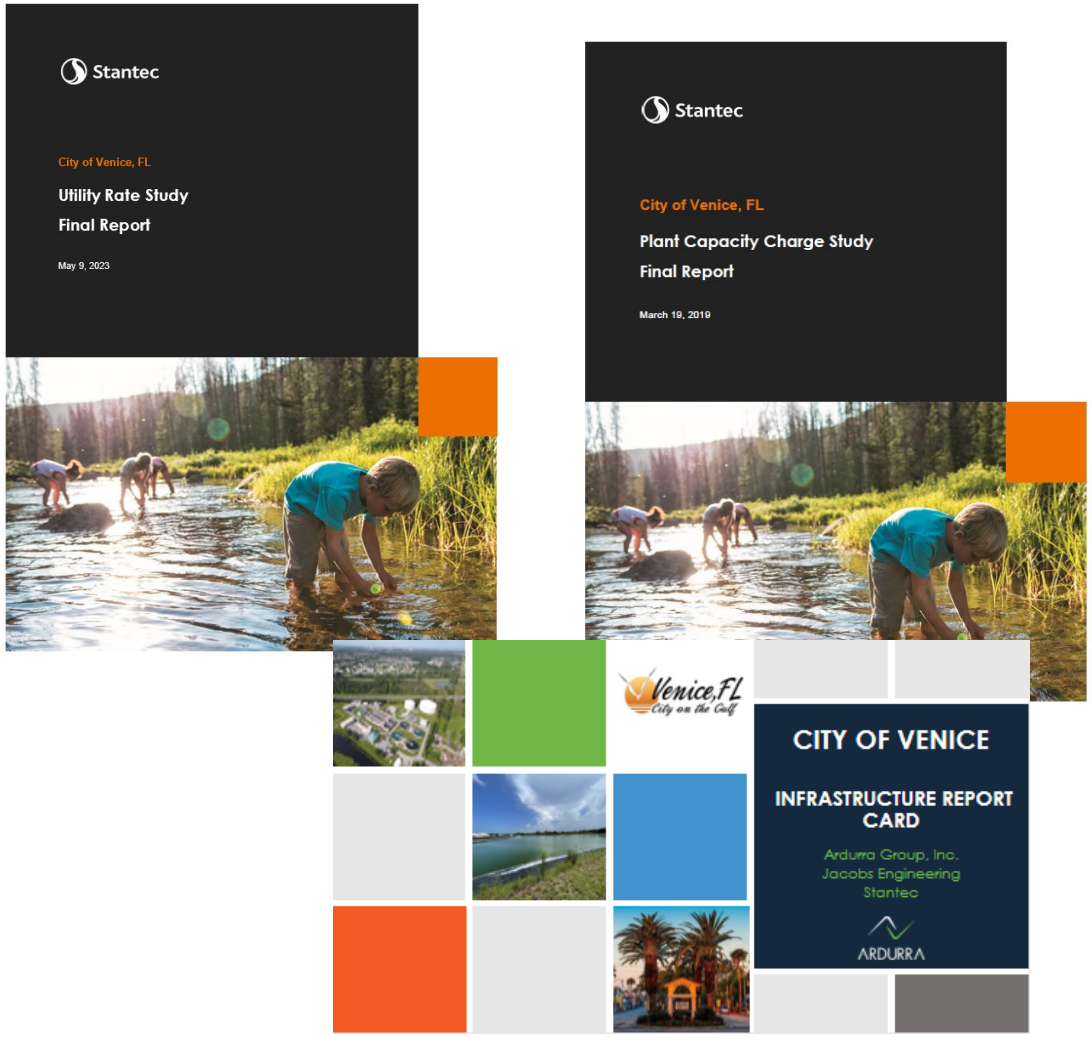
Stantec

Venice 2024 Utility Rate and Plant Capacity Charge Study

August 22, 2023

Summary of Recent & Relevant Activities



- FY 2018 Rate Study
  - 2.15% annual water & sewer rate increases (through FY 2023)
  - Reclaimed cost allocation & 5-year phasing (targeted 50+% cost recovery from all users)
- FY 2019 Plant Capacity Fee Study
  - Current fees: $3,925 & $1,832 / (Prior fees: $1,200 & $1,450)
- 2022 Infrastructure Report Card Study
  - Based on 2018 Rate Study assumptions & IRC capital recommendations

Key Elements of the Rate Study

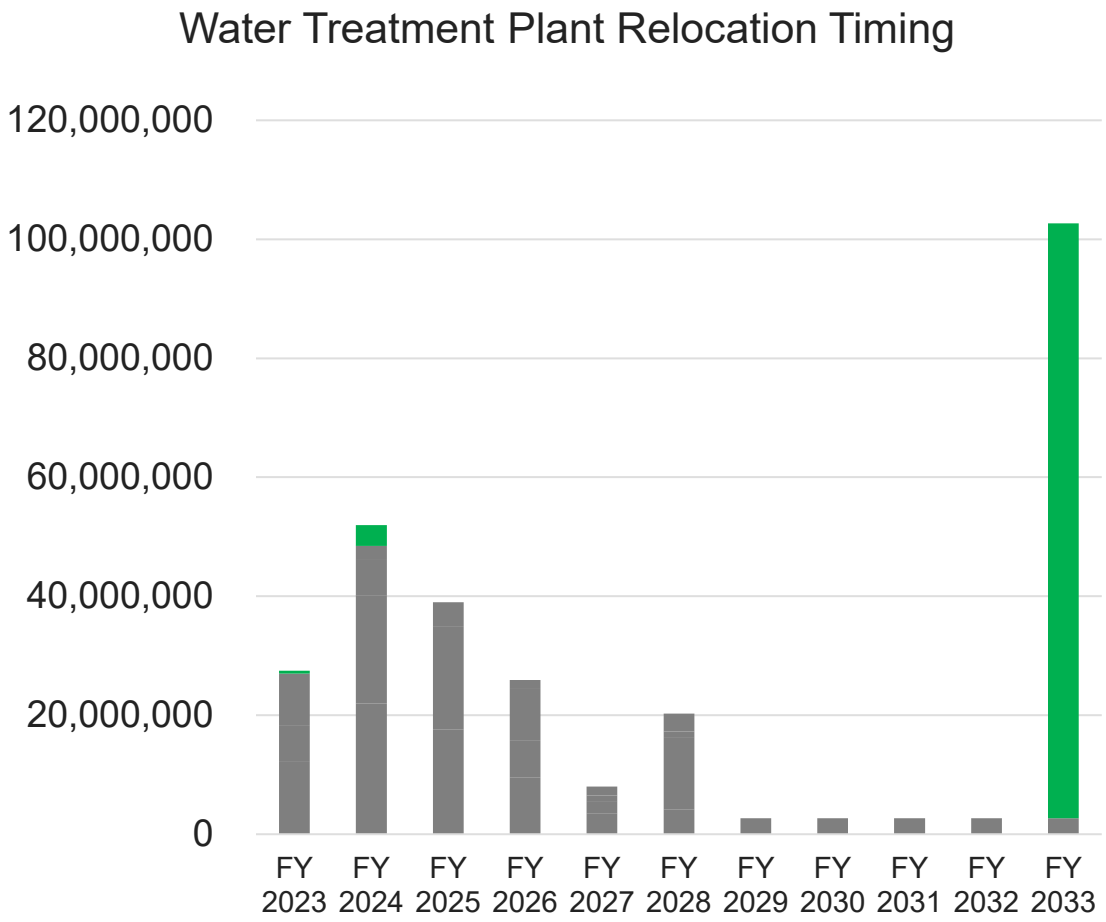
- Water & Sewer Revenue Sufficiency Analysis
- Review of Plant Capacity Fees
- Miscellaneous Fee Updates

Revenue Sufficiency Analysis

WTP Financing Plan

Water Treatment Plant Relocation Funding

- $3.5M land acquisition in 2024
  - ➢ Funded with utility rates
- $10M design in 2028
  - ➢ Funded with utility rates
    - Reserve funded incrementally from FY 2024 - FY 2028
- $100M construction cost in 2033
  - ➢ $17M funded with utility rates
    - Reserve funded over time from FY 2029 – FY 2032
  - ➢ $83M funded with revenue bond; annual debt payment of $5.5M
    - Partial payment in FY 2033; full payment in FY 2034



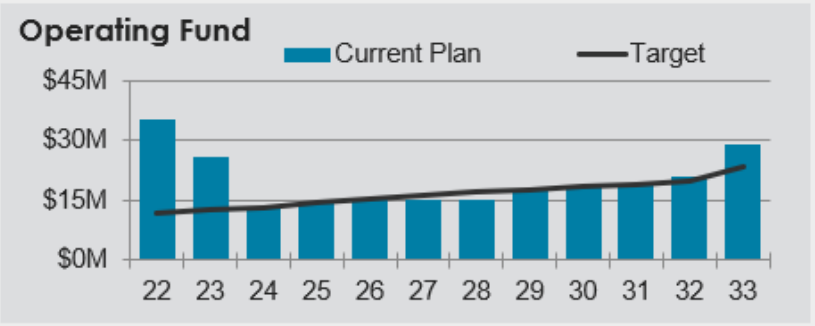
Updated Rate Model

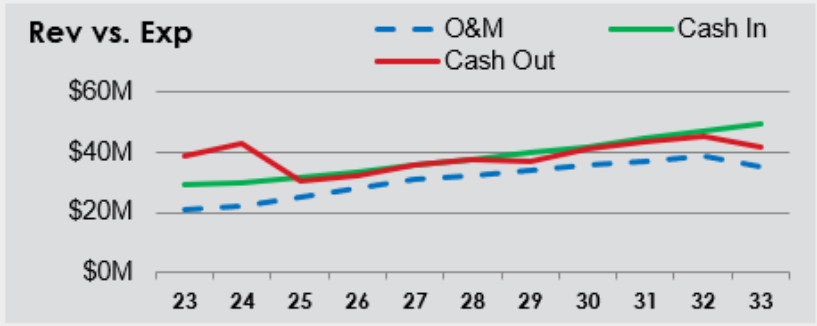
FAMS Financial Analysis & Management System | By Stantec

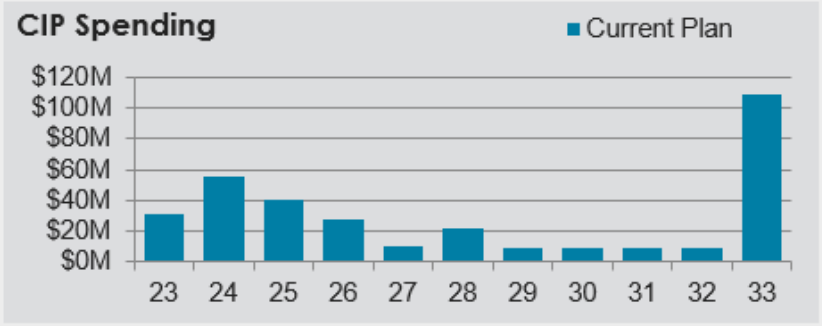
CITY OF VENICE, FLORIDA

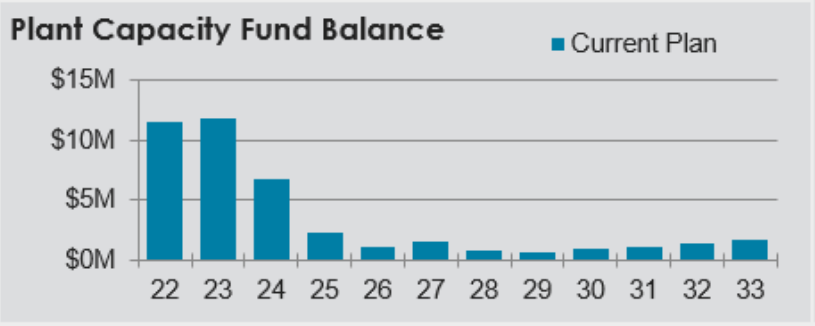
Stantec

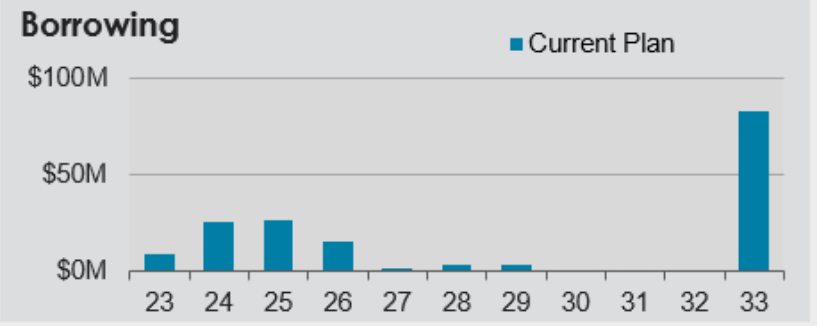
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2028	FY 2033
Water Rate Plan		5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	29.17%	66.78%
Water Billing Charge Plan		5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%		
Sewer Rate Plan		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	Plant	Yes
Senior-Lien DSC	6.18	5.99	5.11	4.60	4.59	4.71	4.82	5.04	5.38	5.78	6.14		
Subordinate DSC	13.34	12.49	5.77	4.11	3.69	3.91	4.14	4.49	4.88	5.31	5.73		
Single Family Bill	$95.46	$99.32	$103.36	$107.59	$111.98	$116.57	$121.36	$126.38	$131.63	$137.08	$142.78		
Change $		*$3.86*	*$4.04*	*$4.23*	*$4.39*	*$4.59*	*$4.79*	*$5.02*	*$5.25*	*$5.45*	*$5.70*	Check	(0)
Typical Bill Increase		*4.0%*	*4.1%*	*4.1%*	*4.1%*	*4.1%*	*4.1%*	*4.1%*	*4.2%*	*4.1%*	*4.2%*		

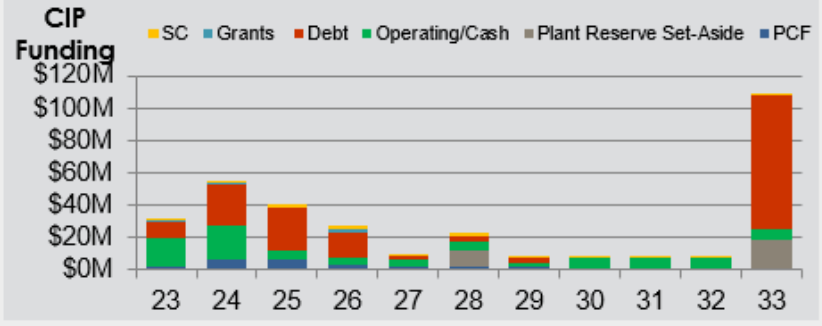












Proposed Rate Increases

2 scenarios presented:

1. Water Rate Increase: 5.25% per year
   - Additional revenue used to fund Water Treatment Plant Relocation project
2. Sewer Rate Increase: 3.00% per year
3. Combined Water & Sewer Bill Impact: ~4.00% per year

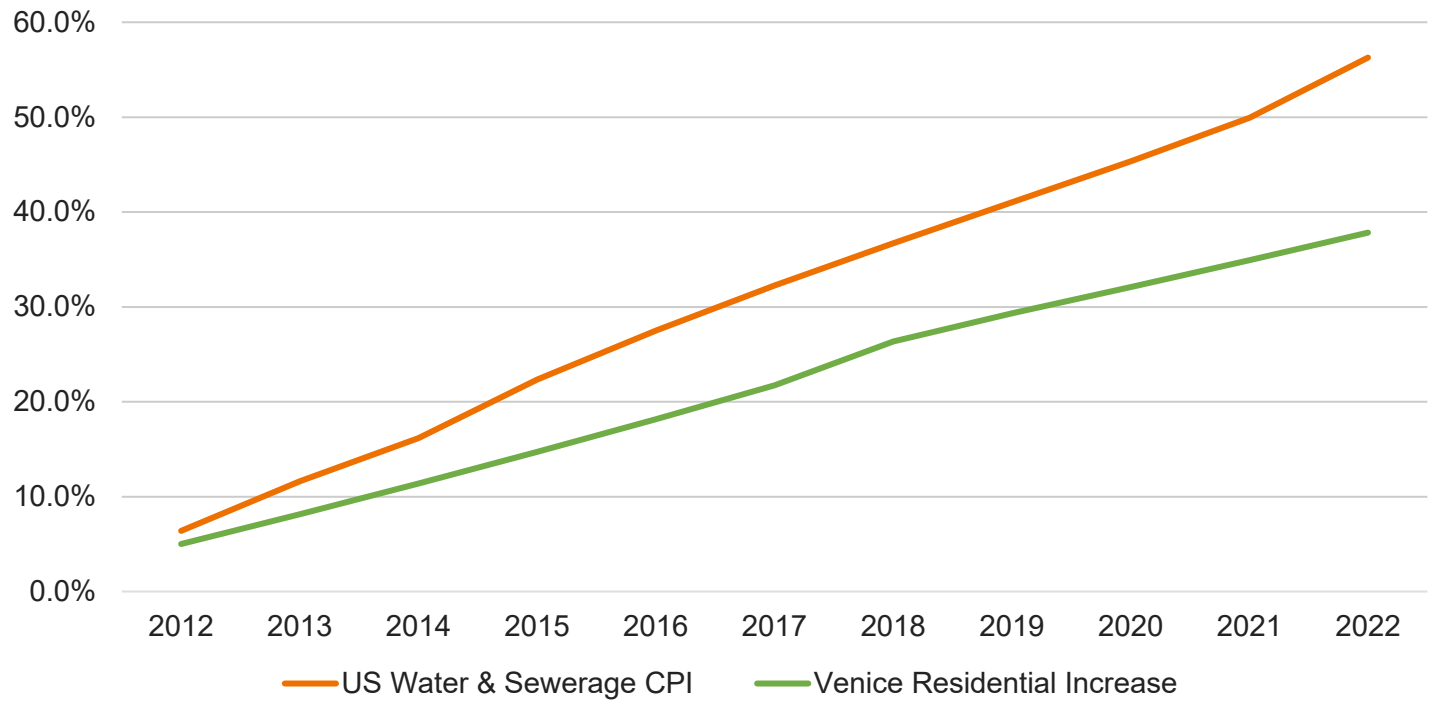
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029-33 Projections (per year)
Water Increase	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Sewer Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Typical Bill Increase[1]	**4.00%**	**4.00%**	**4.10%**	**4.10%**	**4.10%**	**4.10%**

[1]Rounded for presentation purposes

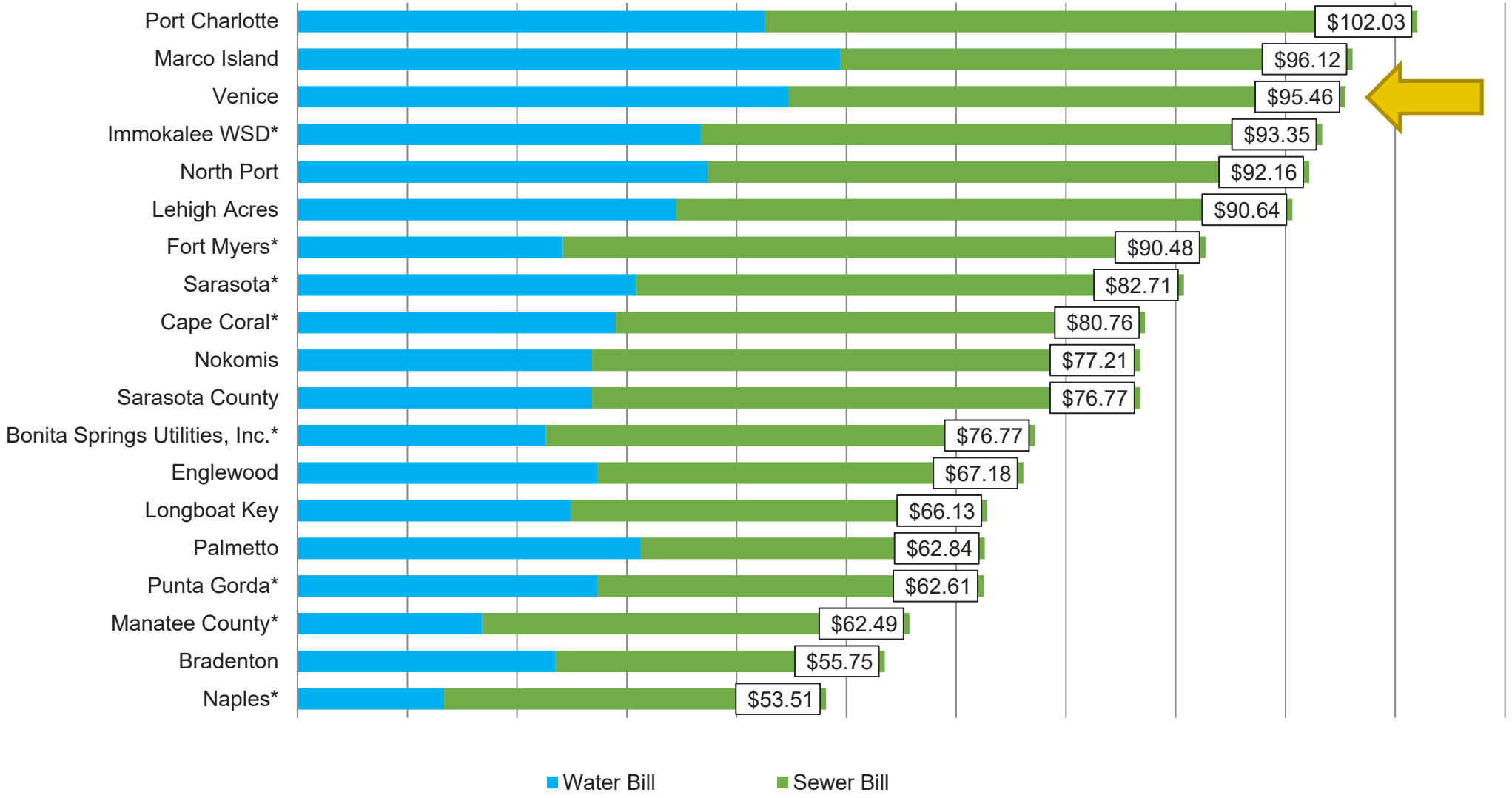
Water & Sewer Increases Nationwide

The City of Venice has seen less of an increase in residential water bills than the U.S. average since 2012.

Cumulative Increase in U.S. Water & Sewer Cost vs. City of Venice

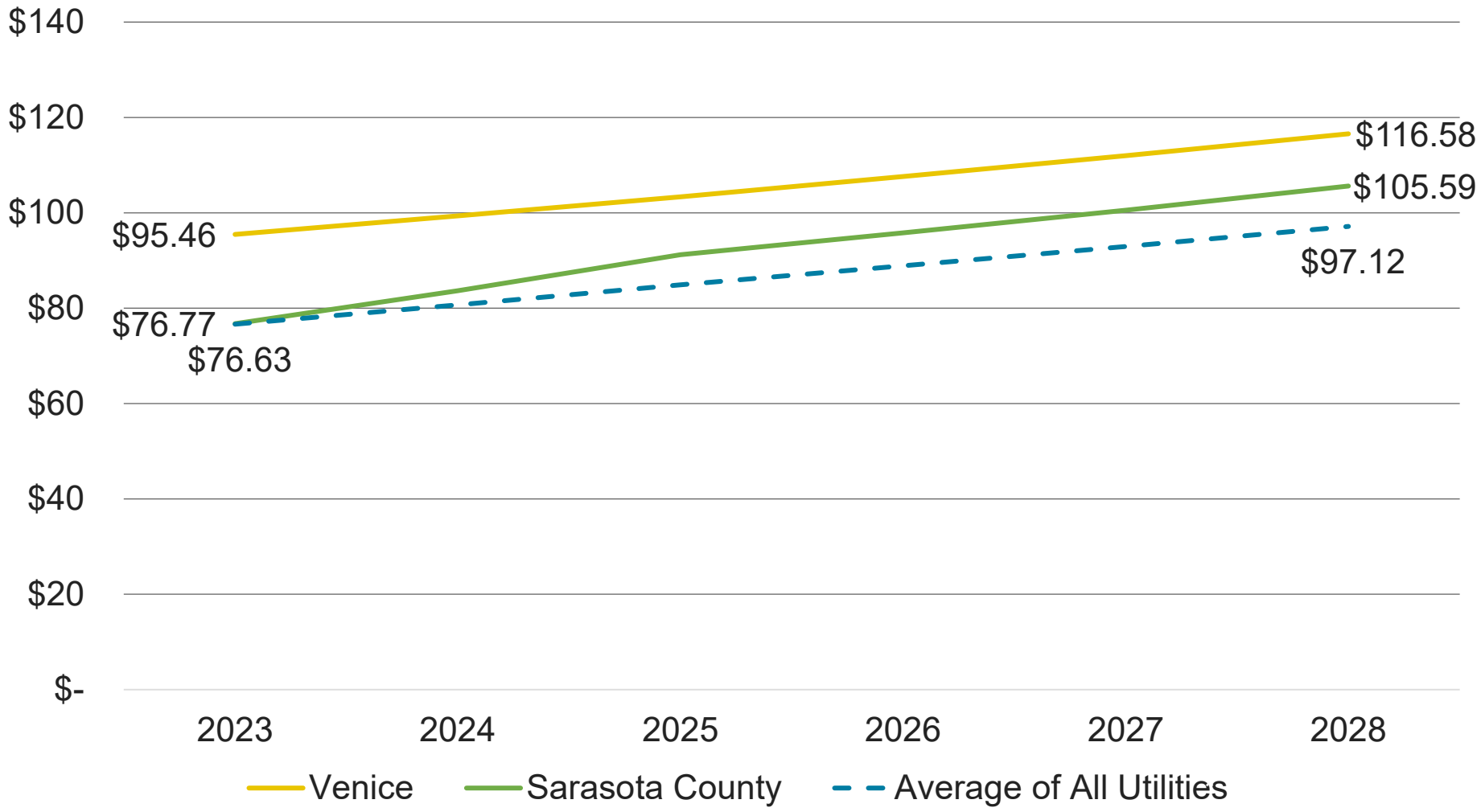


Current Monthly Water & Sewer Rate Survey (3,000 gal)



*Indicates utility is planning a rate increase in FY 2024. Rate increases range from 3.5% – 9.75%.

Gap Between Venice and Sarasota County Decreases Over Time



*Based on adopted or proposed rates through FY 2028. Utilities without planned increases are assumed to escalate at historical 12-year average of 4.55% per year.

Plant Capacity Fees

PCF Calculation

$$\text{Plant Capacity Fee} = \frac{\text{Value of System - Credit}}{\text{System Capacity}}$$

1) Value of Utility System
   - Depreciated value escalated to current replacement cost less depreciation, and/or
   - Future capital investment
2) Credit
   - Outstanding principal on existing utility debt, grants, contributions
3) System Capacity
   - Total capacity in utility system, and/or
   - Future capacity

Plant Capacity Fee Methodologies

Methodology	Description	Appropriate For
Buy-In Method	Fees are based on cost of constructing existing utility system	System with ample existing capacity to sell
Incremental Cost Method	Fees are based on planned capital improvements	System with no/very limited existing capacity to sell
Combined Method	Fees are based on cost of existing system and planned capital improvements	System with existing capacity to sell and with significant growth related capital projects

Combined Method is used for the City of Venice Plant Capacity Fees

Water & Sewer PCF Calculation

	Water	Sewer
Gross Plant in Service	$65.1M	$70.9M
Capital Improvement Program	$40.5M	$24.2M
Principal Credit	($19.3)M	($14.6)M
Net System Value	**$86.2M**	**$80.5M**
System Capacity (MGD)	5.6	5.0
Level of Service (gpd)	250	200
Equivalent Units	22,400	25,000
Escalation Factor to FY 2024	4.99%	4.99%
Calculated Fee per ERU	**$4,039**	**$3,379**
Current Fee per ERU	$3,925	$1,832
Change	*3%*	*84%*

Florida Impact Fee Act

Summary of Notable Requirements

- Increase of < 25% implemented in 2 equal annual steps
- Increase between 25% to 50% implemented in 4 steps
- Fees may not be increased more than once every 4 years
- May increase an impact fee beyond the phase-in limitations by expressly *demonstrating extraordinary circumstances*
- Must have held not less than two publicly noticed workshops dedicated to the extraordinary circumstances
- The fee increase must then be approved by at least a two-thirds vote

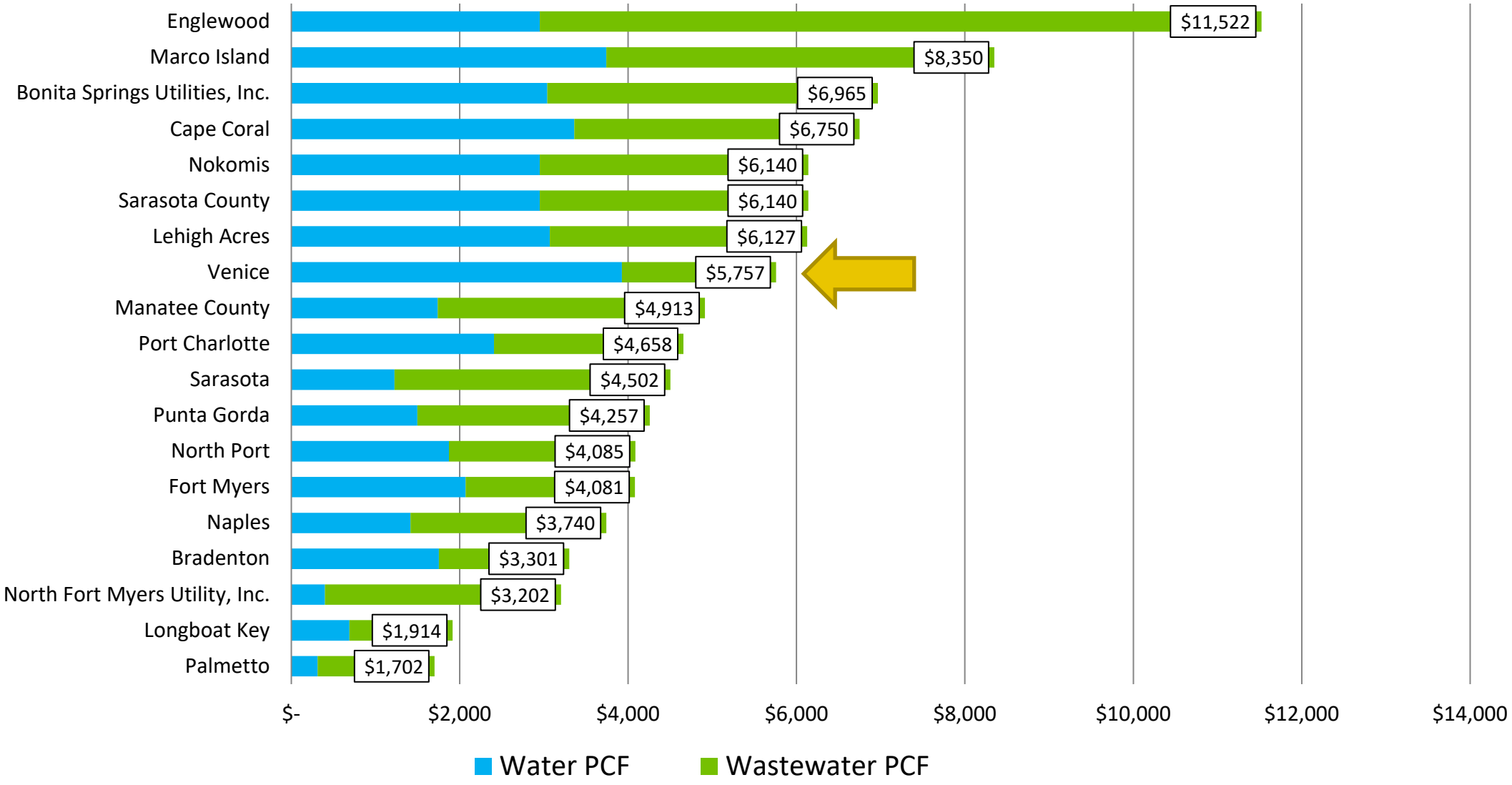
Water & Wastewater PCF Phasing Plan

	FY 2023 (Current)	FY 2024	FY 2025	FY 2026	FY 2027
Water PCF (per ERU)	$3,925	$3,925	$3,925	$3,925	$3,925
Sewer PCF (per ERU)	$1,832	$2,061	$2,290	$2,519	$2,748
Total PCF (per ERU)	**$5,757**	**$5,986**	**$6,215**	**$6,444**	**$6,673**

No change

50% increase phased in over 4 years

Current Water & Sewer PCF Survey (5/8” Meter)



Miscellaneous Fees

Miscellaneous Fees

Overview

- Tap fees, account setup, meter installation/removal, meter verification, disconnect processing, deposits, & others
- Reflect <4% of overall system revenues
- Many fees have not been updated in several years

Purpose

- Recover the cost of specific services from the customer or to promote positive customer behavior

Goal

- Identify costs associated with activities to inform fees

Study Process

Staff identified costs and activities for each service and populated in Stantec's cost template

Labor

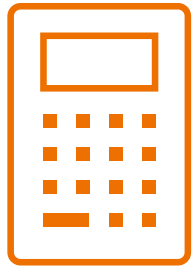
- How much time does each role spend to perform this service?

Equipment/Vehicles

- What pieces of equipment or vehicles are utilized to perform the service?

Materials

- What materials are used as part of this service?



Hours Spent (Customer Service, Utility Tech) X Costs per Hour (Labor, vehicles & equipment) + Unit Costs (Materials) = **Cost of Service**

Miscellaneous Fee Analysis

- City analyzed cost of providing tap installation and proposes adding a fee for meter installation service only

Current Fees ↙ ↘ New Fees ↓

Meter Installation Fee	*Potable, Irrigation, Reclaim*		
	Short Tap/Set	*Long Tap/Set*	*Set Only*
3/4" x 5/8"	$ 541.66	$ 906.65	$ 446.16
1"	$ 745.78	$ 1,126.00	$ 515.44
1 1/2"	$ 1,213.73	$ 1,608.57	$ 935.98
2"	$ 1,455.01	$ 1,827.91	$ 1,187.33

- Changes to other fees and charges may be analyzed and brought back at a future date

Questions & Discussion

Andrew Burnham

Vice President

Andrew.Burnham@stantec.com