



City of Venice, Florida
Utility Rate Study

Summary of Results &
Recommendations

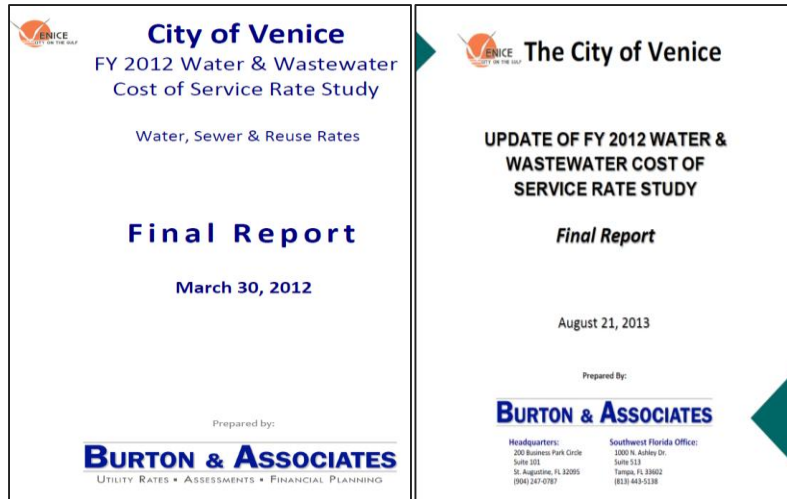


Stakeholder Work Group



- Comprised of various users in the community:
 - Manufactured Housing
 - Tony Pinzone
 - Master Metered Multi-Family
 - Lee Lichtle and Deb Reynolds
 - Single-Family Homes
 - Fred Francis and Jack Oros
 - Commercial
 - Mike Pachota
 - Golf Courses
 - Rob McCoy and Jerry Jasper
- Met 5 times to discuss key assumptions/data, review the work, and offer input
 - Goal: To ensure financial sustainability of the utility and fair & equitable distribution of costs
- **Unanimous approval of study recommendations**

Summary of recent activities



- FY 2012 Rate Study
 - Water and sewer rate structure revisions
 - 5-year rate indexing plan (3% thru FY 2018)
 - Funding/financing plan for CIP
 - Series 2012 Bonds (\$21 Million)
 - Series 2015 Bonds (\$15 Million)
- FY 2012 Rate Study Update
 - Creation of residential sub-classes, updated wholesale rates, and initial look at reclaimed
- FY 2015 Reclaimed Water Study
 - Cost recovery levels by class (21%/41%)
 - 3-year phase-in plan for bulk to 41%

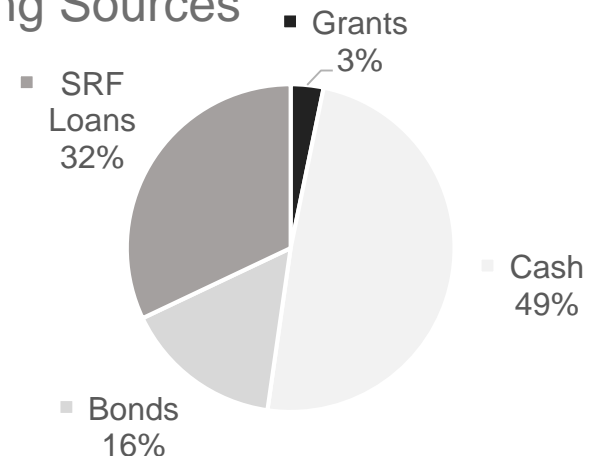


5-Year capital program (FY 19 – 23)

Description	Amount (Millions)
WTP 2 nd Stage Membrane	\$ 3.3
Sewer Clean-Out/Install	4.0
ASR System	5.0
Bay Indies Utility Relocate	6.8
Booster Station (Ajax)	6.7
East Gate Utility Relocate	6.9
Water Main Replacement	6.5
RO Membrane Replace	1.5
All Other CIP	21.1
Total	\$ 61.8

Description	Amount (Millions)
Grants	\$ 2.0
Cash (Reserves & Revenue)	30.3
Bond Proceeds	9.7
SRF Loan Proceeds	19.8
Total	\$ 61.8

Funding Sources



Financial planning parameters

- Sufficient reserve levels
 - Target > 6 months of O&M expenses
 - “Good” level per rating agencies
- Strong ratio of net income to debt payments:
 - Target > 1.5 times annual payment requirements
 - “Good” level per rating agencies
- 50/50 mix of cash vs. debt funding for CIP
- Avoid large rate adjustments or “spikes”
- Recover cost of new cross connection program in water billing charge
- Recognize impacts of increases in reclaimed water rates/cost recovery



Screen capture of financial model

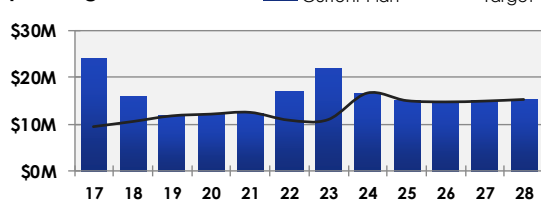
\$2 increase in FY 2019 for cross connection program

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City of Venice, FL

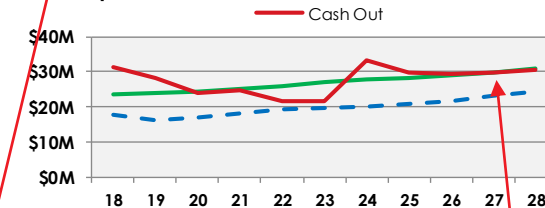


	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2022	FY 2027
Water Rate Plan	0.00%	0.00%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	6.61%	18.57%
Sewer Rate Plan	0.00%	0.00%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	6.59%	18.53%
Reclaimed Rate Plan	0.00%	3.81%	7.04%	6.82%	6.56%	6.42%	2.15%	2.15%	2.15%	2.15%	2.15%		
Senior-Lien DSC	4.89	5.28	4.87	4.65	4.50	4.61	4.66	4.33	3.79	3.29	2.88		
Water Base	\$21.32	\$21.32	\$21.78	\$22.25	\$22.73	\$23.22	\$23.72	\$24.23	\$24.75	\$25.28	\$25.82		
Water Billing Charge	\$1.41	\$3.41	\$3.48	\$3.55	\$3.63	\$3.71	\$3.79	\$3.87	\$3.95	\$4.03	\$4.12		
Water Usage	\$16.33	\$16.33	\$16.68	\$17.04	\$17.40	\$17.78	\$18.17	\$18.56	\$18.95	\$19.37	\$19.79		
Sewer Bill	\$46.62	\$46.62	\$47.61	\$48.64	\$49.69	\$50.75	\$51.85	\$52.96	\$54.09	\$55.26	\$56.44		
Avg Bill (3,000 gal)	\$85.68	\$87.68	\$89.55	\$91.48	\$93.45	\$95.46	\$97.53	\$99.62	\$101.74	\$103.94	\$106.17		
Change \$		\$2.00	\$1.87	\$1.93	\$1.97	\$2.01	\$2.07	\$2.09	\$2.12	\$2.20	\$2.23		
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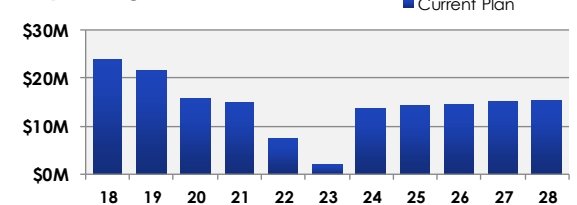
Operating Fund



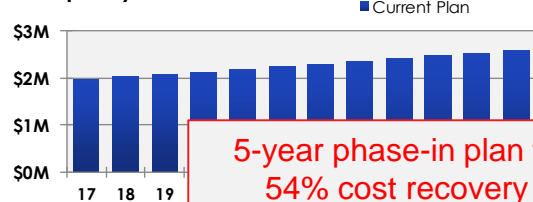
Rev vs. Exp



CIP Spending

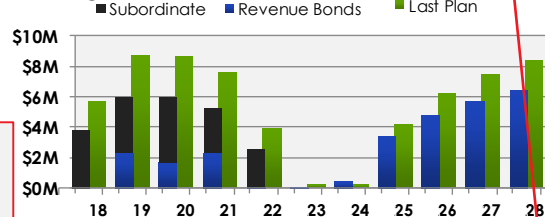


Plant Capacity Fund Balance

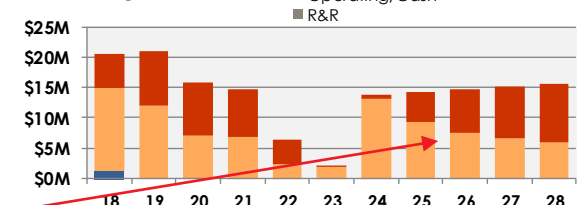


5-year phase-in plan to 54% cost recovery

Borrowing

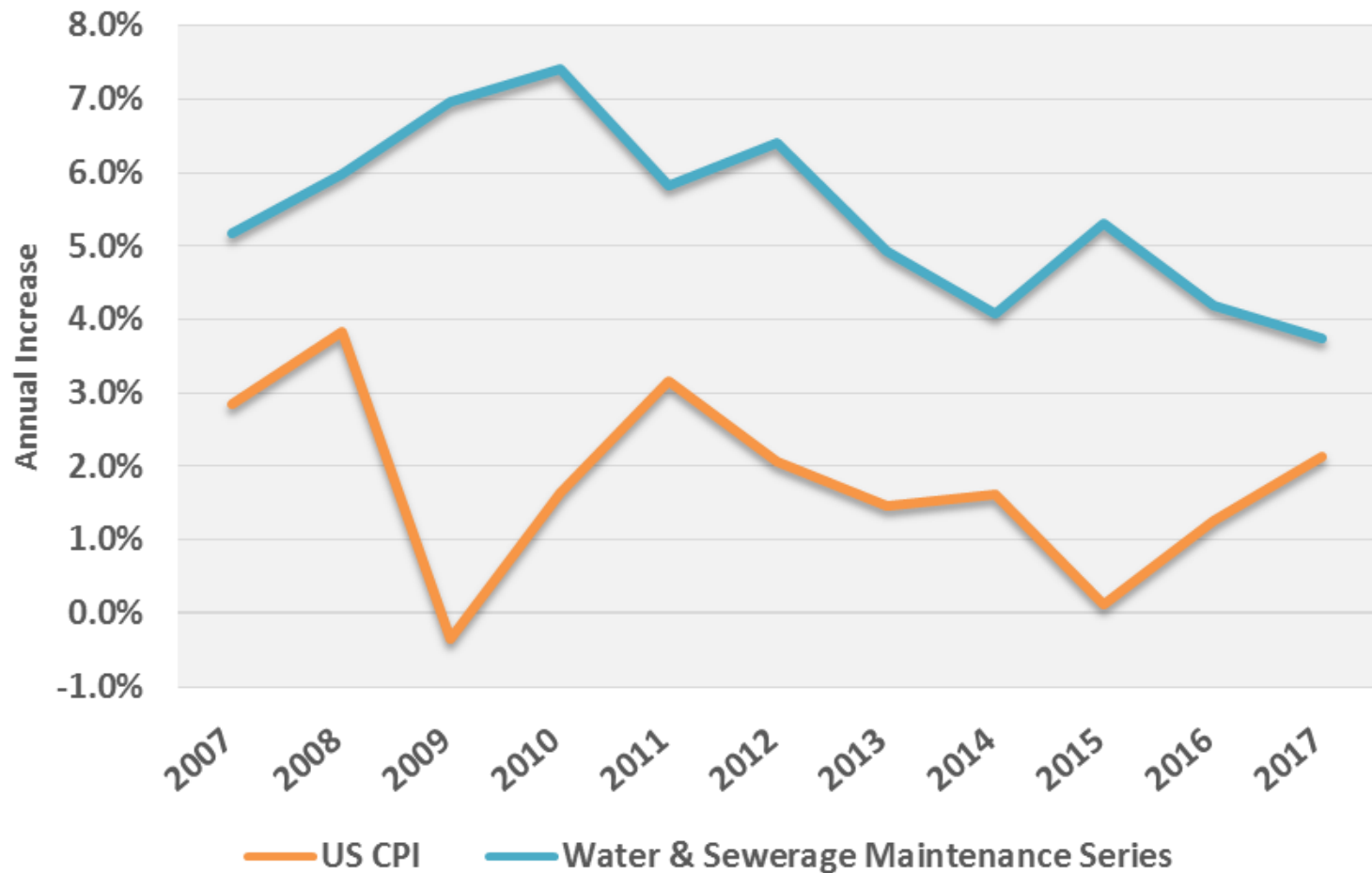


CIP Funding

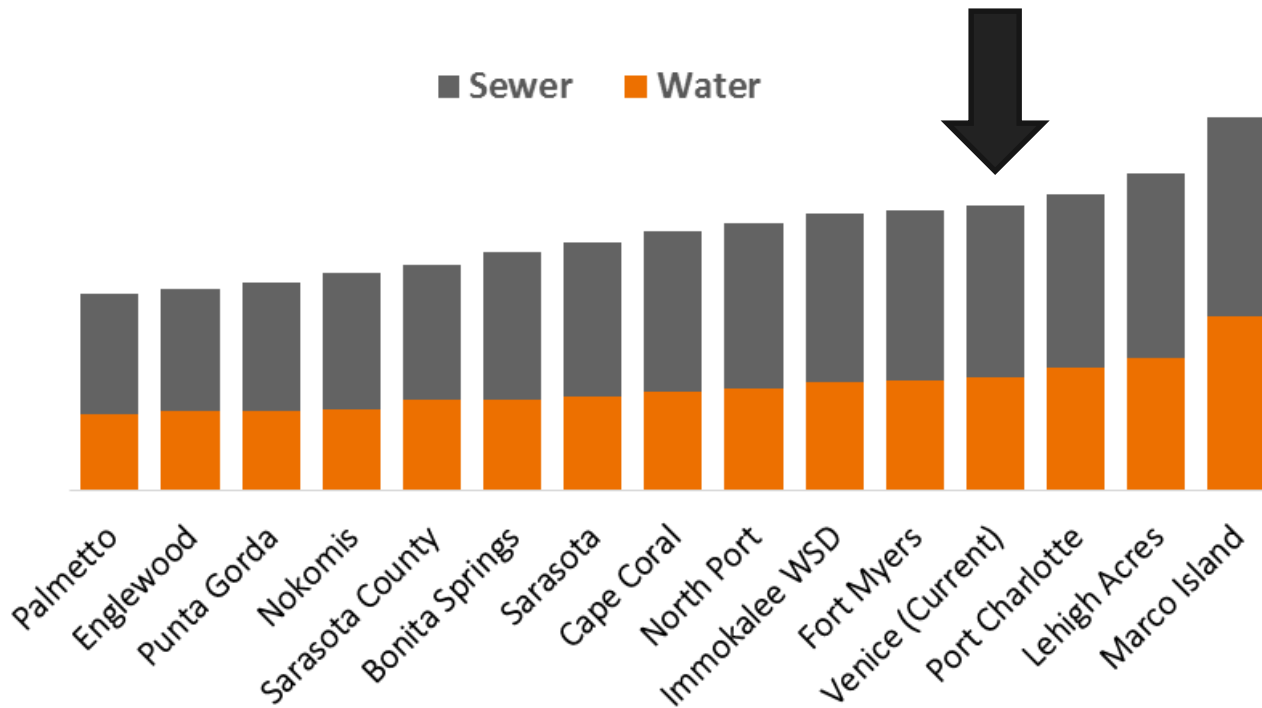


Sustainable

Overall CPI vs. Water/Sewerage CPI



FY 2018 Residential Water & Sewer Bills (Based on a 5/8 x 3/4" meter and 3,000 gallons)



Reclaimed water cost analysis

Detailed cost of service methodology developed with SWG in 2015

FY 2015 Study Objective: 41% cost recovery from all users

Using same method, current rates provide 43.7% from all users

- Retail = 42%
- Bulk = 61%

Goal supported by SWG: equal & higher overall level of cost recovery

Recommended Plan (see next slide for details):

- **Increase rates to achieve 54% overall cost recovery over the 5-year planning period**
- Low-pressure (bulk): Reduce to 54% cost recovery in FY 2019; index by 2.15% thereafter
- High-pressure (retail): Increase rates gradually to achieve 54% by FY 2023
 - Keeps overall utility bill increases under 3% per year for those with reclaimed
- Supported by 6-0 vote of SWG (2 not in attendance)

Reclaimed water cost recovery plan

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>High Pressure/Retail Rate per Tgal</u>						
Tier 1	\$ 1.02	\$ 1.08	\$ 1.16	\$ 1.24	\$ 1.33	\$ 1.42
Tier 2	\$ 1.44	\$ 1.52	\$ 1.64	\$ 1.76	\$ 1.88	\$ 2.01
Target Cost Recovery	42%	45%	47%	49%	52%	54%
<u>Low Pressure/Bulk Rate per Tgal</u>						
All Use	\$ 0.193	\$ 0.172	\$ 0.176	\$ 0.180	\$ 0.183	\$ 0.187
Target Cost Recovery	61%	54%	54%	54%	54%	54%
<u>Annual Charges (Based upon test year demands)</u>						
Waterford Golf Club	\$ 14,872	\$ 13,253	\$ 13,562	\$ 13,870	\$ 14,101	\$ 14,409
Capri Isle Golf Club	\$ 10,625	\$ 9,469	\$ 9,689	\$ 9,909	\$ 10,074	\$ 10,295
Bird Bay Golf Course	\$ 7,012	\$ 6,249	\$ 6,394	\$ 6,539	\$ 6,648	\$ 6,794
Venetian Golf & River Club	\$ 29,815	\$ 26,571	\$ 27,189	\$ 27,807	\$ 28,270	\$ 28,888
Lake Venice Golf Club	\$ 22,747	\$ 20,272	\$ 20,743	\$ 21,215	\$ 21,568	\$ 22,040
<u>Annual Charges in Total</u>						
Low Pressure (Bulk)	\$ 85,070	\$ 75,814	\$ 77,577	\$ 79,340	\$ 80,662	\$ 82,425
High Pressure (Retail)	\$ 656,007	\$ 693,499	\$ 745,928	\$ 800,291	\$ 856,647	\$ 915,056
Total Reclaimed Revenue	\$ 741,077	\$ 769,313	\$ 823,505	\$ 879,631	\$ 937,309	\$ 997,482
\$ Change		\$ 28,236	\$ 54,192	\$ 56,126	\$ 57,678	\$ 60,172
% Change		3.8%	7.0%	6.8%	6.6%	6.4%

Residential monthly bills – 8,000 gallons of reclaimed

	Gals	Current (FY 2018)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Potable Water	3,000	\$39.06	\$41.06	\$41.94	\$42.84	\$43.76	\$44.71
Sewer	3,000	\$46.62	\$46.62	\$47.61	\$48.64	\$49.69	\$50.75
Reclaimed Water	8,000	\$8.15	\$8.62	\$9.27	\$9.95	\$10.65	\$11.37
Total Bill		\$93.83	\$96.30	\$98.82	\$101.43	\$104.10	\$106.83
\$ Change per Yr			\$2.47	\$2.52	\$2.61	\$2.67	\$2.74
% Change			2.6%	2.62%	2.64%	2.63%	2.63%
Total Bill (Excluding Reclaimed)		\$85.68	\$87.68	\$89.55	\$91.48	\$93.45	\$95.46
\$ Change per Yr			\$2.00	\$1.87	\$1.93	\$1.97	\$2.01
% Change			2.33%	2.13%	2.16%	2.15%	2.15%

* Water and sewer rates are increasing 2.15% starting in FY 2020 per the results of the RSA

* \$2.00 increase applied to water billing charge in FY 2019.

* Reclaimed accounts represent approximately 30% of total water accounts

Residential monthly bills – 14,000 gallons of reclaimed

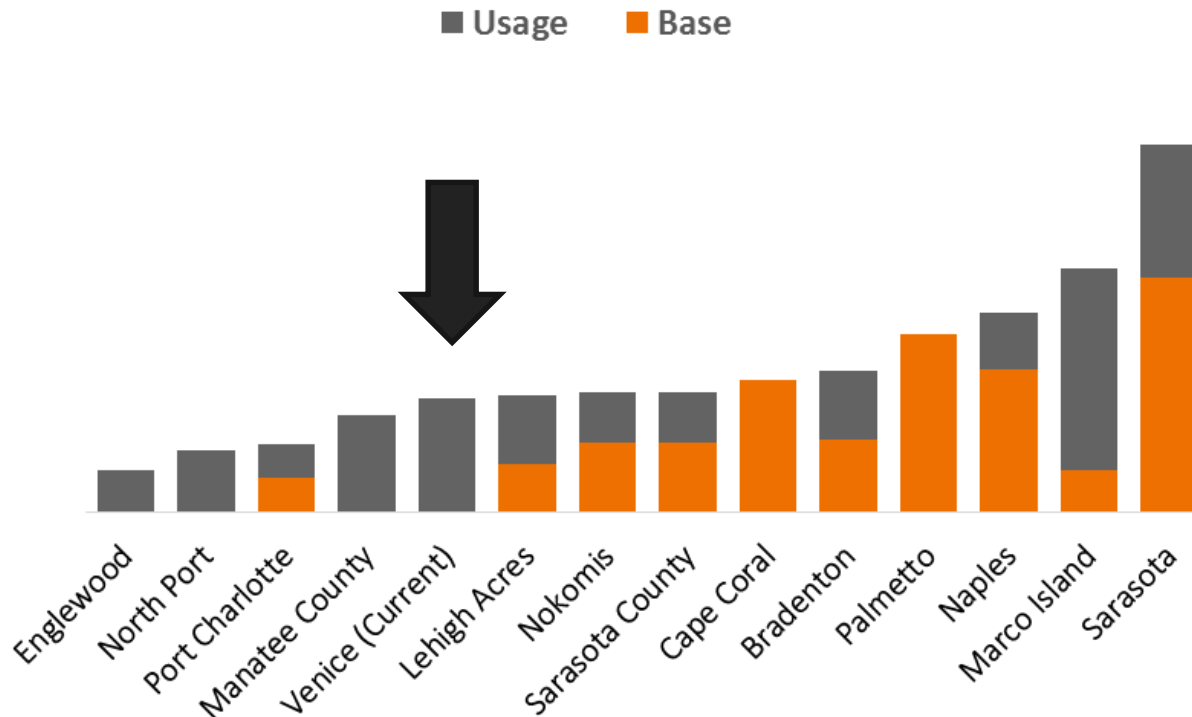
	Gals	Current (FY 2018)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Potable Water	3,000	\$39.06	\$41.06	\$41.94	\$42.84	\$43.76	\$44.71
Sewer	3,000	\$46.62	\$46.62	\$47.61	\$48.64	\$49.69	\$50.75
Reclaimed Water	14,000	\$15.11	\$15.97	\$17.18	\$18.43	\$19.73	\$21.07
Total Bill		\$100.79	\$103.65	\$106.73	\$109.91	\$113.18	\$116.53
\$ Change per Yr			\$2.86	\$3.08	\$3.18	\$3.27	\$3.36
% Change			2.8%	2.97%	2.98%	2.97%	2.96%
Total Bill (Excluding Reclaimed)		\$85.68	\$87.68	\$89.55	\$91.48	\$93.45	\$95.46
\$ Change per Yr			\$2.00	\$1.87	\$1.93	\$1.97	\$2.01
% Change			2.33%	2.13%	2.16%	2.15%	2.15%

* Water and sewer rates are increasing 2.15% starting in FY 2020 per the results of the RSA

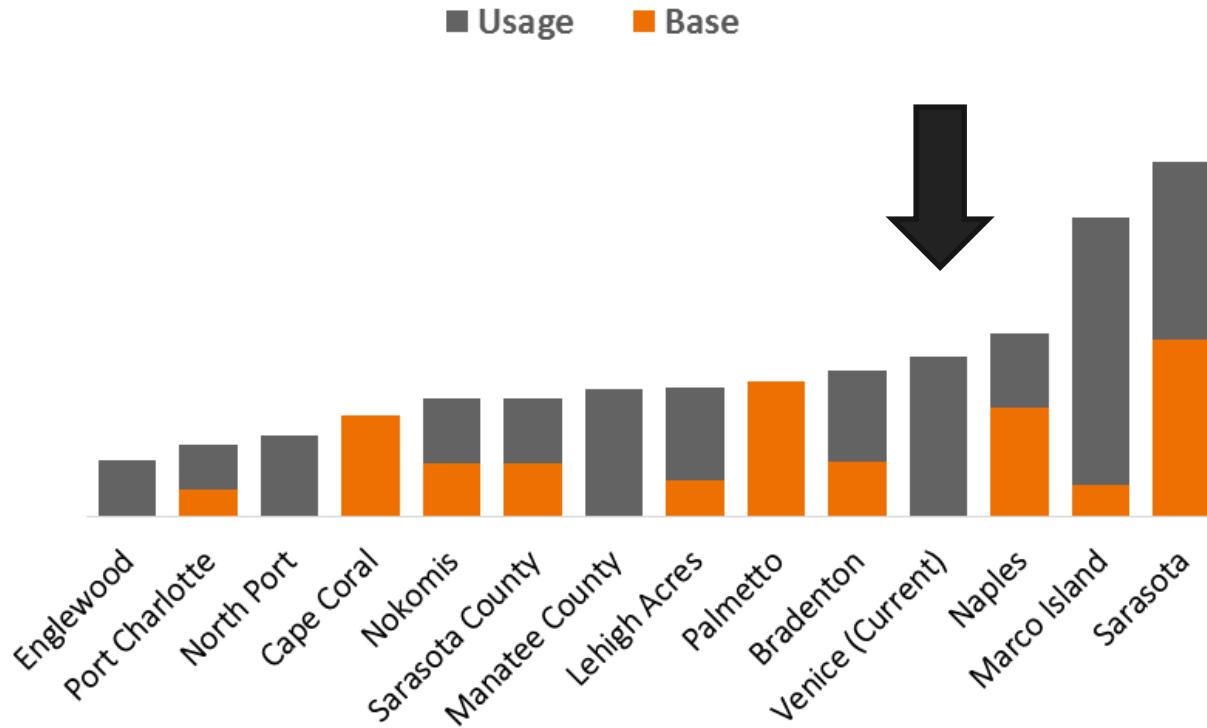
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* Reclaimed accounts represent approximately 30% of total water accounts

FY 2018 Residential Reclaimed Bills (Based on a 5/8 x 3/4" meter and 8,000 gallons)



FY 2018 Residential Reclaimed Bills (Based on a 5/8 x 3/4" meter and 14,000 gallons)



Additional Questions & Discussion

Requested Action:

Following the presentation of study results and recommendations by Utilities staff and the Rate Consultant, request Council approval of the 5-year financial plan and to schedule the 1st reading on August 28, 2018 and 2nd reading on September 11, 2018.

UTILITIES INFRASTRUCTURE IMPROVEMENTS SINCE 2013

- Reverse Osmosis Water Treatment Plant [WTP] Membrane Replacement
- Fiber Optic Installation
- Water Main Replacement Program [Phases 1 thru 4]
- US 41 Bypass Utility Relocation [Bird Bay to Gulf coast]
- WTP Odor Control System Replacement
- WTP Supply Well 7W
- Water Reclamation Facility [WRF] Expansion & Improvements
- WRF Ground Storage Tank
- Intracoastal Waterway Force Main Replacement
- Sewer Collection System Rehabilitation & Improvements
- Lift Stations Improvements