

WHOLESALE WASTEWATER TREATMENT RATE – SARASOTA COUNTY

PRESENTED BY: COV UTILITIES AND FINANCE DEPARTMENTS

BACKGROUND

The Interlocal Agreement

- ▶ The COV's Eastside Water Reclamation Facility (EWRF) receives approximately 1.2 million gallons of influent from Sarasota County each day under terms of an Interlocal Agreement originally signed in 1989 and amended in 2000.
- ▶ The COV treats and disposes of this influent and bills the County approximately \$200,000 per month.

The Interlocal Agreement

- ▶ **Original Agreement** dated October 5, 1989, County reserves and pays for .35 million gallons per day (MGD) of the plant's treatment capacity out of a total of 3 MGD
- ▶ Interlocal Agreement for **Reuse Interconnect and Transfer** dated December 8, 1998
- ▶ **Amendment 1** to the Original Agreement dated October 10, 2000, increasing the plant from 3 MGD to 6 MGD. County pays to reserve 3 of the 6 MGD (50%)
- ▶ **Amendment 2** dated November 12, 2002 (rights to the reclaimed water)
- ▶ **Memorandum of Understanding** dated July 27, 2004 – Will do a new Interlocal Agreement
- ▶ 2021 – Still no new Interlocal Agreement

2000 to 2012

- ▶ In the early 2000's, the EWRF was expanded to 6 MGD. The County paid up front approximately \$14 million to reserve 3 MGD out of the 6 MGD of plant capacity
- ▶ The reuse systems were interconnected. During wet periods, the City sends excess reclaimed water to the County for deep injection.
- ▶ Each month, the County pays the City for 50% of the EWRF's operating costs (based on budget and a rate study) plus 10% additional goes into an account for future capital

Rate Structure

5

CURRENT

A = Fixed Monthly Charge (Based on Reserved Capacity of 3/6ths) – FY2021 - \$166,663 per month (Rate Table L)

B = Consumption – Dollars per 1,000 gallons – FY2021 = \$20,000 to \$30,000 per month (Rate Table M)

C = Capital Funding – 10% of (A+B)

Total Charge = A+B+C (> \$200,000 per month)

2012 to 2017

6

- ▶ The City did a major renovation/expansion project at the plant's headworks that increased the plant's capacity from 6 MGD to 8 MGD - \$10.9 million (funded with the Utilities 2012 and 2015 Bonds)
- ▶ The City made other capital expenditures related to the treatment and disposal system financed with the Utilities bond issues:
 - ▶ 3 MG reclaimed water ground storage tank - \$1.4 million
 - ▶ New Reclaimed Water Filtration System - \$1.1 M
- ▶ The City made other capital expenditures related to the treatment and disposal system out of pocket

August 2018

7

- ▶ The City/Stantec issued an updated system-wide utility **rate study**, and a **companion rate study** for the County Interlocal Agreement. It proposed a significant increase in the County's rate, primarily due to capital
- ▶ As a courtesy to Sarasota County, the two parties initiated a series of meetings to discuss the proposed new rate
- ▶ The City reported the amount of **capital expenditures** from 2012 to 2017 to the County
- ▶ First discussions of the **plant expansion** (from 6 MGD to 8 MGD) and the effect on the Interlocal Agreement –
 - ▶ Does the County want to reserve an additional 1 MGD?
 - ▶ Should the County continue to pay 50% of the capital and operating expenses (or only 3/8ths)?

August 2018

- ▶ Even if the County rejects the option for additional capacity,
- ▶ Even if their allocation is reduced from $3/6^{\text{ths}}$ to $3/8^{\text{ths}}$ for both capital and operating (effective with a new agreement,
- ▶ Even if the County pays monthly debt service instead of up-front for their share of the bond-financed projects,
- ▶ The 10% surcharge account will go negative by September 30, 2021
- ▶ And the City estimates that the County's share of future capital (including debt service) to be closer to \$1 million annually
- ▶ The County's annual bill will increase from about \$2.5 million to \$3.5 million

Fast Forward to 2021

- ▶ After many meetings, including with the **rate consultants** from both sides, and ending in a recent meeting with the City and County **“Number 2’s”**
- ▶ Many drafts and a new final rate study updated to FY2021/2022
- ▶ New rates effective October 1, 2021 have been agreed to by both parties
- ▶ Plus a commitment by both parties **to finalize a new Interlocal Agreement in the first quarter of 2022**
- ▶ FY2022 payments will include:
 - ▶ A reduced fixed operating component (based on historic flow – 38%) and a FY2021 “adjusted budget”
 - ▶ A new capital component, including RR&I (restricted account)
 - ▶ A new debt service component (that can be paid off early at the County’s option)
 - ▶ Transition/eliminate the 10% surcharge account
 - ▶ Total for FY2022 about \$3.2 million

Rate Structure

10

CURRENT

A = Fixed Monthly Charge (Based on Reserved Capacity of 3/6ths)

B = Consumption – Dollars per 1,000 gallons

C = Capital Funding – 10% of (A+B)

Total Charge = A+B+C

NEW

A = Fixed Monthly Charge

L-1: Operation & Maintenance (Based on Flow – 38%)

L-2: Repair, Replacement & Improvement Cost (Based on Flow, 38% of CIP < \$1M)

L-3: Capital Funding (Based on Reserved Capacity 3/8ths of CIP > \$1M)

L-4 Debt Service

B = M: Consumption – Dollars per 1,000 gallons (chemicals/power)

Total Charge = A+B

COUNCIL ACTION NEEDED

11

- ▶ Accept the wholesale wastewater rate study
- ▶ Approve the changes to the wholesale rate ordinance on two readings



QUESTIONS