

M E M O R A N D U M

To: Tom Harmer, Town Manager

From: Sue Smith, Finance Director
Isaac Brownman, Public Works Director

Report date: August 27, 2021

Meeting date: September 13, 2021

Subject: Resolution 2021-14, Providing for a Multi-year Utility Rate Increase and Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increase Effective October 1, 2021

Recommended Action

Following public hearing, pass Resolution 2021-14.

Background

The Town's utility rates for water and wastewater service are structured to collect the necessary revenues to pay for Manatee County treatment charges; to meet annual operating and maintenance costs of the Town's water and wastewater infrastructure; to cover debt service for water and wastewater financing activities; to fund capital improvements to the Town's utility system infrastructure, and to maintain adequate operating fund and capital reserves.

There have been no increases in the Town's portion of the rates since 2010. The only rate changes since then have been pass-through increases from Manatee County as the wholesale utility provider. The last rate increases for a Manatee pass-through went into effect April 1, 2018.

Manatee County has informed the Town that 3.5% increases in wholesale water and wastewater rates will become effective on October 1, 2021, and such adjustments represent permanent increases in costs that must be passed-through to the Town's water and wastewater customers. The pass-through rate increase to the Town is anticipated to increase the Utility's revenue by 1.6% to offset the wholesale cost increase.

The Town has also identified critical utility infrastructure needs, including advancing the construction of a Subaqueous Wastewater Pipeline across Sarasota Bay and Asbestos Cement Pipe Replacement within Country Club Shores development within the next several years, which must be funded through a rate increase and a financial plan to ensure the sustainability of the utility system along with the ongoing maintenance and operation of the system.

In addition, the State of Florida Department of Environmental Protection (FDEP) and the Town of Longboat Key entered into a Consent Order on February 24, 2021 (OGC File

No. 20-1261) as a result of a leak in the Town's 20" Force Main in June 2020, requiring unanticipated professional consulting and legal services as well as infrastructure and environmental corrective actions.

The Town's utility rate consultant, GovRates, Inc., conducted a rate study to determine the rate adjustments needed to fund the critical capital needs and pass-through the Manatee County wholesale rate increases effective October 1, 2021 while conforming with the adopted financial policies of the Water and Sewer Enterprise Fund. The adopted financial management policies, contained in Resolution 2017-08, are attached for review. This study and proposed rate adjustments were presented to the Town Commission at the May 18, 2021 Budget Workshop, and this rate resolution reflects the Commission direction provided at the workshop.

The proposed rate adjustments, shown as Exhibits A and B in the proposed Resolution, provide for a planned 5% increase in the Town's portion of the rates each year over the next 5 years, plus any pass-through increases from Manatee County. Debt financing is anticipated for some of the critical capital needs and, to secure a loan or issue bonds, the Town must be able to show that a rate plan is in place to support the debt. The Town would monitor the financial requirements of the utility on an annual basis and perform an updated rate review at least once every three years to confirm the level of rate support needed to meet current operations and necessary capital projects.

For the first year the total increase would be 6.6%, when the Manatee County pass through is added. The first year rate increase would be effective October 1, 2021 and would be reflected in all customer bills rendered on or after the effective date. The rate adjustment also changes the maximum billable gallons for Wastewater for single family residences from 7,000 to 10,000 gallons, which is in line with other jurisdictions.

Based on the rate consultant's review of comparable utilities, bills under the Town's rate structure are very competitive. The Town's rates are anticipated to remain some of the lowest in the region, even with the planned increases.

The Town Commission finds that it is in the best interest of the public to adopt a multi-year schedule of water and wastewater service charges and reassess the rates every three years, unless the Utility's financial circumstances support an earlier review, as recommended by the rate consultant, and as provided for in this Resolution.

The Town's consultant and staff will provide a presentation at the September 13, 2021 Regular Meeting and answer any questions you may have.

Staff Recommendation

Following public hearing, pass Resolution 2021-14.

Attachments

- A. Resolution 2021-14 (Available from Town Clerk's Office)
- B. PowerPoint (Available from Town Clerk's Office)
- C. Resolution 2017-08 (Available from Town Clerk's Office)



End of Agenda Item