

M E M O R A N D U M

To: Town Commission
From: Howard Tipton, Town Manager
Report date: June 13, 2024
Meeting date: June 28, 2024
Subject: Utility Rate Study Update – Third Year Review

Recommended Action

Provide direction to Town Manager on financing alternatives.

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.

The Town has identified critical utility infrastructure needs, including advancing the construction of a Subaqueous Wastewater Pipeline across Sarasota Bay and the Asbestos Cement Pipe Replacement within the Country Club Shores development. These critical needs must be funded through rate increases as part of a financial plan to ensure the sustainability of the utility system and to fund the system's ongoing maintenance and operational expenses.

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-inch Force Main in June 2020, requiring 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 in 2021 to determine the rate adjustments needed to fund the critical capital needs and pass-through the Manatee County wholesale rate increases while conforming with the adopted financial policies of the Water and Sewer Enterprise Fund.

In 2021, the Town Commission passed Resolution 2021-14, providing for 5% increases in the Town's portion of the rates each year over 5 years, effective October 1, 2021, through October 1, 2025, plus any pass-through increases from Manatee County. Later, the Town Commission passed Resolution 2023-17, providing for the pass-through of two 9.75% Manatee County wholesale rate increases effective on June 1, 2023, and June 1, 2024. Since Manatee County wholesale service costs represent over 50% of the water and wastewater utility's annual operating expenses it made sense to align our rate

increases with those of Manatee County's wholesale water and wastewater rate increases at that time.

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. Proactive financial planning helps the Town to more gradually increase the water and wastewater rates to the levels needed to keep the utility system operationally and financially sustainable.

As we are preparing for the FY25 Budget and 2024 marks the third-year review, the Town's consultant, Bryan Mantz, from GovRates, Inc., and staff will provide a presentation of proposed new rates as well as bond financing alternatives necessary to complete the projects, at the June 28, 2024, Special Meeting and answer any questions you may have.

Staff Recommendation

Provide direction to Manager on financing alternatives.

Attachments (Available in the Town Clerk's office)

PowerPoint

End of Agenda Item