

## M E M O R A N D U M

**To:** Howard Tipton, Town Manager

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

**Report date:** August 15, 2024

**Meeting date:** September 9, 2024

**Subject:** Resolution 2024-14, Providing for a Multi-year Utility Rate Increase and Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increase Effective October 1, 2024

### **Recommended Action**

Following the public hearing, pass Resolution 2024-14.

### **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.

The Town has identified critical utility infrastructure needs, including advancing the construction of a Subaqueous Wastewater Pipeline across Sarasota Bay (the "Subaqueous Project") 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.

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, respectively. Because Manatee County wholesale service costs represent over 50% of the water and wastewater utility's annual operating expenses, the Town's 2023 and 2024 increases were aligned with those of Manatee County's corresponding wholesale water and wastewater rate increases.

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 gradually increase the water and wastewater rates to the levels needed to keep the utility system operationally and financially sustainable.

The Town's utility rate consultant, GovRates, Inc., performed the required update to the rate study performed in 2021, and the proposed rate adjustments were presented to the Town Commission at the June 28, 2024, Special Meeting. The Commission instructed staff to bring back a Resolution for formal adoption.

The proposed rate adjustments, shown as Exhibits A and B in the proposed Resolution 2024-14, provide for a planned 8% increase in the Town's portion of the rates each year over the next 3 years, plus any pass-through increases from Manatee County, followed by a 7% and 3% increase in 2027 and 2028, respectively. These rates include revenue required to make debt payments on a new 20-year loan needed to finance the Subaqueous Project. The Town must be able to show that a rate plan is in place to support the debt.

The Commission approved moving forward with a Referendum at the March 2025 election cycle to pursue a low-interest loan through the State's Revolving Fund Loan Program ("SRF") for the Subaqueous Project.

Resolution 2024-14 and the incorporated rate adjustments shown on Exhibits A and B, provide that the first-year rate increase would be effective October 1, 2024, and would be reflected in all customer bills rendered on or after the effective date. Based on the rate consultant's review of comparable utilities, customer bills under this proposed 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.

Additionally, the Town would monitor the financial requirements of the utility on an annual basis and reassess the rates every three years, unless the Utility's financial circumstances support an earlier review, as recommended by the rate consultant.

Staff will provide a presentation at the September 9, 2024, Regular Meeting and answer any questions you may have.

### **Staff Recommendation**

Following the public hearing, pass Resolution 2024-14.

### **Attachments (Available in Town Clerk's Office)**

- A. Resolution 2024-14
- B. GovRates Utility Rate Study Report
- C. PowerPoint

**End of Agenda Item**