

October 2, 2019

CITY OF MARGATE, FLORIDA

STORMWATER RATE STUDY



GovRates, Inc.
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Stormwater Utility Overview

➤ Utility Has Several Areas of Responsibility

- Stormwater Infrastructure Maintenance / Repair
- Preventative Maintenance Including
 - Street Sweeping
 - Right-of-Way Spraying
 - Catch Basin Cleaning
 - Storm Top Cleaning
 - Pipe Jetting / Clearing
 - Litter Control
 - Mosquito Spraying
- Shoreline Maintenance
- Canal Debris Removal and Dredging
- Aquatic Weed Removal / Eradication





Stormwater Utility Overview (cont.)

➤ Stormwater Statistics:

- 110 Miles of Streets
- 45 Miles of Stormwater Pipes
- 2,117 Catch Basins
- 27 Miles of Canals
- 55 Linear Miles of Canal Banks
- 3 Lakes
- 7 Aerators





Stormwater Utility Overview (cont.)

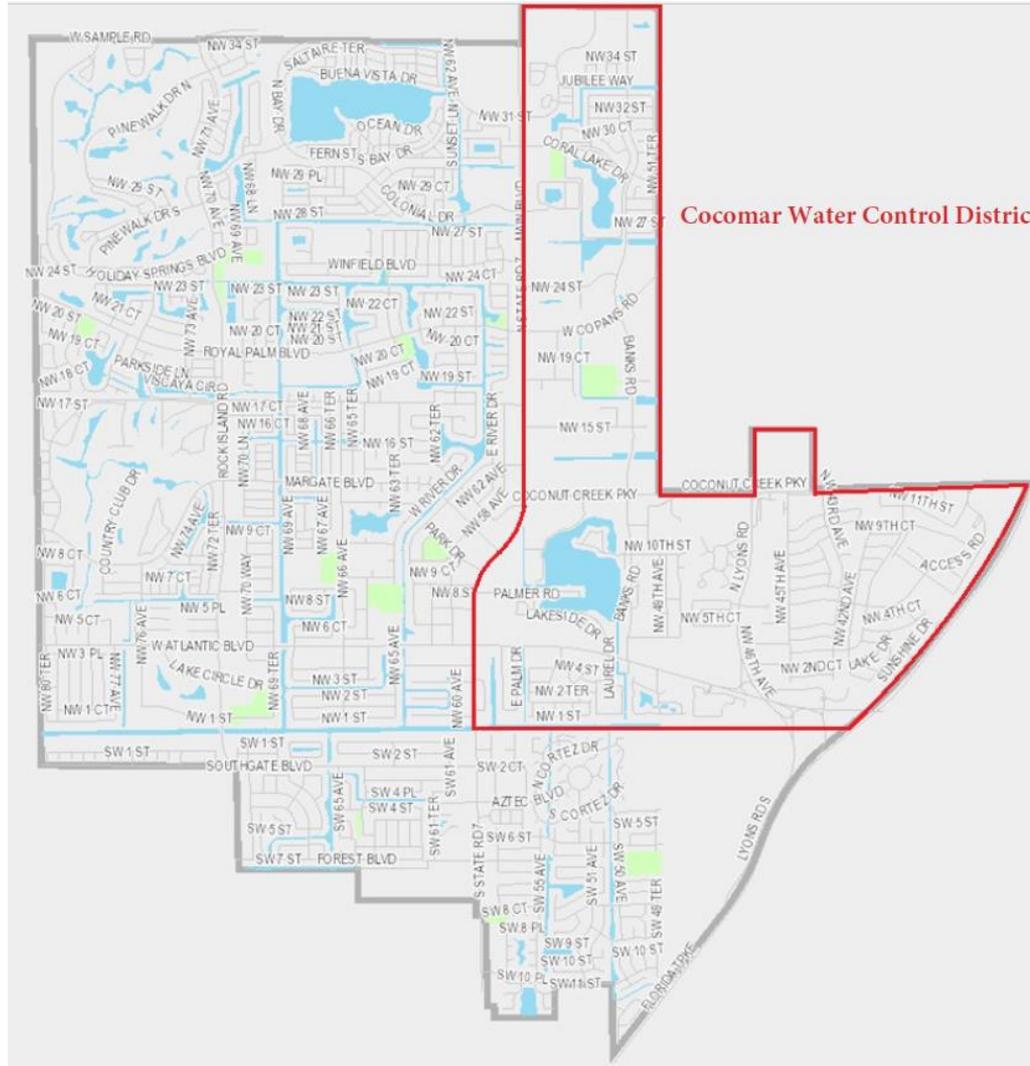
- **Utility Provides All Services to About 14,000 Accounts and 29,500 Equivalent Residential Units (ERUs)**

- **Utility Provides a Reduced Level of Service to About 11,150 ERUs Within Cocomar Water Control District (Located Within City)**
 - **Number of Cocomar ERU's Determined Through Recent GIS Evaluation Performed By Hazen and Sawyer**
 - **City Not Responsible for Shoreline Maintenance; Canal Debris Removal and Dredging; and Aquatic Weed Removal / Eradication Within District**
 - **City Has Not Historically Billed Cocomar Properties for City-Provided Services**

- **Fundamental Assumption of Proposed Rates Is That City Would Start to Bill Cocomar Properties for City-Provided Stormwater Services**



Cocomar Water Control District



Cocomar Water Control District





Major Cost Drivers Affecting Utility System

- **Operating Expenses Projected to Continue Increasing**
 - **Similar to Experience of Other Florida Stormwater Utilities, Operating Expenses for System Have Been Increasing at Significantly Higher Rate Than General Inflation**
 - **Permanent Increases in Costs Must Ultimately Be Passed Through to Customers Through Rates**
 - **System Repair and Maintenance Expenses Have Been Increasing Substantially as City Must Address Its Aging Stormwater Infrastructure**
 - **Include Stormwater Pipe Lining and Canal Bank Restoration**
 - **Two (2) Additional Service Worker II Positions in Fiscal Year 2021 to Address System Operating and Capital Needs**

Major Cost Drivers Affecting Utility System (cont.)

- **Need to Fund Vehicle Replacements: Vacuum Truck, Street Sweepers, Harvester, and Pickup Trucks**
 - **Street Sweepers Are First Line of Defense for Good Drainage – Prevent Materials from Entering the Stormwater System**
 - **Vacuum Truck Keeps the Infrastructure Clean So That Runoff Water Can Flow Through the Pipes and Culverts**





Major Cost Drivers Affecting Utility System (cont.)

- **Operating and Capital Needs Assumed to Be Funded Through Rates and Available Cash Reserves (No Debt Financing)**
- **Need to Provide Annual Funding for Ongoing Renewal, Replacement, and Improvement Needs**



Revenue Requirements

- **Projected Through Fiscal Year 2024**
- **Include the Following:**



- **Ongoing – Allows Assets to Meet Useful Service Lives**
- **Major – Extends Useful Service Lives of Assets**



Proposed Rate Plan

- **Proposed Rates for Fiscal Year 2020 Based on Allocation to Determine Costs of Services Provided to Full-Service ERUs vs. Cocomar ERUs**
- **Rates Calculated Based on Adopted ERU Standard of 2,382 Square Feet for Full-Service ERUs and 2,078 Square Feet for Cocomar ERUs Based on Recent Hazen and Sawyer GIS Evaluation**
- **For Fiscal Year 2021 and Beyond, Recommendation to Continue City's Current Practice of Annual Automatic Rate Increases in Absence of Rate Study Recommendation – 5% Annual Adjustments Proposed**
 - **Current Indexing Based on Changes in Miami-Fort Lauderdale Consumer Price Index (CPI) Has Not Enabled the Stormwater Rates to Keep Up with System Costs**
 - **Smaller, Incremental Adjustments Over Time Help Prevent Rate Shock and Larger "Catch Up Increases"**





Proposed Rate Plan (cont.)

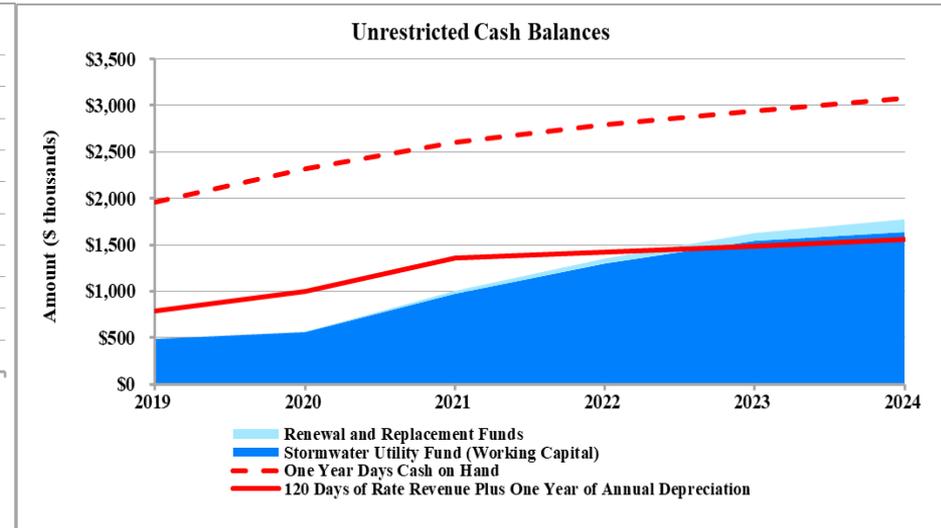
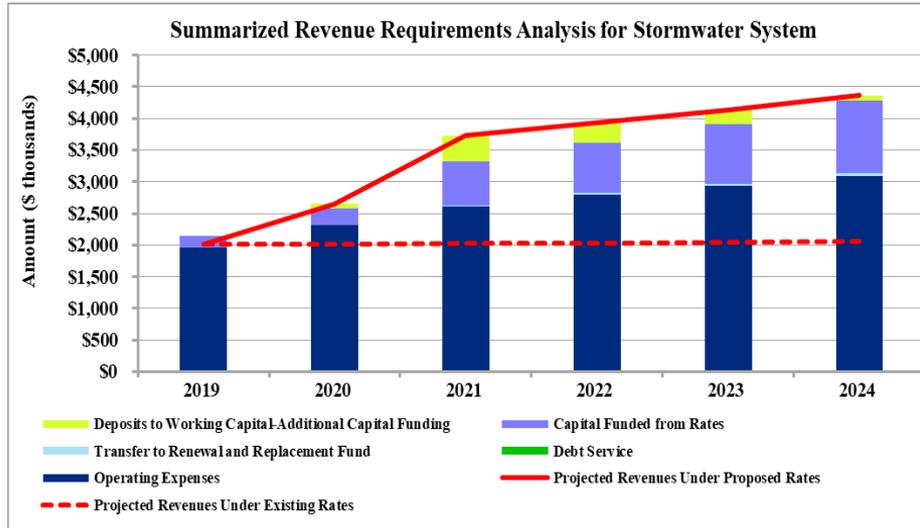
Summary of Existing and Proposed Monthly Stormwater Rates

Fiscal Year	Effective Date	Full-Service Rate Per ERU		Cocomar Rate Per ERU	
		Monthly Rate	Difference	Monthly Rate	Difference
Existing		\$5.69		N/A	
2020	January 1, 2020	\$8.25	\$2.56	\$4.60	N/A
2021	October 1, 2020	8.67	0.42	4.83	\$0.23
2022	October 1, 2021	9.11	0.44	5.08	0.25
2023	October 1, 2022	9.57	0.46	5.34	0.26
2024	October 1, 2023	10.05	0.48	5.61	0.27





Projected Financial Position



Financial Targets Recognized:

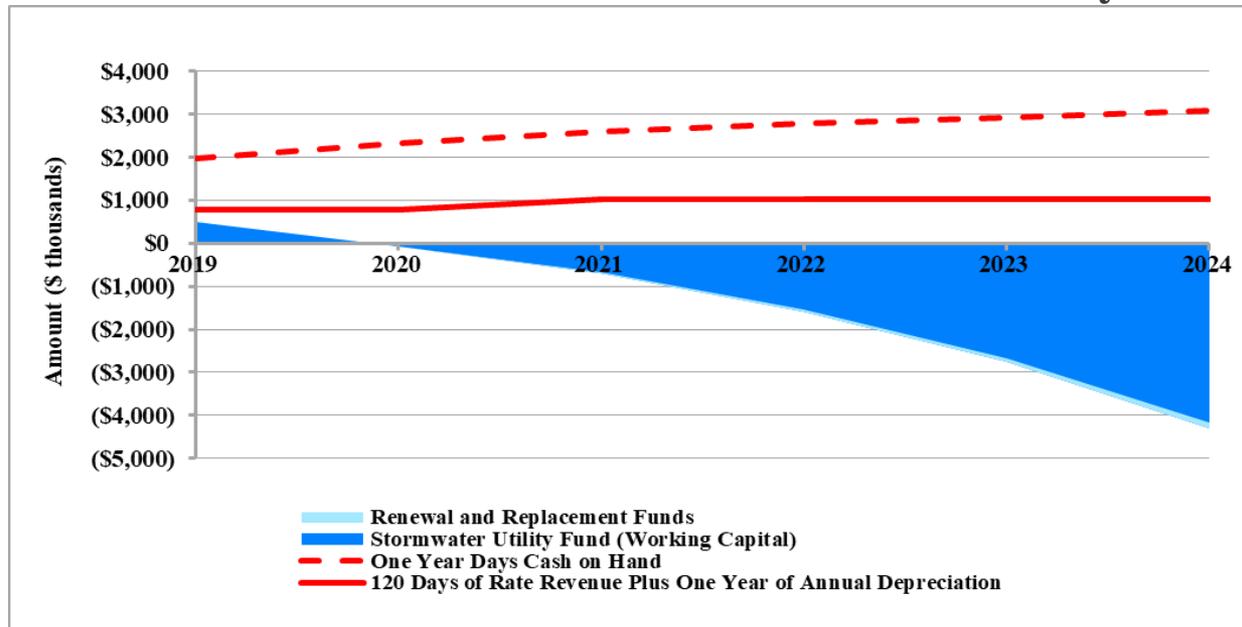
- **Unrestricted Cash Reserves: Minimum 120 Days of Rate Revenue Plus One Year of Annual Depreciation Expense**
 - **Long-Term Target: One Year Days Cash on Hand (i.e., Operating Expenses Less Annual Depreciation and Amortization Expenses)**





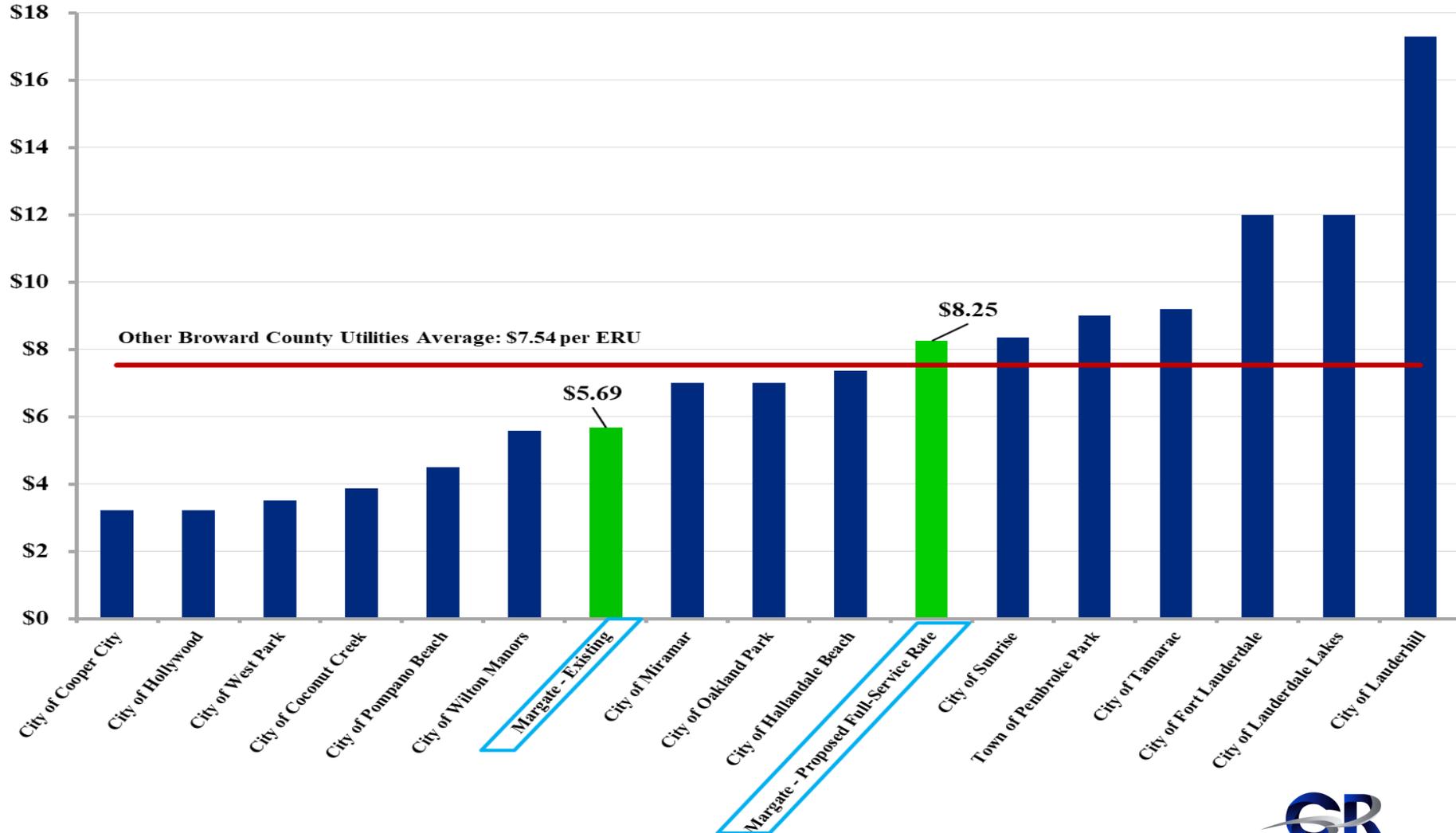
Financial Risks of Not Adjusting Rates at This Time

- **Inability to Fund All Revenue Requirements – Including Capital Needs – and Meet Financial Targets**
- **User Rates May Be Even Higher in the Future**
 - **Capital Needs for System Not Anticipated to Go Away, But May Be More Expensive to Address in the Future**
 - **Inflation and Costs of Construction Continue to Affect System Costs**





Stormwater Rate Comparison





Rate Comparison Not a "Report Card" on How Well Utility Is Performing

➤ Some Reasons Why Stormwater Rates Differ Among Utilities

- Services Provided Through Stormwater Fees (e.g., Street Sweeping)
- Amount of Lake Area to Be Maintained
- Size of Existing Customer Base / Available System Growth
- Demographics (e.g., Customers Spread Out vs. Close Together, Types of Customers Served)
- Level of Capital Improvements to Meet Service Area Growth
- Amount of Needed Renewals and Replacements / Remaining Service Life of Assets
- Differences in Rate Covenants Associated with Debt
- External Assistance in Funding Infrastructure (e.g., Grants)
- Time of Last Rate Review
- Amount of Subsidization from Other Funds (e.g., General Fund)
- Amount of General Fund and Administrative Fee Transfers



Requested Commission Action

- **Recommendation to Adopt Proposed Stormwater Rates for Fiscal Year 2020, Including Full-Service and Cocomar Water Control District Rates**
 - **Help Ensure Full Cost Recovery**
 - **Rates Considered Competitive and Affordable**
 - **In All Fiscal Years, Bill Per ERU for Residential Class Less Than 1% of Median Household Income – Affordability Metric Used By Credit Rating Agencies for Stormwater Rates**

- **For Fiscal Year 2021 and Beyond, Continue City's Current Practice of Annual Automatic Rate Increases in Absence of Rate Study Recommendation – 5% Annual Adjustments Proposed**
 - **Current Indexing Based on Changes in Local CPI Not Enabling Rates to Keep Up with Costs**
 - **Smaller, Incremental Adjustments Over Time Help to Prevent Rate Shock and Larger "Catch Up" Rate Increases**

- **Monitor Actual Vs. Projected Financial Results and Re-evaluate Stormwater User Rates / Financial Forecast as Needed**

