



CITY OF MARGATE

Stormwater Rate Analysis

September 25, 2015





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September 25, 2015

Mr. Sam May
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Subject: Stormwater Rate Analysis

We have completed a stormwater rate analysis for the City of Margate (City). Attached is a report summarizing our analysis, findings, and conclusions with regard to the City's stormwater fee. This report includes an analysis based on a review of the City's financial and customer billing data applied to the rate structure parameters identified by the City.

In our analysis, we have relied upon certain information and data compiled by the City including, but not limited to, customer billing data, budget data, audited annual reports, financing documents, and previous analysis completed on behalf of the City. To the extent we have performed our analyses using the data and information obtained from the City and others in the preparation of this report, we have relied upon such information to be accurate and no assurances are intended and no representation or warranties are made with respect thereto or the use made herein.

Finally, I would like to acknowledge the assistance and support of the City staff during the course of this study. We appreciate the opportunity to be of service to the City of Margate.

RAFTELIS FINANCIAL CONSULTANTS, INC.

A handwritten signature in blue ink that reads 'Tony Hairston'.

Tony Hairston
Senior Manager

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CITY OF MARGATE STORMWATER RATE ANALYSIS

BACKGROUND

The City of Margate (City) has an established stormwater management utility (the “Stormwater System”) which is accounted as a utility enterprise fund whereby the costs of providing service are funded primarily from user fees. The City is requesting Raftelis Financial Consultants, Inc. (RFC) to provide an analysis of the City’s current stormwater fee and propose any changes to the fee levels necessary to fund the projected future operating and capital costs (the “revenue requirements”) of the Stormwater System. These costs include canal maintenance, street sweeping, infrastructure maintenance, and other repair and maintenance required to maintain clean waterways and comply with the National Pollutant Discharge Elimination System (NPDES) requirements mandated by the U.S. Environmental Protection Agency.

Pursuant to Sec. 34-2 City Code of Ordinances, a stormwater Equivalent Residential Unit (“ERU”) is established as 2,382 square feet of impervious surface area for non-residential properties and one ERU per residential dwelling unit for residential properties. The current rate of \$3.57 per month per ERU has been in effect since January 1, 2009. The stormwater fee is billed monthly to customers on the City’s water bill.

Based on the analysis and assumptions wherein, the current fee does not generate sufficient revenue to meet the cost of maintaining the City’s stormwater infrastructure and associated equipment repair and maintenance costs. Based on the projected operating results summarized herein, this study recommends the implementation of either a one-time rate adjustment or a two year phased adjustment to meet the costs of providing service. The two year phased adjustment will require the use of \$220,000 of stormwater fund reserves in order to delay the full rate implementation. This analysis does not include a review of alternative fee methodologies or changes to the impervious area criteria or rate structure. The two stormwater fee options are summarized in Table 1 below.

Table 1 – Existing and Proposed Stormwater Charges per ERU

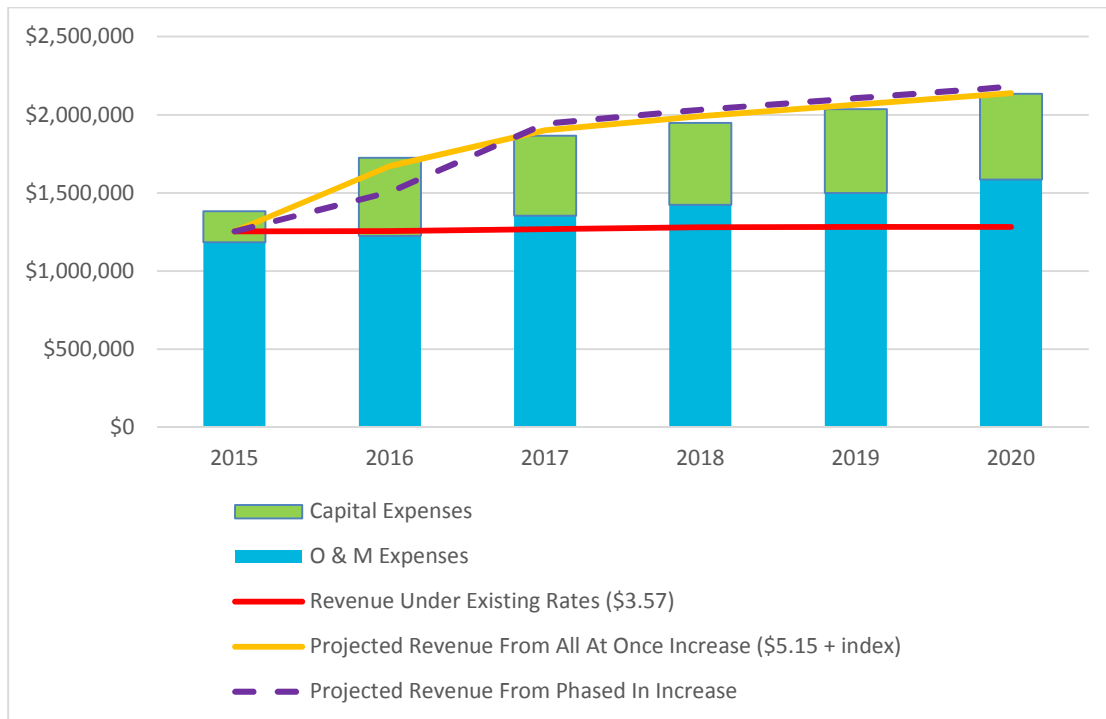
| | |
|------------------------------|------------------------------|
| Existing Charges: | \$3.57 |
| Option 1-All At Once: | |
| January 1, 2016 | \$5.15 |
| Option 2-Phased In: | |
| January 1, 2016 | \$4.52 |
| October 1, 2016 | \$5.47 |
| Future Increases [1] | Based on CPI; \$0.20 minimum |

[1] It is recommended the City automatically adjusts its stormwater rates every October 1st to the greater of \$0.20 or the annual change in an inflationary index such as the Consumer Price Index (CPI) for the Miami-Ft. Lauderdale Region for the then most recent 12-month period available.

The primary drivers for the rate increase include : i) funding for a critical \$3.5 million storm pipe refurbishment project over the next ten years; ii) funding vehicle and equipment replacement; and iii) increases in operating costs including health insurance and other expenses.

Figure 1 below illustrates the revenues from existing rates and also revenue based on the two proposed rate options. These revenue projections are compared to the projected stormwater revenue requirements through Fiscal Year 2020:

Figure 1 – Revenue Requirements and Projected Revenue



CUSTOMER BILLING STATISTICS

As shown below in Table 2, the City billed an average of 29,281 ERUs during Fiscal Year 2015, an increase of 0.34% per year since Fiscal Year 2008. Of this total, approximately 41.7% of stormwater ERUs are classified as single-family, 38.2% as multi-family, and 20.1% as non-residential.

Table 2 – Average Stormwater System ERUs by Fiscal Year

| | 2008 | 2015 | Percentage (%) of Total | Annual Growth |
|------------------------|--------|--------|----------------------------|------------------|
| Single-Family | 12,203 | 12,210 | 41.7% | 0.01% |
| Multi-Family | 10,528 | 11,173 | 38.2% | 0.88% |
| Non-Residential | 5,878 | 5,898 | 20.1% | 0.05% |
| Total | 28,609 | 29,281 | 100.0% | 0.34% |

Going forward, single-family and non-residential ERUs are assumed to slightly grow at 0.1% per year, however the City reports there are currently two multi-family developments with a total of over 500 units under construction, resulting in a projected annual growth of 1.0% for multi-family ERUs.

REVENUE REQUIREMENTS

The various components of cost associated with operating and maintaining a utility system, as well as the cost of financing the renewal and replacement of facilities and capital improvements for upgrades and expansion, are generally referred to as the utility revenue requirements. The sum of these cost components, after adjusting for other income and miscellaneous utility revenues, represents the net revenue requirements that must be funded from the rates of a utility system. The revenue requirements for this study are predicated on an analysis of projected stormwater costs for the six-year period from Fiscal Year 2015 through Fiscal Year 2020 (“Forecast Period”). The projected revenue requirements included the various generalized cost components described below:

- **Operating expenses:** These expenses include the cost of labor, chemicals, materials, supplies, administration, and other items necessary for the operation and maintenance of the Stormwater System.
- **Debt Service:** Debt service includes the principal and interest on outstanding or planned utility debt. The Stormwater System currently has no debt and no additional debt is assumed during the Forecast Period.

- **Other Revenue Requirements:** The component of cost includes, in general, any ongoing capital improvements to be funded from rate revenue, transfers to Stormwater System reserves for future system rehabilitation, and other revenue requirements.

The projected Stormwater System Revenue Requirements are shown on Table 4 at the end of this section. The following provides a summary of the assumptions used to develop the operating expenses and capital improvements for the purpose of this study.

Operating and Capital Expenses

The City's proposed Fiscal Year 2016 Stormwater System budget ("Stormwater Budget") serves as the basis for the projected Stormwater System operating and capital expenses as shown in Exhibit 1. The major drivers for the increase in personal and operating expenses are: i) the anticipation of hiring a new foreman in 2017; ii) expected large cost escalations for health insurance estimated by the City of 20% per year; iii) the change in the City's general allocation of cost to the Stormwater System from \$85,000 to \$200,000 per year; and iv) inflation, assumed at 2.3% per year. The breakdown of operating expense escalation assumptions used in Exhibit 1 are shown below in Table 3.

Table 3 – Operating Expense Escalation Assumptions

| Description | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|---|--------------------|--------------------|--------------------|--------------------|
| Inflation (CPI) | 2.3% | 2.3% | 2.3% | 2.3% |
| Personal Services | 4.0% | 4.0% | 4.0% | 4.0% |
| Health/Life/Disability Insurance | 20.0% | 20.0% | 20.0% | 20.0% |
| Maintenance | 2.4% | 2.4% | 2.4% | 2.4% |

As seen in Exhibit 1, the Stormwater Budget was adjusted to move \$150,000 from operating expenses to capital expenses for the acquisition of vehicles and other stormwater equipment, as they provide a benefit to the City for several years and should be considered capital assets. Additionally, the City is planning the start of a 10 year, \$3.5 million project for lining of corrugated pipe in the Stormwater System. This capital project is assumed to be funded through cash proceeds from monthly stormwater rates with no reliance on any debt issuance. \$350,000 was added to the Stormwater Budget for the storm pipe refurbishment project, with this amount increasing due to inflation in the following years.

Based on these assumptions, the projected revenue requirements are shown on Exhibit 2 at the end of the report and are summarized in Table 4 below.

Table 4 – Projected Revenue Requirements

| Description [1] | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Personal Services | \$563,773 | \$620,801 | \$736,492 | \$790,984 | \$852,661 | \$922,813 |
| General Cost Allocation | 85,000 | 200,000 | 204,600 | 209,306 | 214,120 | 219,045 |
| Repair and Maintenance [2] | 374,000 | 592,000 | 605,858 | 620,041 | 634,556 | 649,410 |
| Chemicals | 64,000 | 64,000 | 65,472 | 66,978 | 68,518 | 70,094 |
| Vehicle Replacement | 175,000 | 150,000 | 153,450 | 156,979 | 160,590 | 164,284 |
| Other | 121,250 | 98,250 | 100,510 | 102,823 | 105,187 | 107,604 |
| Total | \$1,383,023 | \$1,725,051 | \$1,866,382 | \$1,947,111 | \$2,035,632 | \$2,133,250 |

[1] Amounts derived from Exhibit 1 at the end of the report.

[2] Includes planned pipe refurbishment, pipe maintenance, and equipment maintenance.

REVENUE SUFFICIENCY

Based on the projected customer growth assumptions, the existing stormwater fee is projected to be deficient by \$126,655 in Fiscal Year 2015. This deficiency will grow to \$467,454 in Fiscal Year 2016 with no adjustment to stormwater fees. The primary drivers for these deficiencies include : i) funding for a critical \$3.5 million storm pipe refurbishment project over the next ten years; ii) funding for vehicle and equipment replacement; and iii) increases in operating costs including health insurance and other expenses.

The projection of revenue deficiency in future years is shown in Table 5 below.

Table 5 – Revenue from Existing Rates

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue From Existing Rates | \$1,254,368 | \$1,255,598 | \$1,267,936 | \$1,280,274 | \$1,281,559 | \$1,282,844 |
| Other Income | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Total Revenue | \$1,256,368 | \$1,257,598 | \$1,269,936 | \$1,282,274 | \$1,283,559 | \$1,284,844 |
| Less: Revenue Requirements | \$1,383,023 | \$1,725,051 | \$1,866,382 | \$1,947,111 | \$2,035,632 | \$2,133,250 |
| Surplus/ (Deficiency) | (\$126,655) | (\$467,453) | (\$596,446) | (\$664,837) | (\$752,073) | (\$848,406) |

As seen in Exhibit 2 and Table 5, the City has projected total stormwater revenue of \$1,256,368 compared to \$1,383,023 in revenue requirements for Fiscal Year 2015, a \$126,655 shortfall. In order to avoid a deficit each year, it is recommended the City increases its monthly stormwater rate during Fiscal Year 2016 and automatically increase the rate each year to combat the effects of inflation. This study has identified two options for adjusting the stormwater rate as summarized in Table 6 below.

Table 6 – Existing and Proposed Stormwater Charges per ERU

| | |
|------------------------------|------------------------------|
| Existing Charges: | \$3.57 |
| Option 1-All At Once: | |
| January 1, 2016 | \$5.15 |
| Option 2-Phased In: | |
| January 1, 2016 | \$4.52 |
| October 1, 2016 | \$5.47 |
| Future Increases [1] | Based on CPI; \$0.20 minimum |

[1] It is recommended the City automatically adjusts its stormwater rates every October 1st to the greater of \$0.20 or the annual change in an inflationary index such as the Consumer Price Index (CPI) for the Miami-Ft. Lauderdale Region for the then most recent 12-month period available.

Option 1-All At Once

The first rate increase option, shown in detail in Exhibit 2, is a \$1.58 increase January 1, 2016 with an annual inflationary adjustment with a minimum of \$0.20 increase each October 1 thereafter. The use of reserves in the amount of \$55,000 in Fiscal Year 2016 is assumed under this scenario with the reserve balance increasing during the following years. While Option 1 represents a significant increase in the stormwater rate, the City reports that the solid waste fee will be decreasing by a sufficient amount to mitigate the effects of the Option 1 stormwater increase when viewed on a combined basis.¹

Option 2-Phased In

The second rate increase option, as detailed in Exhibit 3 at the end of the report, is a \$0.95 increase January 1, 2016 and an additional \$0.95 increase on October 1, 2016. Each October thereafter an annual inflationary adjustment would apply with a minimum of \$0.20 increase each October. Use of reserves in the amount of \$220,000 is assumed under this scenario during FY 2016. This option allows for the increase in stormwater fee to be spread out over two years instead of in just one year, providing for less impact to customers. A tradeoff is

¹ The stormwater fees and solid waste fees are billed to each customer monthly on the City's water bill.

that the stormwater rate is \$0.12 higher in years after the phase in process is complete as summarized below in Table 7.

Table 7 – Projected Stormwater Fees

| Rate Increase Scenario | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------|--------|--------|--------|--------|--------|--------|
| Option 1 | \$3.57 | \$5.15 | \$5.35 | \$5.55 | \$5.75 | \$5.95 |
| Option 2 | \$3.57 | \$4.52 | \$5.47 | \$5.67 | \$5.87 | \$6.07 |

The Stormwater System has no existing or planned debt and therefore does not have any debt coverage concerns or bond reserve requirements. However, it is important that the City maintain adequate reserves to manage unexpected expenditures such as emergency repairs caused by storms or other events. The following illustrates the projected stormwater balance under the two rate options and also if no change to stormwater rates are implemented. As shown in Table 8 below, the projected Stormwater System reserves are projected to be negative under existing rates due to the projected revenue deficiencies during the Forecast Period. However, Options 1 and 2 indicate that reserves will be sufficient throughout the Forecast Period with Option 2 showing lower reserve levels than Option 1 during most years:

Table 8 – Ending Reserve Fund Balance

| Rate Increase Scenario | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------|-----------|-----------|-------------|---------------|---------------|---------------|
| Existing Stormwater Rates | \$669,263 | \$201,810 | (\$395,636) | (\$1,063,473) | (\$1,820,546) | (\$2,675,952) |
| Option 1 | \$669,263 | \$618,610 | \$654,364 | \$699,527 | \$730,054 | \$736,948 |
| Option 2 | \$669,263 | \$452,410 | \$529,764 | \$617,027 | \$690,654 | \$740,648 |

COMPARISON WITH NEIGHBORING UTILITIES

Table 9 below provides a comparison of stormwater rates for neighboring utilities on a monthly basis. The City's existing stormwater fees are lower than the average cost of neighboring stormwater services, and will remain below under either rate option presented. It should be noted that an in-depth analysis regarding level of service has not been conducted in this comparison. For example, the City provides extensive canal maintenance while others may not provide full canal maintenance. Some jurisdictions have stormwater services provided by more than one organization. In those instances, the stormwater related fees are combined within those jurisdictions as indicated below.

Table 9 – Stormwater Rate Comparison with Neighboring Utilities

| City/Improvement District | Monthly Stormwater Rate per ERU |
|--|--|
| City of Margate | |
| Existing | \$3.57 |
| Proposed (Full Rate) | \$5.15 |
| | |
| Coconut Creek/Cocomar Water Control District | \$4.67 |
| Fort Lauderdale | \$4.10 |
| Lauderhill | \$14.31 |
| N. Lauderdale/ N. Lauderdale Water Control District | \$7.58 |
| Oakland Park | \$6.00 |
| Pompano Beach | \$3.43 |
| Tamarac | \$9.47 |
| Average of Other Cities | \$7.08 |

FINDINGS AND CONCLUSIONS

Based upon the principal considerations and assumptions used to derive the results of our analyses as summarized in the attached report, which should be read in its entirety, we are of the opinion that:

1. The City's existing rates for stormwater service will not recover the projected Stormwater System costs, including additional capital improvements for Fiscal Years 2015 through 2020.
2. The City should consider adopting one of the stormwater rate increase options proposed herein beginning January 1, 2016. The proposed rate increases coupled with the proposed rate index (See Conclusion 3) is anticipated to meet the projected net revenue requirements over the next several years.
3. The City should consider adopting an annual rate index to adjust rates annually to offset the effects of inflation and avoid future large one-time rate adjustments. This increase would be based on the annual change in an inflationary index such as the Consumer Price Index (CPI) for the Miami-Ft. Lauderdale Region for the most recent 12-month period available. It is recommended that the annual index should include a minimum adjustment of \$0.20.
4. The proposed rates are comparable to nearby communities charging for similar service.

Exhibit 1
City of Margate, Florida
Stormwater System Rate Study

Historical and Projected Stormwater Operating and Capital Expenses

| | FY 2012 ACTUAL | FY 2013 ACTUAL | FY 2014 ACTUAL | FY 2015 AMENDED | FY 2016 PROPOSED | ADJUST- MENTS | FY 2016 ADJUSTED | ESCALATIO N FACTOR | FY 2017 PROJECTED | FY 2018 PROJECTED | FY 2019 PROJECTED | FY 2020 PROJECTED |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| EXPENSES | | | | | | | | | | | | |
| PERSONAL SERVICES | | | | | | | | | | | | |
| 445-4575-538.12-01 SAL & WAGES-REGULAR | \$ 389,679 | \$ 428,086 | \$ 344,216 | \$ 373,923 | \$ 414,781 | | \$ 414,781 | Labor | \$ 431,372 | \$ 448,627 | \$ 466,572 | \$ 485,235 |
| 445-4575-538.12-15 ADDED RESPONS INCREMENT | 4,067 | 3,892 | 3,926 | 5,200 | - | | - | Labor | 70,000 | 72,800 | 75,712 | 78,740 |
| 445-4575-538.13-05 SAL & WAGES-LONGEVITY | 5,000 | 5,000 | 7,000 | 7,000 | 7,000 | | 7,000 | Labor | 7,280 | 7,571 | 7,874 | 8,189 |
| 445-4575-538.14-01 SAL & WAGES-OVERTIME | 16,175 | 9,266 | 3,997 | 5,000 | 5,000 | | 5,000 | Labor | 5,200 | 5,408 | 5,624 | 5,849 |
| 445-4575-538.21-01 CONTRIB-SS TAX(EMPLOYER) | 23,906 | 19,038 | 27,398 | 25,000 | 26,460 | | 26,460 | Labor | 27,518 | 28,619 | 29,764 | 30,955 |
| 445-4575-538.21-02 CONTRIB-MED TAX(EMPLOYER) | 5,598 | 4,446 | 6,408 | 5,700 | 6,190 | | 6,190 | Labor | 6,438 | 6,696 | 6,964 | 7,243 |
| 445-4575-538.22-01 CONTR-RETIREMENT-EMPLOYER | 18,492 | 19,171 | 27,668 | 30,000 | 31,000 | | 31,000 | Labor | 32,240 | 33,530 | 34,871 | 36,266 |
| 445-4575-538.22-03 CONTRIBUTION - HEALTH TRUST | - | - | - | - | 4,270 | | 4,270 | Ins-Health | 5,124 | 6,149 | 7,379 | 8,855 |
| 445-4575-538.23-01 HEALTH & LIFE INSURANCE | 68,891 | 79,410 | 78,469 | 108,000 | 126,100 | | 126,100 | Ins-Health | 151,320 | 181,584 | 217,901 | 261,481 |
| 445-4575-538.91-19 TO EMPLOYEES BENEFIT TRUST | 3,376 | 3,466 | 3,489 | 3,950 | - | | - | Labor | - | - | - | - |
| SUBTOTAL PERSONAL SERVICES | \$ 535,184 | \$ 571,775 | \$ 502,571 | \$ 563,773 | \$ 620,801 | \$ - | \$ 620,801 | | \$ 736,492 | \$ 790,984 | \$ 852,661 | \$ 922,813 |
| OPERATING EXPENSES | | | | | | | | | | | | |
| 445-4575-538.29-01 CLOTHING & WEARING APP | \$ 2,597 | \$ 1,724 | \$ 3,250 | \$ 4,000 | \$ - | | \$ - | Infl | \$ - | \$ - | \$ - | \$ - |
| 445-4575-538.30-31 OTHER EXPENSE | - | - | - | - | 4,000 | | 4,000 | Infl | 4,092 | 4,186 | 4,282 | 4,380 |
| 445-4575-538.31-02 PROF'L SVCS-MEDICAL | 25 | 65 | 245 | 500 | 500 | | 500 | Infl | 512 | 524 | 536 | 548 |
| 445-4575-538.31-23 PROF SV-EES-ALLOC OF COST | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | | 20,000 | Infl | 20,460 | 20,931 | 21,412 | 21,904 |
| 445-4575-538.31-25 GENERAL-ALLOC OF COST | 85,000 | 85,000 | 85,000 | 85,000 | 200,000 | | 200,000 | Infl | 204,600 | 209,306 | 214,120 | 219,045 |
| 445-4575-538.34-16 CONTRACT SVCS-OTHER | 15,378 | 76,230 | 68,518 | - | - | | - | Infl | - | - | - | - |
| 445-4575-538.39-03 OPER EXP-BANK FEES | - | - | - | 750 | 750 | | 750 | Infl | 767 | 785 | 803 | 821 |
| 445-4575-538.40-03 TRAVEL & PER DIEM | - | - | - | 1,000 | 1,000 | | 1,000 | Infl | 1,023 | 1,047 | 1,071 | 1,096 |
| 445-4575-538.46-01 MAINT-EQUIPMENT | 18,427 | 28,270 | 12,771 | 20,000 | 20,000 | | 20,000 | Maint | 20,480 | 20,972 | 21,475 | 21,990 |
| 445-4575-538.46-06 REPAIR & MAINTENANCE SVCS | - | - | - | 332,000 | 350,000 | (150,000) | 200,000 | Maint | 204,800 | 209,715 | 214,748 | 219,902 |
| 445-4575-538.46-08 MAINT-VEHICLES | 16,657 | 15,400 | 22,985 | 22,000 | 22,000 | | 22,000 | Maint | 22,528 | 23,069 | 23,623 | 24,190 |
| 445-4575-538.46-31 WATERWAYS (GRASS CARP) | 10,080 | 9,900 | 10,000 | 10,000 | 10,000 | | 10,000 | Infl | 10,230 | 10,465 | 10,706 | 10,952 |
| 445-4575-538.52-02 GAS, OIL & COOLANT | 20,576 | 20,922 | 20,283 | 26,000 | 26,000 | | 26,000 | Infl | 26,598 | 27,210 | 27,836 | 28,476 |
| 445-4575-538.52-14 CHEMICALS-OTHER | 33,962 | 57,560 | 63,095 | 64,000 | 64,000 | | 64,000 | Infl | 65,472 | 66,978 | 68,518 | 70,094 |
| 445-4575-538.52-15 OPERATING SUPPLIES-OTHER | 5,473 | 5,133 | 2,970 | 7,000 | 7,000 | | 7,000 | Infl | 7,161 | 7,326 | 7,494 | 7,666 |
| 445-4575-538.52-35 LICENSES & PERMITS | 10,291 | 16,217 | 16,082 | 25,000 | 25,000 | | 25,000 | Infl | 25,575 | 26,163 | 26,765 | 27,381 |
| 445-4575-538.54-01 SUBSCRIPT & MEMBERSHIPS | 3,345 | 1,925 | 5,714 | 2,000 | 2,000 | | 2,000 | Infl | 2,046 | 2,093 | 2,141 | 2,190 |
| 445-4575-538.54-05 EDUCATION & TRAINING | - | - | - | 2,000 | 2,000 | | 2,000 | Infl | 2,046 | 2,093 | 2,141 | 2,190 |
| 445-4575-538.59-01 DEPRECIATION EXPENSE | 127,066 | 169,361 | 155,538 | - | - | | - | | - | - | - | - |
| SUBTOTAL OPERATING EXPENSES | \$ 368,878 | \$ 507,707 | \$ 486,451 | \$ 621,250 | \$ 754,250 | \$ (150,000) | \$ 604,250 | | \$ 618,390 | \$ 632,863 | \$ 647,671 | \$ 662,825 |
| CAPITAL EXPENSES | | | | | | | | | | | | |
| 445-4575-538.63-17 STORM DRAIN BOX REPLACMNT | \$ - | \$ 3,809 | \$ - | \$ - | \$ - | | \$ - | Infl | \$ - | \$ - | \$ - | \$ - |
| 445-4575-538.64-02 ACQUISITION OF VEHICLES | - | - | - | 175,000 | - | 150,000 | 150,000 | Infl | 153,450 | 156,979 | 160,590 | 164,284 |
| 445-4575-538.64-12 OTHER EQUIPMENT | 49,209 | - | 4,034 | 23,000 | - | | - | Infl | - | - | - | - |
| 445-4575-538.68-85 STORM PIPE REFURBISHMENT | - | - | 42,901 | | | | | | | | | |
| 445-4575-538.68-85 FUTURE STORM PIPE REFURBISHMENT | | | | | | 350,000 | 350,000 | Input | 358,050 | 366,285 | 374,710 | 383,328 |
| SUBTOTAL CAPITAL EXPENSES | \$ 49,209 | \$ 3,809 | \$ 46,935 | \$ 198,000 | \$ - | \$ 500,000 | \$ 500,000 | | \$ 511,500 | \$ 523,264 | \$ 535,300 | \$ 547,612 |
| TOTAL EXPENSES | \$ 953,271 | \$ 1,083,291 | \$ 1,035,957 | \$ 1,383,023 | \$ 1,375,051 | \$ 350,000 | \$ 1,725,051 | | \$ 1,866,382 | \$ 1,947,111 | \$ 2,035,632 | \$ 2,133,250 |

Exhibit 2
City of Margate, Florida
Stormwater System Rate Study

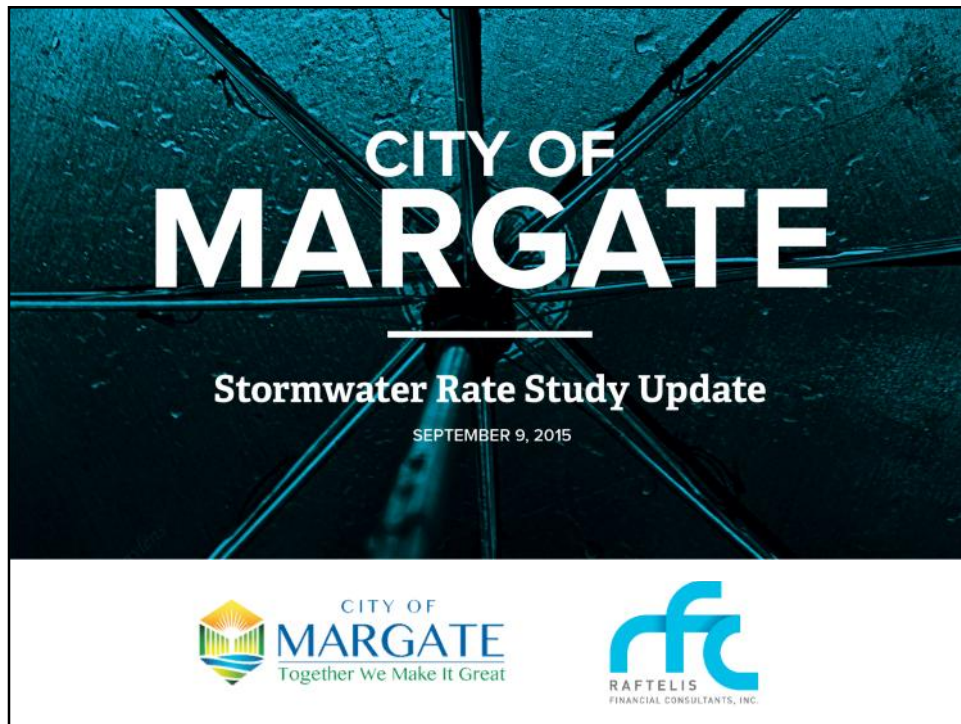
Revenue Requirements Under All At Once Option


| Description | Projected Fiscal Year Ended September 30, | | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Personal Expenses | \$ 563,773 | \$ 620,801 | \$ 736,492 | \$ 790,984 | \$ 852,661 | \$ 922,813 |
| Other Operating Expenses | 621,250 | 604,250 | 618,390 | 632,863 | 647,671 | 662,825 |
| Total Expenses | 1,185,023 | 1,225,051 | 1,354,882 | 1,423,847 | 1,500,332 | 1,585,638 |
| Other Revenue Requirements: | | | | | | |
| Existing Debt Service | - | - | - | - | - | - |
| Additional Debt Service | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Other Expenses | - | - | - | - | - | - |
| Capital Funded from Bonds | - | - | - | - | - | - |
| Use of Bond Project Funds | - | - | - | - | - | - |
| Capital Funded from Rates | 198,000 | 500,000 | 511,500 | 523,264 | 535,300 | 547,612 |
| Additions to (Use of) Reserves | - | (55,000) | - | - | - | - |
| Total Other Revenue Requirements | 198,000 | 445,000 | 511,500 | 523,264 | 535,300 | 547,612 |
| Gross Revenue Requirements | 1,383,023 | 1,670,051 | 1,866,382 | 1,947,111 | 2,035,632 | 2,133,250 |
| Less Income and Funds from Other Sources: | | | | | | |
| Interest Income | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Net Revenue Requirements | \$ 1,381,023 | \$ 1,668,051 | \$ 1,864,382 | \$ 1,945,111 | \$ 2,033,632 | \$ 2,131,250 |
| Revenue from Existing Rates | 1,254,368 | 1,255,598 | 1,267,936 | 1,280,274 | 1,281,559 | 1,282,844 |
| Revenue from Prior Years Adjustments | - | - | 561,200 | 638,300 | 710,800 | 783,400 |
| Total Current Year Revenue | \$ 1,254,368 | \$ 1,255,598 | \$ 1,829,136 | \$ 1,918,574 | \$ 1,992,359 | \$ 2,066,244 |
| Stormwater Rate | \$ 3.57 | \$ 5.15 | \$ 5.35 | \$ 5.55 | \$ 5.75 | \$ 5.95 |
| % Change Proposed | | 44.3% | 3.9% | 3.7% | 3.6% | 3.5% |
| \$ Change Proposed | | \$ 1.58 | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.20 |
| Effective Month | | January | October | October | October | October |
| Revenue From Current Year Rate Adjustments | | \$ 416,800 | \$ 71,000 | \$ 71,700 | \$ 71,800 | \$ 71,900 |
| Total Revenue From Rates | \$ 1,254,368 | \$ 1,672,398 | \$ 1,900,136 | \$ 1,990,274 | \$ 2,064,159 | \$ 2,138,144 |
| Revenue Surplus/(Deficiency) | \$ (126,655) | \$ 4,347 | \$ 35,754 | \$ 45,163 | \$ 30,527 | \$ 6,894 |
| O & M Fund Balance: | | | | | | |
| Beginning of Year | \$ 795,918 | \$ 669,263 | \$ 618,610 | \$ 654,364 | \$ 699,527 | \$ 730,054 |
| Additions to (Uses of) Reserves | \$ (126,655) | \$ (50,653) | \$ 35,754 | \$ 45,163 | \$ 30,527 | \$ 6,894 |
| End of Year | \$ 669,263 | \$ 618,610 | \$ 654,364 | \$ 699,527 | \$ 730,054 | \$ 736,948 |

Exhibit 3
City of Margate, Florida
Stormwater System Rate Study

Revenue Requirements Under Phased In Option



| Description | Projected Fiscal Year Ended September 30, | | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Personal Expenses | \$ 563,773 | \$ 620,801 | \$ 736,492 | \$ 790,984 | \$ 852,661 | \$ 922,813 |
| Other Operating Expenses | 621,250 | 604,250 | 618,390 | 632,863 | 647,671 | 662,825 |
| Total Expenses | 1,185,023 | 1,225,051 | 1,354,882 | 1,423,847 | 1,500,332 | 1,585,638 |
| Other Revenue Requirements: | | | | | | |
| Existing Debt Service | - | - | - | - | - | - |
| Additional Debt Service | - | - | - | - | - | - |
| Total Debt Service | - | - | - | - | - | - |
| Other Expenses | - | - | - | - | - | - |
| Capital Funded from Bonds | - | - | - | - | - | - |
| Use of Bond Project Funds | - | - | - | - | - | - |
| Capital Funded from Rates | 198,000 | 500,000 | 511,500 | 523,264 | 535,300 | 547,612 |
| Additions to (Use of) Reserves | - | (220,000) | - | - | - | - |
| Total Other Revenue Requirements | 198,000 | 280,000 | 511,500 | 523,264 | 535,300 | 547,612 |
| Gross Revenue Requirements | 1,383,023 | 1,505,051 | 1,866,382 | 1,947,111 | 2,035,632 | 2,133,250 |
| Less Income and Funds from Other Sources: | | | | | | |
| Interest Income | 2,000 | 2,000 | 1,000 | 1,000 | 2,000 | 2,000 |
| Net Revenue Requirements | \$ 1,381,023 | \$ 1,503,051 | \$ 1,865,382 | \$ 1,946,111 | \$ 2,033,632 | \$ 2,131,250 |
| Revenue from Existing Rates | 1,254,368 | 1,255,598 | 1,267,936 | 1,280,274 | 1,281,559 | 1,282,844 |
| Revenue from Prior Years Adjustments | - | - | 337,400 | 681,400 | 753,900 | 826,500 |
| Total Current Year Revenue | \$ 1,254,368 | \$ 1,255,598 | \$ 1,605,336 | \$ 1,961,674 | \$ 2,035,459 | \$ 2,109,344 |
| Stormwater Rate | \$ 3.57 | \$ 4.52 | \$ 5.47 | \$ 5.67 | \$ 5.87 | \$ 6.07 |
| % Change Proposed | | 26.6% | 21.0% | 3.7% | 3.5% | 3.4% |
| \$ Change Proposed | | \$ 0.95 | \$ 0.95 | \$ 0.20 | \$ 0.20 | \$ 0.20 |
| Effective Month | | January | October | October | October | October |
| Revenue From Current Year Rate Adjustments | | \$ 250,600 | \$ 337,400 | \$ 71,700 | \$ 71,800 | \$ 71,900 |
| Total Revenue From Rates | \$ 1,254,368 | \$ 1,506,198 | \$ 1,942,736 | \$ 2,033,374 | \$ 2,107,259 | \$ 2,181,244 |
| Revenue Surplus/(Deficiency) | \$ (126,655) | \$ 3,147 | \$ 77,354 | \$ 87,263 | \$ 73,627 | \$ 49,994 |
| O & M Fund Balance: | | | | | | |
| Beginning of Year | \$ 795,918 | \$ 669,263 | \$ 452,410 | \$ 529,764 | \$ 617,027 | \$ 690,654 |
| Additions to (Uses of) Reserves | \$ (126,655) | \$ (216,853) | \$ 77,354 | \$ 87,263 | \$ 73,627 | \$ 49,994 |
| End of Year | \$ 669,263 | \$ 452,410 | \$ 529,764 | \$ 617,027 | \$ 690,654 | \$ 740,648 |





City of Margate Stormwater Service

STORMWATER DIVISION for the City of Margate is responsible for maintaining the flow of water from naturally occurring precipitation which enters our storm drain inlets, through our drain pipe system to where it ultimately ends up in the City's canals.



2



City of Margate Stormwater Service

Stormwater service includes:

- Shoreline maintenance
- Canal debris removal
- Stormwater infrastructure maintenance/repair
- Preventative maintenance
- Aquatic weed removal/eradication

3



City of Margate Stormwater Service

Stormwater services (cont'd):

- Preventative Maintenance
 - Street sweeping
 - Right-of-way spraying
 - Catch basin cleaning
 - Storm top cleaning
 - Pipe jetting/clearing
 - Litter control
- Regulatory Reporting
 - NPDES
 - MS4 Co-permit with Broward County



4



City of Margate Stormwater Service

Stormwater statistics

- 110 miles of streets
- 16 miles of canal maintenance
- 2,000 catch basins maintained
- 45 miles of stormwater pipe



5



Stormwater Expenses

- Labor
 - Canal maintenance
 - Service workers
 - Administration
 - Total 10 employees
- Additional support from City resources
 - General fund cost allocation
- Chemicals
- Equipment
- Capital replacement

6



Expense Trends

- Health Insurance
 - FY 2012 to FY 2015
 - Increase of 56.8% for Stormwater Employees Group (\$68,891 to \$108,000)
- Additional support from City resources
- Equipment replacement and maintenance
- Capital replacement

7



Vehicle Replacement

- Stormwater maintenance includes
 - 1 Vac truck
 - 1 Street sweeper
 - 11 Vehicles
 - 2 Harvesters
 - 4 boats
 - Other equipment
 - Sustainable equipment replacement = \$150,000/year





Major Asset Life Extension Program

- Lining of corrugated pipe throughout City
- \$3.5 million project
- 10 year program
- 50+ year service life



9



Summary of Stormwater Expenses

| | FY 2015 Estimated | FY 2016 Proposed Budget [2] |
|----------------------------|--------------------|-----------------------------|
| Personal Services | \$563,773 | \$620,801 |
| General Cost Allocation | 85,000 | 200,000 |
| Repair and Maintenance [1] | 374,000 | 592,000 |
| Chemicals | 64,000 | 64,000 |
| Vehicle Replacement | 175,000 | 150,000 |
| Other | 121,250 | 98,250 |
| Total | \$1,383,023 | \$1,725,051 |

[1] Includes planned pipe refurbishment, pipe maintenance, and vehicle/equipment maintenance.

[2] Amount reflects FY 2016 proposed budget plus amendment to be proposed to fully fund stormwater program.

10



Stormwater Fund

- Maintained as a enterprise fund (Business-type activity)
- Supported by stormwater fees
 - Billed monthly on water bill
 - Currently \$3.57 per ERU
 - ERU = Equivalent Residential Unit
 - Residential unit = 1 ERU
 - Non-residential ERU based on 1 ERU per 2,382 sq. feet impervious surface
- Existing rate implemented in January 1, 2009

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Stormwater Customer Base

- Stormwater customer base has grown slightly since 2008

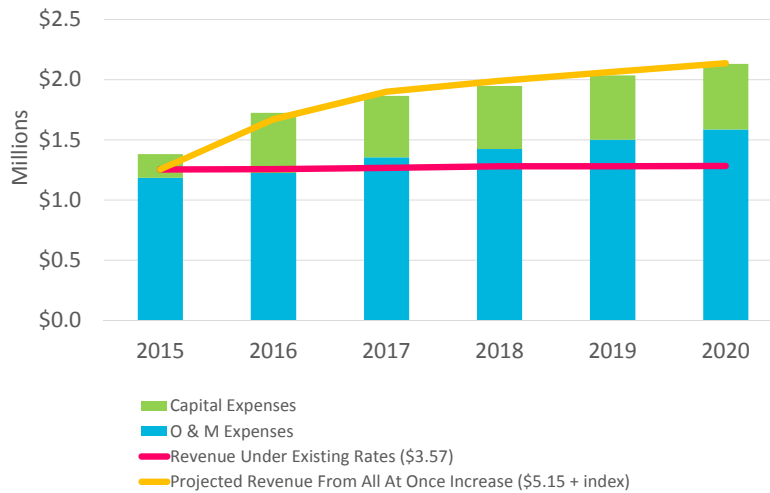
| | 2008 | 2015 | Percentage (%) of Total | Annual Growth |
|-----------------|---------------|---------------|-------------------------|---------------|
| Single-Family | 12,203 | 12,210 | 41.7% | 0.01% |
| Multi-Family | 10,528 | 11,173 | 38.2% | 0.88% |
| Non-Residential | 5,878 | 5,898 | 20.1% | 0.05% |
| Total | 28,609 | 29,280 | 100.0% | 0.34% |

- Annual stormwater revenue = \$1,254,000 at current fee

12



Projected Stormwater Revenue Requirements



13



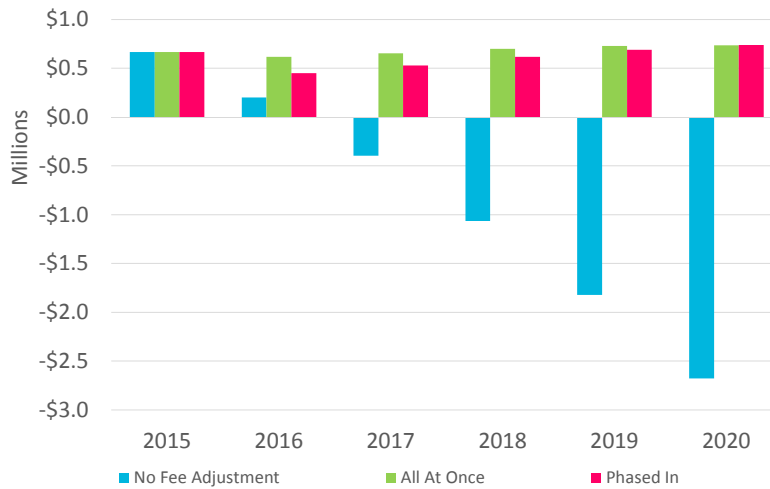
Summary of Proposed Stormwater Rates

- Current fee \$3.57/ ERU per month
- Proposed January 2016
 - \$5.15 (\$1.58 increase)
 - Fully sustainable with annual indexing
 - Minimum annual index \$0.20/month
- Phase in option
 - \$4.52 January 2016 (\$0.95 increase)
 - \$5.47 October 2016 (\$0.95 increase)
 - Minimum annual index \$0.20/month thereafter
 - Use of \$220,000 stormwater reserves in FY2016 to phase rates

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Projected Stormwater Fund Balances



15



Comparison with Nearby Communities

| City/Improvement District | Typical Residential Bill on Monthly Basis |
|--|---|
| City of Margate | |
| Existing | \$3.57 |
| Proposed (full rate) | \$5.15 |
| Coconut Creek / Cocomar Water Control District | \$4.67 |
| Fort Lauderdale | \$4.10 |
| Lauderhill | \$14.31 |
| N. Lauderdale / N. Lauderdale Water Control District | \$7.58 |
| Oakland Park | \$6.00 |
| Pompano Beach | \$3.43 |
| Tamarac | \$9.47 |
| Average of Other Cities | \$7.08 |

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Contact Information

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