



October 24, 2018

Mark E. Collins, PWLF
Public Works Director
City of Margate
5790 Margate Blvd
Margate, FL 33063

Subject: 2019 Stormwater Rate Study Proposal

Dear Mr. Collins:

As requested, Raftelis Financial Consultants, Inc. (Raftelis) is providing a proposal to assist the City of Margate (City) with a stormwater rate study to include a financial forecast with capital funding analysis and a cost of service by geographic by service area.

Project Understanding

Due to increased capital costs and maintenance requirements, the City is requesting an update to the stormwater rate study completed by Raftelis in 2015. The 2015 rate study encompassed the City's customers located within the stormwater service area identified in the City Code of Ordinances. The stormwater service area excludes incorporated areas of the City that are within the Cocomar Water Control District (Cocomar). The City reports that certain stormwater functions are provided by the City to these properties within the Cocomar area (Cocomar Properties). In addition to updating the 2015 rate study tasks, the City desires to study a separate stormwater rate structure for the Cocomar Properties that reflects the reduced level of service provided to these properties compared to other properties in the City that are currently charged stormwater fees. Concurrent with this analysis, the City is requesting a review of other existing stormwater customers that receive differential levels of service and recommendations on appropriate credit and/or rate differentials for these customers, if any.

Based on the knowledge gained during the 2015 rate study, additional discussions in 2016 with staff regarding the Cocomar situation, and our recent telephone conversation, we propose the following scope of services:

Scope of Services

Task 1: Kick-off and Data Collection

Raftelis will meet with City staff to review the project scope, timeline, and expectations. Raftelis will prepare and provide a data request for statistical and financial information to be complied by the City. Data requested will include: i) historical stormwater customer statistical data; ii) service area GIS maps; iii) planned capital improvements; iv) budget expenditures and actual expenses in budget line item detail; v) reserve fund information; and vi) utility ordinances, rules, and procedures. Additional data will be requested from the City including existing stormwater customers with potential reduced levels of service.

Task 2: Develop Cocomar Properties Rate Base

Raftelis will identify the number of equivalent residential units (ERUs), the rate base, for the Cocomar area on a per parcel basis under the City's existing stormwater rate structure. Raftelis will rely on a combination of geographic, tabular data, and aerial imagery for this task. Raftelis will rely on Broward County GIS data (to be provided by the City). The City will also provide its current impervious area data that is used as a basis for billing the non-Cocomar areas. Raftelis will classify each parcel in the Cocomar area as single family residential, multi-family residential, or non-single or multi-family residential. The City's existing rate structure specifies that each single family residential property and each multi-family dwelling unit receive a charge of one ERU. For multi-family residential parcels data, Raftelis will rely on billing unit information from either the City's water billing data or the Broward County assessment data, as deemed most appropriate through consultation with City staff. Raftelis will measure through heads-up digitizing the impervious area on all non-single and multi-family parcels. Generally, these are the parcels that are associated with the 803 commercial water meter accounts in the Cocomar area. As a check of the applicability of the ERU to the Cocomar area, Raftelis will digitize a sample of single family residential properties. This task assumes digitizing of up to 800 non-residential parcels and 150 residential parcels to evaluate the existing ERU standard of 2,382 square feet of impervious surface area.

Task 3: Parcel to Billing Account Matching

Because stormwater service is measured on a parcel basis but is billed by water meter that is location specific but not necessarily parcel specific, the parcel to billing account data must be linked and matched. This task is expected to be fairly straightforward on residential accounts because of the City's existing ERU definition (i.e. one ERU per residential unit) but more complex for commercial accounts. Raftelis will provide a file with the number of ERUs to be billed for each of the Cocomar area accounts. In addition, Raftelis will provide the specific parcel identifier or identifiers (parcel number or PIN) to which the accounts are associated. Based on a review of billing data provided by the City in 2016, this task assumes approximately 792 residential water accounts, 803 commercial accounts, and 68 multi-family accounts.

Task 4: Customer and Revenue Forecast

Based on the analysis of historical customer trends provided by the City and the ERUs and rate base identified with the Cocomar properties, Raftelis will develop a forecast of stormwater customer account and growth by class under existing rates and the rates calculated for the Cocomar Properties for a five-year period. The customer forecast will be developed to review historical revenue trends and to assist in the five-year revenue forecast.

Task 5: Net Revenue Requirements and Proposed Rate Adjustments

Raftelis will prepare a forecast of the City's stormwater system net revenue requirements for the same forecast period outlined in Task 4 above. The net revenue requirement includes projected stormwater operating expenses, capital improvement funding, and capital equipment replacement. Capital costs anticipated to be incorporated into the revenue requirements include the following:

- Lining of existing stormwater pipes

- Structural inspections and repairs or replacement of headwalls and/or culverts
- Construction of concrete seawalls in city owned canals
- Construction of additional drainage infrastructure as needed
- Rehabilitation of existing catch basins
- Dredging of various canals
- Equipment replacement as needed.

Raftelis will rely on cost estimates to be provided by staff and/or the City's stormwater engineering consultants. Cost escalation factors will be incorporated into the financial projections as appropriate.

The costs associated with serving the Cocomar Properties will also be included with the net revenue requirements identified. Based on the net revenue requirements identified, rate adjustments will be projected during the forecast period. Raftelis will teleconference with City staff to review the draft financial model and rate phasing recommendations.

Task 6: Stormwater Rate Design

This task includes a review of the various stormwater functions provided by the City and an allocation of such functions and costs to the Cocomar Properties. This task will recognize that these properties receive drainage service with respect to local canal and waterway maintenance, and the City does not provide the same level of service as properties located outside of the Cocomar area. The City stormwater costs allocated to the Cocomar Properties will be used to calculate the stormwater fee for these properties, which is expected to result in a reduced rate compared to other properties receiving full stormwater service from the City. Similar analysis will be conducted on other parcels currently receiving stormwater service identified by the City. Review of potential credit policy versus a reduced rate policy will be conducted in conjunction with available cost information, administrative capacity, and overall policy goals. Stormwater fee comparisons including the existing fees charged to non-Cocomar Properties and the proposed City Cocomar stormwater fee will be compared with other nearby municipal stormwater fees with any appropriate drainage district costs.

Task 7: Report and Presentation

Raftelis will prepare a report delineating the analyses, assumptions and recommendations reached with respect to stormwater billing in the Cocomar area and the sufficiency of the existing rates and any proposed rate adjustments for the non-Cocomar Properties during the forecast period. The report will include a survey of other neighboring municipalities and provide a comparison of residential stormwater fees reflecting the proposed Cocomar stormwater fee plus charges imposed by the Cocomar Drainage District. The comparisons will include both residential and commercial customer classes. The rate study report will be provided to the City in draft form for comment with the final report being delivered to the City Commission for their consideration and approval.

Project Team

Tony Hairston will serve as the Project Manager; Henrietta Locklear and Katie Cromwell will serve as stormwater subject matter experts; Rob Garret as the GIS specialist; and Robin Chacko as primary supporting analysis. Other Raftelis personnel will be utilized as needed.

Meetings

The scope of services reflects one on-site meeting with staff, a teleconference meeting, and a City Commission meeting and/or workshop.

Project Schedule and Budget

Compensation for the scope of services shall be billed monthly based on professional fees and direct expenses pursuant to Attachment A. Total fees and expenses shall not exceed sixty-four thousand two hundred and eighty dollars (\$64,280) without City approval. The following provides the budget by personnel and task:

		Estimated Hours						
		Project Team						
	Meeting	HL	TH	KC	RC	RG	Admin	Total
Task 1: Kick-off and Data Collection	Onsite	6	6	4	4	0	2	22
Task 2: Develop Cocomar Properties Rate Base		4	2	4	8	160	0	178
Task 3: Parcel to Bill Account Matching		6	2	6	12	4	0	30
Task 4: Customer and Revenue Forecast		0	2	0	12	0	0	14
Task 5: Net Revenue Requirements/Rate Adjustments		2	8	2	24	0	2	38
Task 6: Stormwater Level of Service and Rate Design	Teleconference	4	4	6	16	0	0	30
Task 7: Report and Presentation	1 Public Meeting	4	14	8	18	0	4	48
Estimated Total Hours		26	38	30	94	164	8	360
Billing Rate		\$260	\$290	\$205	\$180	\$110	\$75	
Total Fees		\$6,760	\$11,020	\$6,150	\$16,920	\$18,040	\$600	\$59,490
Estimated Expenses								\$4,790
Total Project Fees and Expenses								\$64,280

HL: Henrietta Locklear
TH: Tony Hairston
KC: Katie Cromwell
RC: Robin Chacko
RG: Rob Garrett (GIS)

Raftelis proposes to complete Tasks 1 through 6 within 90 days of notice-to-proceed, pending data availability from the City. Task 7 will be completed within 30 days of completion of Task 6.

Raftelis has extensive experience in Florida and throughout the U.S. with water, wastewater, and stormwater rate and financial consulting services. We are proud of the resources that we have available

and welcome the opportunity to assist the City of Margate on this engagement. Should you have any questions, do not hesitate to contact me at 407-960-1811 or thairston@raftelis.com.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.



Tony D. Hairston
Vice President

ATTACHMENT A: Hourly Billing Rates

<u>Position</u>	<u>Hourly Billing Rate **</u>
Chief Executive Officer/President	\$370
Executive Vice President	\$325
Vice President/Principal Consultant	\$290
Director of Governmental Services	\$290
Senior Manager	\$260
Director of Florida Operations	\$220
Manager	\$235
Director of Data Services	\$235
Senior Consultant	\$205
Consultant	\$180
Associate	\$150
Analyst	\$110
Administration	\$75
Technology/Communications Charge*	\$10

* Technology/Communications Charge – this is an hourly fee charged monthly for each hour worked on the project to recover telephone, facsimile, computer, postage/overnight delivery, conference calls, electronic/computer webinars, photocopies, etc.

** For services related to the preparation for and participation in deposition and trial/hearing, the standard billing rates listed above will be increased by an amount up to 50%.