

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

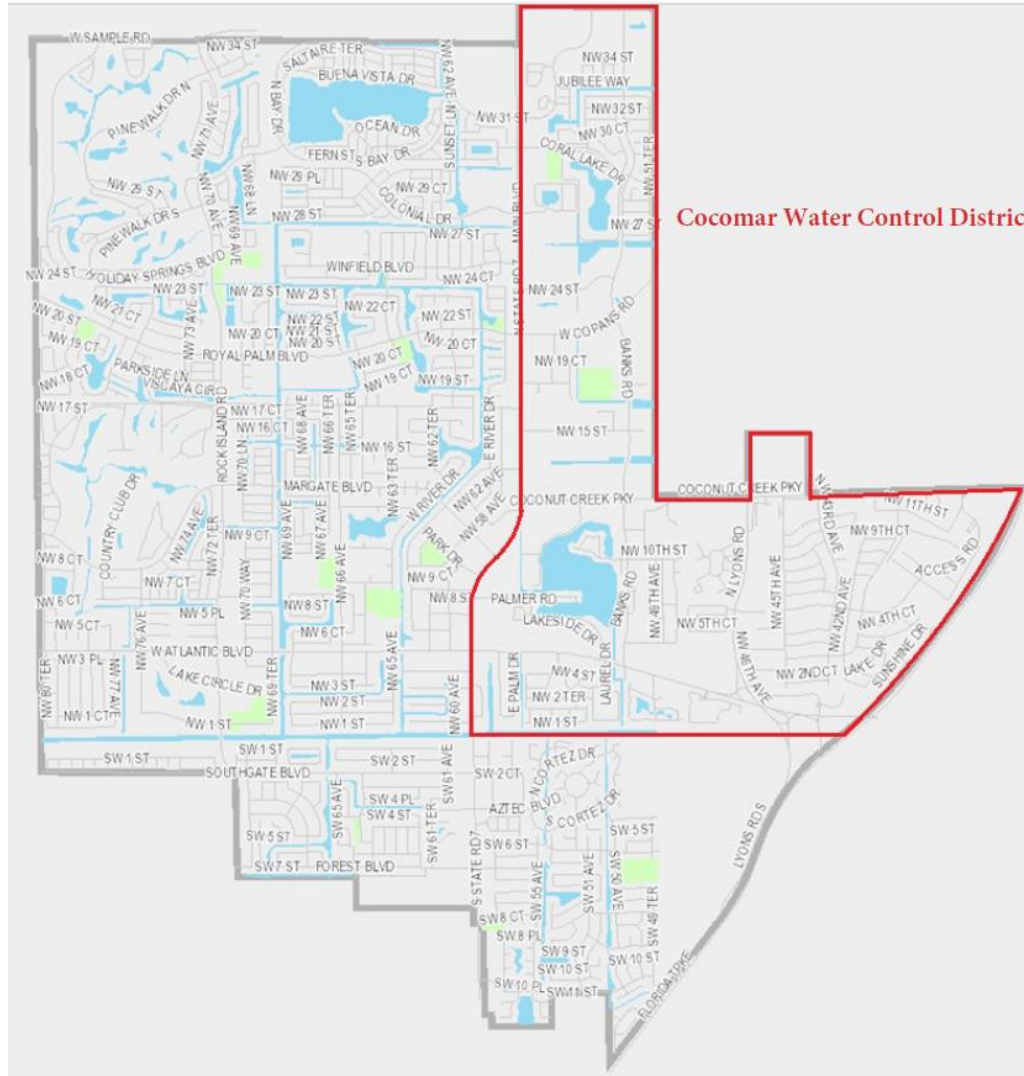




Stormwater Utility Overview (cont.)

- **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**



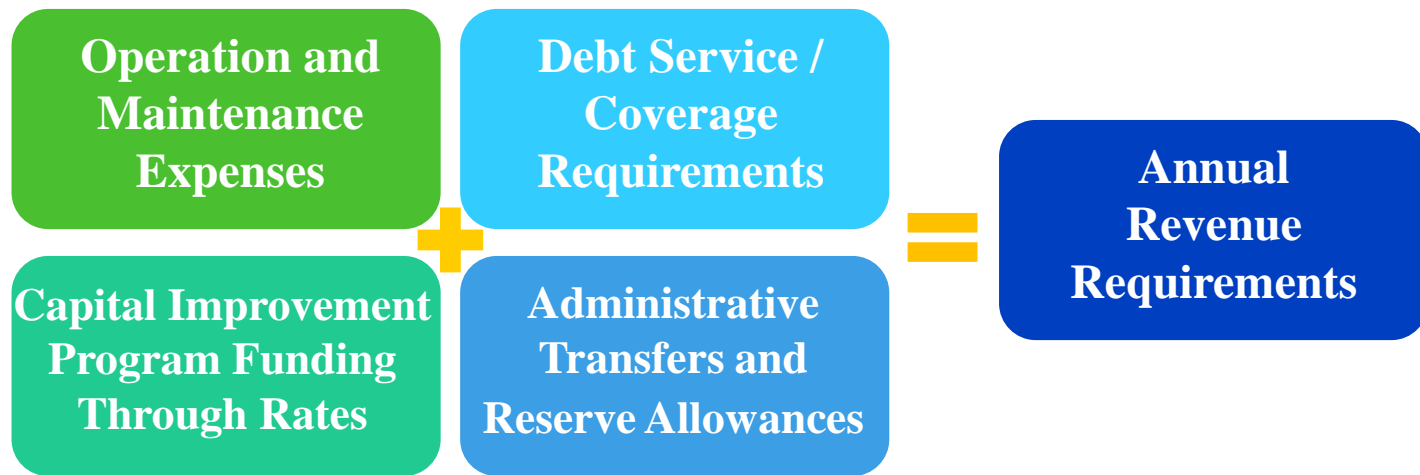


Major Cost Drivers Affecting Utility System (cont.)

- **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"**



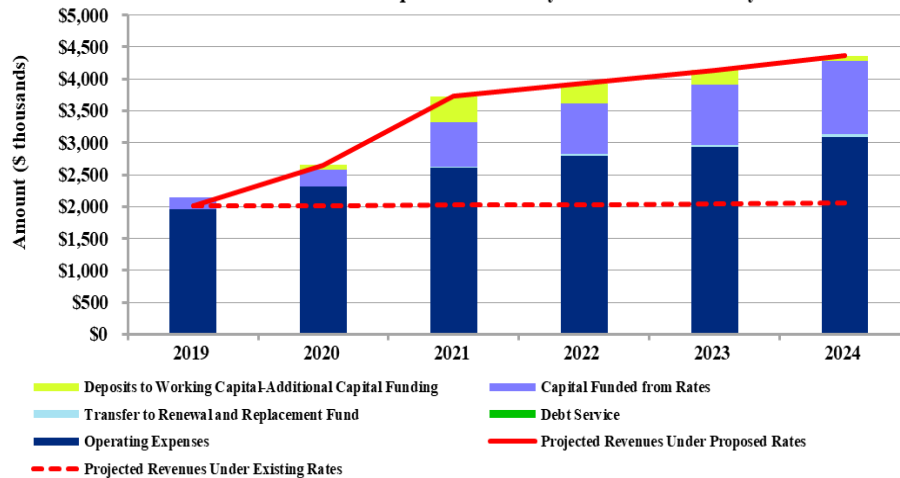
Proposed Rate Plan (cont.)

Summary of Existing and Proposed Monthly Stormwater Rates

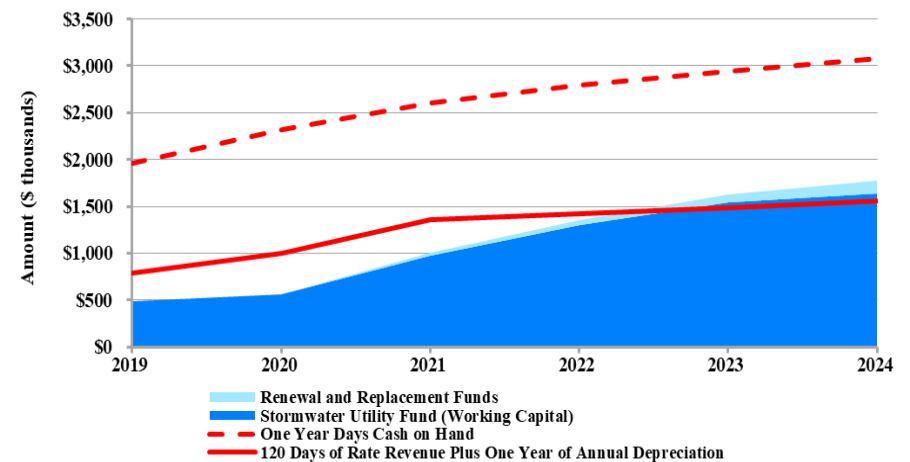
Fiscal Year	Effective Date	Full-Service Rate Per ERU		Cocomar Rate Per ERU	
		Monthly Rate	Difference	Monthly Rate	Difference
Existing		\$5.69		N/A	
2020	January 1, 2020	\$8.25	\$2.56	\$4.60	N/A
2021	October 1, 2020	8.67	0.42	4.83	\$0.23
2022	October 1, 2021	9.11	0.44	5.08	0.25
2023	October 1, 2022	9.57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

Projected Financial Position

Summarized Revenue Requirements Analysis for Stormwater System



Unrestricted Cash Balances



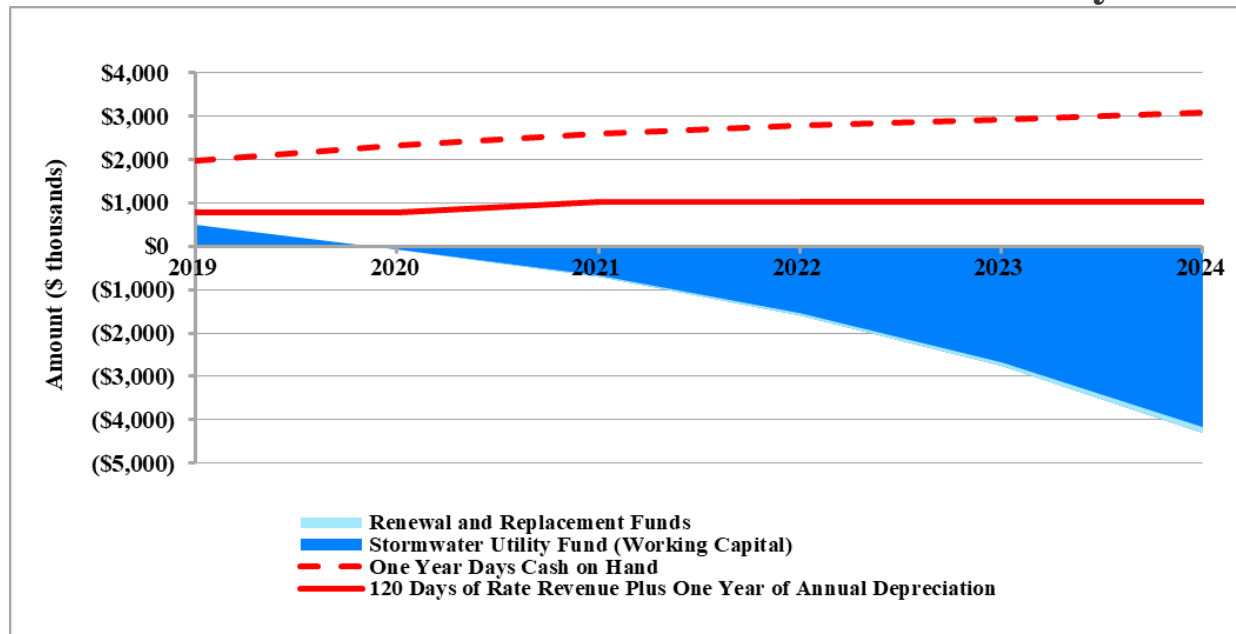
Financial Targets Recognized:

- **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)**



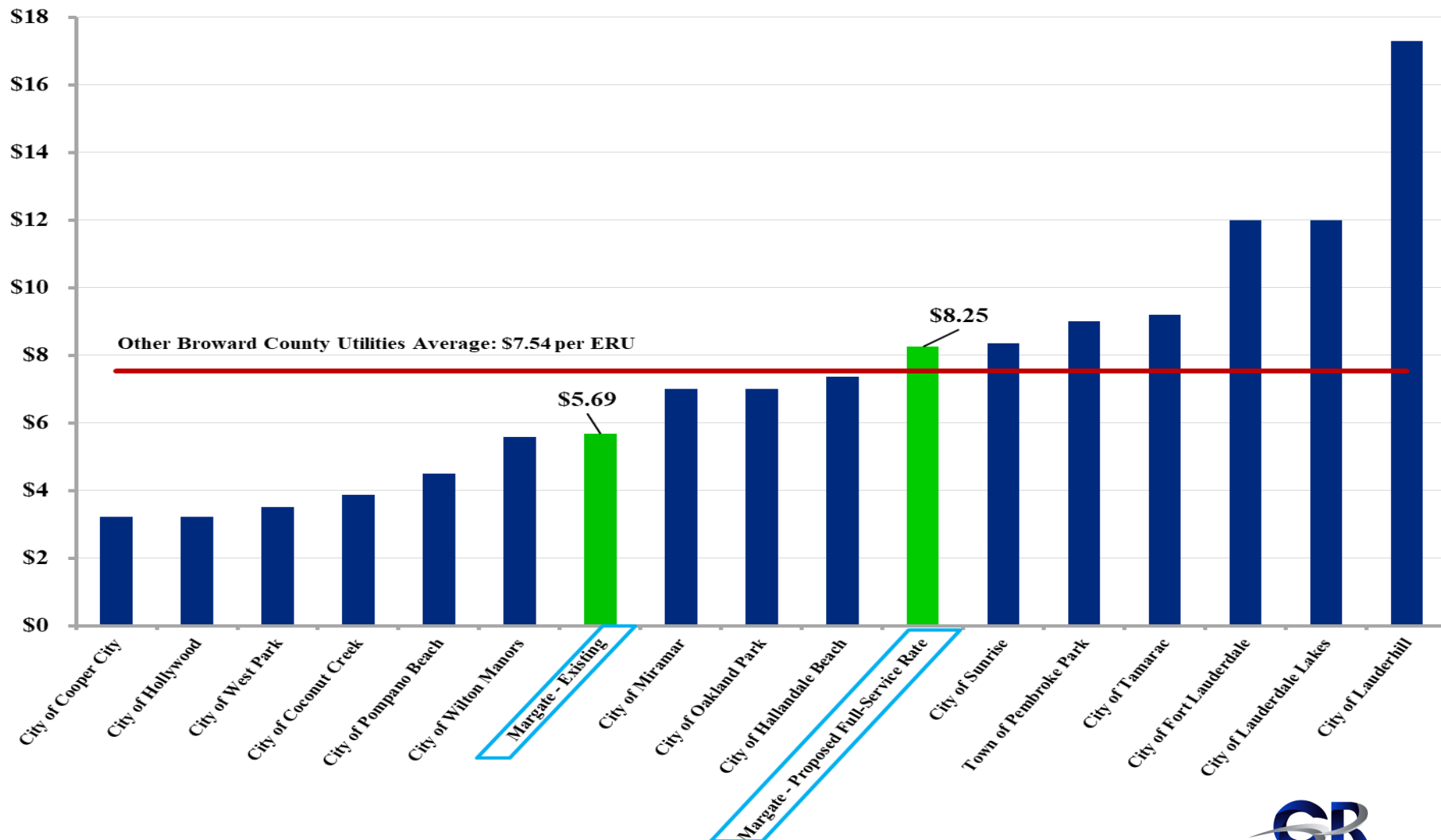
Financial Risks of Not Adjusting Rates at This Time

- **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**