

## MEMORANDUM

<b>To:</b>	Terrence Moore, City Manager
<b>From:</b>	Daryll Parker, Willdan Financial Services
<b>Date:</b>	March 25, 2025
<b>Subject:</b>	Rate Study Update - 2025

During recent years, the City has focused a significant amount of attention and effort on strategic and capital planning measures in all areas of utility operations to ensure that it remains prepared for the future. As part of the strategic planning measures, the City commissioned a water and wastewater rate study to analyze the revenue sources and expenditures of the utility system and provide recommendations for proposed rate and/or rate structure adjustments to meet the financial and administrative goals and objectives of the City. The analysis results and proposed rates were provided to the City in a rate study report dated May 24, 2022 (herein referred to as the "Report").

The findings and conclusions of the rate analysis, as well as the resulting rate recommendations, were utilized to develop a projection of future operating results for a 5-year planning period from fiscal year 2022 (beginning October 1, 2021) through fiscal year 2026 (ending September 30, 2026), herein referred to as the "Projection Period". The purpose for developing the 5-year projections is to demonstrate the financial capability of the water and wastewater revenues to support system operations and fund planned capital improvements. The Report proposed a series of annual rate adjustments that were subsequently adopted on June 7, 2022, via Ordinance No. 17-22, herein referred to as the "Rate Ordinance".

One of the primary drivers for the rate adjustment was the City's planned construction of a new water treatment plant. The treatment plant project was included in the City's adopted Capital Improvement Program (CIP) and, at the time, had an estimated cost of approximately \$140 million. It was anticipated that the treatment plant project would be funded with the issuance of a revenue bond, the annual payments of which would be recovered through the user rates.

In April 2024, the EPA established legally enforceable limits Maximum Contamination Levels for certain forever chemicals such as PFAS (PFOA + PFOS) of 8 ppt in drinking water. This drastically changes the original design of the water treatment plant from 14 million gallons per day (MGD) of treatment capacity to 22 MGD. Given the inflationary impacts that have occurred in the construction industry in recent years, as the City begins to move forward with the treatment plant project, the estimated cost is now \$280 million. Due to the significant increase in capital costs for the project, and in preparation for a pending revenue bond issue to fund the project, the City requested that Willdan update the rate analysis. Since the original Report addressed the five-fiscal year period through September 30, 2026, the update includes that final fiscal year plus an additional four fiscal years through September 30, 2030. The proposed 5-year rates are provided in **Tables 1 and 2** for water and wastewater, respectively.



**Table 1 – Proposed Water Rates**

Description	Existing Rates	Effective Oct 1, 2025	Effective Oct 1, 2026	Effective Oct 1, 2027	Effective Oct 1, 2028	Effective Oct 1, 2029
<b>Water Rates - Inside City</b>						
<b>Minimum Monthly Charges:</b>						
3/4 Inch	\$ 13.57	\$ 15.09	\$ 16.45	\$ 17.93	\$ 19.54	\$ 21.30
1.0 Inch	\$ 33.93	\$ 37.73	\$ 41.13	\$ 44.83	\$ 48.85	\$ 53.25
1.5 Inch	\$ 67.85	\$ 75.45	\$ 82.25	\$ 89.65	\$ 97.70	\$ 106.50
2.0 Inch	\$ 108.56	\$ 120.72	\$ 131.60	\$ 143.44	\$ 156.32	\$ 170.40
3.0 Inch	\$ 203.55	\$ 226.35	\$ 246.75	\$ 268.95	\$ 293.10	\$ 319.50
4.0 Inch	\$ 339.25	\$ 377.25	\$ 411.25	\$ 448.25	\$ 488.50	\$ 532.50
6.0 Inch	\$ 678.50	\$ 754.50	\$ 822.50	\$ 896.50	\$ 977.00	\$ 1,065.00
8.0 Inch	\$ 1,085.60	\$ 1,207.20	\$ 1,316.00	\$ 1,434.40	\$ 1,563.20	\$ 1,704.00
10.0 Inch	\$ 1,696.25	\$ 1,886.25	\$ 2,056.25	\$ 2,241.25	\$ 2,442.50	\$ 2,662.50
<b>Customer Charge per Meter:</b>						
Per Meter	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
<b>Volumetric Rates Per 1,000 Gallons - Residential &amp; Multi-Family:</b>						
Block 1 - 0 to 12,000 Gal / Mo	\$ 2.03	\$ 2.61	\$ 2.84	\$ 3.10	\$ 3.38	\$ 3.68
12,001 to 25,000 Gal / Mo	\$ 4.06	\$ 5.22	\$ 5.68	\$ 6.20	\$ 6.76	\$ 7.36
25,001 to 50,000 Gal / Mo	\$ 6.09	\$ 7.83	\$ 8.52	\$ 9.30	\$ 10.14	\$ 11.04
50,001 and Over Gal / Mo	\$ 8.12	\$ 10.44	\$ 11.36	\$ 12.40	\$ 13.52	\$ 14.72
<b>Volumetric Rates Per 1,000 Gallons - Potable Irrigation:</b>						
0 to 25,000 Gal / Mo	\$ 4.06	\$ 5.22	\$ 5.68	\$ 6.20	\$ 6.76	\$ 7.36
25,001 to 50,000 Gal / Mo	\$ 6.09	\$ 7.83	\$ 8.52	\$ 9.30	\$ 10.14	\$ 11.04
50,001 and Over Gal / Mo	\$ 8.12	\$ 10.44	\$ 11.36	\$ 12.40	\$ 13.52	\$ 14.72
<b>Volumetric Rates Per 1,000 Gallons - Other:</b>						
Non-Residential	\$ 3.05	\$ 3.92	\$ 4.26	\$ 4.65	\$ 5.07	\$ 5.52
Reclaimed - Retail	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Reclaimed - Wholesale	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
<b>Water Rates - Outside City</b>						
<b>Minimum Monthly Charges:</b>						
3/4 Inch	\$ 16.96	\$ 18.86	\$ 20.56	\$ 22.41	\$ 24.43	\$ 26.63
1.0 Inch	\$ 42.41	\$ 47.16	\$ 51.41	\$ 56.04	\$ 61.06	\$ 66.56
1.5 Inch	\$ 84.81	\$ 94.31	\$ 102.81	\$ 112.06	\$ 122.13	\$ 133.13
2.0 Inch	\$ 135.70	\$ 150.90	\$ 164.50	\$ 179.30	\$ 195.40	\$ 213.00
3.0 Inch	\$ 254.44	\$ 282.94	\$ 308.44	\$ 336.19	\$ 366.38	\$ 399.38
4.0 Inch	\$ 424.06	\$ 471.56	\$ 514.06	\$ 560.31	\$ 610.63	\$ 665.63
6.0 Inch	\$ 848.13	\$ 943.13	\$ 1,028.13	\$ 1,120.63	\$ 1,221.25	\$ 1,331.25
8.0 Inch	\$ 1,357.00	\$ 1,509.00	\$ 1,645.00	\$ 1,793.00	\$ 1,954.00	\$ 2,130.00
10.0 Inch	\$ 2,120.31	\$ 2,357.81	\$ 2,570.31	\$ 2,801.56	\$ 3,053.13	\$ 3,328.13
<b>Customer Charge per Meter:</b>						
Per Meter	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75
<b>Volumetric Rates Per 1,000 Gallons - Residential &amp; Multi-Family:</b>						
Block 1 - 0 to 12,000 Gal / Mo	\$ 2.54	\$ 3.26	\$ 3.55	\$ 3.88	\$ 4.23	\$ 4.60
12,001 to 25,000 Gal / Mo	\$ 5.08	\$ 6.53	\$ 7.10	\$ 7.75	\$ 8.45	\$ 9.20
25,001 to 50,000 Gal / Mo	\$ 7.61	\$ 9.79	\$ 10.65	\$ 11.63	\$ 12.68	\$ 13.80
50,001 and Over Gal / Mo	\$ 10.15	\$ 13.05	\$ 14.20	\$ 15.50	\$ 16.90	\$ 18.40
<b>Volumetric Rates Per 1,000 Gallons - Potable Irrigation:</b>						
0 to 25,000 Gal / Mo	\$ 5.08	\$ 6.53	\$ 7.10	\$ 7.75	\$ 8.45	\$ 9.20
25,001 to 50,000 Gal / Mo	\$ 7.61	\$ 9.79	\$ 10.65	\$ 11.63	\$ 12.68	\$ 13.80
50,001 and Over Gal / Mo	\$ 10.15	\$ 13.05	\$ 14.20	\$ 15.50	\$ 16.90	\$ 18.40
<b>Volumetric Rates Per 1,000 Gallons - Other:</b>						
Non-Residential	\$ 3.81	\$ 4.90	\$ 5.33	\$ 5.81	\$ 6.34	\$ 6.90



**Table 2 – Proposed Wastewater Rates**

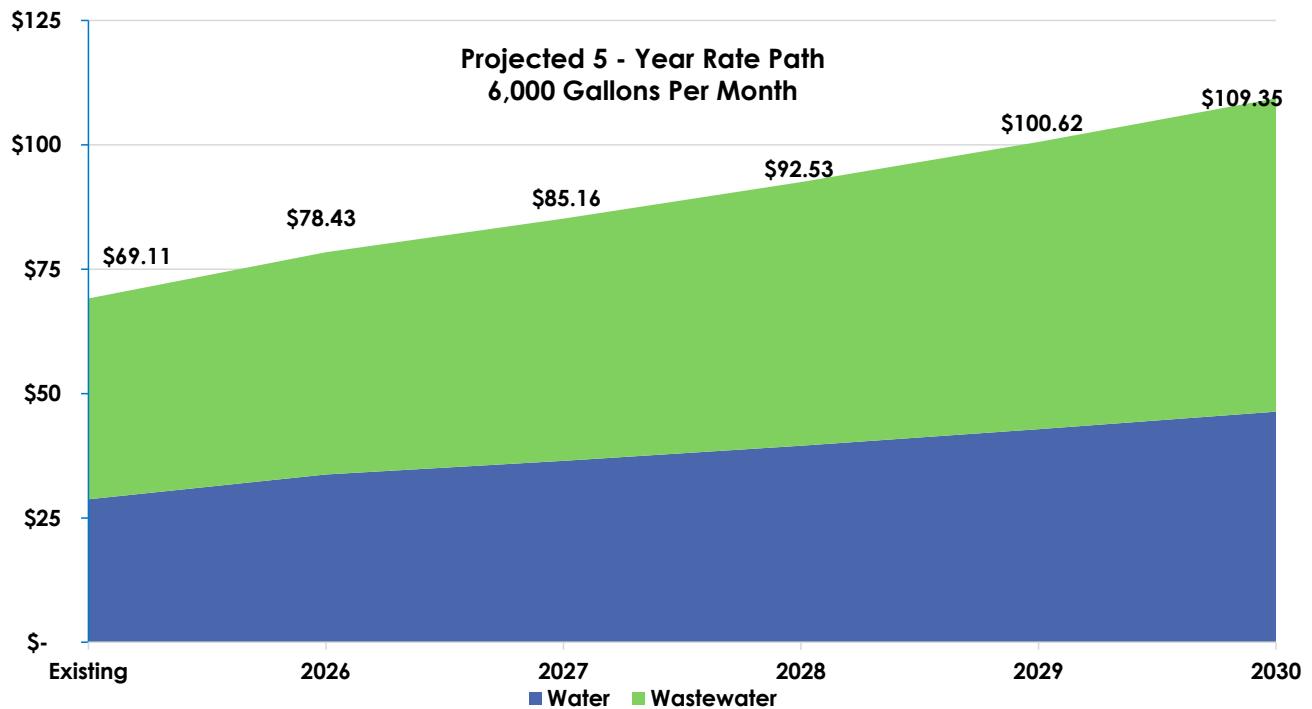
Description	Existing Rates	Effective Oct 1, 2025	Effective Oct 1, 2026	Effective Oct 1, 2027	Effective Oct 1, 2028	Effective Oct 1, 2029
<b>Wastewater Rates - Inside City</b>						
<b>Minimum Monthly Charges:</b>						
3/4 Inch	\$ 18.04	\$ 19.66	\$ 21.43	\$ 23.36	\$ 25.46	\$ 27.75
1.0 Inch	\$ 45.10	\$ 49.15	\$ 53.58	\$ 58.40	\$ 63.65	\$ 69.38
1.5 Inch	\$ 90.20	\$ 98.30	\$ 107.15	\$ 116.80	\$ 127.30	\$ 138.75
2.0 Inch	\$ 144.32	\$ 157.28	\$ 171.44	\$ 186.88	\$ 203.68	\$ 222.00
3.0 Inch	\$ 270.60	\$ 294.90	\$ 321.45	\$ 350.40	\$ 381.90	\$ 416.25
4.0 Inch	\$ 451.00	\$ 491.50	\$ 535.75	\$ 584.00	\$ 636.50	\$ 693.75
6.0 Inch	\$ 902.00	\$ 983.00	\$ 1,071.50	\$ 1,168.00	\$ 1,273.00	\$ 1,387.50
8.0 Inch	\$ 1,443.20	\$ 1,572.80	\$ 1,714.40	\$ 1,868.80	\$ 2,036.80	\$ 2,220.00
10.0 Inch	\$ 2,255.00	\$ 2,457.50	\$ 2,678.75	\$ 2,920.00	\$ 3,182.50	\$ 3,468.75
<b>Volumetric Rate/1,000 Gal</b>	\$ 3.72	\$ 4.17	\$ 4.54	\$ 4.94	\$ 5.39	\$ 5.87
<b>Wastewater Rates - Outside City</b>						
<b>Minimum Monthly Charges:</b>						
3/4 Inch	\$ 22.55	\$ 24.58	\$ 26.79	\$ 29.20	\$ 31.83	\$ 34.69
1.0 Inch	\$ 56.38	\$ 61.44	\$ 66.98	\$ 73.00	\$ 79.56	\$ 86.73
1.5 Inch	\$ 112.75	\$ 122.88	\$ 133.94	\$ 146.00	\$ 159.13	\$ 173.44
2.0 Inch	\$ 180.40	\$ 196.60	\$ 214.30	\$ 233.60	\$ 254.60	\$ 277.50
3.0 Inch	\$ 338.25	\$ 368.63	\$ 401.81	\$ 438.00	\$ 477.38	\$ 520.31
4.0 Inch	\$ 563.75	\$ 614.38	\$ 669.69	\$ 730.00	\$ 795.63	\$ 867.19
6.0 Inch	\$ 1,127.50	\$ 1,228.75	\$ 1,339.38	\$ 1,460.00	\$ 1,591.25	\$ 1,734.38
8.0 Inch	\$ 1,804.00	\$ 1,966.00	\$ 2,143.00	\$ 2,336.00	\$ 2,546.00	\$ 2,775.00
10.0 Inch	\$ 2,818.75	\$ 3,071.88	\$ 3,348.44	\$ 3,650.00	\$ 3,978.13	\$ 4,335.94
<b>Volumetric Rate/1,000 Gal</b>	\$ 4.65	\$ 5.22	\$ 5.68	\$ 6.18	\$ 6.74	\$ 7.34

It is important for utility management to understand the impact that a change will have on the existing customers. **Table 3** provides a comparison of a typical monthly utility bill under the existing and proposed rates for an inside residential City customer. A graphical illustration of the projected typical bill is provided in **Figure 1** for a residential customer with both water and wastewater service.

**Table 3 – Projected Typical Monthly Bill**

Description	Existing Rates	Projected Bill @ 6,000 Gallons Per Month				
		2026	2027	2028	2029	2030
<b>Water</b>	\$ 28.75	\$ 33.75	\$ 36.49	\$ 39.53	\$ 42.82	\$ 46.38
<b>Wastewater</b>	\$ 40.36	\$ 44.68	\$ 48.67	\$ 53.00	\$ 57.80	\$ 62.97
<b>Combined</b>	\$ 69.11	\$ 78.43	\$ 85.16	\$ 92.53	\$ 100.62	\$ 109.35
<b>Change from Prior</b>		\$ 9.32	\$ 6.73	\$ 7.37	\$ 8.09	\$ 8.73

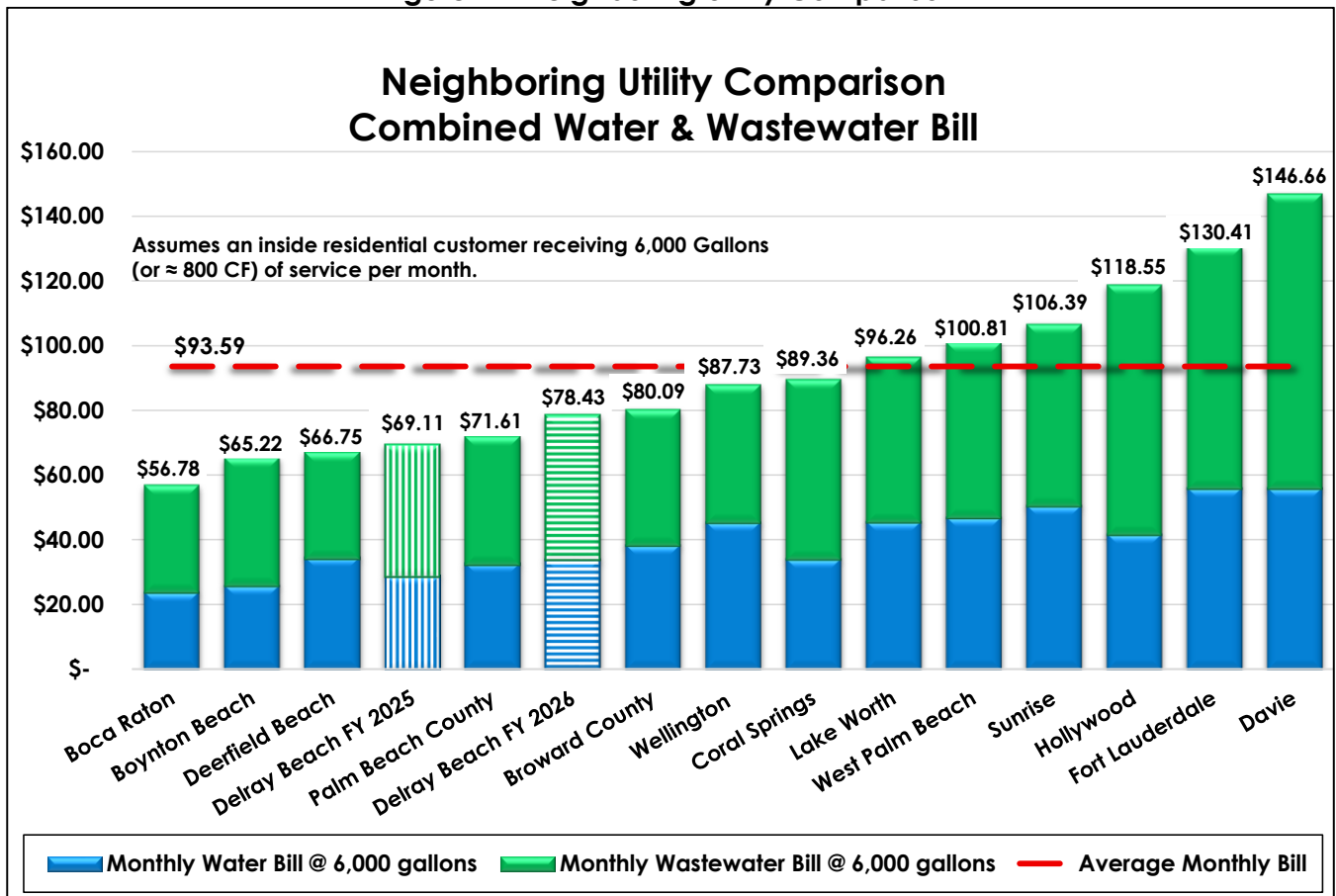


**Figure 1 – Projected Typical Monthly Bill**

In order to provide the City with additional insight regarding the proposed rate levels, the analysis includes a comparison of both the existing and proposed user rates relative to the user rates imposed by other water and wastewater utility systems located primarily in Southeast Florida. A summary analysis is provided comparing the cost of monthly water and wastewater service for a typical residential customer (assumed to have a 5/8 x 3/4-inch water meter) calculated under the existing and proposed rates of the City with those of the other utilities. The rates utilized for the other neighboring utilities shown were in effect as of January 2025 and are exclusive of local taxes, outside surcharges, franchise fees, or other rate adjustments. A summary comparison with other utilities for a residential customer using 6,000 gallons of service per month is illustrated in **Figure 2**.



Figure 2 – Neighboring Utility Comparison



As a conclusion to the study, proforma operating statements were developed for both the water and wastewater systems, together with a combined proforma of the collective operations. The statements summarize the projected financial results based on the system revenues, expenses, and other revenue requirements anticipated in future years. The individual operating statements cover the 5-fiscal year Projection Period through September 30, 2030, and are prepared on a cash-flow basis.

The cash-flow statement developing the projected operating results for the combined system is summarized in **Table 4**. The results demonstrate that the proposed rates and charges along with the other operating revenues and estimated future rate adjustments are anticipated to be sufficient to satisfy the projected revenue requirements and capital needs of the combined utility system.



**Table 4 – Projected Operating Results**

Description	Projected for Fiscal Year Ending September 30, (\$1,000s)					
	Existing 2025	Proposed 2026	2027	2028	2029	2030
<b>Revenues:</b>						
Water	\$ 21,945	\$ 26,556	\$ 28,889	\$ 31,497	\$ 34,327	\$ 37,389
Wastewater	20,504	22,693	24,736	26,956	29,415	32,069
Combined	<b>\$ 42,449</b>	<b>\$ 49,248</b>	<b>\$ 53,625</b>	<b>\$ 58,453</b>	<b>\$ 63,743</b>	<b>\$ 69,458</b>
Other Revenues	\$ 1,921	\$ 1,921	\$ 1,921	\$ 1,921	\$ 1,921	\$ 1,921
<b>Total Revenues</b>	<b>\$ 44,370</b>	<b>\$ 51,170</b>	<b>\$ 55,546</b>	<b>\$ 60,374</b>	<b>\$ 65,664</b>	<b>\$ 71,379</b>
<b>Total O&amp;M Expenses</b>	\$ (38,697)	\$ (40,518)	\$ (42,342)	\$ (44,151)	\$ (45,982)	\$ (47,886)
<b>Net Revenues</b>	<b>\$ 5,674</b>	<b>\$ 10,652</b>	<b>\$ 13,205</b>	<b>\$ 16,223</b>	<b>\$ 19,682</b>	<b>\$ 23,494</b>
<b>Debt Service:</b>						
Existing	\$ -	\$ -	\$ -	\$ 7,350	\$ 14,701	\$ 16,651
Future	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,350</b>	<b>\$ 14,701</b>	<b>\$ 16,651</b>
<b>Net Results of Operations</b>	<b>\$ 5,674</b>	<b>\$ 10,652</b>	<b>\$ 13,205</b>	<b>\$ 8,873</b>	<b>\$ 4,981</b>	<b>\$ 6,843</b>
<b>Other Revenues (Expenses)</b>						
Capital Outlay	\$ (47)	\$ (48)	\$ (49)	\$ (51)	\$ (52)	\$ (54)
Transfers Out	(4,452)	(4,586)	(4,723)	(4,865)	(5,011)	(5,161)
<b>Total Other Revs/(Expenses)</b>	<b>\$ (4,499)</b>	<b>\$ (4,634)</b>	<b>\$ (4,773)</b>	<b>\$ (4,916)</b>	<b>\$ (5,063)</b>	<b>\$ (5,215)</b>
<b>Net Results</b>	<b>\$ 1,175</b>	<b>\$ 6,018</b>	<b>\$ 8,432</b>	<b>\$ 3,957</b>	<b>\$ (82)</b>	<b>\$ 1,628</b>
<b>Fund Balance Activity:</b>						
Beginning Balance	\$ 43,058	\$ 44,234	\$ 50,252	\$ 58,684	\$ 62,641	\$ 62,559
Operating Balance	1,175	6,018	8,432	3,957	(82)	1,628
Transfer to Capital	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>\$ 44,234</b>	<b>\$ 50,252</b>	<b>\$ 58,684</b>	<b>\$ 62,641</b>	<b>\$ 62,559</b>	<b>\$ 64,187</b>
<b>Days Cash On Hand</b>	417	453	506	518	497	489
<b>Debt Coverage</b>	N/A	N/A	N/A	2.21	1.34	1.41