



Cover Memorandum/Staff Report

File #: 25-479

Agenda Date: 5/6/2025

Item #: 8.B.

TO: Mayor and Commissioners
FROM: Hassan Hadjimiry, P.E., Utilities Director
THROUGH: Terrence R. Moore, ICMA-CM
DATE: May 6, 2025

ORDINANCE NO. 15-25: AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF DELRAY BEACH, FLORIDA, AMENDING THE CODE OF ORDINANCES BY AMENDING TITLE 5, "PUBLIC WORKS," CHAPTER 52, "WATER," SECTION 52.34, "WATER RATES," TO INCREASE THE RATES FOR WATER FURNISHED BY THE CITY; AND AMENDING CHAPTER 53, "SANITARY SEWERS," SECTION 53.1.30, "USER CHARGES; WHOLESALE SEWER RATES; CALCULATION OF SEWER SURCHARGE, TO INCREASE THE SANITARY SEWER RATES FOR SERVICES PROVIDED BY THE CITY; PROVIDING A CONFLICTS CLAUSE; PROVIDING A SEVERABILITY CLAUSE, AUTHORITY TO CODIFY; AND PROVIDING AN EFFECTIVE DATE. (SECOND READING).

Recommended Action:

Review and consider Ordinance No. 15-25, pertaining to Title 5, "Public Works," Chapter 52.34, "Water Rates," to increase the rates for water furnished by the City; and amending Chapter 53, "Sanitary Sewers," Section 53.130, "User Charges; Wholesale Sewer Rates, calculation of sewer surcharge, "to increase the Sanitary Sewer Rates for services provided by the City; of the Code of Ordinances of the City of Delray Beach, Florida.

Background:

The City of Delray Beach (City) owns, operates a water treatment plant ("Plant"). The City Commission adopted a rate adjustment effective July 1, 2023, based upon original cost estimate of \$140 million for construction of the new plant, Due to recent water quality requirements mandated by the Environmental Protection Agency that has necessitated a redesign of the water treatment plant, increasing its capacity from 14 million gallons per day (MGD) to 22 MGD. Due to the redesign and estimated construction cost has increased to \$280 million. The City intends to issue bonds in order to fund the Project. Willdan Financial Services, Inc. (Consultant) retained by the City to conduct a rate study ("Study") and provide future water and sewer rates. The Study included full cost recovery of utility expenditures, equity among customer classes, and administrative efficiency, through a five-year financial plan using a cost-based rate structure consistent with common industry standards. The Study took into consideration the rising operating costs of the Plant, rising personnel costs, and upcoming major capital expenditures. The Study found the current water and sewer rates insufficient to cover routine operation and maintenance expenses, the debt incurred by the bonds, and other capital needs. Under the current water and sewer rates, revenue shortfalls would result in depletion of cash reserves by 2026. In order to maintain sufficient debt service coverage above target and covenant requirements the City needs to raise its monthly water and sewer rates. The consultant recommended tiered increases of water and sewer rates over a multi-year period, and find it necessary to meet routine operation and maintenance expenses of the Plant, secure the anticipated

debt incurred by the bonds, and to fund other capital needs for the City's utility infrastructure.

City Attorney Review:

Ordinance No. 15-25 has been reviewed as to form and legal sufficiency.

Funding Source/Financial Impact:

The proposed utility rate changes are necessary to maintain the City's utilities in a sound financial and operational condition. Funding for these projects will be available from the Physical Environment Sale of Water and Physical Environment Sewer Service Charges revenue accounts.

Timing of Request:

This is a high priority item.