



Cover Memorandum/Staff Report

File #: 22-590

Agenda Date: 5/17/2022

Item #: 8.C.

TO: Mayor and Commissioners
FROM: Hugh B. Dunkley, Finance Department
THROUGH: Terrence R. Moore, ICMA-CM
DATE: May 17, 2022

ORDINANCE NO. 17-22: 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," SUBHEADING "RATES, CHARGES, AND FEES," SECTION 52.34, "WATER RATES," SUBSECTION (B), "MONTHLY RATES," INCREASING THE RATES FOR WATER FURNISHED BY THE CITY; AMENDING CHAPTER 53, "SANITARY SEWERS," SUBHEADING "USER CHARGE AND INDUSTRIAL COST RECOVERY SYSTEM," SECTION 53.130, "USER CHARGES; WHOLESALE SEWER RATES; CALCULATION OF SEWER SURCHARGE," SUBSECTION (D), "[RATES AND CHARGES.]," INCREASING THE SANITARY SEWER SERVICE CHARGES; AMENDING CHAPTER 59, "RECLAIMED WATER," SECTION 59.09, "FEES, RATES, AND CHARGES," TO REFERENCE THE COMMODITY CHARGES IN SECTION 52.34, "WATER RATES;" 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. 17-22, pertaining to *Title 5*, "Public Works," Chapter 52, "Water," Subheading "Rates, Charges, and Fees," Section 52.34, "Water Rates," Subsection (B), "Monthly Rates," of the Code of Ordinances of the City of Delray Beach, Florida.

Background:

Willdan Financial Services, Inc. (Consultant), was retained by the City to conduct a rate study and provide recommendations for future water and sewer rates. The primary goals of the study included the following:

- 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 Consultant's findings were presented to the City Commission via its regular Commission meeting of March 8, 2022. The study took into consideration the rising operating costs of the water and sewer system ("The System"), including personnel-related costs as well as upcoming capital expenditures. The study found that the current water and sewer rates would be insufficient to cover routine operation and maintenance expenses of the System, annual debt service and other capital-related needs. It was also determined that, under the current water and sewer rates, revenue shortfalls

would result in the depletion of cash reserves, so much so that cash reserves would be exhausted by 2026.

In order to cover ongoing operating expenses and maintain adequate debt service coverage above target and covenant requirements, the consultant recommended an increase in monthly water and sewer rates over a multi-year period. This rate increase will also allow the City to secure the anticipated indebtedness which will enable us to fund capital needs for the City's utility infrastructure.

City Attorney Review:

Ordinance No. 17-22 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.