



City Commission FY22 Budget Planning Workshop

Thursday, July 15, 2021



Introduction and Overview

Shawn Sherrouse, City Manager



Water Utilities Department Report/Rates

Murray Hamilton & Nick Smith, Raftelis

Rate Study Tasks

- Update the financial forecast to establish utility rates for FY22-24
- Includes an evaluation of:
 - Customers, sales, and revenues
 - Operating and maintenance expenses
 - Funding for ongoing capital repairs, rehabilitation, and replacements
 - Funding for utility system upgrades and expansion
- Review adequacy of existing water and wastewater rates over the study period
- Develop a cost recovery and rate design option that maintains an affordable rate for essential water needs while encouraging the efficient use of water resources for discretionary purposes

Discussion Topics

Study Observations and Major Assumptions

Proposed Funding of the Capital Plan

Projected New Debt Service Payments

Sufficiency of Existing Water and Wastewater Rates

Cost Recovery Strategy and Proposed Rates

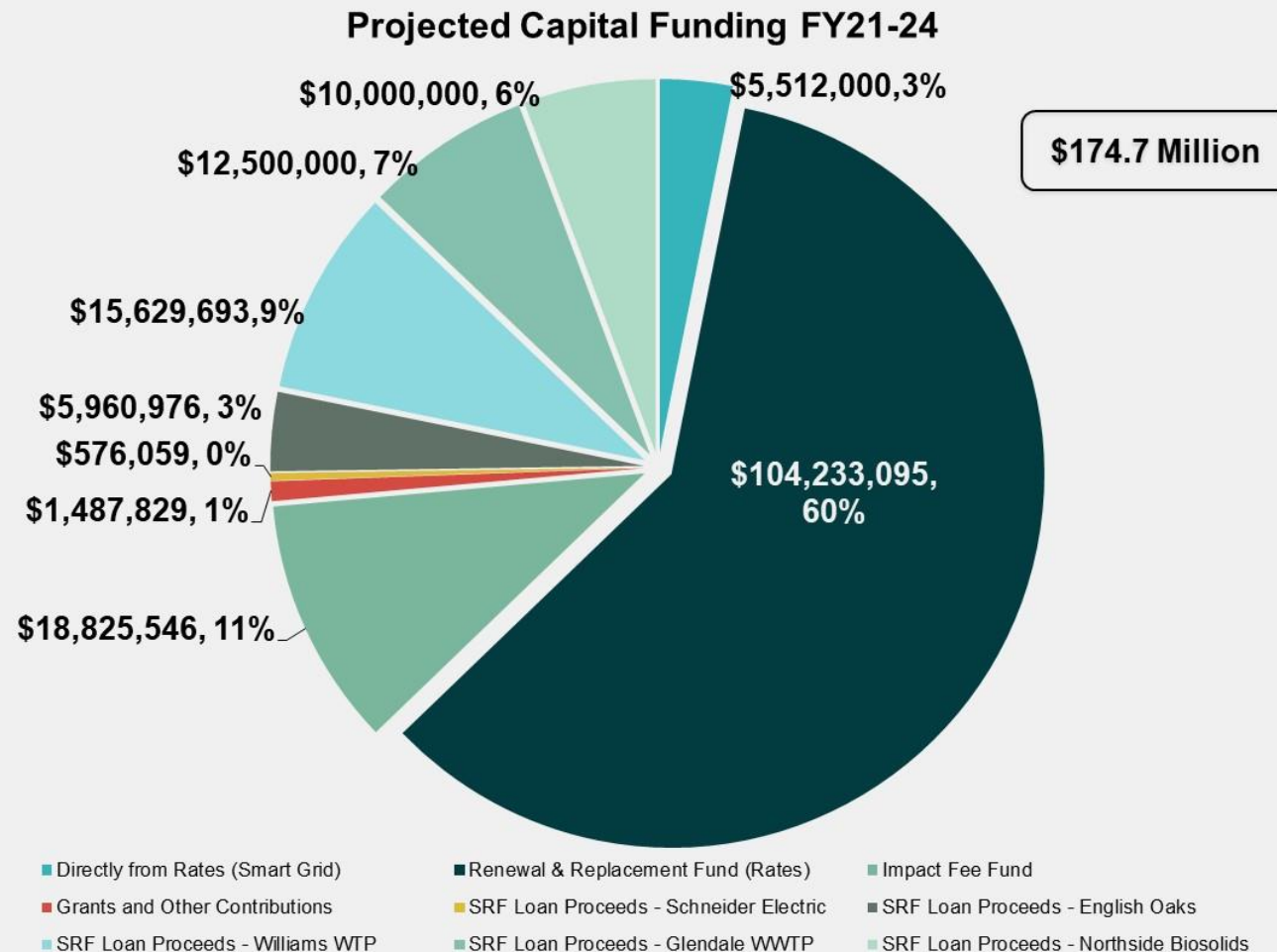
Study Observations and Major Assumptions

- FY20 actual revenues reflected significant increases in water demands, which may not be sustainable
 - Projected revenues for FY21-24 based on historical average water demands per account
 - After considering estimated customer growth, projected revenues under existing rates estimated to increase approximately 0.3% per year on average
- Operating expenses based on the proposed FY22 operating budget and reduced 7% to account for lower actual operating expenses when compared to the budget
 - Amounts exclude any future Polk Regional Water Cooperative (PRWC) costs since the allocated project costs are still under review by PRWC
 - After considering 11 additional personnel positions planned through FY24, operating expenses are projected to increase approximately 3% per year

Projected Capital Needs

- Water Utilities has completed a Water Asset Management Plan, and the City's Consulting Engineer recommends adding approximately \$15.4 million in additional water renewal and replacement projects to be completed by FY30
 - › Approximately \$6.4 million is included through FY24
- Total Projected Capital Improvements FY21-24: \$174.7 million
 - › Major projects funded with current and future State Revolving Fund (SRF) loans include:
 - Schneider Efficiency Improvements (Recently completed)
 - English Oaks Expansion
 - Williams Water Treatment Plant (Clearwell)
 - Glendale Effluent Pumps
 - Northside Biosolids
 - › Annual contributions to the R&R Funds were increased to approximately \$16 million per year on average
 - › \$95.4 million in total cash and investments were available on October 1, 2020 to help address any appropriated projects that were not completed by year-end while maintaining minimum reserve targets
- City staff plan to initiate a Wastewater Master Plan that may be completed during FY22 to better evaluate the wastewater capital requirements over the study period

Summary of Capital Funding Under Proposed Rates



Preliminary Financing Plan

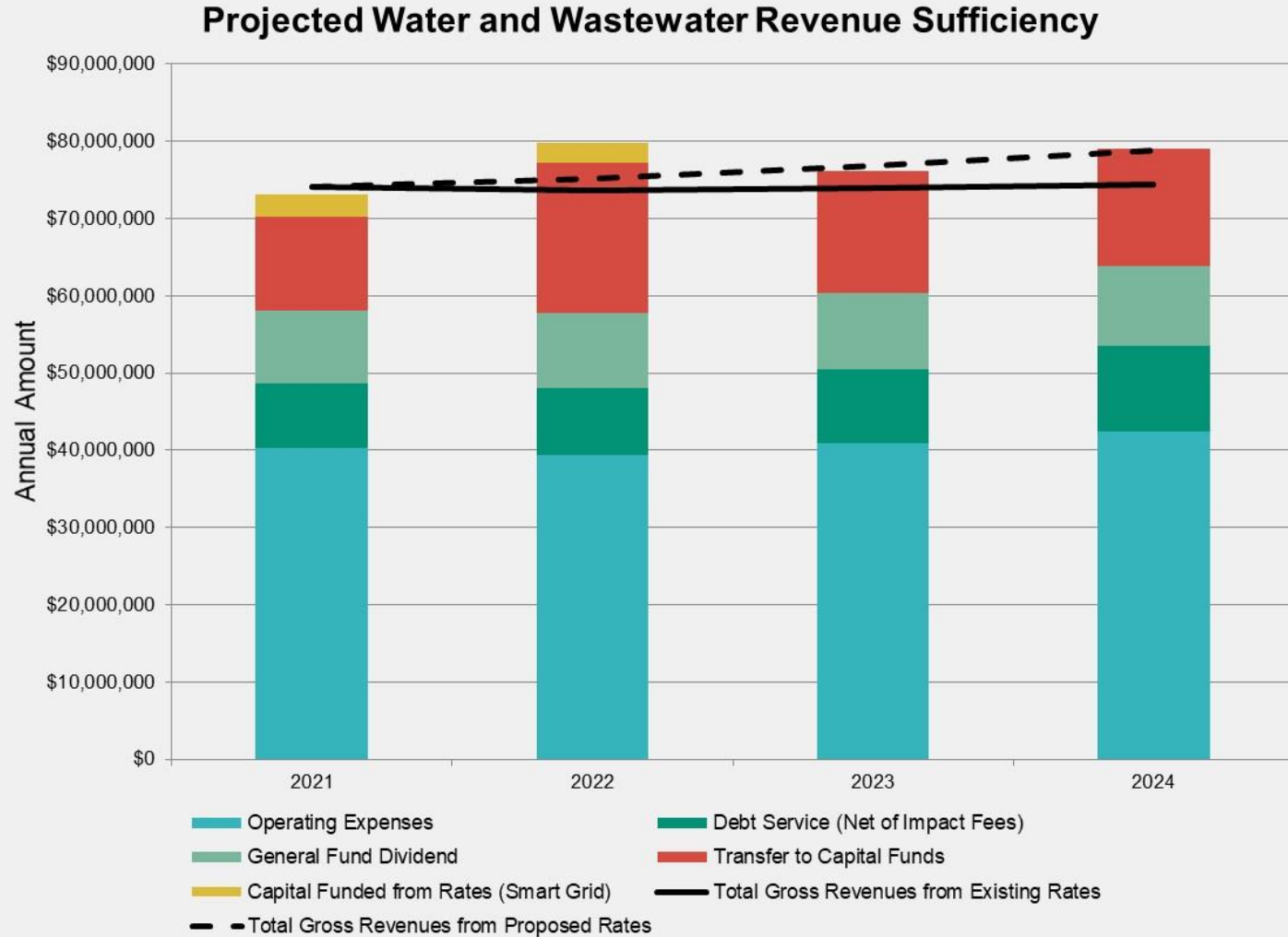
- Existing debts total approximately \$122.4 million, and include 4 SRF Loans that are in progress
 - › After considering 2 additional SRF Loans, less principal payments over the study period, the estimated balance in FY24 is projected to be \$117.3 million
 - › While annual debt service payments are projected to increase from \$8.4 million in FY21 to \$11.1 million in FY24 based on the existing and planned SRF Loans, the projected average debt per customer is projected to decline from \$2,311 in FY21 to \$1,939 by FY24
- Please note that Water Utilities has an existing 2015 Note with a \$4.4 million balloon payment due just beyond the study period in FY25
 - › \$3.9 million is assumed to be refunded over 10 years

Projected Annual Rate Adjustments

Summary of Water and Wastewater Revenue Sufficiency			
	Proposed		
Description	FY22	FY23	FY24
Water System	2%	2%	2%
Wastewater System	2%	2%	2%

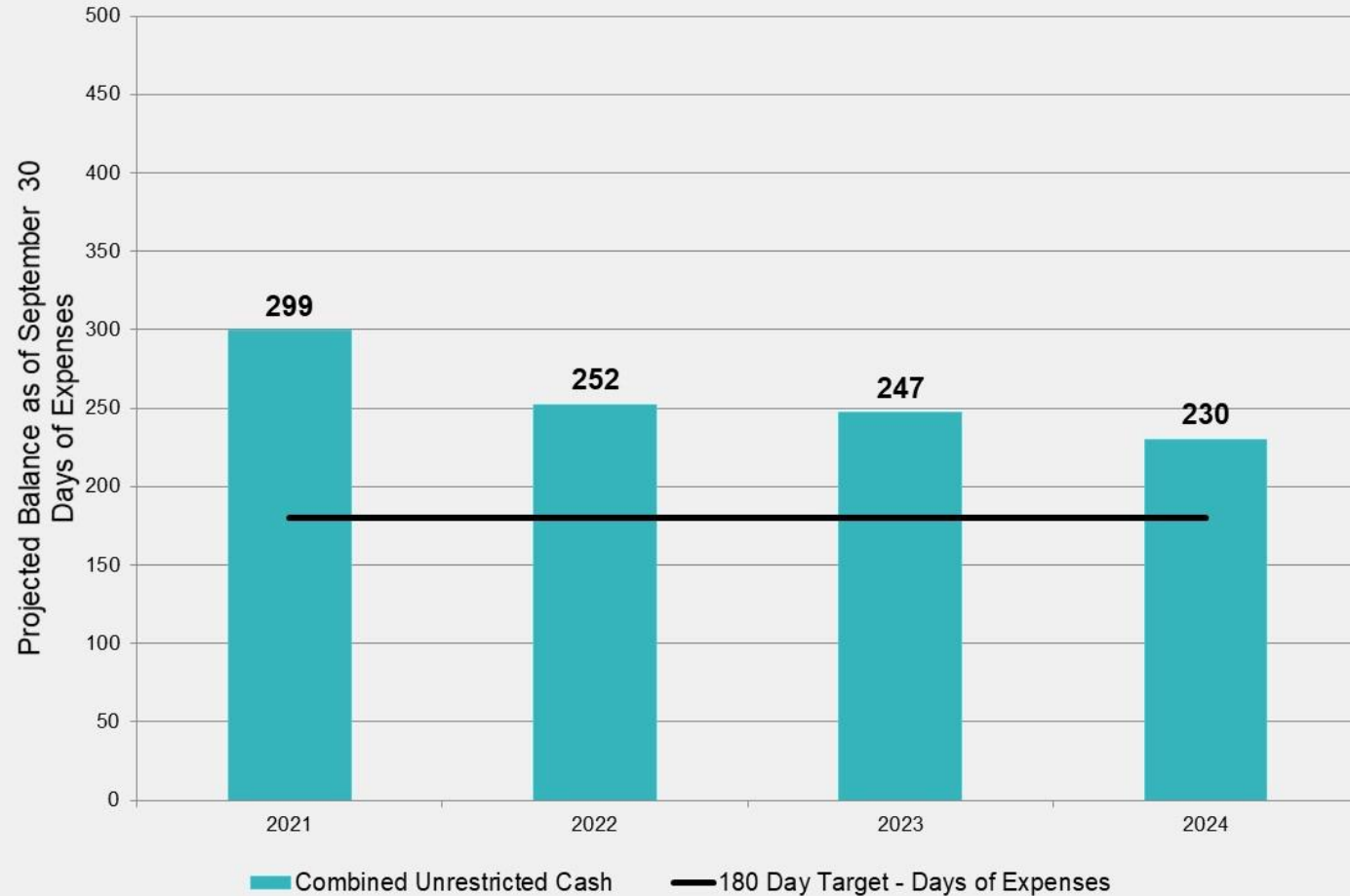
- The proposed rate adjustments for FY22-24 are “on plan”
- Preliminary estimates beyond FY24 indicate the need for rates adjustments above 2% per year but additional analysis is needed
 - › City staff is working with the Polk Regional Water Cooperative to identify the City’s share of estimated costs to develop alternative water supplies
 - › City staff also plans to initiate a Wastewater Master Plan to better evaluate the capital needs over time
- This plan will continue to be updated annually

Adequacy of Existing and Proposed Rates



Projected Unappropriated Reserve Funds

Projected Unappropriated Reserve Funds at Proposed Rates



Cost Recovery Strategy and Proposed Rates



Rate Design Objectives

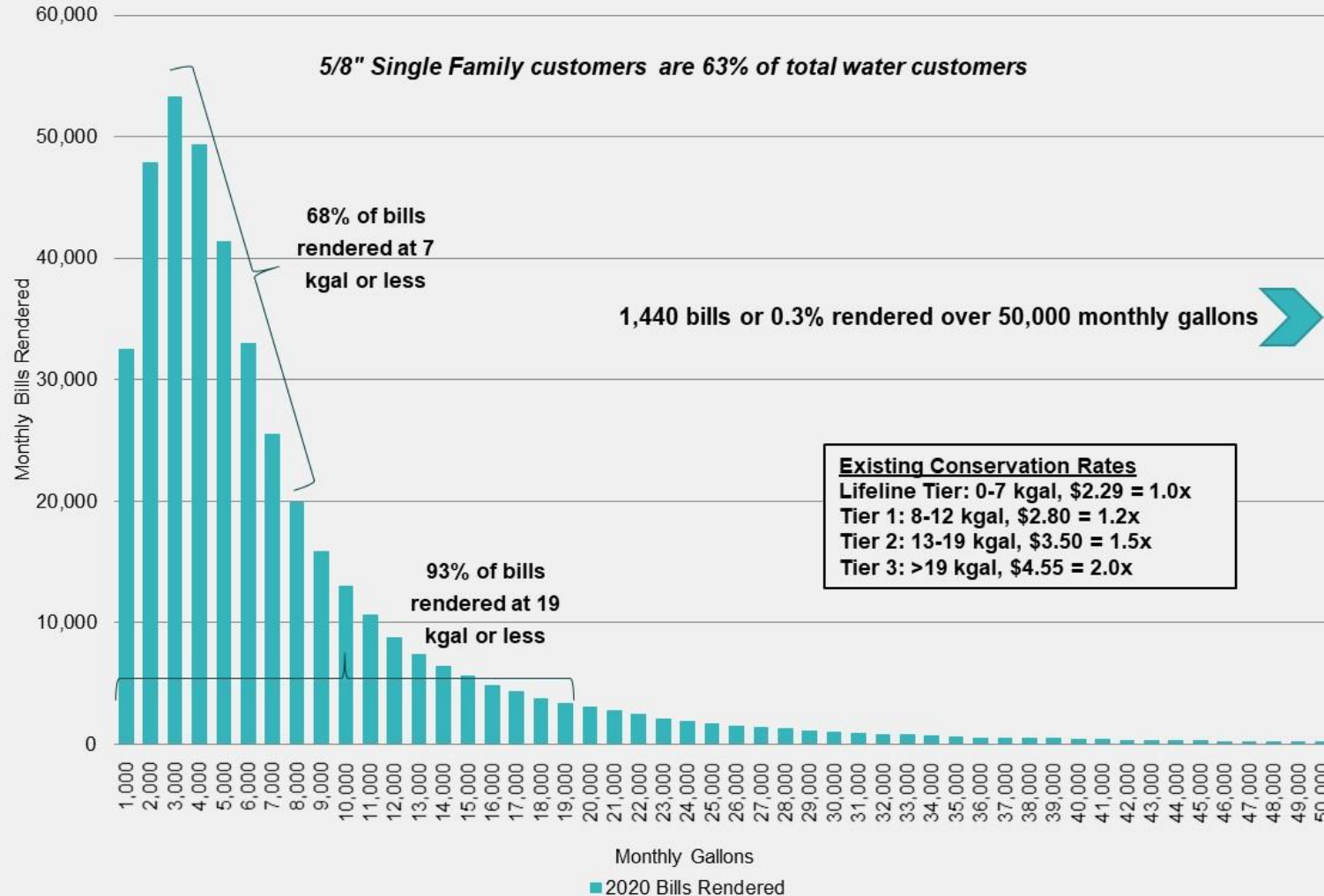
- Produce sufficient revenues to meet the projected revenue requirements
- Develop rates based on the full cost recovery of providing water and wastewater service
- Maintain strong revenue stability through the use of a monthly base charge
- Distribute cost of service more evenly across customer classes with similar uses with emphasis on encouraging water conservation
- Maintain competitive rates with neighboring utilities

Rate Design Strategy to Address Affordability / Preservation of the Lifeline Rate

- The City's water use rates or volume charges provide a Lifeline Rate for up to 7,000 monthly gallons for essential water use at a reduced rate of \$2.29 per thousand gallons (per kgal)
 - › Under the City's water conservation rate structure, the price of discretionary water use increases above 7,000 monthly gallons
 - The usage rate doubles to \$4.55 per thousand gallons for residential water use in excess of 19,000 monthly gallons
 - › For water use of 20,000 gallons per month, a recent rate comparison showed that the City's charges are approximately 28% less than the survey average
 - The following slides summarize discretionary water use for FY20

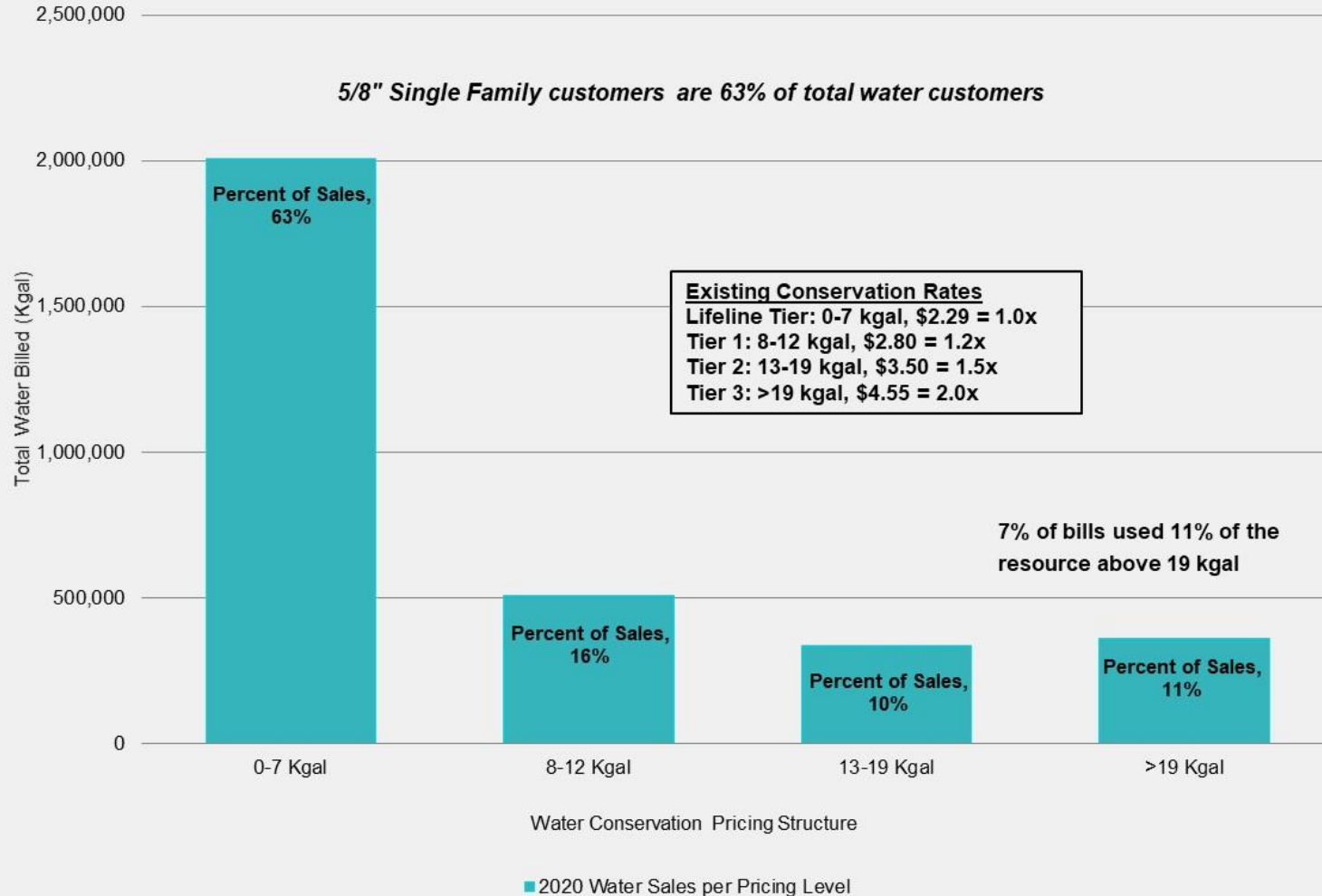
Bill Frequency – 5/8" Single Family

Analysis of Single Family Water Bills - 5/8" Water Meter



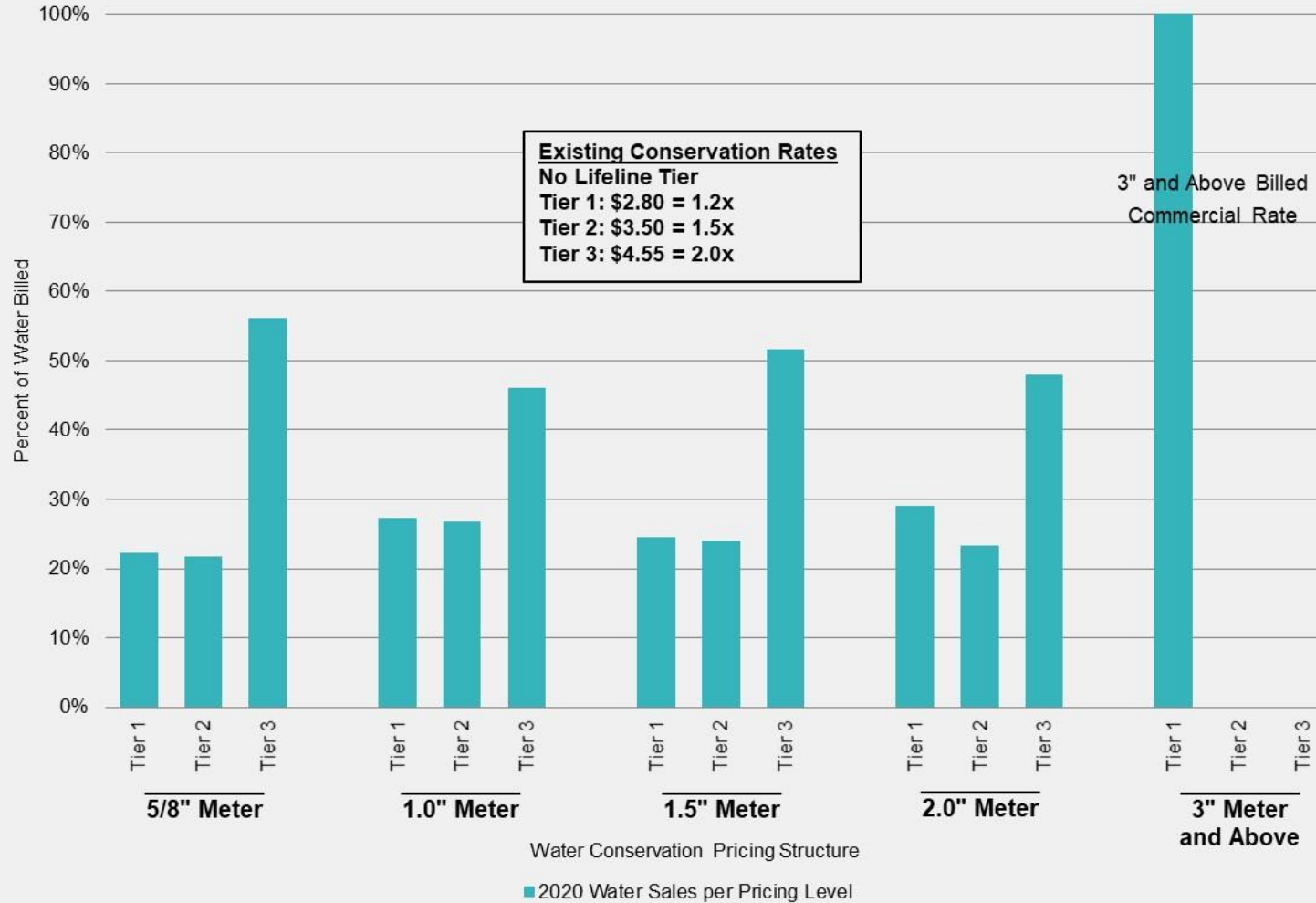
Water Sales By Tier – 5/8" Single Family

Analysis of Single Family Water Sales - 5/8" Water Meter



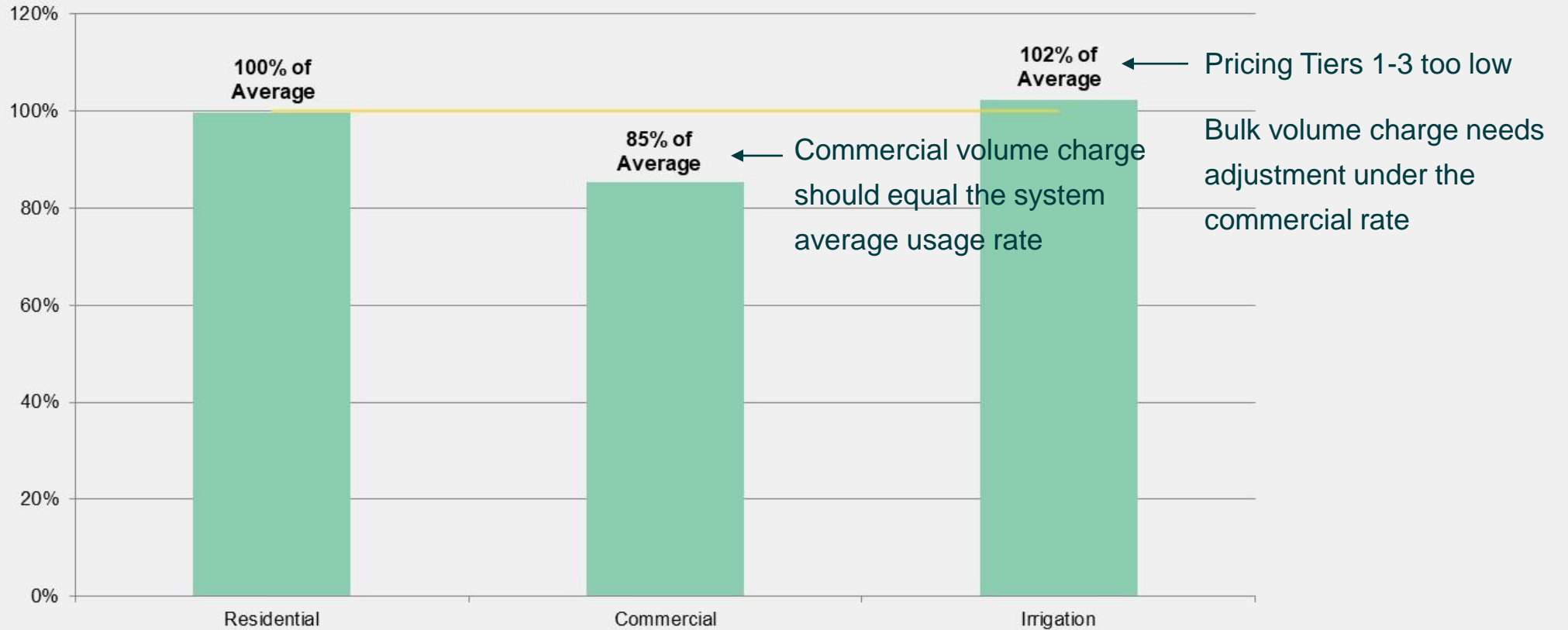
Irrigation Use by Tier

Analysis of Irrigation Sales



Existing Revenue Contribution by Class

Revenue Contribution by Class
Percent of Existing Average Water Revenue Per Kgal



Proposed Water Rate Design Options FY22-24

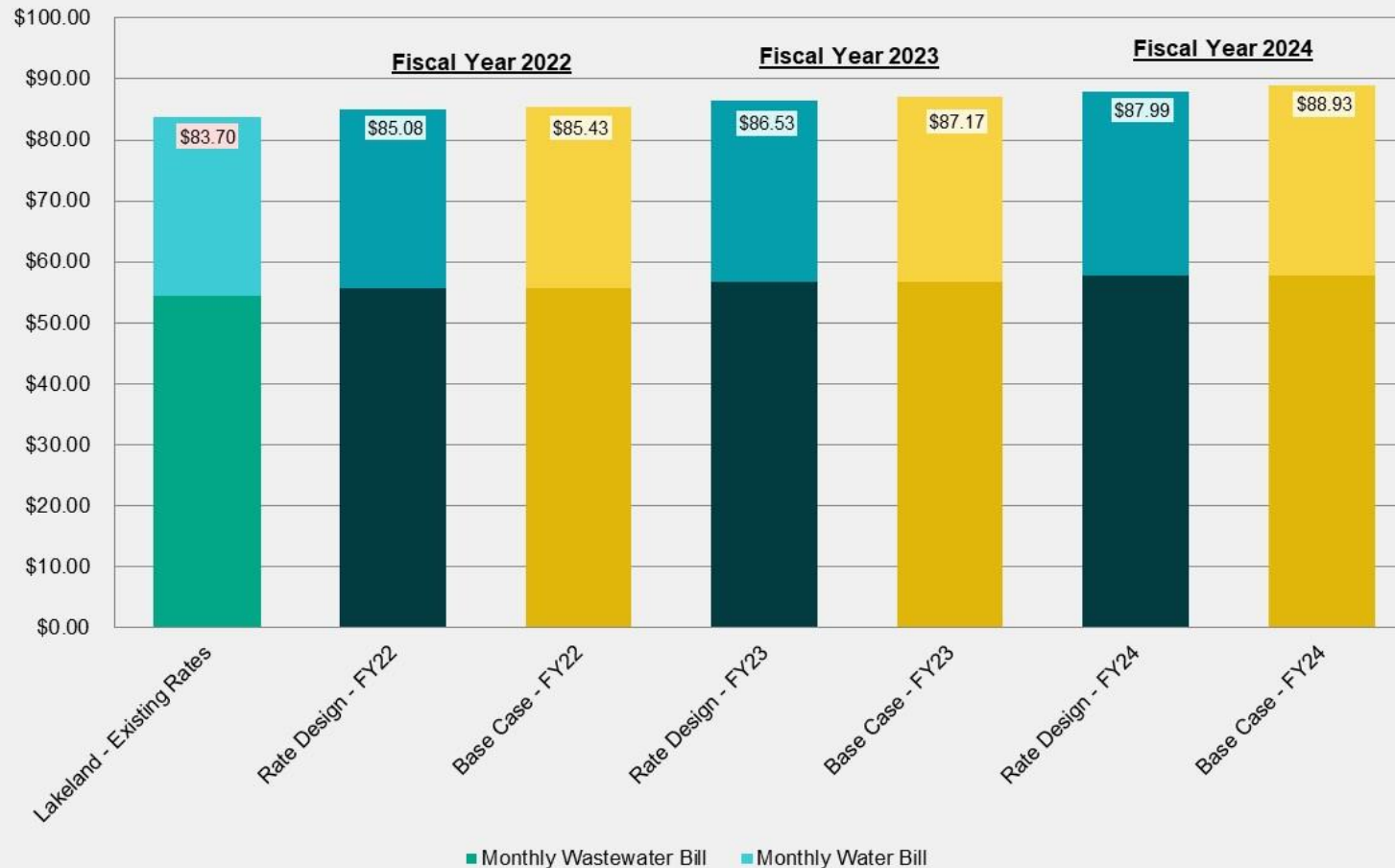
- Base Case
 - › City has historically applied annual rate adjustments uniformly to the monthly base charges and all volume charges
 - › This approach would increase all monthly service rates 2% per year
- Proposed Rate Design Alternative
 - › Apply a 2% annual increase to all wastewater charges, hydrant and fire protection fees, and industrial surcharges and monitoring fees
 - › Increase the monthly water base charges by 2% per year to help maintain revenue stability
 - › No increase in the Lifeline Rate up to 7,000 monthly gallons for FY22-24
 - › Increase the water conservation rates to strengthen the pricing signal to use less discretionary water
 - › Phase in adjustments to the commercial volume charge to then equal the average system usage rate by FY24

Comparison of Water Rate Options

Summary of Proposed Residential Water Rate Options – Inside City				
Description	Existing	FY22	FY23	FY24
Base Case				
Water Monthly Base Charge	\$10.40	\$10.61	\$10.82	\$11.04
Water Volume Charges				
Lifeline Rate (0-7 kgal)	\$2.29	\$2.34	\$2.39	\$2.44
Tier 1 (8-12 kgal)	\$2.80	\$2.86	\$2.92	\$2.98
Tier 2 (13-19 kgal)	\$3.50	\$3.57	\$3.64	\$3.71
Tier 3 (Above 19 kgal)	\$4.55	\$4.64	\$4.73	\$4.82
Proposed Rate Design Alternative				
Water Monthly Base Charge	\$10.40	\$10.61	\$10.82	\$11.04
Water Volume Charges				
Lifeline Rate (0-7 kgal)	\$2.29	\$2.29	\$2.29	\$2.29
Tier 1 (8-12 kgal)	\$2.80	\$2.86	\$2.98	\$3.09
Tier 2 (13-19 kgal)	\$3.50	\$3.66	\$3.89	\$4.12
Tier 3 (Above 19 kgal)	\$4.55	\$4.95	\$5.31	\$5.73

Comparison of Water Rate Options (cont.)

Comparison of Monthly Single Family
Water and Wastewater Bill Options
8,000 Gallons of Water Usage

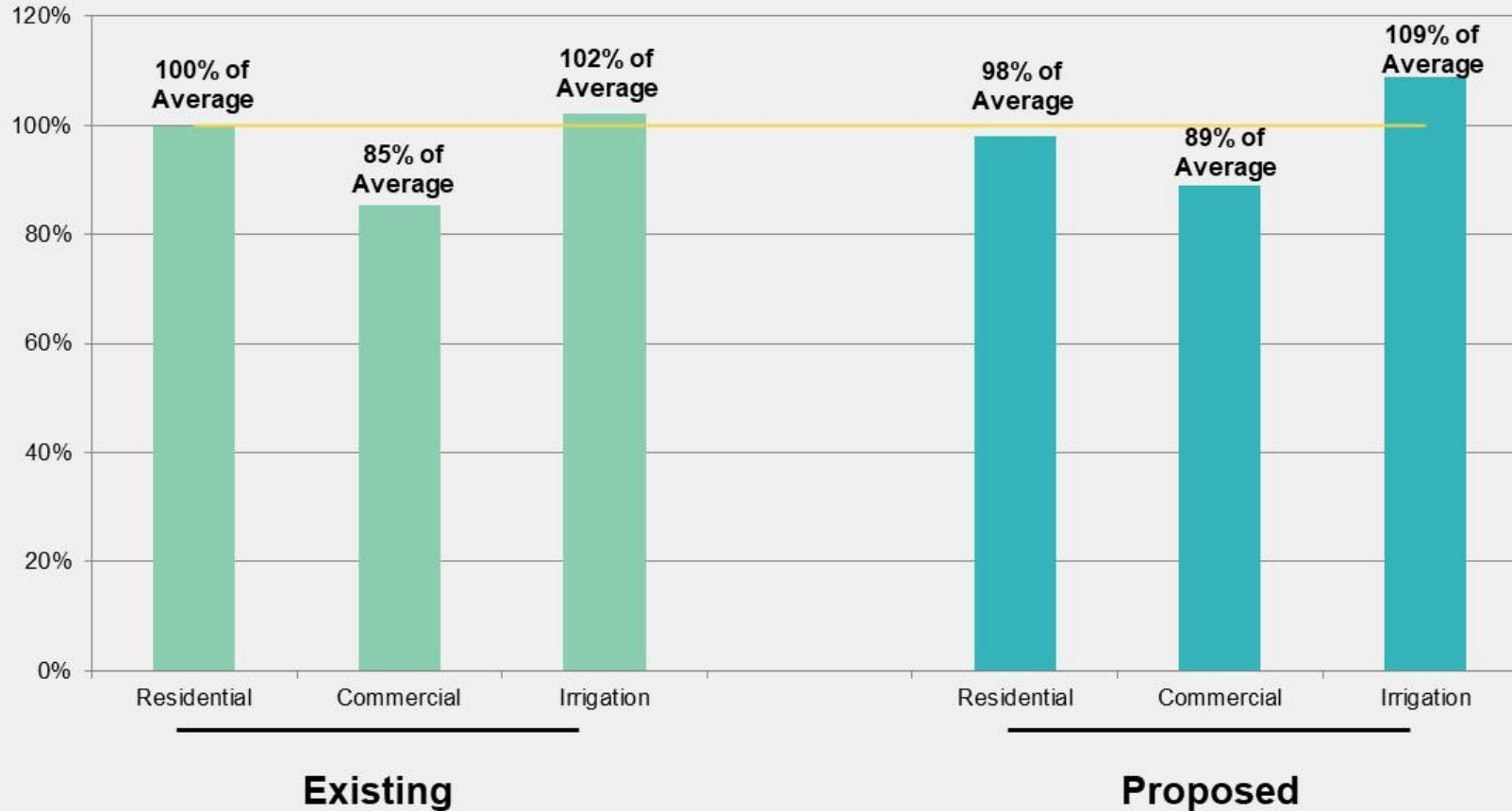


Summary of Proposed Alternative

Rate Design Alternative				
Summary of Proposed Water and Wastewater Bill Changes – Inside City				
Description	Existing	FY22	FY23	FY24
Residential 5/8" – 8 kgal	\$83.70	\$85.08	\$86.53	\$87.99
Proposed Increase		\$1.38 / 1.6%	\$1.45 / 1.7%	\$1.46 / 1.7%
Residential 5/8" – 20 kgal	\$141.43	\$144.93	\$149.19	\$153.48
Proposed Increase		\$3.50 / 2.5%	\$4.26 / 2.9%	\$4.29 / 2.9%
Multi-family 2" / 30 Units – 120 kgal	\$1,434.28	\$1,462.61	\$1,495.08	\$1,527.23
Proposed Increase		\$28.33 / 2.0%	\$32.47 / 2.2%	\$32.15 / 2.2%
Commercial 5/8" – 5 kgal	\$64.81	\$66.66	\$68.42	\$70.30
Proposed Increase		\$1.85 / 2.9%	\$1.76 / 2.6%	\$1.88 / 2.7%
Commercial 2" – 72 kgal	\$801.25	\$825.42	\$848.07	\$872.37
Proposed Increase		\$24.17 / 3.0%	\$22.65 / 2.7%	\$24.30 / 2.8%
Irrigation 1" – 24 kgal	\$102.95	\$106.09	\$110.74	\$115.30
Proposed Increase		\$3.14 / 3.1%	\$4.65 / 4.4%	\$4.56 / 4.1%

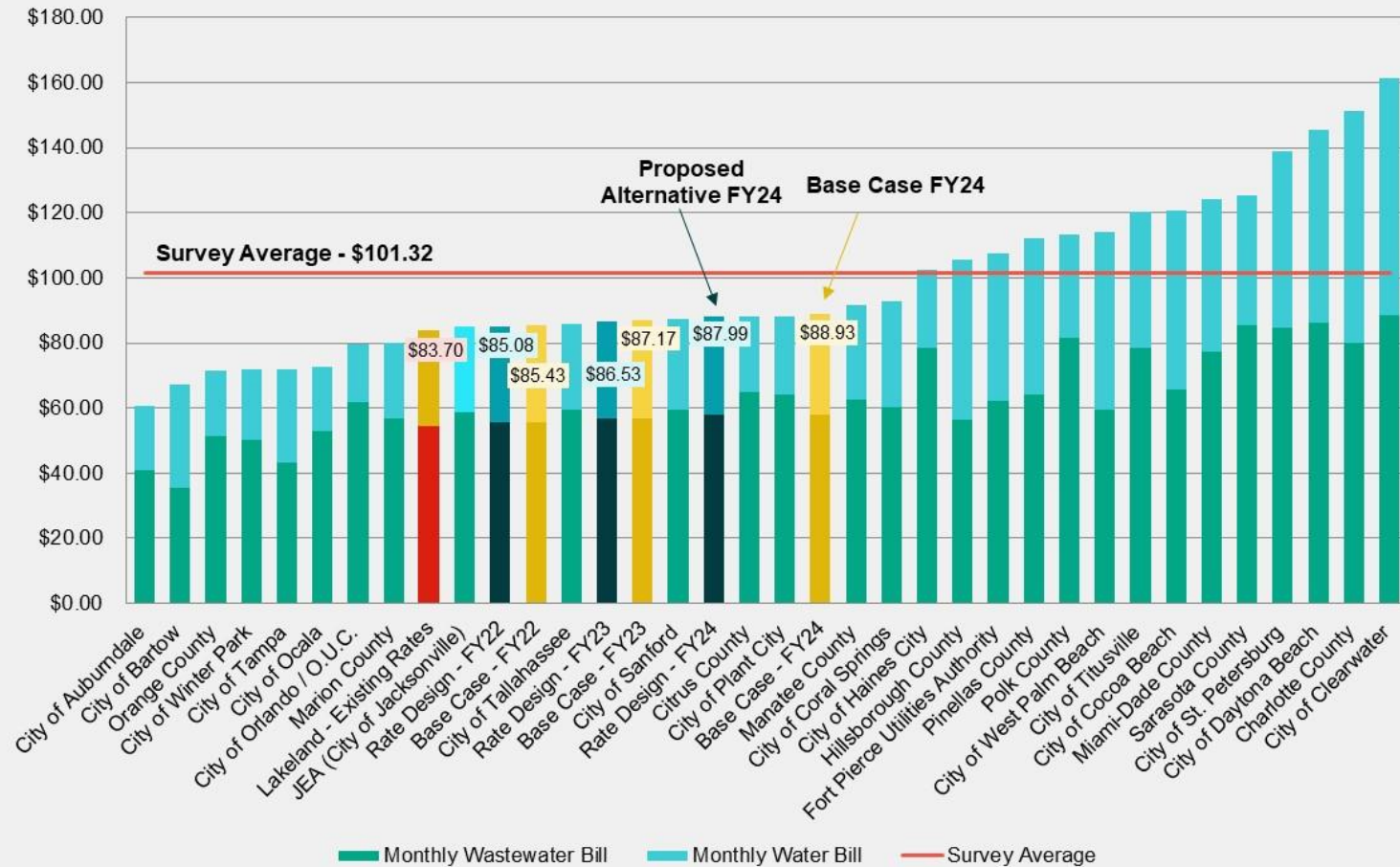
Proposed Revenue Contribution by Class

Revenue Contribution by Class
Percent of Proposed Average Water Revenue Per Kgal - FY24



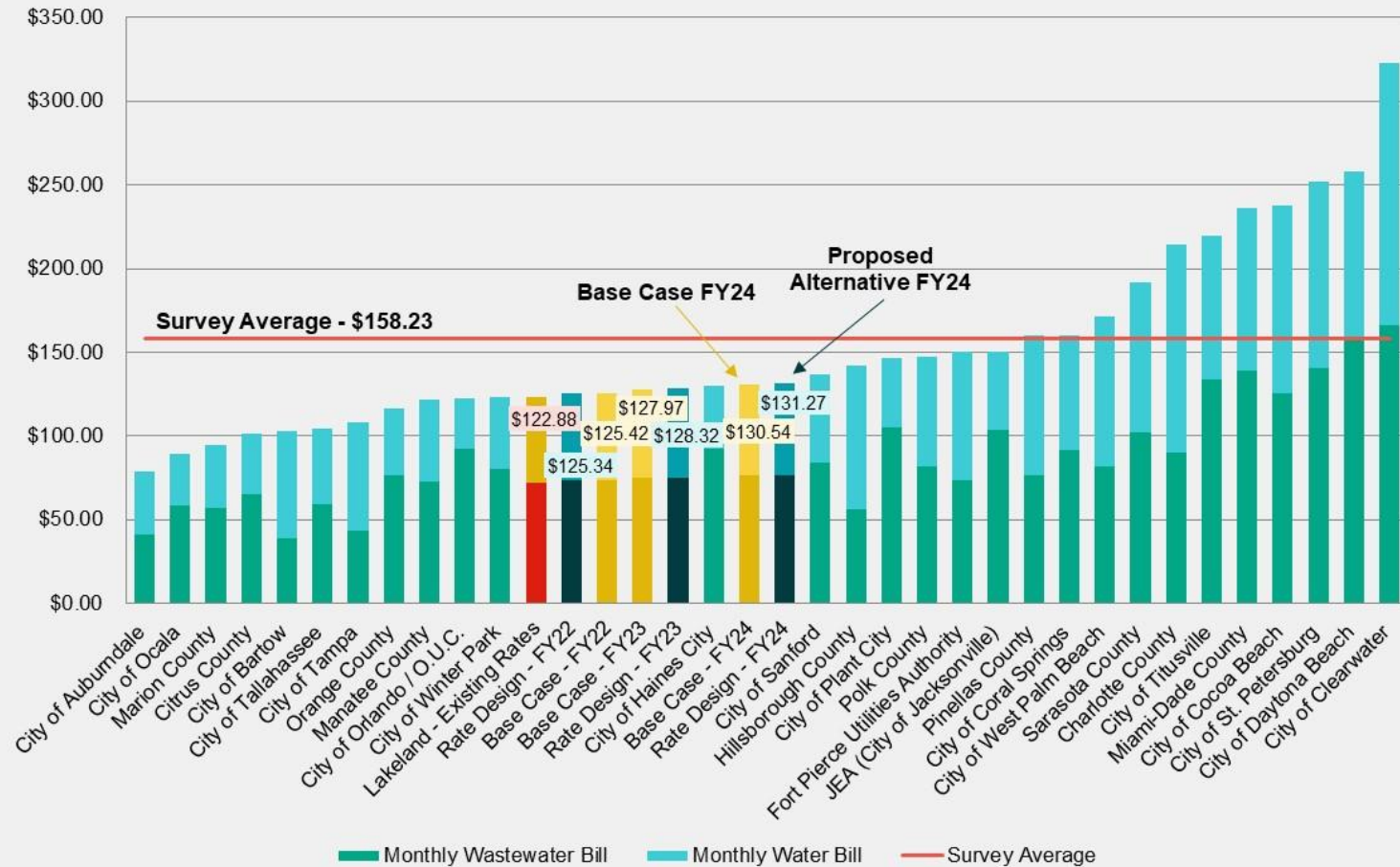
Residential Rate Comparison – 8 kgal

Comparison of Monthly Single Family Water and Wastewater Bills
8,000 Gallons of Water Usage



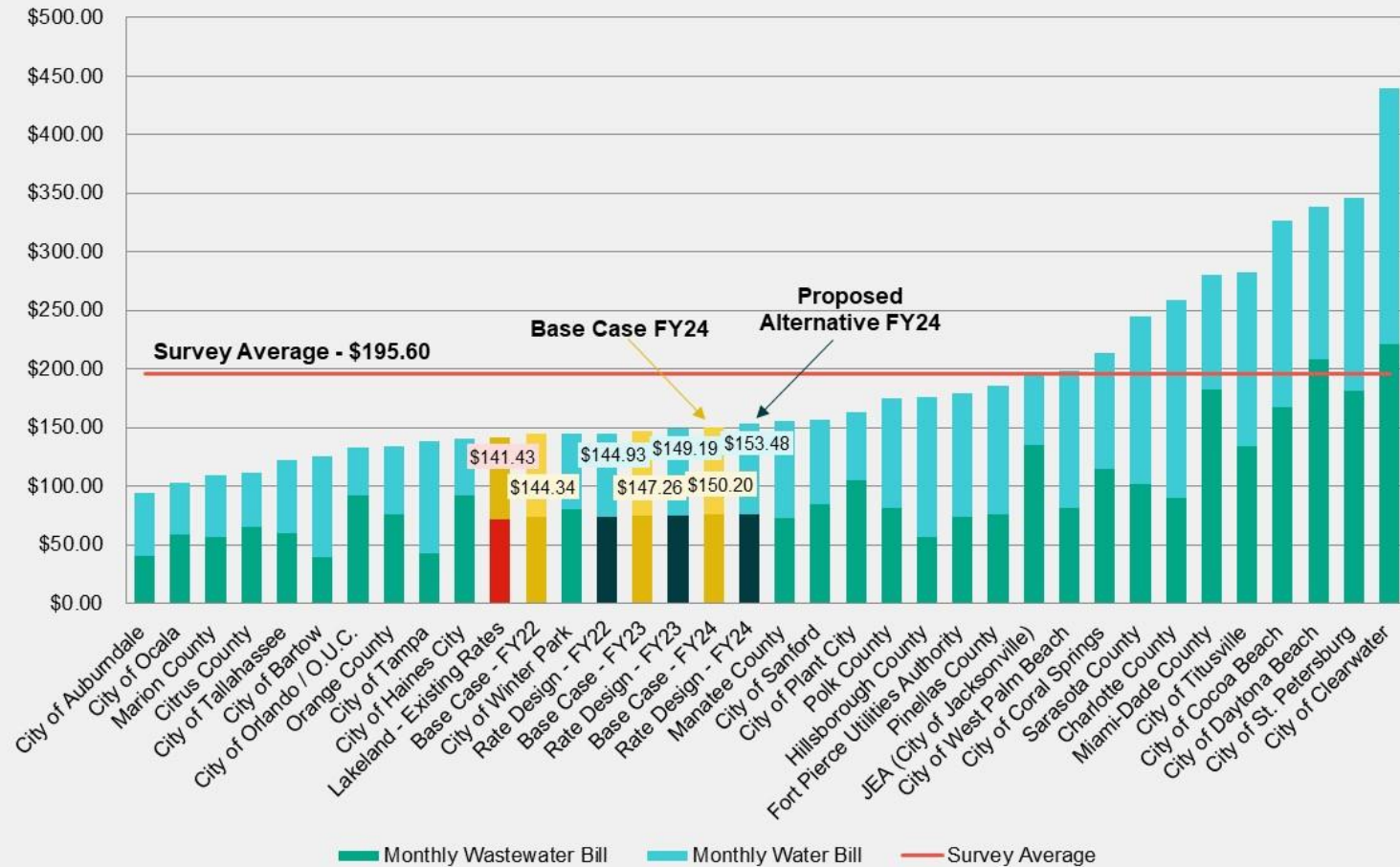
Residential Rate Comparison – 15 kgal

Comparison of Monthly Single Family Water and Wastewater Bills
15,000 Gallons of Water Usage



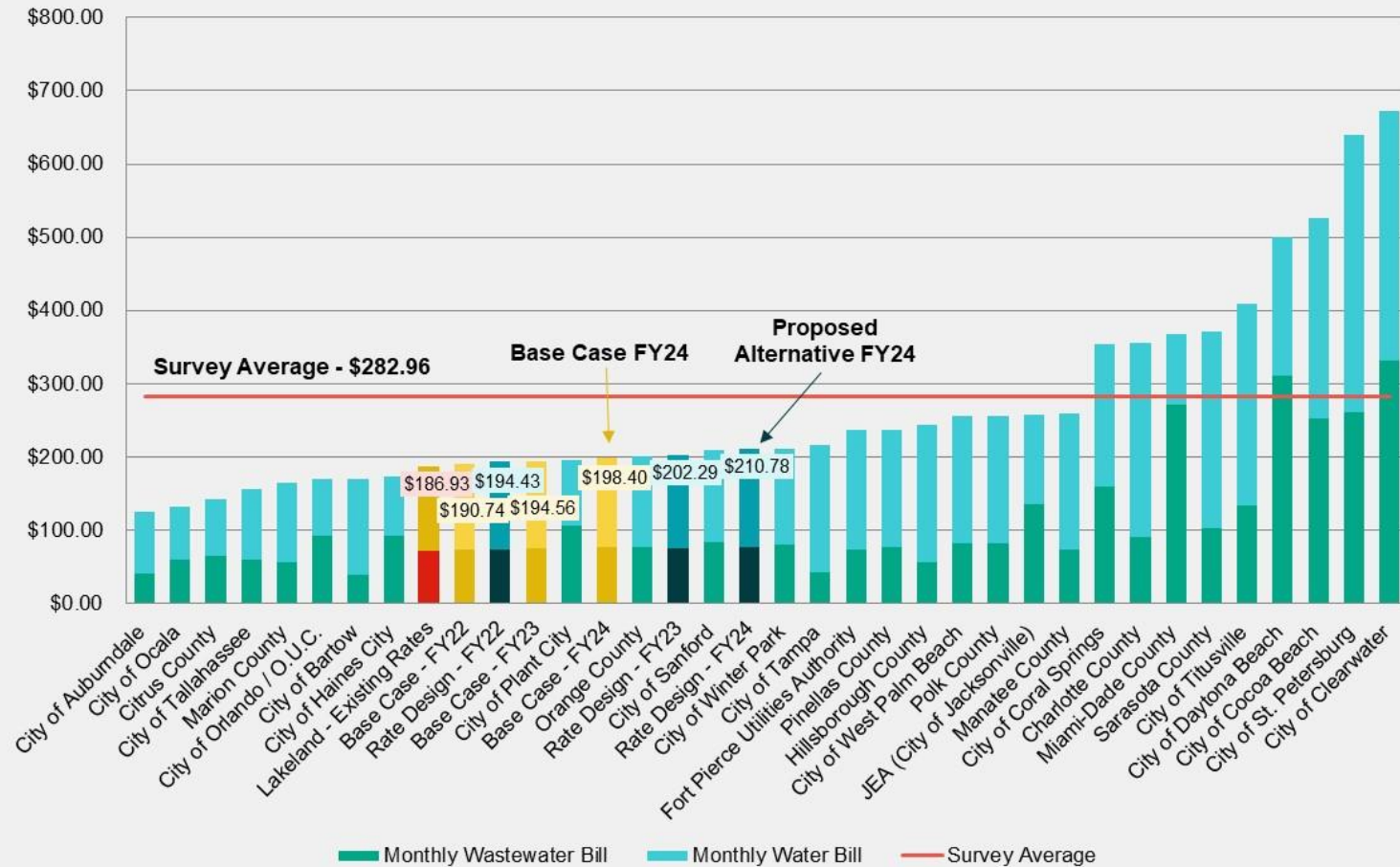
Residential Rate Comparison – 20 kgal

Comparison of Monthly Single Family Water and Wastewater Bills
20,000 Gallons of Water Usage



Residential Rate Comparison – 30 kgal

Comparison of Monthly Single Family Water and Wastewater Bills
30,000 Gallons of Water Usage



Conclusions and Recommendations

- The City's existing water and wastewater monthly service rates are not adequate to meet the projected operating, capital, and debt service requirements of each utility system, and rate adjustments are recommended for FY22-24
- To help encourage the efficient use of discretionary water, we recommend that the City implement the Proposed Rate Design Alternative which will:
 - › Apply a 2% annual increase to all wastewater charges, hydrant and fire protection fees, and industrial surcharges and monitoring fees
 - › Increase the monthly water base charges by 2% per year to help maintain revenue stability
 - › Provide no increase in the Lifeline Rate up to 7,000 monthly gallons for FY22-24
 - › Increase the water conservation rates to strengthen the water conservation pricing signal
 - › Phase in adjustments to the commercial volume charge to then equal the average system usage rate by FY24

Conclusions and Recommendations (cont.)

- The projected revenues under the proposed rates assume that customers will use less water over time, which may (slightly) reduce the City's total investment in future water supplies
 - › Based on the proposed increases to the water conservation rates and enhancements to the City's water conservation program, we have assumed that total system water sales may decline approximately 2.7% by FY24 or 198 million gallons for the year
 - › Actual customer responses to the City's water conservation message will vary
 - › If additional revenues are derived from a lack of consumer response to the City's water conservation efforts, the City may deposit the revenues in an Alternative Water Supply Fund or Rate Stabilization Fund to help reduce the costs of developing new water resources
- The proposed rates for Fiscal Years 2022 through 2024 are recommended to be effective on October 1st of each Fiscal Year
- The sufficiency of the proposed rate plan should continue to be reviewed annually



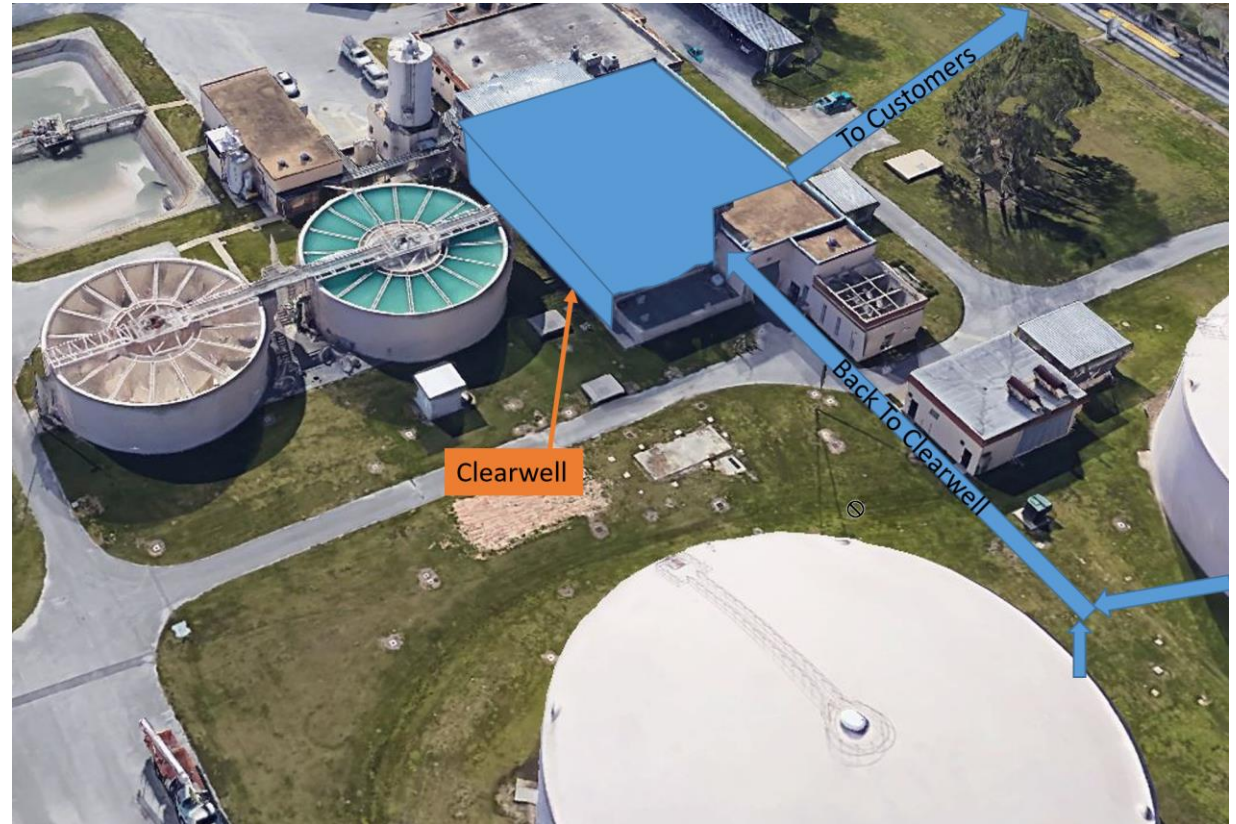
Water Utilities Department Budget Update

Bill Anderson, Water Utilities Director

WATER PRODUCTION

TB Williams Water Plant Clearwell Replacement

- Existing Clearwell, original to the plant built in 1982, was inspected in 2017 and it was determined to be structurally failing.
- New Clearwell is enhanced with 2 sections allowing one section to be fully operational if the other is needed to be taken offline, whereas the old Clearwell did not allow this capability.
- Project is expected to be completed in November, 2021.
- Estimated cost of \$19.6m for design and construction funded through a low interest State Revolving loan.



WATER PRODUCTION

TB Williams Water Plant Clearwell Replacement



Work remaining:

- Transfer of power to new Electrical Building from existing switchgear (this will have to happen in a couple stages to keep the plant operating while switching pumping capacity to new electrical building)
- Testing and Startup of new pumps and equipment
- Transfer of pump and equipment control in SCADA system
- Clearance to use new Clearwell and Chlorine Contact Chamber from PCHD
- Transfer plant operations from old Clearwell to new Clearwell Chlorine Contact Chamber
- Connection of existing High Service Pumps 7 and 8 to new 48" finished water line
- Replacement of Filter Effluent Pipe in old Clearwell
- Installation of Surge Anticipator Valve
- Structural Repair and Cleaning of old Clearwell



CAPITAL PROJECTS - WATER

Utility relocation SR33 - Tomkow Rd to Old Combee

This is a joint participation project with \$3.2m budgeted in FY22.

Water Asset Management Study

This study revealed the need to spend \$15.4m over the next 9 years for water line replacements, starting with \$1.9m in FY 22.

Smartgrid Update

The Smart Water Meter Project continues to move forward. There are 19,518 smart water meters installed, which covers almost 31% of our meter population. We are reading 10,072 meters and billing customers from their smart meter readings.

North Wabash

\$680k budgeted for extension of water lines along new road. This is a joint project with Public Works.

CAPITAL PROJECTS - WATER

W Pipkin Rd Widening (Medulla to Harden)

This is a joint participation project with \$4.9m budgeted. Project is in the Engineering phase.

Polk County-Bartow-Lakeland Interconnect

\$1.5m budgeted to connect water lines for system reliability between the Lakeland, City of Bartow and Polk County Utilities.

Water Utilities R&R

FY 22 CIP provides \$0.65m for Water Treatment system maintenance, \$5.2m for Water Distribution system maintenance and \$6.4m for related engineering costs and joint participation projects.

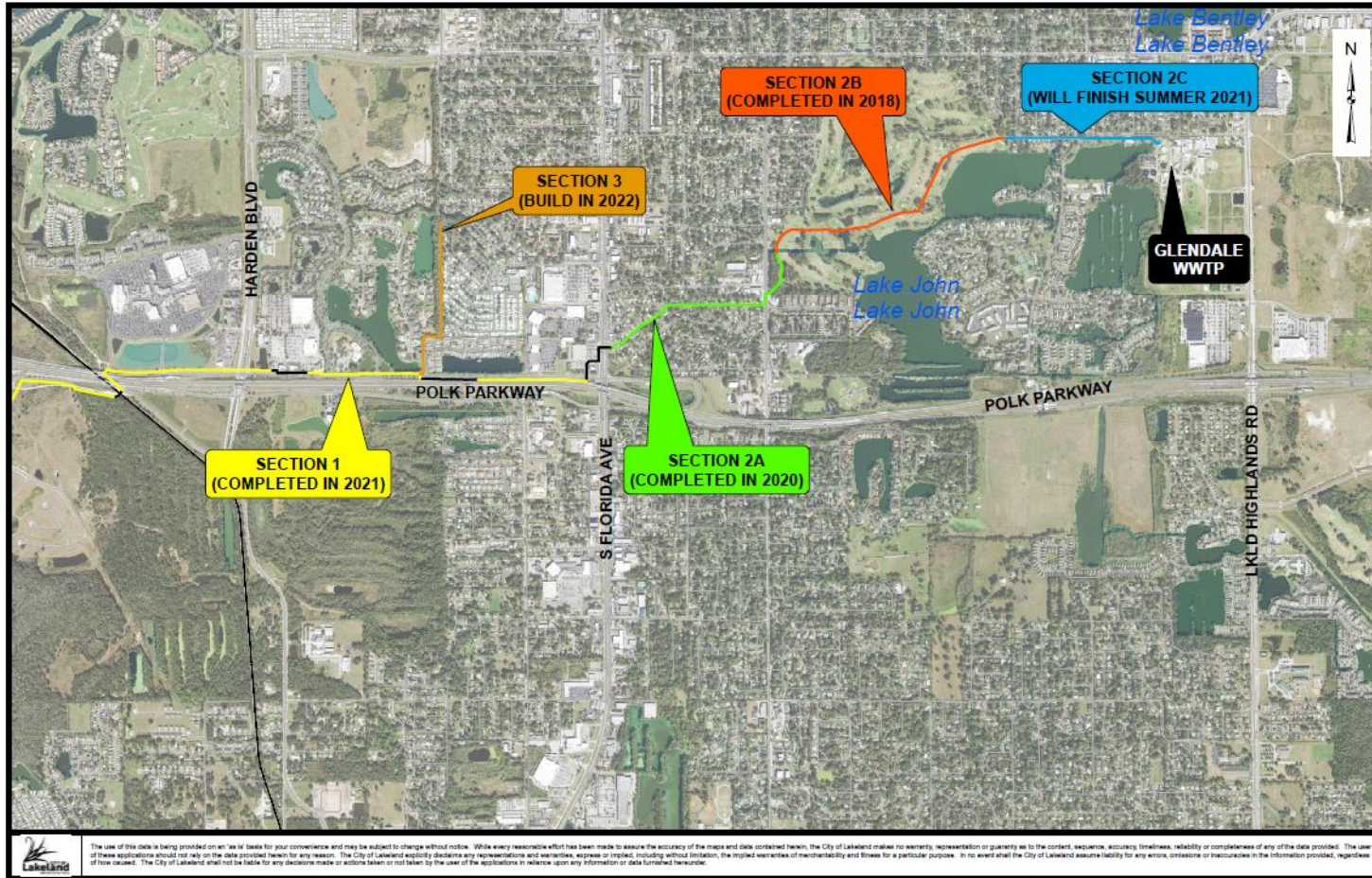


Wastewater Utilities Department Budget Update

Bill Anderson, Water Utilities Director

WASTEWATER COLLECTIONS

English Oaks – Section 3

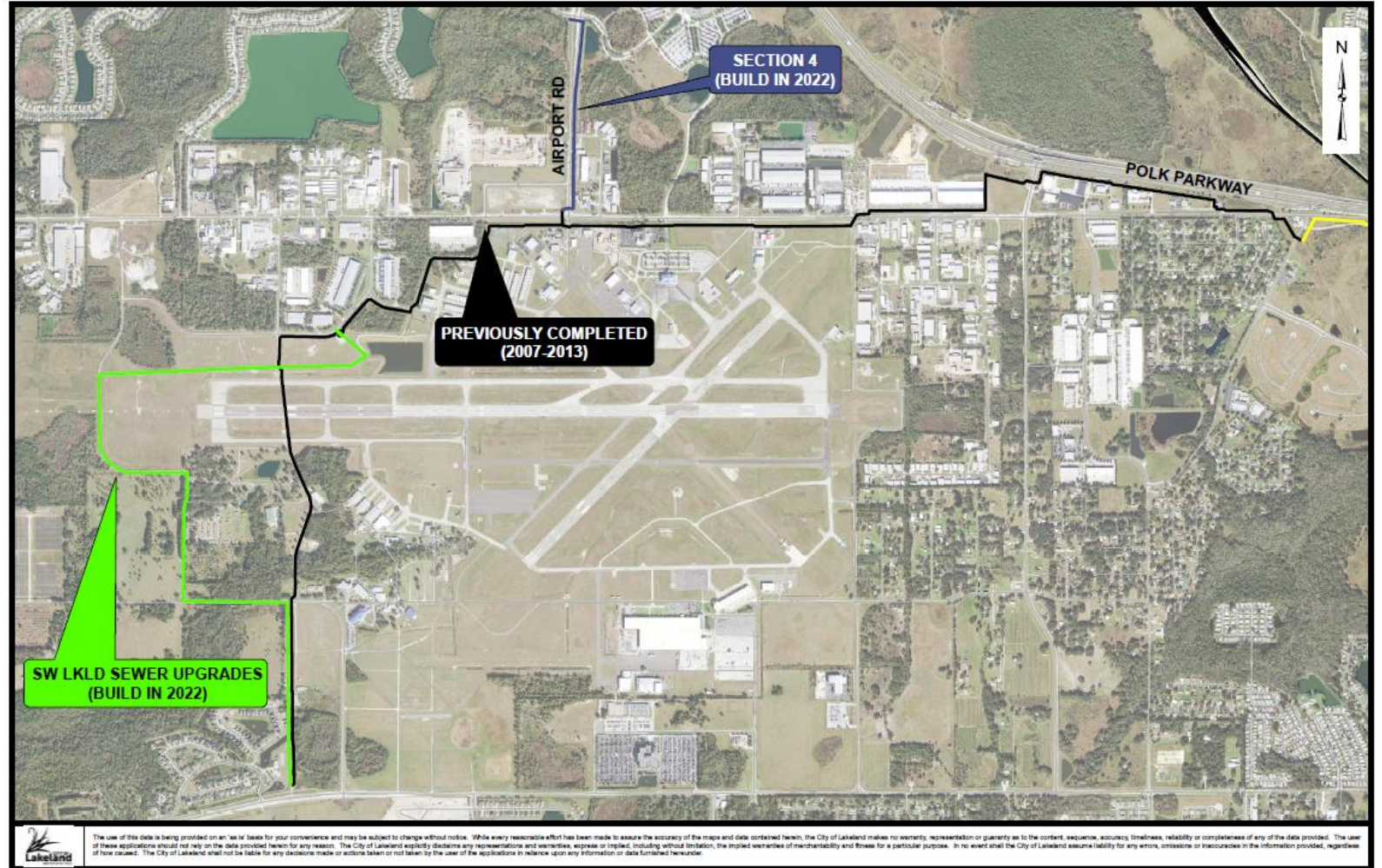


- Constructability issue which requires a temporary construction easement before bidding. May take several months to 1 year to obtain.
- Offer homeowner easement by end of June 2021, expecting acceptance and quick closure.
- Project is fully designed and will bid after easement acceptance.
- Expected to start construction in October 2021 and be finished in the Spring of 2022.
- Funded through new FDEP SRF loan.

WASTEWATER COLLECTIONS

English Oaks – Section 4

- Project fully designed and expect to bid as soon as new FDEP SRF loan is approved.
- Expected to start construction in October 2021 and be finished in the Spring of 2022
- Funded through new FDEP SRF loan.



CAPITAL PROJECTS – WASTEWATER

English Oaks Phase IV – Construction (SRL)

Multi-year large project that has been broken down into sections. Engineering nearing completion with several sections already completed.

Lakeland Central Park Upsize

\$1.7m from surplus will be used to upsize the sewer pump station for added capacity.

Biosolids (SRL)

\$5.0m is budgeted in FY22 for the Biosolids project. This will allow the biosolids process to be regionalized at Glendale.

Griffin Road 24" Sewer Lining

Currently in design phase, \$1.7m budgeted to replace existing 24" gravity line due to structure failures preventing CIPP lining.

CAPITAL PROJECTS – WASTEWATER

Western Trunk San Gully Rd Line Relocation

\$2.0m budgeted in FY22 and FY23, project was moved up from FY24-25 to accommodate capacity restraints.

Replace Northside Pump Station pumps and controls

Project currently in design phase, \$3.7m budgeted to replace pump station. New station was more cost effective than upgrading existing station.

Glendale Effluent Pump Station (SRL)

\$12.5m budgeted to replace effluent pump stations which are reaching end of life expectancy. Currently being evaluated by Engineering.

Wastewater System R&R

FY 22 CIP includes \$1.7m for maintenance of treatment facilities, \$3.6m for collection system maintenance, \$1.0m for Wetlands and \$1.0m for related Engineering costs.



Break



Operational Budget

Shawn Sherrouse, City Manager

Budget Assumptions – FY'22

Revenues

- Estimated 11.03% increase in property values in FY'22

Expenses

- Maximum allowable 1.5% growth in controllable operating expenses
- 1.5% across-the-board and 2.5% merit increases (for those who qualify for merits)
- 1.0% increase in health insurance premiums for employees, retirees and the city

FY'22 Budget - General Fund – Controllable Cost Inc / (Dec)

	FY'21 Budget	Proposed FY'22 Budget	Variance Inc / (Dec)	
City Commission	91,500	107,400	15,900	17.38% Increase in subscriptions, memberships & travel for Commission
Retirement Services	7,550	7,667	117	1.55%
Neighborhood Services	61,050	61,250	200	0.33%
Community Development	77,600	71,800	(5,800)	(7.47%)
Business Tax Office	13,955	12,099	(1,856)	(13.30%)
City Manager's Office	332,213	326,464	(5,749)	(1.73%)
Legal	65,738	66,724	986	1.50%
Risk Management	92,266	83,736	(8,530)	(9.25%)
Public Information Office	54,250	53,260	(990)	(1.82%)
Internal Audit	3,862	3,920	58	1.50%
Human Resources	382,761	388,504	5,743	1.50%
Finance Department	269,971	241,309	(28,662)	(10.62%)
Fire Department	706,956	765,436	58,480	8.27% Operating expenses for 3 new Firefighters, new Plans Examiner & equipment
Police Department	1,156,592	1,166,597	10,005	0.87%
Public Works	452,239	499,332	47,093	10.41% Traffic Engineering over target for FDOT software - reimb by FDOT
Parks & Recreation	2,130,055	2,176,857	46,802	2.20% Above 1.5% due to operating costs of new Lake Crago staff
General Fund Total	5,898,558	6,032,355	133,797	2.27%

FY'22 Budget - Proposed Additions

General Fund Additions:

- Resurvey Historic District Phase I - \$130k
- 3 Firefighter Positions to Restore Minimum Staffing on Tower-15 (partial year cost \$104k)
- Fire Plans Examiner (Includes vehicle & equipment) - \$159k
- Recreation Supervisor, Recreation Leader & Part-time Recreation Leader for Lake Crago - \$126k

Wastewater Fund Additions:

- Water Utility Pipefitter II - \$63k

No other material additions to other funds besides routine capital and maint.

Day's Cash Estimate as of 7/15/2021

GENERAL FUND BUDGET

5.4644 mills

	FY'21	FY'22	FY'23	FY'24
FY Starting Surplus	30,481,413	27,006,889	28,161,562	28,321,393
Budgeted revenues	125,482,280	133,034,321	135,695,007	137,972,914
Budgeted expenses	133,661,804	136,643,648	140,426,176	145,341,092
Budgeted Surplus Generated / (Used)	(8,179,524)	(3,609,327)	(4,731,169)	(7,368,178)
Budgeted Ending Surplus	22,301,889	23,397,562	23,430,393	20,953,215
Forecasted Revenue Savings	695,000	665,000	678,000	690,000
Forecasted Expense Savings	4,010,000	4,099,000	4,213,000	4,360,000
Total GF Surplus	27,006,889	28,161,562	28,321,393	26,003,215
Days Cash	74	76	75	66



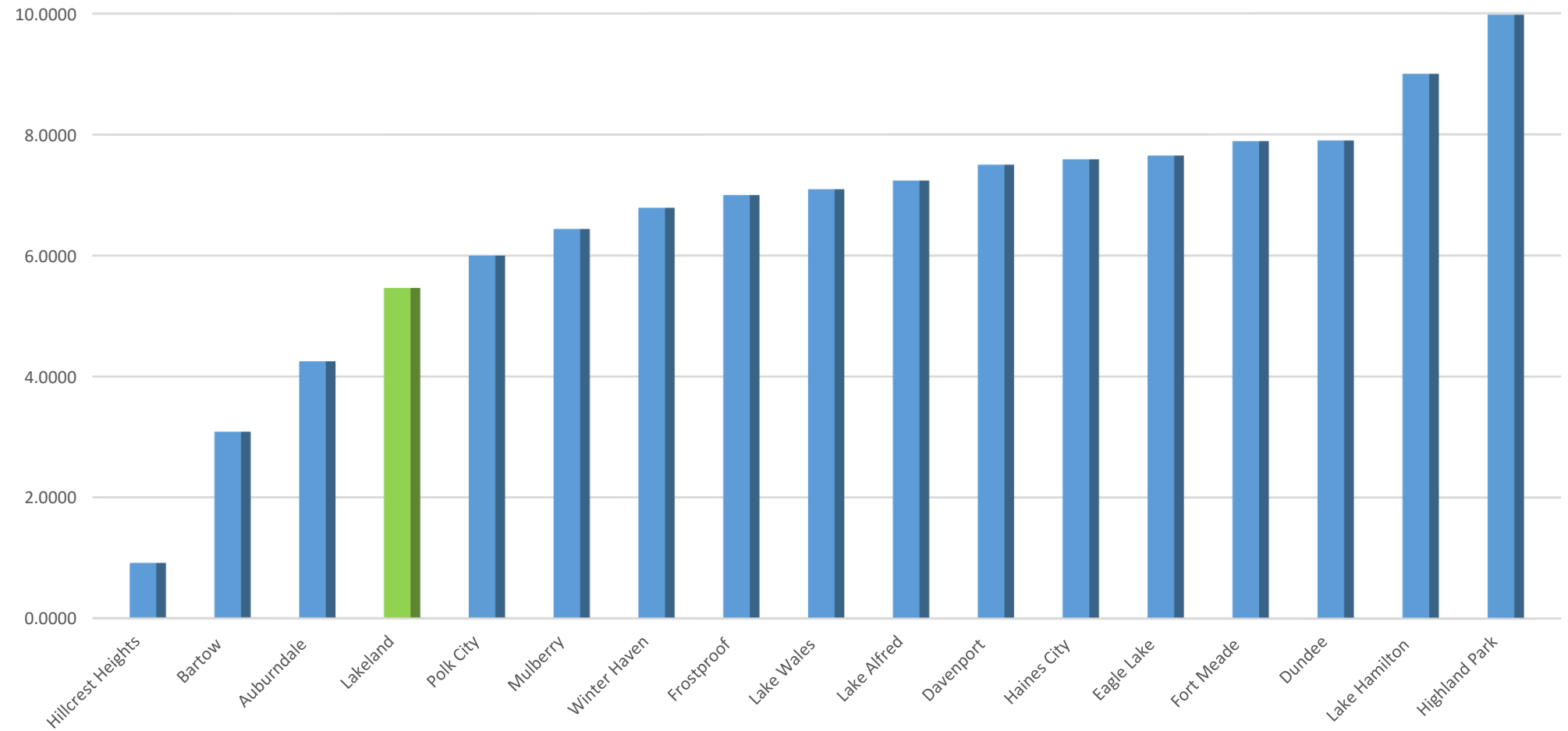
Financial Update

Mike Brossart, Finance Director

Taxable Values and Millage

- Gross taxable value is expected to increase 11.03% to \$8.24b in FY'22, per the July 1st Property Appraiser's report
- This will provide the General Fund approximately \$2.14m in new construction and \$2.31m in increased taxable values at the current millage rate of 5.4644
- The rolled-back rate would be 5.2020 (Adj prior year ad valorem proceeds / adj current year taxable values *1,000)

Polk County Municipal Millage Comparison Fiscal Year 2021



Millage Adoption

- It is our recommendation that the Commission authorize the Finance Director to advertise the City's maximum millage rate at 5.4644 for Fiscal Year 2022, which is our Fiscal Year 2021 millage rate.
- The Commission could decide to lower the millage prior to budget adoption without a requirement to formally notice the citizens. However, if the Commission chose adopt a millage increase above what the Property Appraiser sends to our citizens in August, we would be required to re-notice all the citizens prior to adoption of that millage rate.

Millage Adoption – (continued)

- To adopt a 5.4644 millage rate, it will require a super majority vote of the Commission during the budget hearings on September 9th and 23rd.

Rolled-back Millage	Millage Threshold for Simple Majority	Recommended Millage
5.2020	5.4324	5.4644
Simple Majority Required	Simple Majority Required	Super Majority Required



Lunch



Discussion and Decisions

Dr. Craig S. Collins, Facilitator



Wrap-Up

Shawn Sherrouse, City Manager