City Commission
FY22 Budget Planning Workshop

Tuesday, August 10, 2021

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Introduction and Overview

Water Utilities Department Report/Rates

Murray Hamilton & Nick Smith, Raftelis

City of Lakeland

Water Utilities Revenue Sufficiency Analysis

Supplemental Evaluation of Proposed Rate Comparisons

Presented on August 10, 2021

RAFTELIS

Status Report

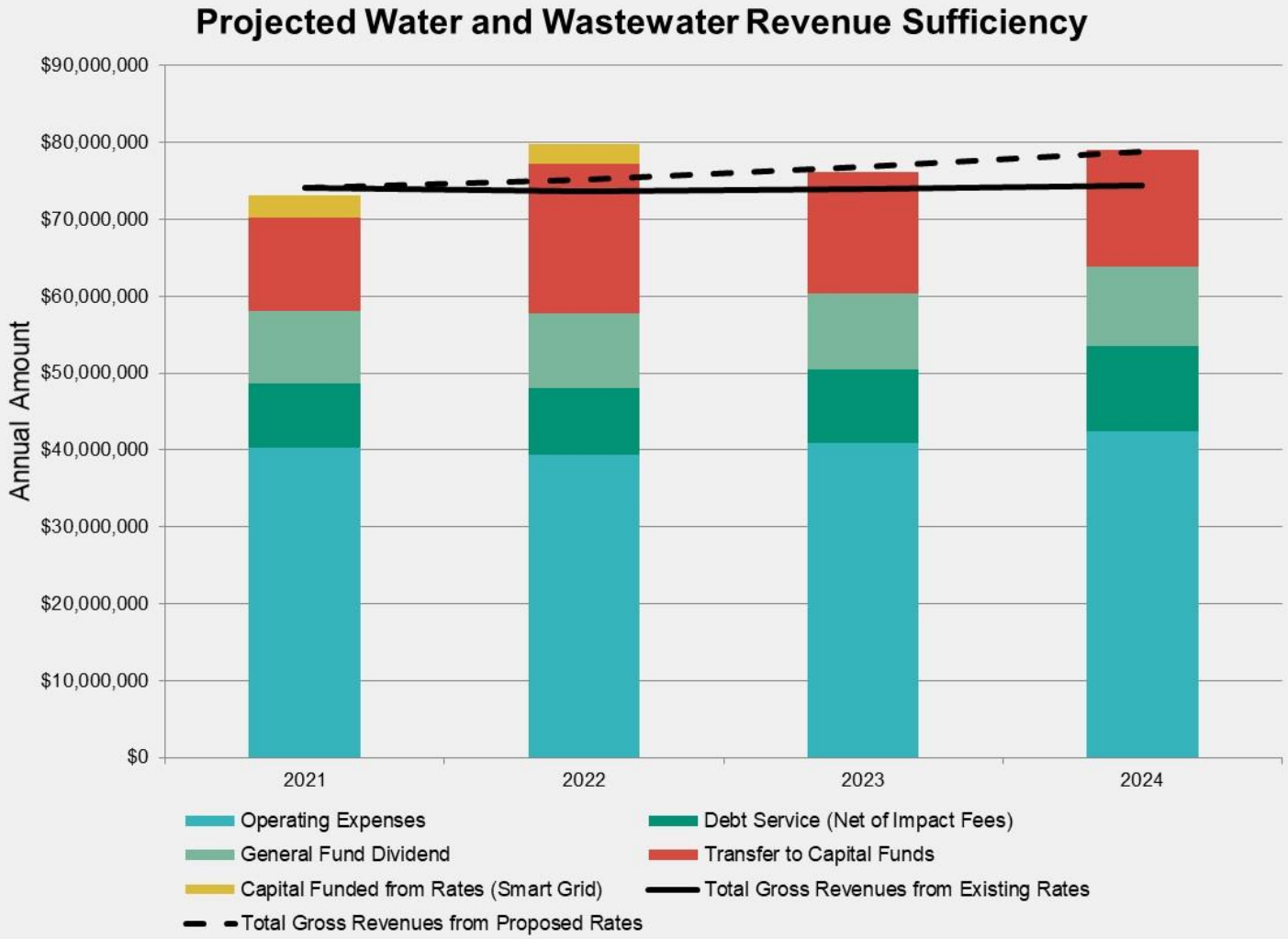
- On July 15, 2021, the City Commission held a budget workshop to discuss the adequacy of the City's water and wastewater rates for service
- Discussion topics included:
  - Study Observations and Major Assumptions
  - Proposed Funding of the Capital Plan
  - Projected New Debt Service Payments
  - Sufficiency of Existing Water and Wastewater Rates
  - Cost Recovery Strategy and Proposed Rates for Monthly Water and Wastewater Service
- Primary objectives of the study are:
  - Produce sufficient revenues to meet the project revenue requirements for FY22-24
  - Develop rates based on cost-of-service principals while maintaining strong revenue stability
  - Distribute costs of service more evenly across customer classes with similar uses
  - Develop proposed charges that maintain an affordable rate for essential water needs while encourage the efficient use of water resources for discretionary purposes
- At the conclusion of the presentation, the City Commission requested that we provide additional rate comparisons to better evaluate the competitiveness of the City's existing and proposed commercial rates

Summary of Projected Rate Adjustments

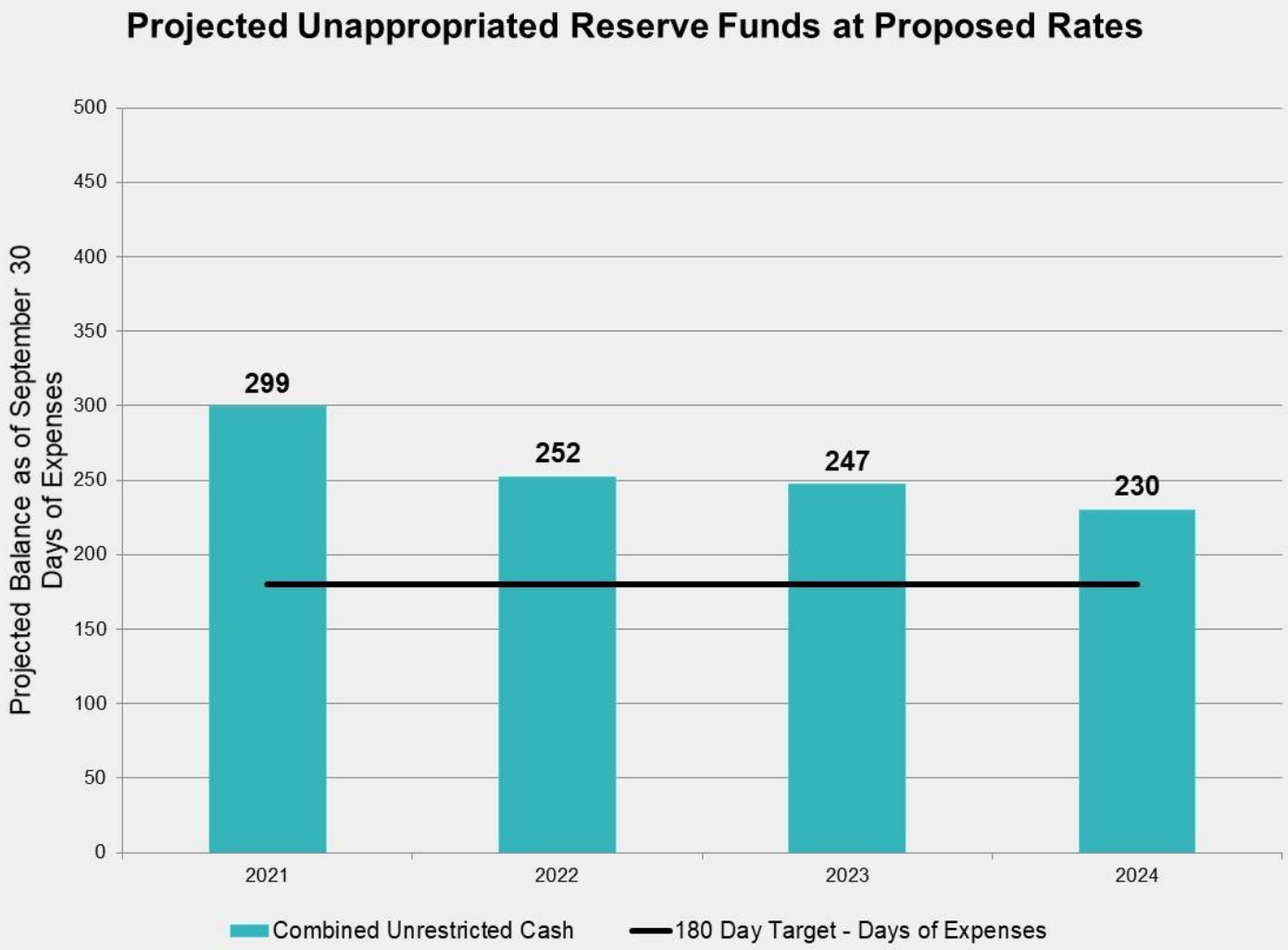
Summary of Water and Wastewater Revenue Sufficiency			
	Proposed		
Description	FY22	FY23	FY24
Water System	2%	2%	2%
Wastewater System	2%	2%	2%

- 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 recently initiated 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



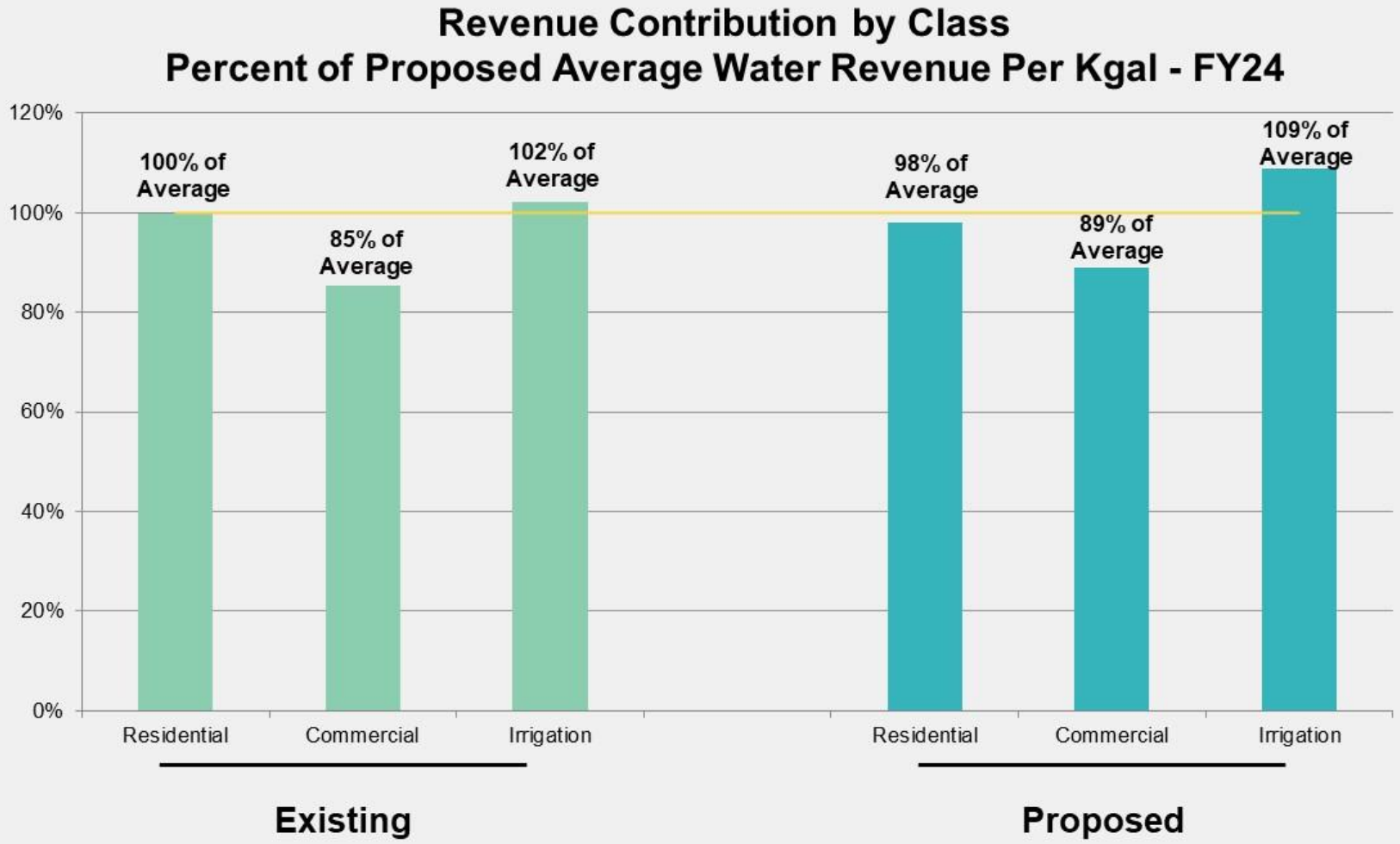
Proposed Water Rate Design Options FY22-24

- 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

Summary of Proposed Alternative

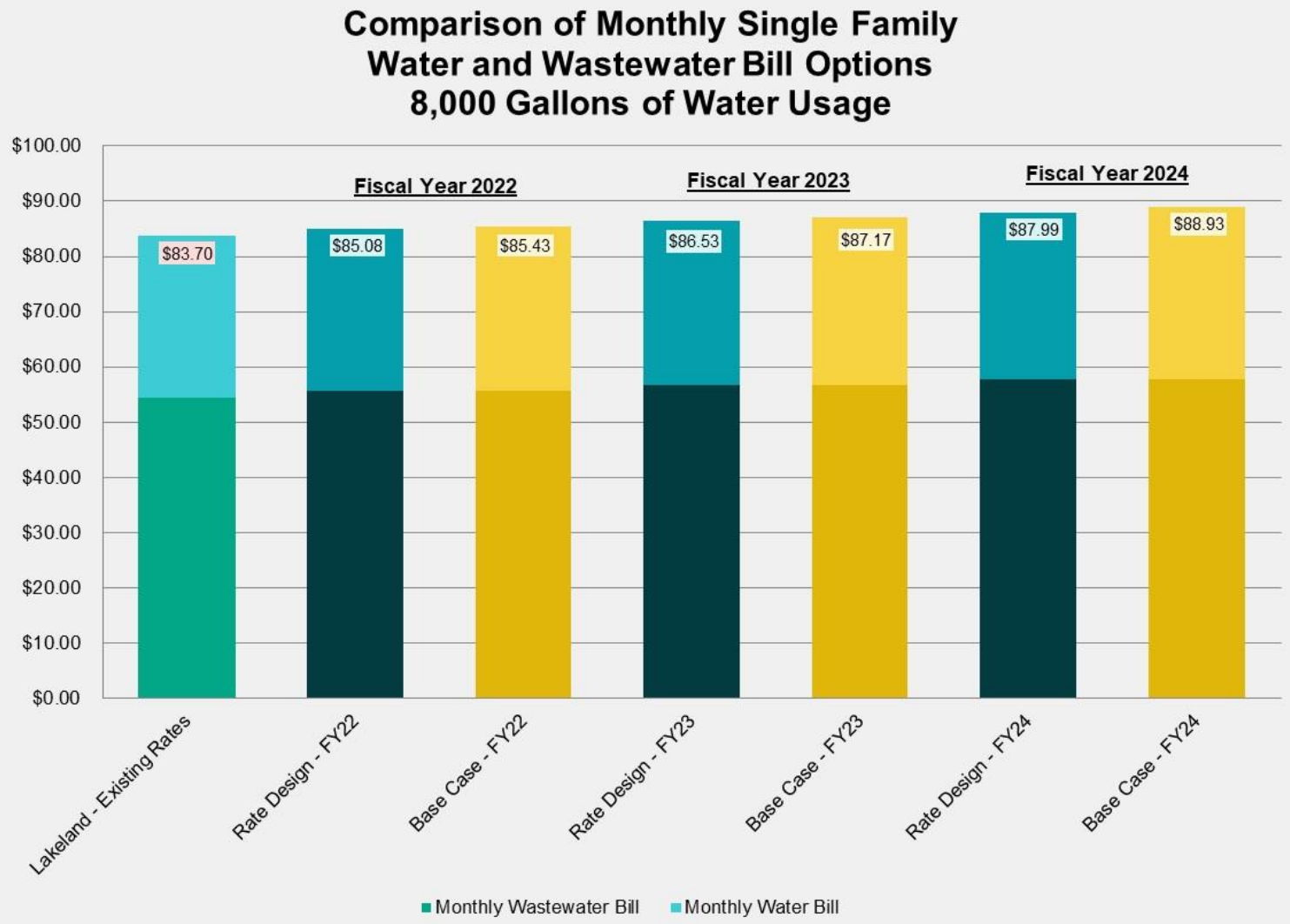
Rate Design Alternative Summary of Proposed Water and Wastewater Bill Changes – Inside City				
Description	**Existing**	**FY22**	**FY23**	**FY24**
Residential 5/8″ – 8 kgal	**$83.70**	**$85.08**	**$86.53**	**$87.99**
Proposed Increase		$1.38 /1.6%	$1.45 / 1.7%	$1.46 / 1.7%
Residential 5/8″ – 20 kgal	**$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

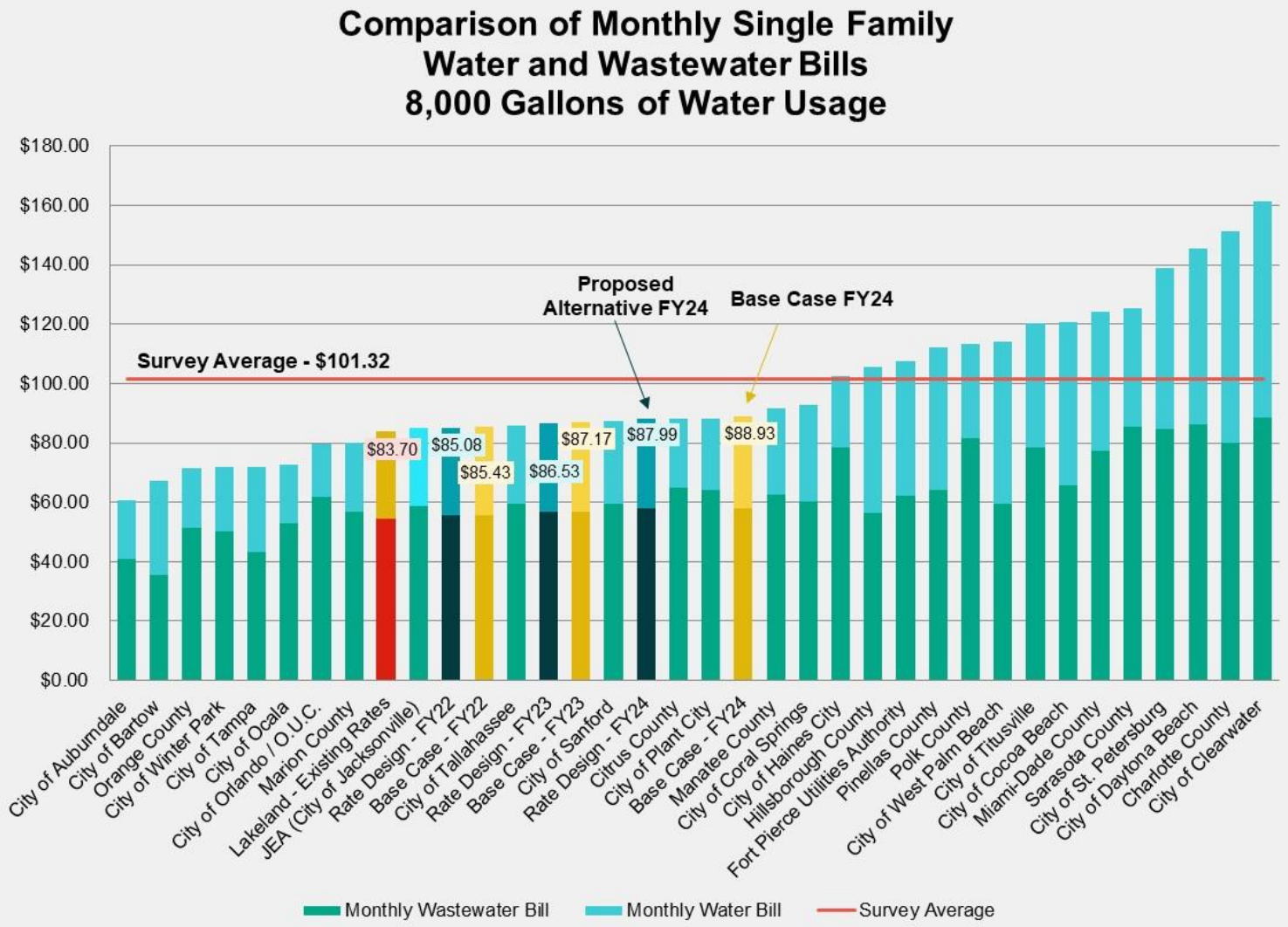


Summary of Residential and Commercial Rate Comparisons at Proposed Rates

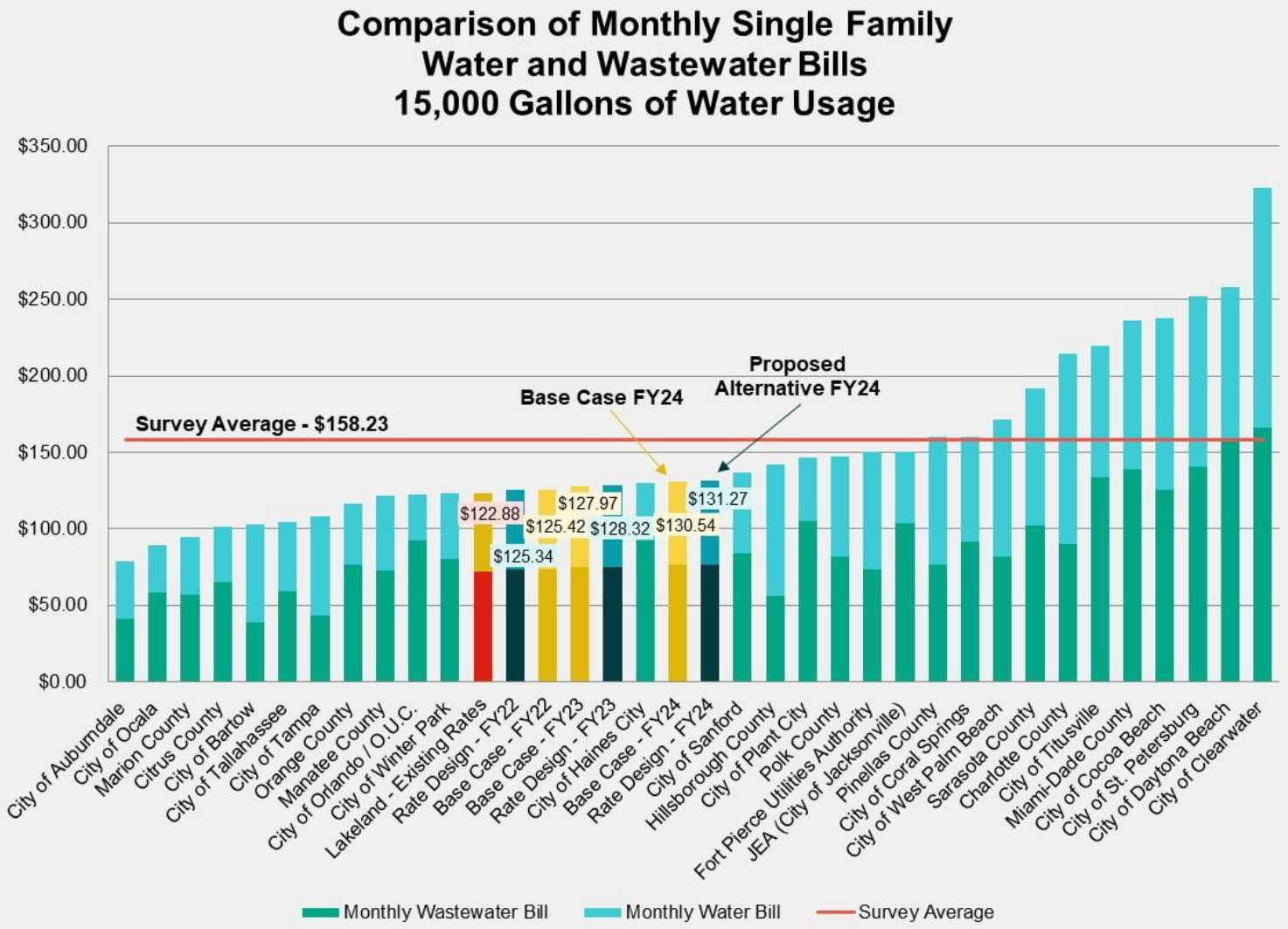
Comparison of Water Rate Options



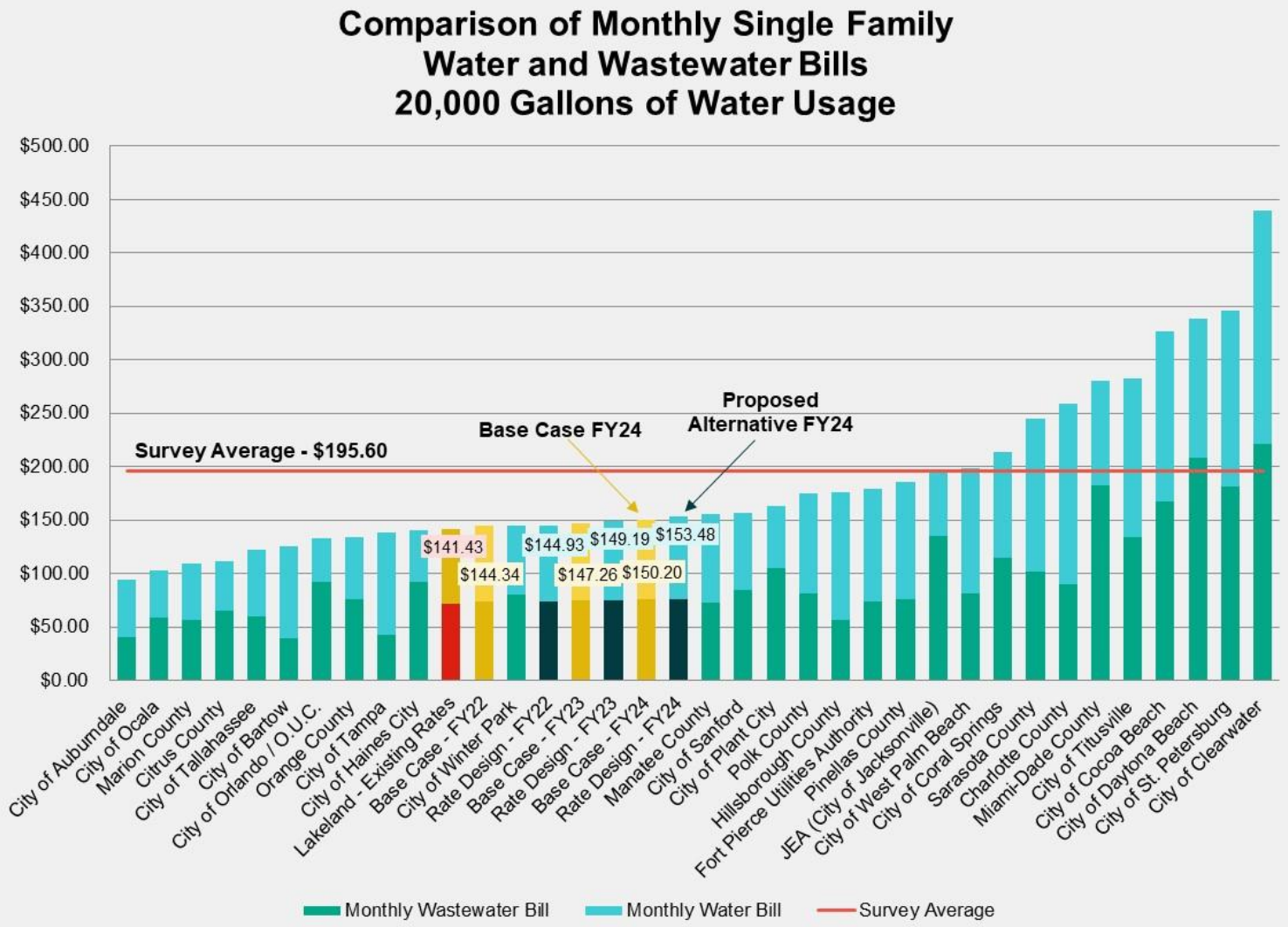
Residential Rate Comparison – 8 kgal



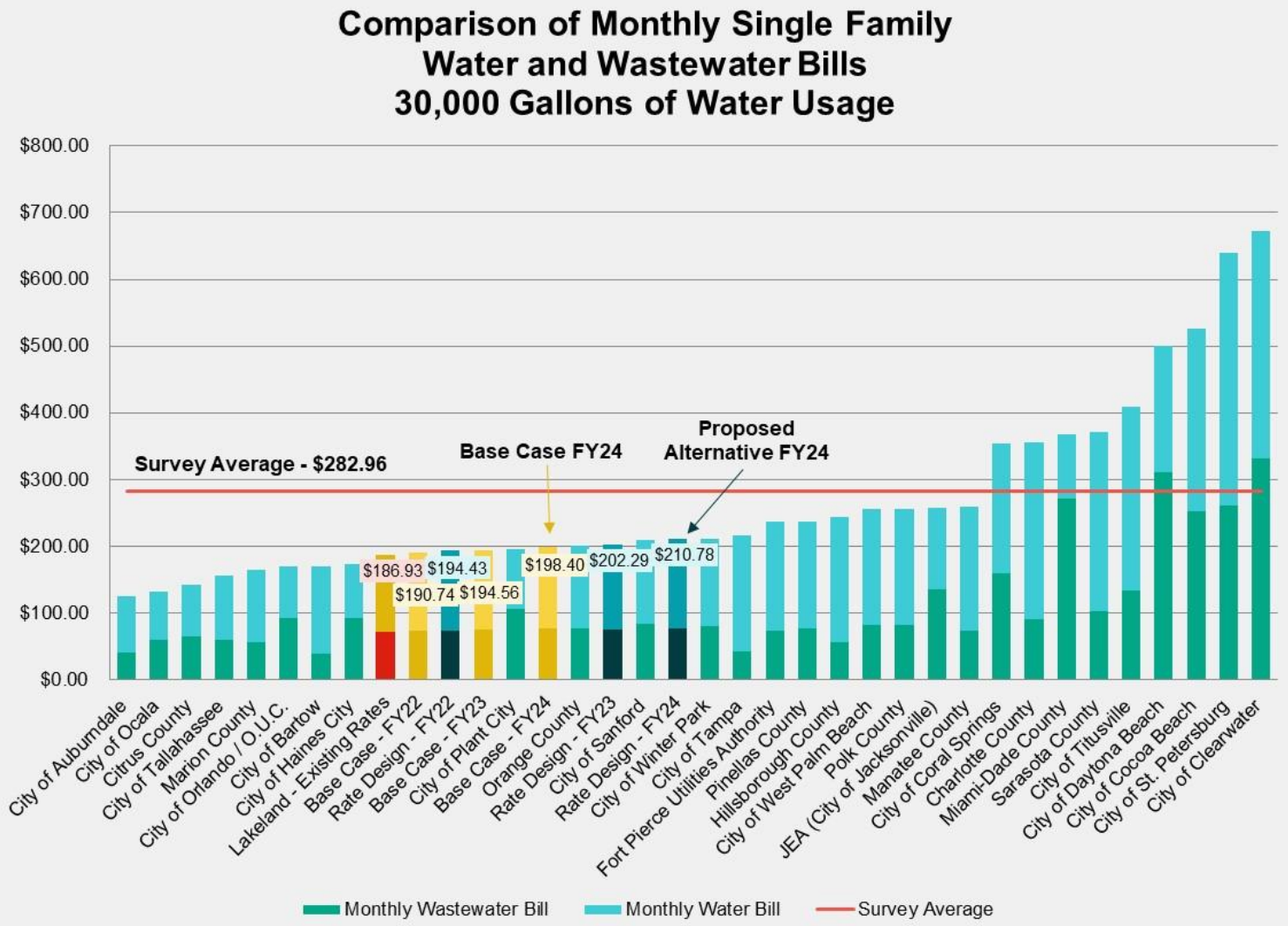
Residential Rate Comparison – 15 kgal



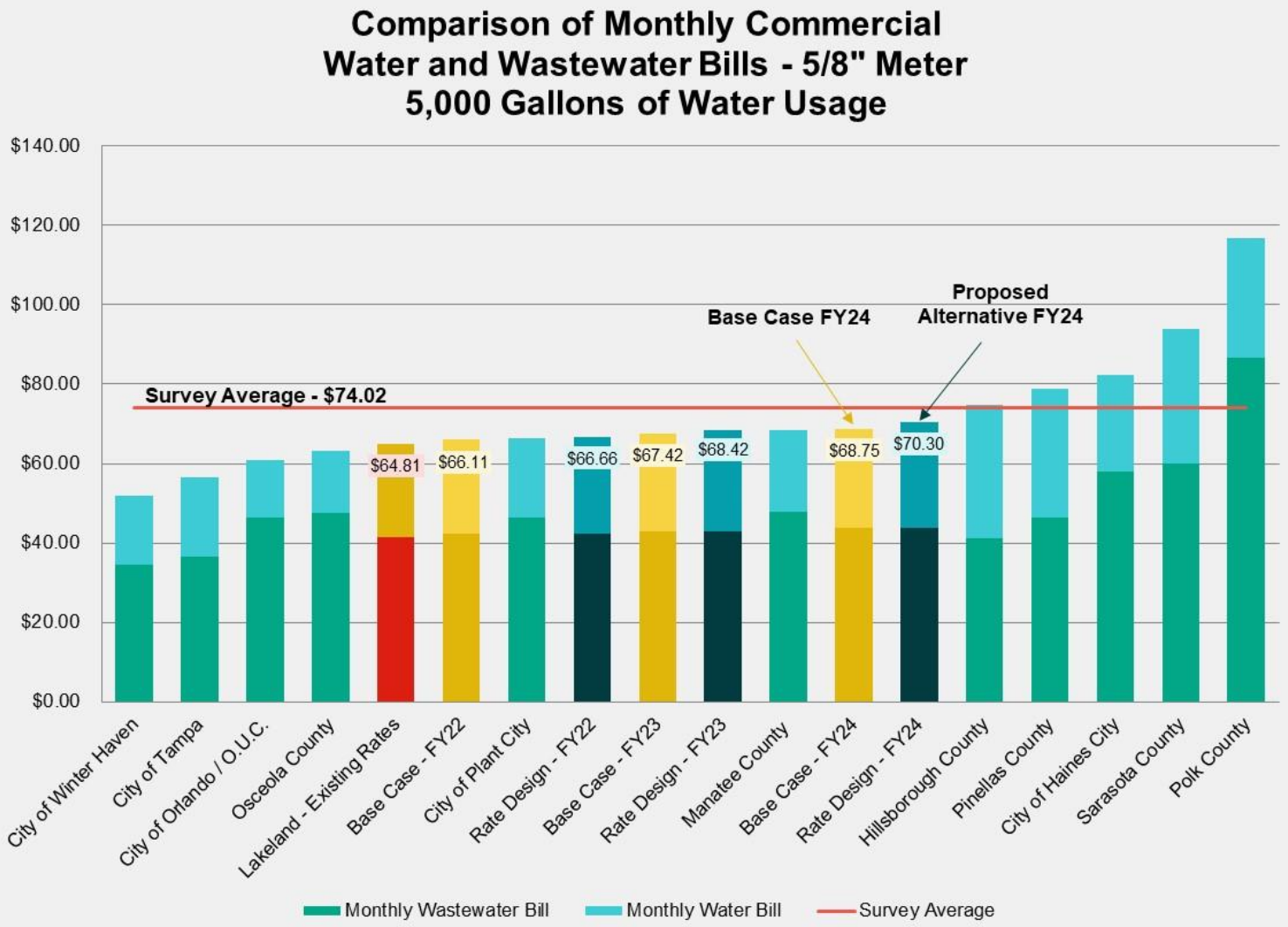
Residential Rate Comparison – 20 kgal



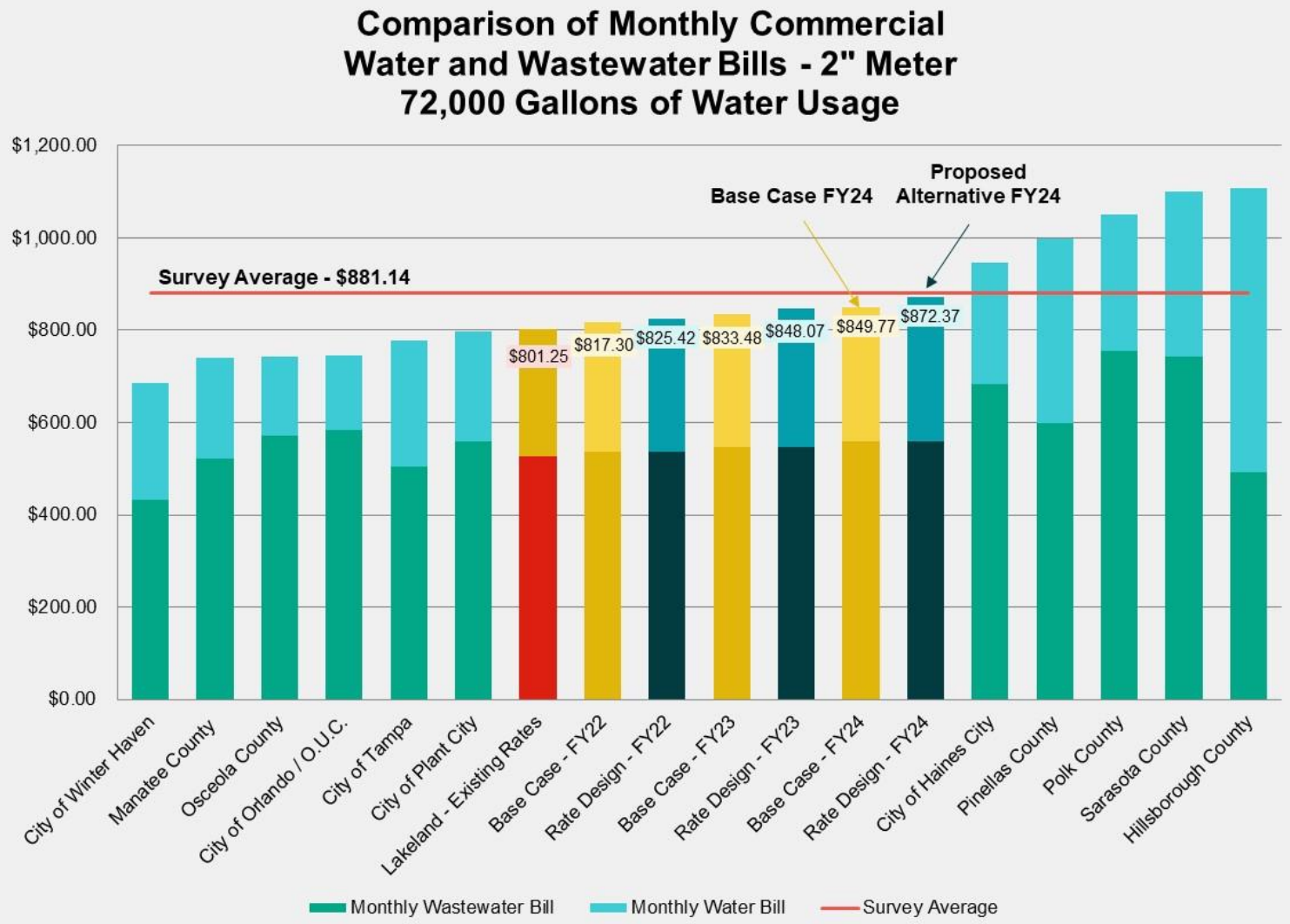
Residential Rate Comparison – 30 kgal



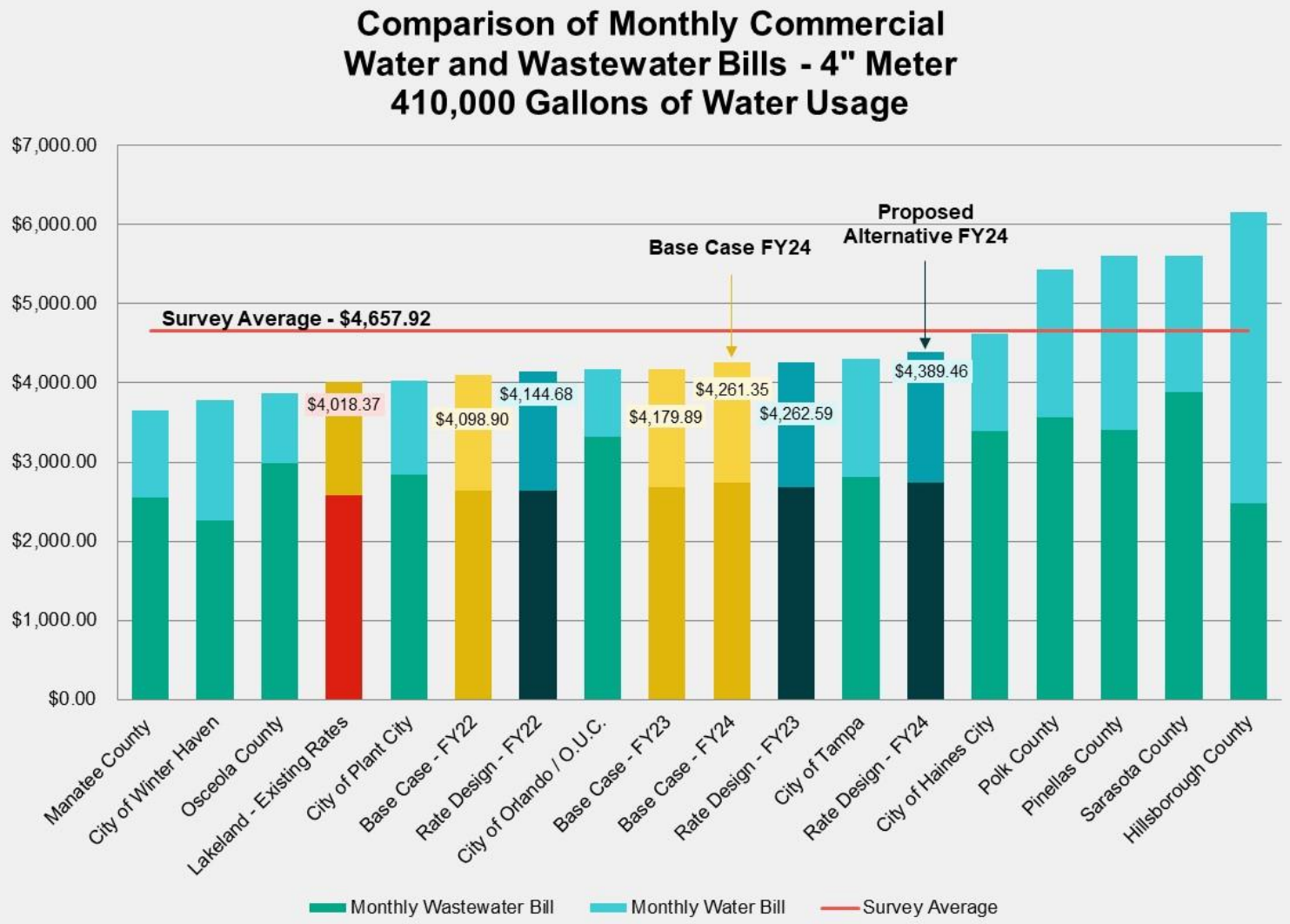
Small Commercial Rate Comparison



Medium Commercial Rate Comparison



Large Commercial Rate Comparison



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

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Thank you!

Contact: Murray Hamilton and Nick Smith
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Financial Follow-Up Discussion

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	26,909,889	28,064,562	28,224,393
Budgeted revenues	125,482,280	133,034,321	135,695,007	137,972,914
Budgeted expenses	133,761,804	136,643,648	140,426,176	145,341,092
Budgeted Surplus Generated / (Used)	(8,279,524)	(3,609,327)	(4,731,169)	(7,368,178)
Budgeted Ending Surplus	22,201,889	23,300,562	23,333,393	20,856,215
Forecasted Revenue Savings	695,000	665,000	678,000	690,000
Forecasted Expense Savings	4,013,000	4,099,000	4,213,000	4,360,000
Total GF Surplus	26,909,889	28,064,562	28,224,393	25,906,215
Days Cash	73	76	74	66

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FY'22 Budget - Proposed Additions from City Manager on 7/15/21

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

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FY’22 Budget - Proposed Changes from City Commission on 7/15/21

General Fund:

- $25k Cultural Arts Funding (From $250k to $275k)
- $1.425m for in-car video, taser and body worn camera systems plus 2 personnel and required cloud and hardware storage
- $75k Expand Internship Program
- ($75k) Reduce High Skill / High Wage Incentive

- The Commission requested the following for consideration:
  - No millage increase in FY’22
  - Get as close to 60 days cash on hand by FY’24

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FY'22 Budget - Proposed Additions from City Manager (Updated 8/10/21)

General Fund Additions:

- ~~Resurvey Historic District Phase I - $130k~~ (Recommend funding from FY'21 PIF Contingency account)
- 3 Firefighter Positions to Restore Minimum Staffing on Tower-15 (partial year cost $104k) (Leaving in for minimum manning reasons)
- Fire Plans Examiner (Includes vehicle & equipment) - $159k (Leaving in as an additional $90k/year in inspection revenues will be generated now that the Inspectors do not have to complete plans reviews each day)
- Recreation Supervisor, Recreation Leader & Part-time Recreation Leader for Lake Crago - $126k (Leaving in as an additional $55k/year in facility rentals will be generated by offering Lake Crago facilities year-round)

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Millage Adoption during Public Hearing on Sept. 23rd

- To adopt a 5.4644 millage rate, it will require a super majority (5 votes) 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

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Revised Day's Cash Estimate – using current millage requiring Super Majority

GENERAL FUND BUDGET

5.4644 mills

	FY'21	FY'22	FY'23	FY'24
FY Starting Surplus	30,481,413	26,909,889	26,889,208	26,024,798
Budgeted revenues	125,482,280	133,124,321	135,786,807	138,066,550
Budgeted expenses	133,761,804	137,949,002	141,577,217	146,532,420
Budgeted Surplus Generated / (Used)	(8,279,524)	(4,824,681)	(5,790,410)	(8,465,870)
Budgeted Ending Surplus	22,201,889	22,085,208	21,098,798	17,558,928
Forecasted Revenue Savings	695,000	666,000	679,000	690,000
Forecasted Expense Savings	4,013,000	4,138,000	4,247,000	4,396,000
Total GF Surplus	26,909,889	26,889,208	26,024,798	22,644,928
Days Cash	73	72	68	57

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Revised Day's Cash Estimate – using 5.4324 mills requiring Simple Majority

GENERAL FUND BUDGET

5.4324 mills

	FY'21	FY'22	FY'23	FY'24
FY Starting Surplus	30,481,413	26,909,889	26,647,208	25,532,048
Budgeted revenues	125,482,280	133,124,321	135,786,807	138,066,550
Budgeted expenses	133,761,804	138,199,002	141,835,967	146,800,226
Budgeted Surplus Generated / (Used)	(8,279,524)	(5,074,681)	(6,049,160)	(8,733,676)
Budgeted Ending Surplus	22,201,889	21,835,208	20,598,048	16,798,372
Forecasted Revenue Savings	695,000	666,000	679,000	690,000
Forecasted Expense Savings	4,013,000	4,146,000	4,255,000	4,404,000
Total GF Surplus	26,909,889	26,647,208	25,532,048	21,892,372
Days Cash	73	71	67	55

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Revised Day's Cash Estimate – using 5.2020 mills (Rollback rate)

GENERAL FUND BUDGET

5.2020 mills

	FY'21	FY'22	FY'23	FY'24
FY Starting Surplus	30,481,413	26,909,889	24,733,430	21,670,347
Budgeted revenues	125,482,280	130,979,543	133,599,134	135,835,124
Budgeted expenses	133,761,804	137,949,002	141,577,217	146,532,420
Budgeted Surplus Generated / (Used)	(8,279,524)	(6,969,459)	(7,978,083)	(10,697,296)
Budgeted Ending Surplus	22,201,889	19,940,430	16,755,347	10,973,051
Forecasted Revenue Savings	695,000	655,000	668,000	679,000
Forecasted Expense Savings	4,013,000	4,138,000	4,247,000	4,396,000
Total GF Surplus	26,909,889	24,733,430	21,670,347	16,048,051
Days Cash	73	66	57	41

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Questions

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Discussion and Decisions

Wrap-Up