

City of Palm Coast, Florida Agenda Item

Agenda Date: March 5, 2024

Department	WATER AND WASTEWATER	Amount
Division	UTILITY	Account #
Subject: ORDINANCE 2024-XX UTILITY RATE AMENDMENT		
Presenter: Jason DeLorenzo, Chief of Staff		
Attachments: <ol style="list-style-type: none">1. Ordinance2. Exhibit3. Business Impact Estimate		
Background: Council Priority: D. Sustainable Environment & Infrastructure		
<u>UPDATED BACKGROUND FROM THE FEBRUARY 20, 2024, BUSINESS MEETING:</u> City Council heard the first reading of this item at the February 20, 2024, Business Meeting. The attached Ordinance and Exhibit have been revised to reflect City Council's motion to adjust only the Capital Facility Fee.		
<u>ORIGINAL BACKGROUND FROM THE FEBRUARY 20, 2024, BUSINESS MEETING:</u> To ensure revenues are sufficient to support the operation, maintenance and expansion of the water and sewer utility the City periodically conducts a review of the established rates and fees. The city enlisted the services of Stantec Consulting Services Inc., in Florida to conduct a <i>Water and Wastewater Revenue Sufficiency and Capital Facilities Fees Study</i> . Calculations are needed to assess the rates necessary to maintain the infrastructure of the water and sewer system. The consultant will recommend adjustments to various rates including monthly base charges and per gallon charges as well as adjustments to water and sewer capacity fees that are assessed for new construction. Rate studies are performed to assure that the studied entity will be sustainable over time to cover operating costs, capital improvements costs, stay within financial policies and cover debt payments with a reserve for emergencies. Much information must go into this evaluation and ultimately the result that is derived from all the information that goes into the study. These studies are usually performed every 3 to 5 years to keep up with the changes that occur in the operation, growth changes, material cost changes, labor rates, equipment costs as well as maintenance and other factors. Based on the current economic factors changing much of how our economy functions, such as covid impact, supply chain issues, inflation, labor shortages and the fact that our past few studies have not been of the most comprehensive nature, this study is a more thorough dive into our system needs.		

During the regularly scheduled City Council meeting of November 14, 2023, and February 13, 2024, utility staff and the utility rate consultant presented its initial findings, options for consideration, and recommendations for cost adjustments. This was a presentation only for information and to request council direction with a future rate consideration to come back to council for adoption. City staff and the Consultant have taken the guidance provided by council at the November meeting and included a new water tier, holding the base rates flat for the initial rate adjustment, and moving up the capacity fees adjustment from October to May to coincide with the first monthly rate adjustment.

Staff recommends adoption of the proposed rate adjustments as presented to Council by Stantec Consulting Services Inc., at the February 20, 2024, City Council meeting.

Recommended Action:
ADOPT ORDINANCE 2024-XX UTILITY RATE AMENDMENT

ORDINANCE 2024-____
UTILITY RATE AMENDMENT

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PALM COAST, FLAGLER COUNTY, FLORIDA, PROVIDING FOR AN INCREASE IN CAPITAL FACILITIES (CONNECTION) FEES, WHICH ARE IMPACT FEES; PROVIDING FOR ANNUAL ADJUSTMENTS OF (CONNECTION) IMPACT FEES TO ACCOUNT FOR INFLATION; PROVIDING FOR ADMINISTRATIVE AND LEGISLATIVE FINDINGS AND INTENT; PROVIDING FOR THE OPERATION OF THE CITY OF PALM COAST UTILITY SYSTEMS; PROVIDING FOR THE ADOPTION OF ADMINISTRATIVE RULES AND IMPLEMENTING ACTIONS; PROVIDING FOR EXHIBITS; PROVIDING FOR SEVERABILITY, CONFLICTS AND AN EFFECTIVE DATE

WHEREAS, the City of Palm Coast is the owner and operator of the City of Palm Coast Water, Reclaimed Water and Wastewater Systems (Systems); and

WHEREAS, the City Council of the City of Palm Coast has previously established the rates, fees and charges pertaining to the Systems including impact fees; and

WHEREAS, pursuant to the provisions of applicable law, it is incumbent upon, and fiscally responsible for, the City Council to set just and equitable impact fees; and

WHEREAS, numerous studies have been performed for the City of Palm Coast and said reports have been evaluated and analyzed resulting in a determination of the rates, fees and charges that will be necessary to assess in order for the City reasonably recover the costs of the City associated with serving the various classes of consumers and properties benefited by the Systems as well as to meet the maintenance, regulatory and fiscal obligations of the City; and

WHEREAS, included in the studies evaluated and considered by the City Council is the “Water and Wastewater Revenue Sufficiency and Capital Facilities Fees Study,” promulgated by the firm of Stantec Consulting Services, Inc., which includes a study of the Capital Facilities (Connection), which are impact fees, and which forms the basis of the proposed rate amendments in this Ordinance, and is hereby adopted by the Council; and

WHEREAS, the Stantec Study and revised the impact fee schedule upon the best

available technical data at the time the study was prepared and the use of sophisticated methodology to determine the impacts of development in an effort to establish an appropriate level of impact fees, based on the most recent localized data; and

WHEREAS, utility impact fees must be reviewed regularly and updated when necessary to reflect capital costs, and to determine if the capital impacts of new growth are met by the fees; and

WHEREAS, to ensure revenues are sufficient to support the operation, maintenance and expansion of the water and sewer utility, on February 20, 2024, and March 5, 2024, Stantec presented to City Council its Study, which was accepted by Council. After a discussion on the history of rate adjustments and the calculations needed to assess the rates necessary to maintain the infrastructure of the water and sewer system, Stantec recommended adjustments to various rates, including monthly base charges and per gallon charges, as well as adjustments to water and sewer capacity impact fees assessed for new construction; and

WHEREAS, adequately maintaining and improving the Systems results in the ability for the City to economically develop and engage in sound growth management activities, programs and projects; and

WHEREAS, at the Council Meeting on February 20, 2024, during First Reading of this Ordinance, the City Council decided to move forward with the adoption of the proposed adjustment to impact fees and deferred consideration of adjusting other rates and fees to a later date; and

WHEREAS, the City Council has enacted Ordinance Number 2003-23 (the “City of Palm Coast Water System, Reclaimed Water System and Wastewater System Utilities Ordinance”, as codified in the *Code of Ordinances of the City of Palm Coast* in Chapter 49, Article II, Sections 49-51 through 49-78) which Ordinance provides that the City Council may, from time-to-time, establish such rates, fees and charges pertaining to the Systems as shall be necessary to meet the City’s obligations relating to the operation of the Systems as well as to comply with the regulatory agencies’ requirements relating to the operation of the Systems in addition to all other obligations of the City relating to the Systems; and

WHEREAS, the City Council adopts and incorporates the Florida Impact fee Act,

found at Florida Statutes 163.31801, and adopts the finding of the Legislature that impact fees are an important source of revenue for the City to use in funding the infrastructure necessitated by new growth, and that impact fees are an outgrowth of the Home Rule power of the City to provide utility services; and

WHEREAS, the City Council has maintained its commitments to its citizens and the purchasers of bonds since the acquisition of the Systems; and

WHEREAS, the City Council shall continue to maintain its commitments to its citizens and the covenants undertaken for the benefit of the purchasers of bonds relating to the Systems; and

WHEREAS, the City Council desires to continue to maintain fair, just, equitable and appropriate rates, fees and charges including, but not limited to, an effort involving the consideration of the types and methods of services to customers; and

WHEREAS, the City Council finds that it is necessary, desirable and fiscally prudent for the Systems to adopt this Ordinance to amend the impact fees, at this time, pursuant to the City of Palm Coast Water System, Reclaimed Water System and Wastewater System Utilities Ordinance as codified in Article II, Chapter 49 of the *Code of Ordinances of the City of Palm Coast*; and

WHEREAS, the City Council hereby ratifies and affirms all prior actions taken by the City with regard to the acquisition of the Systems and the implementation and management of the Systems since acquisition.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALM COAST THAT:

SECTION 1. ADMINISTRATIVE AND LEGISLATIVE FINDINGS/INTENT. The provisions set forth in the recitals to this Ordinance (whereas clauses) are hereby adopted by the City Council of the City of Palm Coast as the administrative and legislative findings and intent pertaining to this Ordinance. The prior and current reports, evaluations and studies relating to the fees, rates and charges pertaining to the Systems are hereby ratified, adopted and approved. The recommendations made by the City Manager in the City Council agenda item pertaining to

this Ordinance are hereby approved and adopted.

SECTION 2. CAPACITY FACILITY (CONNECTION) FEE (aka IMPACT FEES).

(a) The Capacity Facility (Connection) Fee (aka Impact Fees) set forth in Exhibit “A” to this Ordinance are hereby adopted.

(b) The rates, fees and charges involving Capital Facilities (Connection) Fees, which are impact fees, relating to the Systems of the City as set forth herein shall be adjusted as shown in Exhibit A, effective May 1, 2024, after adoption of this Ordinance.

SECTION 3. OTHER REIMBURSED EXPENSES. In cases where customers request City utility personnel to perform specific utility services which are not the obligation of the City to perform, a fee shall be charged to recover those costs incurred by the City in performing such services when the City deems it appropriate to perform such services in order to protect the Systems or otherwise ensure the proper maintenance and control of the Systems. The fees for such services shall be assessed on a case-by-case basis and, in no event, shall be more or less than the costs to or incurred by the City (to include any and all administrative costs reasonably associated with the service). Such matters may be addressed as set forth in a revised ordinance amending the provisions of this Ordinance or on an *ad hoc* basis as determined by the City Manager or designee.

SECTION 4. OTHER RATES, FEES AND CHARGES. All other City utilities rates, fees and charges not otherwise adjusted herein and set forth in the exhibit to this Ordinance shall remain in effect after adoption of this Ordinance.

SECTION 5. ADMINISTRATIVE RULES/IMPLEMENTING ACTIONS. The City Manager or designee is hereby authorized to adopt administrative rules that are deemed necessary and appropriate to implement the provisions of this Ordinance to include, but not be limited to, rules relating to administrative and contractual issues that do not relate to rates, but may relate to administrative charges and procedures. The City Manager is authorized and directed to take any and all necessary actions, as deemed reasonably necessary, in order to implement the provisions of this Ordinance.

SECTION 6. EXHIBITS. All Exhibits to this Ordinance are hereby adopted and attached to the text of this Ordinance as if fully set forth herein verbatim.

SECTION 7. SEVERABILITY. If any section, sentence, phrase, word or

portion of this Ordinance is determined to be invalid, unlawful or unconstitutional, said determination shall not be held to invalidate or impair the validity, force or effect of any other section, sentence, phrase, word or portion of this Ordinance not otherwise determined to be invalid, unlawful or unconstitutional.

SECTION 8. CONFLICTS. All resolutions and ordinances or part of resolutions or ordinances in conflict with this Ordinance are hereby repealed.

SECTION 9. EFFECTIVE DATE/DATES OF IMPLEMENTATION. This Ordinance shall take effect immediately upon adoption; provided, however, the utility rate adjustments adopted in this Ordinance shall take effect as expressly provided in schedule set forth in Section 2 of this Ordinance.

APPROVED on first reading after due public notice and hearing this 20th day of February 2024.

ADOPTED on the second reading after due public notice and hearing this 5th day of March 2024.

ATTEST:

CITY OF PALM COAST

KALEY COOK, CITY CLERK

DAVID ALFIN, MAYOR

APPROVED AS TO FORM AND LEGALITY

ANTHONY A. GARGANESE, CITY ATTORNEY

Attachment: Exhibit "A"- Utility Rates

EXHIBIT "A"
WATER SERVICE RATES, FEES AND CHARGES

	Current Rate	Effective 5-1-2024	Effective 5-1-2025	Effective 5-1-2026	Effective 5-1-2027
		Ord xxx	Ord xxx	Ord xxx	Ord xxx
Main extension charge (per ERC): (not charged when developer installed)	\$ 791.53	\$ 854.40	\$ 917.27	\$ 980.13	\$ 1,043.00
Capital Facility Fee (per ERC)	\$ 3,202.98	\$ 3,496.74	\$ 3,790.49	\$ 4,084.25	\$ 4,378.00
Capital Facility Fee Florida Water Star Certified (per ERC) (20% reduction)	\$ 2,562.39	\$ 2,797.39	\$ 3,032.39	\$ 3,267.40	\$ 3,502.40
Non-residential Capital Facility Fee (per gallon per day):	\$ 14.23	\$ 15.54	\$ 16.85	\$ 18.15	\$ 19.46
Non-residential Capital Facility Fee (per gallon per day) Florida Water Star Certified:	\$ 11.39	\$ 12.43	\$ 13.48	\$ 14.52	\$ 15.57
Any and all other work	Full City Costs	Full City Costs	Full City Costs	Full City Costs	Full City Costs

WASTEWATER SERVICE RATES, FEES AND CHARGES

Main extension charge (per ERC) (not charged when developer installed):	\$ 1,994.63	\$ 2,189.82	\$ 2,385.00	\$ 2,385.00	\$ 2,385.00
Capital Facility Fee (per ERC):	\$ 3,446.40	\$ 3,930.70	\$ 4,415.00	\$ 4,415.00	\$ 4,415.00
Non-residential Capital Facility Fee: (per gallon per day)	\$ 19.15	\$ 21.84	\$ 24.53	\$ 24.53	\$ 24.53
Any and all other work	Full City Costs	Full City Costs	Full City Costs	Full City Costs	Full City Costs



**THE CITY OF PALM COAST
160 LAKE AVENUE
PALM COAST, FL 32164**

**BUSINESS IMPACT ESTIMATE
PURSUANT TO F.S. 166.041(4)**

**Meeting Date: March 5, 2024
Ordinance Number: 2024-XX**

This Business Impact Estimate is given as it relates to the proposed ordinance titled:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PALM COAST, FLAGLER COUNTY, FLORIDA, PROVIDING FOR AN INCREASE IN CAPITAL FACILITIES (CONNECTION) FEES, WHICH ARE IMPACT FEES; PROVIDING FOR ANNUAL ADJUSTMENTS OF (CONNECTION) IMPACT FEES TO ACCOUNT FOR INFLATION; PROVIDING FOR ADMINISTRATIVE AND LEGISLATIVE FINDINGS AND INTENT; PROVIDING FOR THE OPERATION OF THE CITY OF PALM COAST UTILITY SYSTEMS; PROVIDING FOR THE ADOPTION OF ADMINISTRATIVE RULES AND IMPLEMENTING ACTIONS; PROVIDING FOR EXHIBITS; PROVIDING FOR SEVERABILITY, CONFLICTS AND AN EFFECTIVE DATE

The sections below are not required to be completed if the ordinance involves any one of the following types of regulations. Please check if applicable:

X 1. Ordinances required for compliance with federal or state law or regulation;

2. Ordinances relating to the issuance or refinancing of debt;

X 3. Ordinances relating to the adoption of budgets or budget amendments, including revenue sources necessary to fund the budget;

4. Ordinances required to implement a contract or an agreement, including, but not limited to, any federal, state, local, or private grant, or other financial assistance accepted by a municipal government;

5. Emergency ordinances;

6. Ordinances relating to procurement; or

7. Ordinances enacted to implement the following:

___ a. Part II of chapter 163, relating to growth policy, county and municipal planning, and land development regulation, including zoning, development orders, development agreements, and development permits;

___ b. Sections 190.005 and 190.046;

___ c. Section 553.73, relating to the Florida Building Code; or

___ d. Section 633.202, relating to the Florida Fire Prevention Code.

Part I. Summary of the proposed ordinance and statement of public purpose:

(Address the public purpose to be served by the proposed ordinance, such as serving the public health, safety, morals, and welfare of the City of Palm Coast.)

The Ordinance is intended to ensure revenues are sufficient to support the operation, maintenance and expansion of the water and sewer utility.

Part II. Estimate of the direct economic impact of the proposed ordinance on private, for-profit businesses in the City of Palm Coast:

(fill out subsections a-c as applicable, if not applicable write “not applicable”)

(a) Estimate of direct compliance costs that businesses may reasonably incur if the proposed ordinance is enacted: N/A

(b) Identification of any new charges or fee on businesses subject to the proposed ordinance, or for which businesses will be financially responsible: Outlined in Exhibit “A” of the Ordinance.

(c) An estimate of the City of Palm Coast’s regulatory costs, including an estimate of revenues from any new charges or fees that will be imposed on businesses to cover such costs. N/A

Part III. Good faith estimates of the number of businesses likely to be impacted by the ordinance.

Part IV. Additional Information (if any): N/A