

City of Palm Coast, Florida Agenda Item

Agenda Date: February 13, 2024

Department WATER AND WASTEWATER Division UTILITY	Amount Account #
Subject: ORDINANCE 2024-XX - REVISING THE RATES OF THE CITY'S UTILITY SYSTEMS	
Presenter: Stephen Flanagan, Utility Director	
Attachments: 1. Presentations (2) 2. Ordinance	
Background: Council Priority: D. Sustainable Environment & Infrastructure <p>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.</p> <p>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.</p> <p>During the regularly scheduled City Council meeting of November 14, 2023, 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</p>	

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 - REVISING THE RATES OF THE CITY'S UTILITY SYSTEMS

Rate Study Presentation



THE UTILITY
DEPARTMENT

Agenda/Rate Study Summary/Proposed Actions

- 1) Review Summary of Utility Infrastructure**
- 2) Present Rate Study Analysis**
- 3) Incorporated Council direction from prior workshop meeting into Rate Study**
- 4) Propose to Adopt 1st read Ordinance 2024–
Revising rates of the city’s utility systems**

Water Treatment Plant Number One (Lime Softening Facility)



Conventional Lime Softening Facility



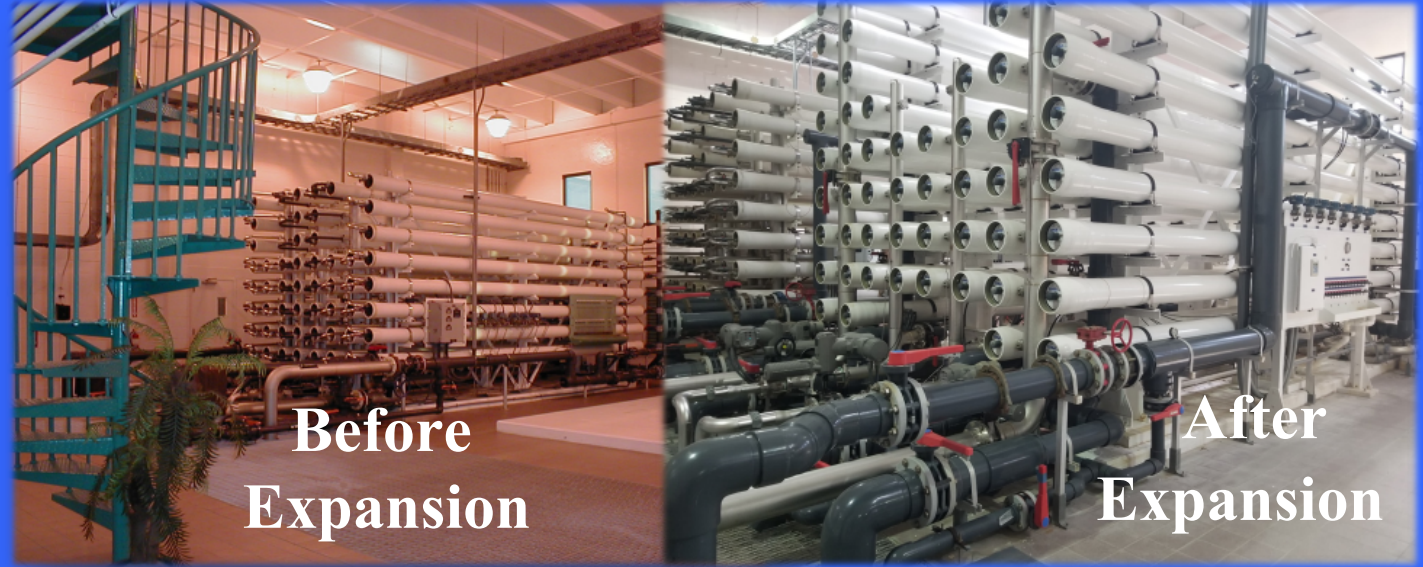
Originally Constructed in 1979
as a 2.5 MGD Facility



Expanded to 6.0 MGD in 1982

Water Treatment Plant Number Two (Membrane Softening Facility)

Expanded to 6.384 MGD in 2004



**2015 Added 1.2
MGD of additional
capacity
(7.58 MGD Total)**

Water Treatment Plant Number Three (Reverse Osmosis Facility)



Completed July 2008 at 3.0 MGD



Membrane Softening Designed for Brackish Reverse Osmosis



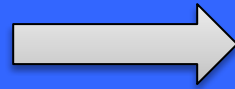
Water Reclamation Facility Number One



Several Capacity Upgrades
over the years
leading to the
current 6.83 MGD
Capacity



Latest Capacity
Expansion
Completed in 2006



Water Reclamation Facility Number 2



2 MGD Advanced
Waste Treatment
Facility Completed
in 2018



Currently Under
Construction of a
2 MGD Capacity
Expansion



Wastewater Treatment Plant No. 2
ITBCDCME1602

Image # 34
Date : 09.05.2018
Tel: 888.542.0231

Disposal of Treated Wastewater

After being treated, Palm Coast's treated wastewater – called reuse water – is disposed of in 3 ways:

- Irrigation – reuse water is used for irrigation on medians to keep our City looking beautiful. It is also used by local golf courses, athletic fields, in Town Center and at some private homes.
- RIB (Rapid Infiltration Basin System) – The RIB is a system that replenishes the shallow aquifer. Water is pumped from the treatment facility into the RIB water basins to filter back into the water table.
- Outfall – At times of heavy rain, the City has a permit for limited “wet-weather” discharge into the Intracoastal Waterway.



Water Capital Project Highlights

<u>Projects:</u>	FY23/15.5mgd	FY24/15.5	FY25/15.5	FY26/15.5	FY27/18.5	FY28/18.5
Water Treatment Plant # 3						
Membrane Replacement	-	-		1,500,000	-	-
Plant Expansion Design	-	1,500,000	-	-	-	-
Electrical Switchgear Upgrades	-	1,000,000	-	-	1,000,000	-
Plant Expansion Design/Construction - LOAN PER RATE STUDY		-	5,000,000	9,000,000	3,000,000	3,000,000
2MG Ground Storage Tank		-	-	1,500,000	1,000,000	-
Wellfield and Wells			-			
Wellfield Expansion WTP #3 Phase 3 - Brackish/Fresh	100,000	1,000,000	-	-	-	-
Test Wells	100,000	50,000				
Wellfield Expansion SW-24 SW-25	-	-	-	1,000,000	4,000,000	3,000,000
Water Treatment Plant #1				-	-	
Lime Sludge Handling - Design and Facility	25,000	500,000	2,000,000	-	-	-
Water Treatment Plant #2				-	-	-
Sludge Thickener	100,000	1,900,000	250,000	-	-	-
2 MG Ground Water Storage Tank	-	1,500,000	1,000,000	-	-	328
Aeration Equipment		898,354				

Wastewater Capital Project Highlights

	FY23/8.83mgd	FY24/8.83	FY25/10.83	FY26/10.83	FY27/10.83	FY28/13.1
Wastewater Treatment Plant #1						-
Headworks Bypass System & Coating Rehab	500,000	2,500,000	-	-	-	-
Centrifuge Replacement (Replace with Screw Press) (ARPA)	-	5,200,000	-	-	-	-
Aeration Upgrades	200,000	2,800,000	-	-	-	-
Expansion and Rehabilitation		-	5,000,000	30,000,000	35,000,000	-
Reclaimed Water Ground Storage Tank (6MG) (Seek Grant Funding)		-	300,000	3,000,000	-	-
Spray field to RIB conversion (SEEK SRF FUNDING)		250,000	2,500,000	1,500,000	-	-
Generator Replacement (Seek Grant)	-	-	4,700,000	-	-	-
Electrical Upgrades		-	2,000,000	-	-	-
Force Mains					-	-
OKR - SR100 to future WWTP #3	150,000	1,500,000	2,000,000	-	-	-
OKR Force Main to WWTP #1	150,000	3,800,000	-	-	-	-
A1A Force Main Extension (Jungle Hut to Malacompra) - ARPA	400,000	2,818,192	-	-	-	-
A1A Force Main Extension (Malacompra to Marineland) - County Grant not awarded	-	500,000	3,000,000	4,500,000	-	-
Reclaimed Water Mains	-		-	-	-	-
Seminole Woods Reclaim Extension	-	1,000,000	-	-	-	-
Land Acquisition		-	1,000,000	1,000,000	-	-
Seminole Blvd to Citation & Dry Lake Pond Conversion		-	2,500,000	2,500,000	-	-
Wastewater Treatment Plant #2	-	-		-	-	-
Replace Membranes	-	-	1,500,000	-	-	-
Reclaimed Water Ground Storage Tank (2MG)		-	250,000	2,500,000	-	329
Aquifer Recharge Design and Construction		250,000	1,000,000	-	-	-

Environmental Compliance Division

- Federal and State Compliance Standards
- Water & Wastewater Permits
- Regulated & Hazardous Materials
- Growth Management
- Public Outreach
- Grants



Rate Study Presentation

Stantec
Consulting
Services Inc.



THE UTILITY
DEPARTMENT

Mr. Eric Grau,
Principal

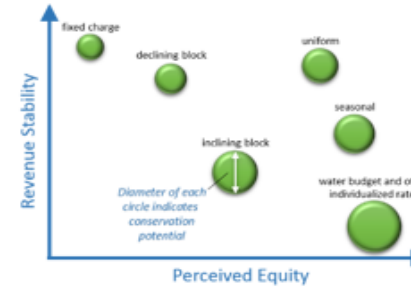
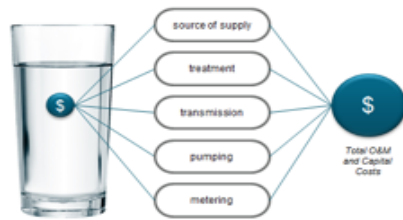


Utility Rate Study Presentation

City Council Workshop – February 13, 2024



Best Practices to Ensure Sustainable & Equitable Rates



Revenue Sufficiency

- Operating Costs
- Capital Costs
- Financial Policies
 - Debt Coverage
 - Reserves

Annually (Budget)

Cost Allocation

- Evaluate Available Data
- Identify Methodology
- Compare to Revenue

Rate Design

- Evaluate Objectives
- Identify Structures
- Set Parameters
- Customer Impacts

Capacity Fees

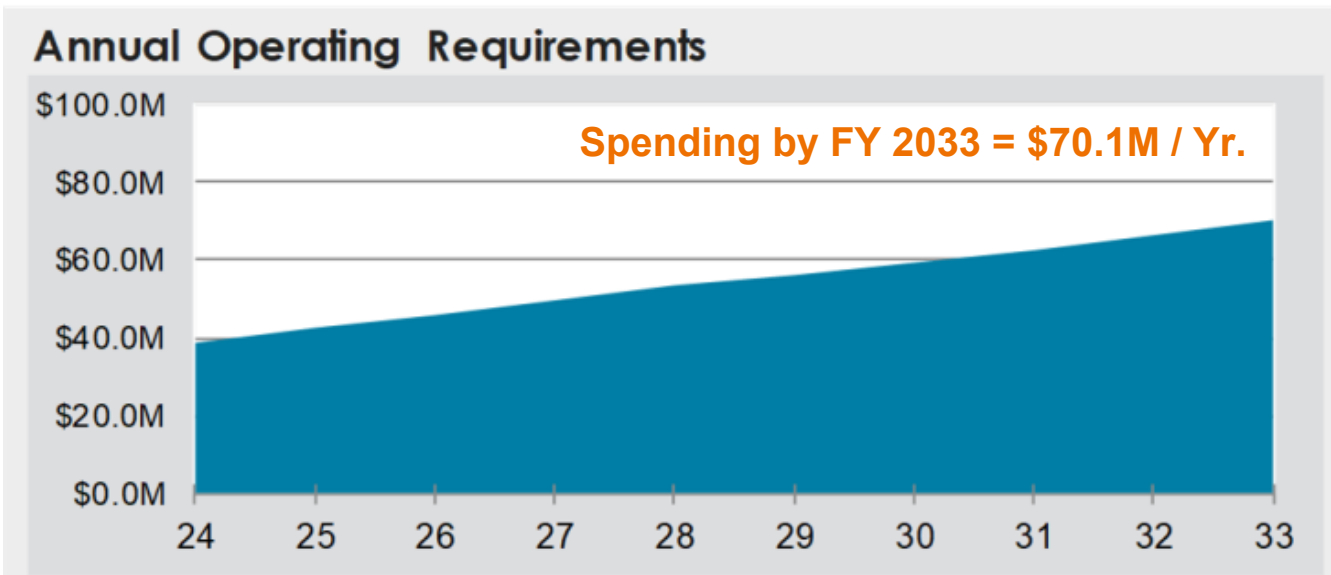
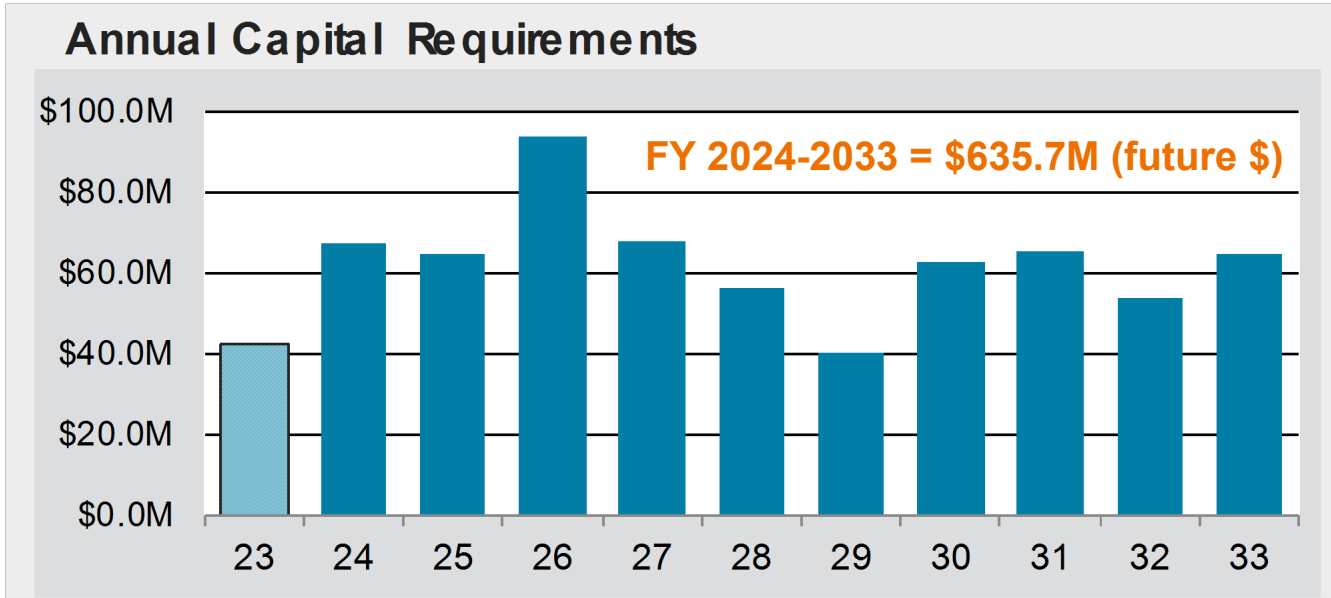
- Recover specific costs
- Growth pays for share of capital investments



Update Every 3 to 5 Years Based on Changes in Costs, Usage Profiles, Development Patterns, Industry Practices, Legal Precedent, Technology, etc.



Revenue Sufficiency Analysis – Overview



Planned capital spending needs of note:

- Water Treatment Plants = \$111.5M
- Wastewater Treat. Plants = \$136.5M
- Future WW Treat. Plant #3 = \$77.4M
- Wells and Wellfields = \$96.9M
- Pep System = \$29.2M
- General Plant R&R = \$40.6M

Available resources for capital:

- ARPA/County Grants = \$16.8M
- SRF Loan Proceeds = \$27.0M

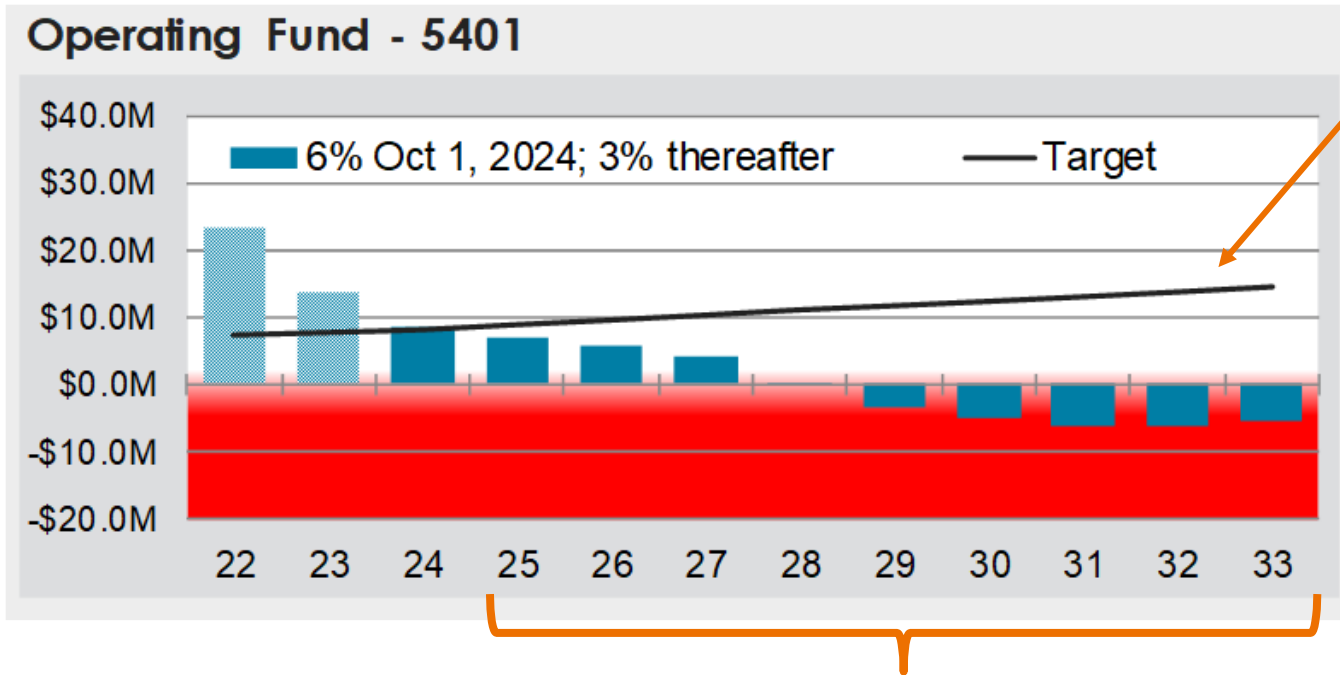
Key operating expenditure assumptions:

- Based upon FY 2024 Budget
- 5.5% avg annual inc. thereafter
- 97% budget spending execution
- Incremental OpEx by FY 2028:
 - Personnel = \$4.2M / Yr.
 - Equipment/Fleet = \$1.8M / Yr.



Revenue Sufficiency Analysis – Conclusions & Results

➤ Indexing rates by US-CPI is not sufficient to fund system needs



Required Minimum Balance = 2.5 Months of Operating Expenditures

Key Assumptions:

- 6.00% rate increase on Oct 1, 2024; 3.00% annual indexing thereafter
 - US-CPI = 2.7% 10-yr Avg
 - W&S Series = 3.9% 10-yr Avg
- Reflects proposed CIAC Fee Increases

Operating Reserves less than required minimum by FY 2025, exhausted by FY 2028

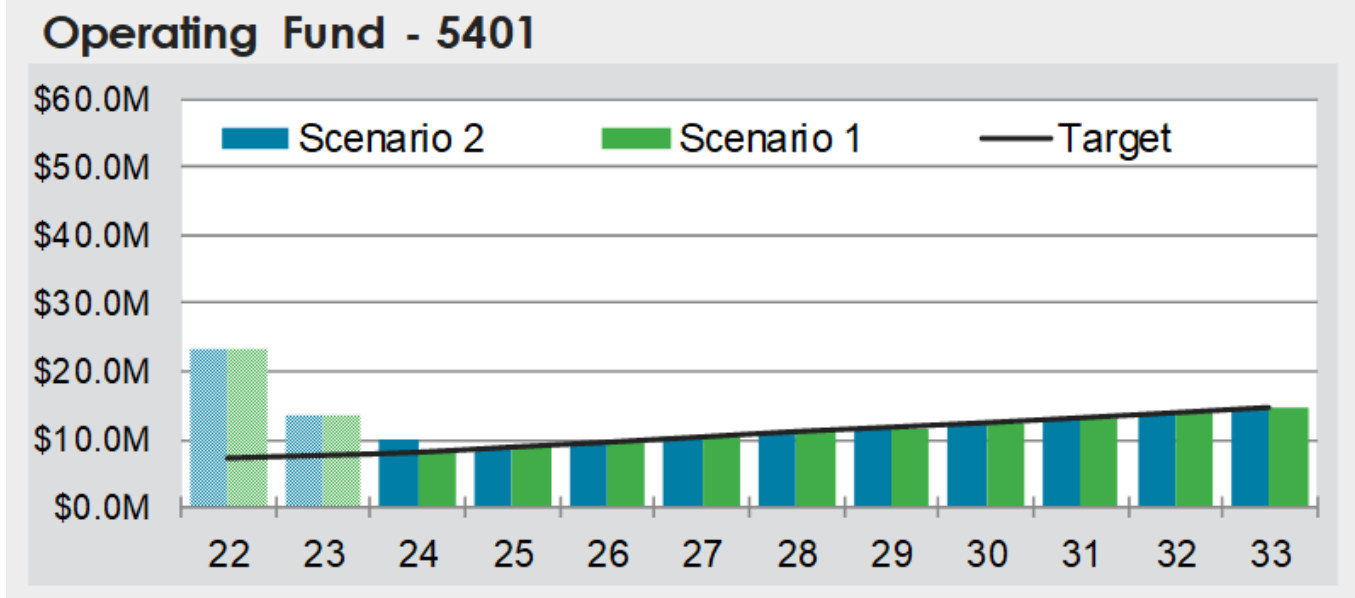


Revenue Sufficiency Analysis – Conclusions & Results

	FY 2024	FY 2025	FY 2026	FY 2027- FY 2033
Effective Date	May 1, 2024	Oct 1, 2024	Oct 1, 2025	Oct 1, 20xx
Scenario 1	N/A	12.50%	6.00%	3.50% per
Scenario 2	6.00%	6.00%	6.00%	3.50% per

Similar Results for Each Scenario

- Fund all identified requirements
 - Operations
 - Capital
 - Debt Service
 - Operating Reserve Target
- Debt Coverage $\geq 2.0x$ Net Rev
- Future borrowings; FY 2025-2033:
 - Revenue Bonds = ~\$212M
 - SRF Loans = ~\$58M





Cost of Service Analysis – Overview

- Primary objectives of analysis:
 - Determine cost of providing services: water / wastewater / reclaimed
 - Determine extent to which current rates reflect proportional cost of services
 - Evaluate and address any significant cross-service subsidizations

- Key takeaways:
 - Wastewater revenue under-recovers allocated costs by ~6%
 - Water/Reclaimed revenues over-recover allocated costs by ~5%
 - **Given small variances, no corrective action is needed at this time**



Rate Design Analysis – Overview

Monthly Bill Components	Current Rate Structure	Recommended Updates
Water / Wastewater Fixed Charges	Flat fee scaled by meter size	No Change
Water Volume Charges	Inclining Block: 4 Tiers	Add Lifeline Tier: 0-2 Kgal
Wastewater Volume Charges	1 Tier Capped at 8 Kgal	No Change

Goals:

- Mitigate bill impacts to fixed income / low water user
- Promote water conservation
- Ensure revenue stability is preserved

Solutions:

- Add Lifeline Tier to Water Rates
- Apply next increase to only Water / Wastewater Volume Charges



Current Rate Structure

Water Rates			
		Inside City	Outside City
Fixed Charge	All Customer Classes		
	5/8" x 3/4", 3/4"	\$ 21.57	\$ 26.96
	1"	\$ 53.92	\$ 67.40
	1.5"	\$ 107.84	\$ 134.80
	2"	\$ 172.56	\$ 215.70
	3"	\$ 345.07	\$ 431.34
	4"	\$ 539.16	\$ 673.95
	6"	\$ 1,078.36	\$ 1,347.95
	8"	\$ 1,725.40	\$ 2,156.75
	10"	\$ 2,480.24	\$ 3,100.30
Volume Charges		Inside City	Outside City
	Single-Family & Duplex		
	0 - 5,000 gallons	\$ 5.84	\$ 7.30
	5,001 - 10,000 gallons	\$ 6.43	\$ 8.04
	10,001 - 20,000 gallons	\$ 8.19	\$ 10.24
	Above 20,000 gallons	\$ 10.51	\$ 13.14
General & Multi-Family			
All Usage	\$ 6.70	\$ 8.38	

Wastewater Rates			
		Inside City	Outside City
Fixed Charge	All Customer Classes		
	5/8" x 3/4", 3/4"	\$ 21.19	\$ 26.49
	1"	\$ 52.92	\$ 66.15
	1.5"	\$ 105.82	\$ 132.28
	2"	\$ 169.31	\$ 211.64
	3"	\$ 338.67	\$ 423.34
	4"	\$ 529.12	\$ 661.40
	6"	\$ 1,058.28	\$ 1,322.85
	8"	\$ 1,693.28	\$ 2,116.60
	10"	\$ 2,434.07	\$ 3,042.59
Volume Charges		Inside City	Outside City
	Single-Family & Duplex		
Up to 8,000 gallons	\$ 5.49	\$ 6.86	
General & Multi-Family			
Up to 8,000 gallons	\$ 6.59	\$ 8.24	

Current Fixed Charge Revenue Recovery:

- Water Fixed Charge = 45.6%
- Wastewater Fixed Charge = 48.4%



Recommended Rate Structure Updates

Scenario 1: 12.50% on Oct 1, 2024

Water Rates			
		Inside City	Outside City
Fixed Charge	All Customer Classes		
	5/8" x 3/4", 3/4"	\$ 21.57	\$ 26.96
	1"	\$ 53.92	\$ 67.40
	1.5"	\$ 107.84	\$ 134.80
	2"	\$ 172.56	\$ 215.70
	3"	\$ 345.07	\$ 431.34
	4"	\$ 539.16	\$ 673.95
	6"	\$ 1,078.36	\$ 1,347.95
	8"	\$ 1,725.40	\$ 2,156.75
	10"	\$ 2,480.24	\$ 3,100.30
Volume Charges		Inside City	Outside City
	Single-Family & Duplex		
	0 - 2,000 gallons	\$ 6.43	\$ 8.04
	2,001 - 5,000 gallons	\$ 8.04	\$ 10.05
	5,001 - 10,000 gallons	\$ 8.84	\$ 11.05
	10,001 - 20,000 gallons	\$ 11.26	\$ 14.07
	Above 20,000 gallons	\$ 14.47	\$ 18.09
General & Multi-Family			
All Usage	\$ 9.25	\$ 11.56	

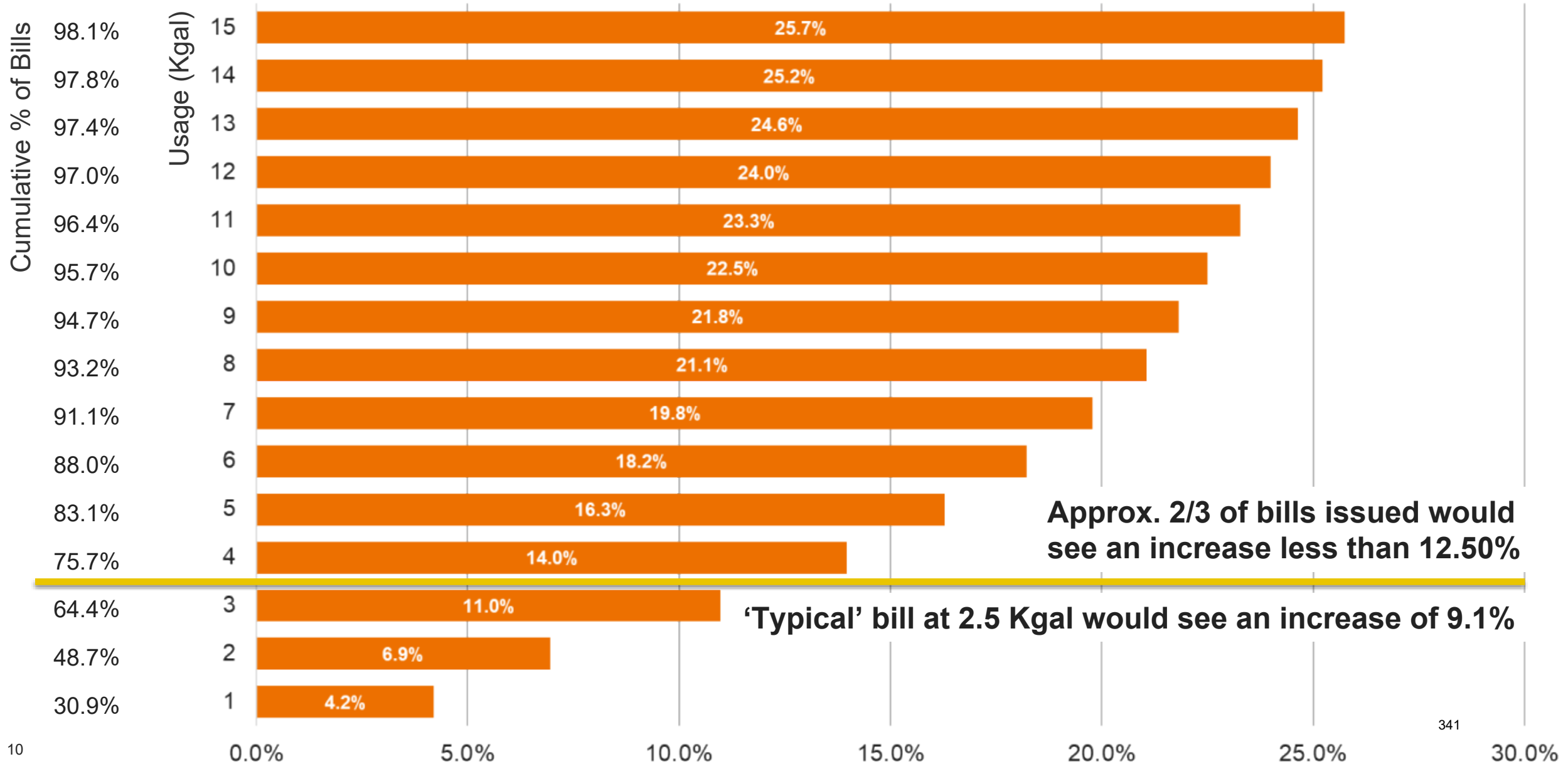
Wastewater Rates			
		Inside City	Outside City
Fixed Charge	All Customer Classes		
	5/8" x 3/4", 3/4"	\$ 21.19	\$ 26.49
	1"	\$ 52.92	\$ 66.15
	1.5"	\$ 105.82	\$ 132.28
	2"	\$ 169.31	\$ 211.64
	3"	\$ 338.67	\$ 423.34
	4"	\$ 529.12	\$ 661.40
	6"	\$ 1,058.28	\$ 1,322.85
	8"	\$ 1,693.28	\$ 2,116.60
	10"	\$ 2,434.07	\$ 3,042.59
Volume Charges		Inside City	Outside City
	Single-Family & Duplex		
Up to 8,000 gallons	\$ 7.17	\$ 8.96	
General & Multi-Family			
Up to 8,000 gallons	\$ 8.60	\$ 10.76	

Current Fixed Charge Revenue Recovery:

- Water Fixed Charge = 39.4%
- Wastewater Fixed Charge = 41.8%



Single Family Residential Bill Impacts: Scenario 1





Non-Residential Bill Impacts: Scenario 1

General & Multi-Family: 3/4"				
Quartile	Usage (Kgal)	Current Bill	Proposed Bill	% Change
25%	1.7	\$ 65.35	\$ 73.11	11.9%
50%	3.2	\$ 85.29	\$ 99.88	17.1%
75%	7.3	\$ 139.78	\$ 173.07	23.8%

General: 1"				
Quartile	Usage (Kgal)	Current Bill	Proposed Bill	% Change
25%	2.9	\$ 145.38	\$ 158.61	9.1%
50%	6.5	\$ 193.23	\$ 222.87	15.3%
75%	16.1	\$ 267.43	\$ 324.57	21.4%

General: 2"				
Quartile	Usage (Kgal)	Current Bill	Proposed Bill	% Change
25%	7.8	\$ 445.53	\$ 481.10	8.0%
50%	25.0	\$ 562.09	\$ 641.92	14.2%
75%	11.0	\$ 1,131.59	\$ 1,428.17	26.2%



Recommended Rate Structure Updates

Scenario 2: 6.00% on May 1, 2024

Water Rates			
		Inside City	Outside City
Fixed Charge	All Customer Classes		
	5/8" x 3/4", 3/4"	\$ 21.57	\$ 26.96
	1"	\$ 53.92	\$ 67.40
	1.5"	\$ 107.84	\$ 134.80
	2"	\$ 172.56	\$ 215.70
	3"	\$ 345.07	\$ 431.34
	4"	\$ 539.16	\$ 673.95
	6"	\$ 1,078.36	\$ 1,347.95
	8"	\$ 1,725.40	\$ 2,156.75
	10"	\$ 2,480.24	\$ 3,100.30
Volume Charges		Inside City	Outside City
	Single-Family & Duplex		
	0 - 2,000 gallons	\$ 5.28	\$ 6.60
	2,001 - 5,000 gallons	\$ 6.60	\$ 8.26
	5,001 - 10,000 gallons	\$ 7.26	\$ 9.08
	10,001 - 20,000 gallons	\$ 9.25	\$ 11.56
	Above 20,000 gallons	\$ 11.89	\$ 14.86
General & Multi-Family			
All Usage	\$ 7.60	\$ 9.49	

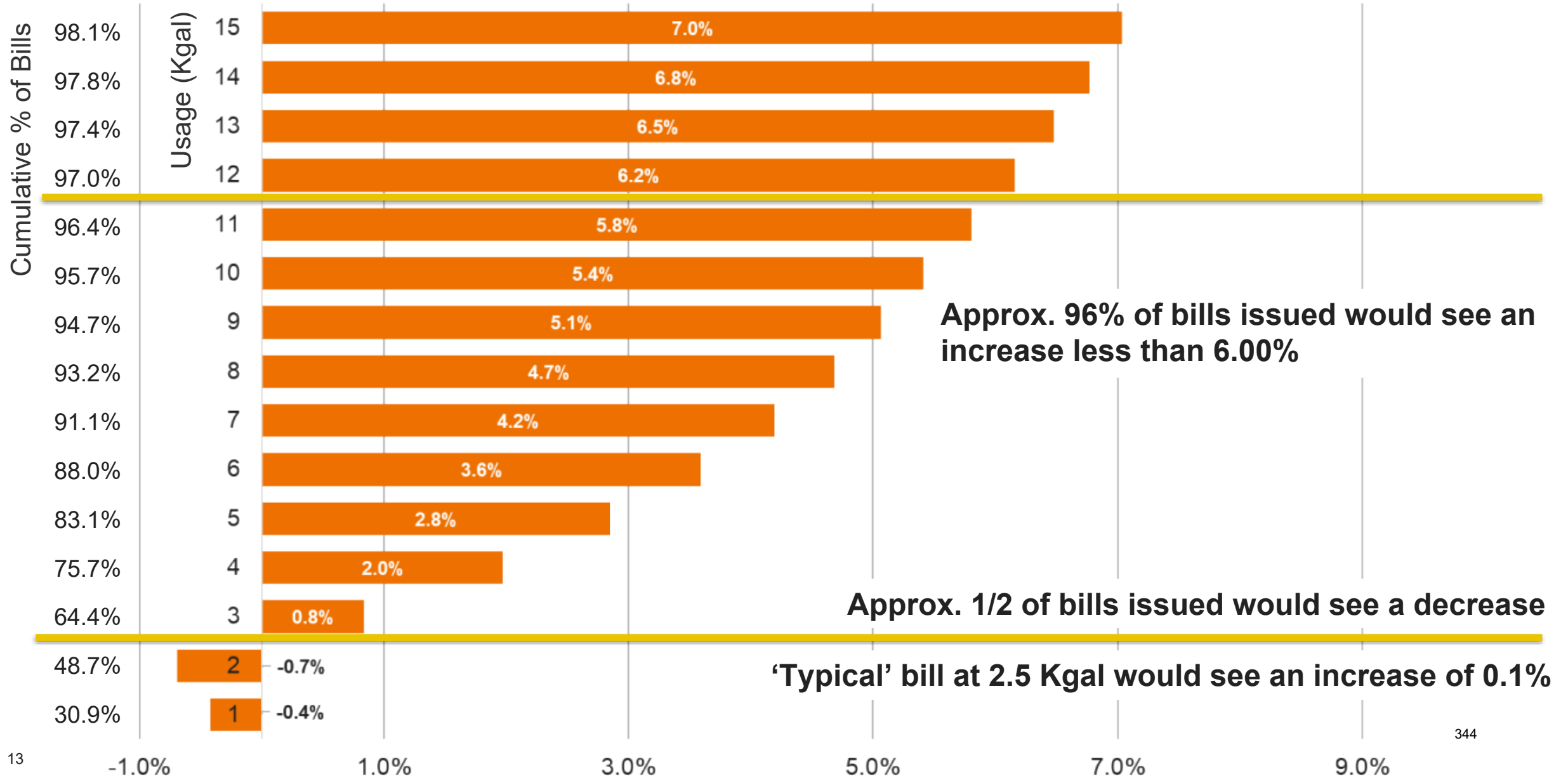
Wastewater Rates			
		Inside City	Outside City
Fixed Charge	All Customer Classes		
	5/8" x 3/4", 3/4"	\$ 21.19	\$ 26.49
	1"	\$ 52.92	\$ 66.15
	1.5"	\$ 105.82	\$ 132.28
	2"	\$ 169.31	\$ 211.64
	3"	\$ 338.67	\$ 423.34
	4"	\$ 529.12	\$ 661.40
	6"	\$ 1,058.28	\$ 1,322.85
	8"	\$ 1,693.28	\$ 2,116.60
	10"	\$ 2,434.07	\$ 3,042.59
Volume Charges		Inside City	Outside City
	Single-Family & Duplex		
	Up to 8,000 gallons	\$ 5.82	\$ 7.28
General & Multi-Family			
Up to 8,000 gallons	\$ 6.98	\$ 8.73	

Current Fixed Charge Revenue Recovery:

- Water Fixed Charge = 44.2%
- Wastewater Fixed Charge = 47.0%



Single Family Residential Bill Impacts: Scenario 2





Non-Residential Bill Impacts: Scenario 2

General & Multi-Family: 3/4"				
Quartile	Usage (Kgal)	Current Bill	Proposed Bill	% Change
25%	1.7	\$ 65.35	\$ 67.55	3.4%
50%	3.2	\$ 85.29	\$ 89.42	4.8%
75%	7.3	\$ 139.78	\$ 149.19	6.7%

General: 1"				
Quartile	Usage (Kgal)	Current Bill	Proposed Bill	% Change
25%	2.9	\$ 145.38	\$ 149.12	2.6%
50%	6.5	\$ 193.23	\$ 201.61	4.3%
75%	16.1	\$ 267.43	\$ 285.04	6.6%

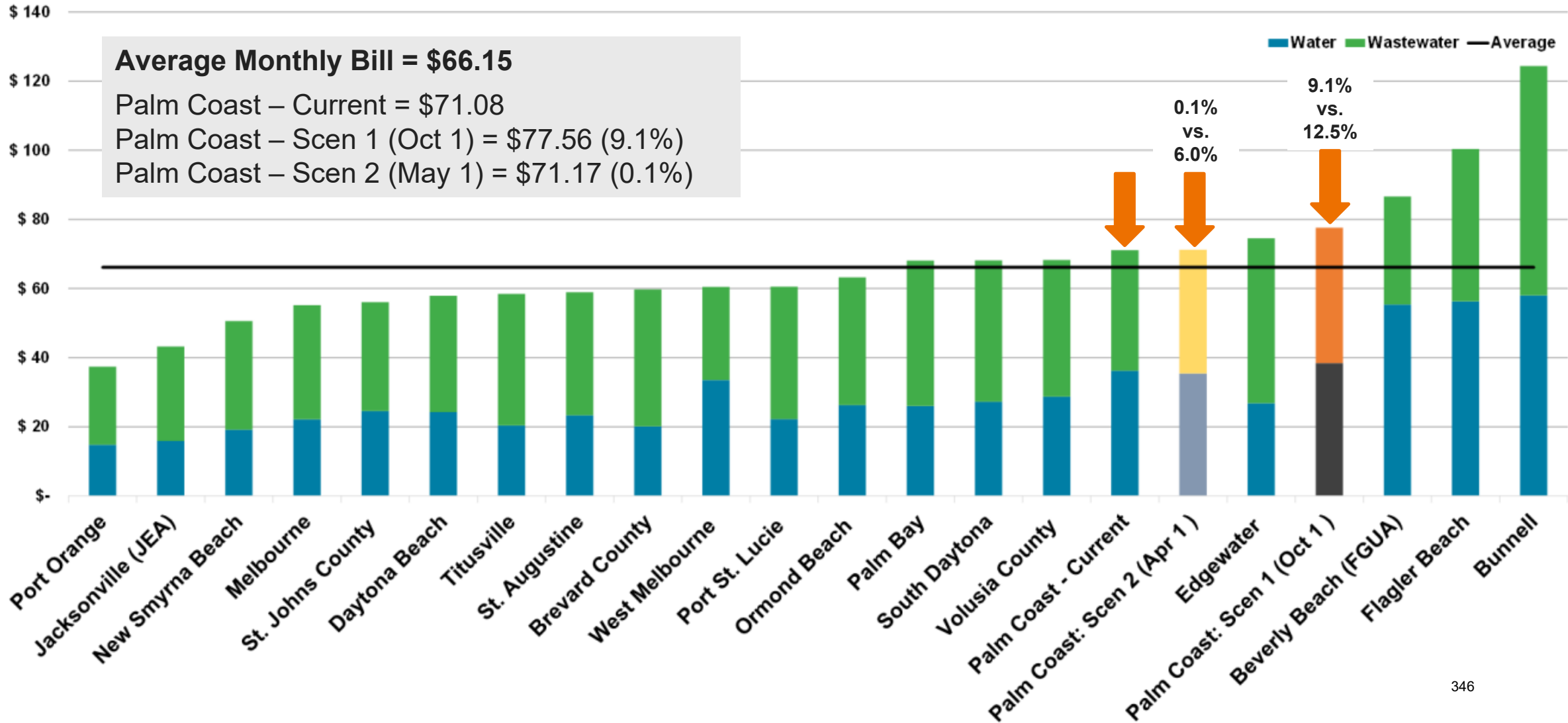
General: 2"				
Quartile	Usage (Kgal)	Current Bill	Proposed Bill	% Change
25%	7.8	\$ 445.53	\$ 455.59	2.3%
50%	25.0	\$ 562.09	\$ 587.71	4.6%
75%	11.0	\$ 1,131.59	\$ 1,233.71	9.0%



Local Water & Wastewater Monthly Bill Survey:

Current Single-Family Residential Bills at 2,500 gallons per month

CITY OF PALM COAST, FLORIDA





Capacity Fee Analysis – Full Cost Recovery Fees Contribution In Aid of Construction (CIAC) Fees

Water CIAC Fee Calculation

Plant in Service - Reconst. Cost New	\$	256,845,227
Expansion-Related Capital Costs	\$	102,823,402
Less: Outstanding Debt	\$	(49,155,406)
Less: Grants & Contributed Capital	\$	(1,673,458)
Net System Investment	\$	308,839,766

Net System Capacity (mgd)	13.20
Level of Service (gpd)	225
Equivalent Residential Connections	58,667

Full Cost Recovery Fee per ERC	\$	5,264
Cost Recovery %		100.0%
Escalation to Effective Year		3.00%

Calculated Fee per ERC	\$	5,421
Capital Facility Fee	\$	4,378
Main Extension Fee	\$	1,043
Current Fee	\$	3,995
Dollar Change	\$	1,426
Percent Change		35.71%

Wastewater CIAC Fee Calculation

Plant in Service - Reconst. Cost New	\$	285,025,220
Expansion-Related Capital Costs	\$	143,979,857
Less: Outstanding Debt	\$	(49,155,406)
Less: Grants & Contributed Capital	\$	(10,784,427)
Net System Investment	\$	369,065,244

Net System Capacity (mgd)	10.10
Level of Service (gpd)	180
Equivalent Residential Connections	56,111

Full Cost Recovery Fee per ERC	\$	6,605
Cost Recovery %		100.0%
Escalation to Effective Year		3.00%

Calculated Fee per ERC	\$	6,800
Capital Facility Fee	\$	4,415
Main Extension Fee	\$	2,385
Current Fee	\$	5,441
Dollar Change	\$	1,359
Percent Change		24.98%



Contribution In Aid of Construction (CIAC) Fees

Phase-In Limitations

- Recent Updates to Florida Impact Fee Law:
 - Caps any one-time total increase to 50.00% of current fee, once every 4 years
 - Increases of 25.00% and greater to be phased-in over 4 equal increases
 - Increases less than 25.00% to be phased-in over 2 equal increases

	Water \$	Cumulative %	Wastewater \$	Cumulative %	Total \$
Current	\$ 3,994.51		\$ 5,441.03		\$ 9,435.54
Year 1	\$ 4,351.13	8.93%	\$ 6,120.52	12.49%	\$ 10,471.65
Year 2	\$ 4,707.76	17.86%	\$ 6,800.00	24.98%	\$ 11,507.76
Year 3	\$ 5,064.38	26.78%	\$ 6,800.00	24.98%	\$ 11,864.38
Year 4	\$ 5,421.00	35.71%	\$ 6,800.00	24.98%	\$ 12,221.00



Staff Recommendations for Adoption:

➤ Staff recommends Scenario 2:

FY 2024	FY 2025	FY 2026	FY 2027
May 1, 2024	Oct 1, 2024	Oct 1, 2025	Oct 1, 2026
6.00%	6.00%	6.00%	3.50%

- Thereafter, increase annually by the greater of US-CPI or 3.50%

➤ Staff recommends rate structure modifications occur May 1, 2024:

- Add Lifeline Tier to Water Rates
- Apply next increase to only Water / Wastewater Volume Charges

➤ Staff recommends increasing CIAC Fees to full cost recovery:

	May 1, 2024	May 1, 2025	May 1, 2026	May 1, 2027
Water	8.93%	8.93%	8.93%	8.93%
Wastewater	12.49%	12.49%	0.00%	0.00%



Questions & Discussion

Eric Grau

Principal

eric.grau@stantec.com

Danica Katz

Consultant

danica.katz@stantec.com

ORDINANCE 2024-____
UTILITY RATE AMENDMENT

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PALM COAST, FLAGLER COUNTY, FLORIDA, REVISING THE RATES OF THE CITY'S UTILITY SYSTEMS AS LAST ESTABLISHED IN RESOLUTION NUMBER 2018-115; PROVIDING FOR THE ASSESSMENT OF WATER SYSTEM, RECLAIMED WATER SYSTEM, WASTEWATER SYSTEM AND ASSOCIATED UTILITY RATES, FEES AND CHARGES; PROVIDING FOR CERTAIN AUTOMATIC ADJUSTMENTS FOR UTILITY RATES, FEES AND CHARGES; PROVIDING FOR AN INCREASE IN CAPITAL FACILITIES (CONNECTION) FEES, WHICH ARE IMPACT FEES; PROVIDING FOR ANNUAL ADJUSTMENTS OF ALL UTILITY RATES, AND CAPITAL FACILITIES (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; and

WHEREAS, pursuant to the provisions of applicable law, it is incumbent upon, and fiscally responsible for, the City Council to set rates, fees and charges for services furnished by the Systems that are just and equitable to all classes of consumers served and properties benefited by the Systems; 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 fee schedules in Exhibits A-D rely 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 utility fees, including 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, 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 rates, fees and charges established in Resolution Number 2013-10, to include all rates, fees and charges imposed, 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 FEES, RATES AND OTHER CHARGES/GENERAL PROVISIONS. Capacity fees for water, reclaimed water and wastewater services; rates for the provision of water, reclaimed water, and wastewater services; and other charges relating to the City of Palm Coast Water, Reclaimed Water and Wastewater Systems are hereby established in accordance with the provisions of this Ordinance. As set forth in Chapter 49, *Code of Ordinances of the City of Palm Coast*, water, reclaimed water, or wastewater services shall not be furnished or rendered free of charge to any person, firm or corporation whatsoever; and the City, including each of its agencies, departments or instrumentalities which uses water service, reclaimed water service or wastewater service, shall pay the applicable rates for such services.

SECTION 3. WATER SERVICE RATES, FEES AND CHARGES. The rates, fees, and charges for the provision of water services by the City are as set forth in Exhibit “A” to this Ordinance. Increases are shown in bold.

SECTION 4. WASTEWATER SERVICE RATES, FEES AND CHARGES. The rates, fees, and charges for the provision of wastewater services by the City are as set forth in Exhibit “B” to this Ordinance. Increases are shown in bold.

SECTION 5. RECLAIMED WATER SERVICE RATES, FEES AND CHARGES. The rates, fees, and charges for the provision of reclaimed water services by the City are set forth in Exhibit “C” to this Ordinance. Increases are shown in bold.

SECTION 6. INDUSTRIAL WASTEWATER DISCHARGE PERMIT FEES. The rates, fees, and charges for regulating and administering provision of industrial wastewater services by the City are set forth in Exhibit “D” to this Ordinance. These fees will remain the same.

SECTION 7. 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 8. STATUTORILY AUTHORIZED SURCHARGE. In accordance with the provisions of Section 180.191, *Florida Statutes*, the City, as a municipality within the State of Florida operating a water or sewer utility outside of the boundaries (City Limits) of the City, hereby adds and assesses a surcharge of twenty-five percent (25%) of the rates, fees, and charges, as set forth herein, charged to consumers located outside of the municipal boundaries (City Limits) of the City.

SECTION 9. 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 10. INITIAL ADJUSTMENT IN FEES, RATES AND CHARGES FOR 2024 AND 2025, AND METHOD OF ANNUAL ADJUSTMENTS THEREAFTER.

(a). 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, at least ninety days after adoption of this Ordinance.

(b). The rates, fees and charges involving base charges and usage fees relating to the Systems of the City, as set forth herein, shall be adjusted effective May 1, 2024,

October 1, 2024, with a third automatic adjustment effective October 1, 2025, as shown in bold in Exhibits A-C.

(c). All other rates, fees and charges not otherwise adjusted herein and set forth in the exhibits to this Ordinance shall remain in effect after adoption of this Ordinance.

(d). The rates, fees and charges involving monthly base and usage charges, private fire protection services, reclaimed water service and bulk rates relating to the Systems of the City as set forth herein shall be adjusted annually on October 1 of each year, commencing on October 1, 2026, and thereafter, by the higher rate of 3.5% or the June CPI.

(e). The rates, fees and charges involving capital facilities (connection) fees, installation fees, and taps, which are impact fees, relating to the Systems of the City as set forth herein shall be adjusted annually on May 1 of each year, commencing on May 1, 2024.

(f). The City Manager is hereby authorized and directed to calculate and implement said revised rates, fees and charges on an annual basis, based on the rate study. Notwithstanding the foregoing, at any time that it elects to do so, the City Council may adopt an ordinance establishing rates, fees and charges, and such ordinance shall take precedence over the previously established rates, fees and charges then in effect.

SECTION 11. EXHIBITS. The exhibits (A-D) to this are hereby adopted and attached to the text of this Ordinance as if fully set forth herein verbatim.

SECTION 12. 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 13. CONFLICTS. All resolutions and ordinances or part of resolutions or ordinances in conflict with this Ordinance are hereby repealed.

SECTION 14. 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 10(a) 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