

**MINUTES**  
**Key Largo Wastewater Treatment District (KLWTD)**  
**Board of Commisisoners Meeting**

May 4, 2005  
 Key Largo Civic Club, 209 Ocean Bay Drive

The KLWTD Board of Commissioners met for a regular meeting on May 4, 2005 at 5:00 PM. Present were Chairman Charles Brooks, Commissioners, Glenn Patton, Gary Bauman, Andrew Tobin and at 5:03 PM Claude Bullock arrived. Also present were General Manager Charles Fishburn, Board Clerk Carol Simpkins, District Counsel Thomas Dillon, and all other appropriate District staff. Commissioner Tobin left the meeting at 6:40 PM.

Commissioner Tobin led the Pledge of Allegiance.

**ADDITIONS/DELETIONS TO THE AGENDA.**

The following changes were made to the agenda: Commissioner Tobin requested that the PRMG presentation be moved to the front of the agenda. General Manager Charles Fishburn requested that Resolution 05-05-05 be added to the agenda as item 12.

**Motion: Commissioner Patton made a motion to approve the agenda as amended. The motion was seconded by Commissioner Bullock.**

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman	X		
Commissioner Claude Bullock	X		
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin	X		
Chairman Charles Brooks	X		

Motion passed 5 to 0

**APPROVAL OF MINUTES**

**Motion: Commissioner Patton made a motion to approve the minutes of the April 20, 2005 minutes. The motion was seconded by Commissioner Bullock.**

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1. The first part of the report deals with the general situation of the country and the progress of the work during the year. It is divided into two main sections: the first section deals with the general situation and the second section deals with the progress of the work.

2. The second part of the report deals with the results of the work during the year. It is divided into two main sections: the first section deals with the results of the work in the field of research and the second section deals with the results of the work in the field of education.

3. The third part of the report deals with the conclusions and recommendations. It is divided into two main sections: the first section deals with the conclusions and the second section deals with the recommendations.

4. The fourth part of the report deals with the financial statement. It is divided into two main sections: the first section deals with the income and the second section deals with the expenditure.

5. The fifth part of the report deals with the appendix. It is divided into two main sections: the first section deals with the list of names and the second section deals with the list of references.

6. The sixth part of the report deals with the index. It is divided into two main sections: the first section deals with the index of names and the second section deals with the index of subjects.

7. The seventh part of the report deals with the summary. It is divided into two main sections: the first section deals with the summary of the work and the second section deals with the summary of the financial statement.

8. The eighth part of the report deals with the conclusion. It is divided into two main sections: the first section deals with the conclusion of the work and the second section deals with the conclusion of the financial statement.

9. The ninth part of the report deals with the appendix. It is divided into two main sections: the first section deals with the list of names and the second section deals with the list of references.

10. The tenth part of the report deals with the index. It is divided into two main sections: the first section deals with the index of names and the second section deals with the index of subjects.

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman	X		
Commissioner Claude Bullock	X		
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin	X		
Chairman Charles Brooks	X		

Motion passed 5 to 0

**PUBLIC COMMENT:** The following persons addressed the Commission: None

**COMMISSIONER'S COMMENTS**

Chairman Brooks requested that the item "Commissioner's Comments" be re-titled to "Commissioner's Roundtable."

Commissioner Patton thought that the round table discussion at the last meeting was helpful. He requested that Chairman Brooks give a report to the Board on the visit with Mayor Spehar.

Chairman Brooks reported that the meeting concerned letting the Mayor know where the District was at and what the District needed. There had been a meeting with Commissioner Nelson and County Administrator Tom Willi at the KLWTD office. Mr. Fishburn gave a presentation of the District's status, what has been done, and what is being planned for the future. Mayor Spehar came up on Friday for a presentation and tour. Commissioner Rice is scheduled to come up for the presentation on Tuesday May 10, 2005 and Commissioner McCoy is scheduled to come on Tuesday May 17, 2005 also. There are plans to have Commissioner Neugent visit also.

Commissioner Bullock explained to the Commission that his water usage runs from 10,000 to 12,000 gallons a month and so do a number of his neighbors. That is why he was asking about the second water meter. He would like to know if there is room to pursue the use of an abandoned septic tank as a cistern and if the District will be looking into alternate sources for wastewater reuse.

Commissioner Patton suggested that the District review the case law and State regulations to see what can be done about using the abandoned septic tanks for cisterns. He stated that the District should have some type of cap on the residential properties. Chairman Brooks stated that there is a 12,000 gal. cap now.

Chairman Brooks does not want to get involved on private property, on a Board level he wants to put sewer systems in. He is a strong advocate of reuse but his concerns are that

the money is very limited. Chairman Brooks stated that instead of it being called wastewater it should be called water conservation because the wastewater is being used to transport by products. With the limited amount of money and the totality of the task that the District has to do assuming that the County comes through with the 20 million dollars and the District will have the other 12 million dollars and reuse is included. Then one or two projects could be done around the park and the 2.2 million gallon plant does not get done. That way the cost could be kept down to pay for the reuse. The other side of the coin is that the District does not reduce to the capacity of removing more nutrients in the water which is the first thing the District has to do. Has the District considered reuse, well the District cannot reuse the water until they get the water. That is the first step.

Commissioner Bauman objected to the agenda item in general. He stated that one objection is that it is too open ended, he may want to do research on the item, and he also objected to not being able to ask staff questions. Commissioner Bauman completely objects to the agenda item unless he knows what the questions for discussion are going to be in advance and he is allowed to ask staff questions.

Chairman Brooks explained that one of the reasons he requested the Roundtable time was because he has heard over and over again that the Board cannot talk to each other because of the Florida Sunshine Law. The Board spends four to six hours twice a month together and the Board never sits down to talk to each other.

Chairman Brooks stated that the Rules and Regulations Draft has been a long-standing task that the Board has been reluctant to tackle. We cannot in good conscience continue to put off our responsibility to provide the leadership guidance to our wastewater customers/constituents. The time to get the job done is now. His questions to his fellow Board members are: Do you think we should have already done our Rules & Regulations? In any case what has prevented you as an elected commissioner from moving forward in establishing Rules & Regulations? Express your concerns of what in the document prevents you supporting the draft R & R or any version thereof. Please give an opinion, in any case, a timetable when we should complete the Rules & Regulations. Express your opinion on how we should address this monumental task.

Commissioner Patton does not think that the Board should have the Rules & Regulations done yet because they are sure a monumental task. He thinks that it is premature to have them finally adopted and enforceable and complete at this point. He thinks that the Board has unofficially recognized the first draft. Commissioner Patton then went on to his item under Commissioner Items. He passed out a form to help the process of identifying the Rules & Regulations in a review process. This R&R change form creates a process to track the requested change. He then explained how the form would be used.

Commissioner Bullock stated that he thought that the Board was not ready to adopt the R&R yet but that the form Commissioner Patton has developed is an excellent way to get the house keeping items out of the way. The items of least public concern should be dealt with first.

The Board by consensus directed staff to move forward with the procedure to amend the Rules and Regulations.

**FINANCIAL OFFICER’S REPORT**

*Pending Payments List*

Financial Officer Martin Waits presented the pending payment list for May 4, 2005.

Chairman Brooks asked if there was a cap on the PRMG billing of \$20,000. Mr. Martin Waits stated that there was a maximum of \$25,000 in total.

**Motion: Commissioner Bauman made a motion to approve the pending payments list for May 4, 2005 subject to the availability of funds. The motion was seconded by Commissioner Patton.**

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman	X		
Commissioner Claude Bullock	X		
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin			Absent
Chairman Charles Brooks	X		

Motion passed 4 to 0

*Notice of Availability of SRF*

Mr. Waits told the Board that the District has been given a Notice of Availability (put on the list for funding) by the SRF and that a completed funding application was due to the SRF by August 11, 2005

*PRMG Presentation*

Tony Hairston from PRMG reviewed a Power Point presentation System Development Charge Methodology (see exhibit “A”).

Commissioner Tobin asked Mr. Hairston if the District designs their systems basis on water flow and a few years in the future the large water users sub meter their water usage how does that impact the District and how is that change compensated for? Mr. Hairston explained that the full amount of the large users’ water flow has not been counted on to begin with.

Chairman Brooks asked what the \$303,000 is for. Mr. Hairston answered that it was for the plant operator and employees for the interim plant. The Regional Treatment Plant

cost to operate will be one million dollars. The plant costs are fixed cost and once new customers are added the cost will not be going up at the same rate that the revenue basis goes up.

Chairman Brooks wanted to know if there was any relevance between the economic status of a customer and water use. Mr. Hairston replied that there is usually an assumption made that lower income customers use less water but in reality that is not necessary the case at all. The older customers, whether they are low or high income, tend to use less water.

Commissioner Bullock brought up the subject of schools having to hook up. District Counsel Thomas Dillon stated that schools do have to connect but it is not clear that if they have to pay the capacity charge to the District. They do have to pay the connection charge and the monthly rate.

Commissioner Bullock also asked if customers who use a large amount of water on their lawns would be able to get separate meters. Mr. Dillon said that he assumes that the customers would have to bear the costs to show that water going through the FKAA meter was not going into the sewer system. Mr. Hairston said that the residential customer would have a cap of 12,000 gal of water.

Commissioner Bauman wanted to know if PRMG was going to provide spreadsheets that will breakout the commercial and residential. He would like to see the total cost of the plant, the total cost of the transmission lines, commercial EDU's, commercial connections, residential EDU's, and residential connections. Mr. Hairston will be able to give Commissioner Bauman the information. Commissioner Bauman stated concern about the commercial property not paying the connection system charge like the residential customers will be.

Commissioner Patton was concerned with the same issue that Commission Bauman was concerned with. Another issue the Commissioner was concerned with was the cost associated with having to go onto commercial property to do something to make the system compatible with the District. He was assured that the District could bill the customer for the additional expense. His last concern was with the MSTU. Commissioner Patton does not feel that the MSTU should go away in 2007; there is still going to be a lot of planning, engineering and administrative cost associated with the rest of the Island of Key Largo. He added that the rate may be lowered.

District Counsel Thomas Dillon said that there may be some housekeeping changes that will be required to be made to the District's Statute. One example would be that the District does not have the power at this time to lien the customer's property if they do not pay their bill. If the District had that power the District's credit rating would be stronger and the interest rates for loans to the district would be better. There may be other items that will need to be considered at the next legislative session.

Chairman Brooks asked if anything has been considered if the District did not get the \$20 million. Mr. Hairston stated that if the money did not come in then the monthly rates would shoot up if the Lake Surprise/Sexton Cove project was done. He will provide a rough estimate of what the cost would be to the customers.

Chairman Brooks stated that there has been some confusion with the term “connection fee.” Mr. Hairston will review other terms that are used around the State and let the Board know what other terms are being used.

**LEGAL COUNSEL REPORT**

District Counsel Thomas Dillon stated that he recommends Southeastern Investment Securities, Inc. as District Financial Advisor.

**Motion: Commissioner Bullock made a motion to table the item and have staff contact the three firms that responded to the RFQ and invite them to make a presentation at the next Commission meeting. Commissioner Patton seconded the motion.**

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman	X		
Commissioner Claude Bullock	X		
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin			Absent
Chairman Charles Brooks	X		

Motion passed 4 to 0

**ENGINEERS REPORT**

Ed Castle, District Engineer, reviewed the monthly progress report that was presented in the agenda package.

*On Site Pilot Project*

Eco Smart gave a presentation on their Onsite Decentralized Wastewater System. Staff recommended that the District not proceed with the EPA 5.1 million-dollar grant application.

**Motion: Commissioner Patton made a motion to accept the staff recommendation to not proceed with the EPA 5.1 million dollar grant application. The motion was seconded by Commissioner Bullock.**

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman		X	
Commissioner Claude Bullock	X		
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin			Absent
Chairman Charles Brooks	X		

Motion passed 3 to 1

*Calusa Campground*

Ed Castle presented two approaches to the installation of the system in Calusa Campground. One being the Calusa Campground property owners can install all components to be located in both the common areas and on their individual lots at their cost. The second approach is that the KLWTD can provide the vacuum components in the common areas using public funds, with each property owner being required to install the laterals on their lots at their cost.

Discussion then followed among the Board concerning setting the Policy and Rules governing going onto private property.

**GENERAL MANAGER'S REPORT**

*Lake Surprise / Sexton Cove*

General Manager Charles Fishburn reported that by the next KLWTD Board meeting all of the BOCC members will have toured the District. There has been a second meeting with CPH. MWH / Arcadis has submitted a proposal that he has reviewed.

*AIRVAC Change Order*

Mr. Fishburn stated that the change order has been passed out and was on the table. He reviewed the charges with the Board and explained that the change order was just received and neither he nor Mr. Castle has been able to go over the changes in detail yet. There is a lead of eighteen weeks on ordering the vacuum station.

Commissioner Bullock asked if the Treatment Plant was temporary. Mr. Fishburn explained that the Plant is temporary but the vacuum station is permanent. Commissioner Bullock stated that he does not like coming into a meeting where documents are presented to him with a monetary increase in them and then being asked to vote on it when he has not even been able to read it. He does not feel that it is fair to him nor the other Board members.

**Motion:** Commissioner Bauman made a motion to authorize the General Manager to sign the purchase order to purchase the vacuum skid station with the stainless steel upgrades in the amount of \$238,231.00. Second made by Commissioner Patton.

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman	X		
Commissioner Claude Bullock		X	
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin			Absent
Chairman Charles Brooks		X	

Motion failed 2 to 2.

Commissioner Bauman said that to stop or postpone the construction because someone has not had a chance to read the change order is silly on the Board's part and will cost money and time and is not a good way to deal with vendors. He agrees with Commissioner Bullock that it is not good practice to have a stack of paper work given to the Board right before the meeting. But the KLWTD is a business and things do happen at the last minute in business.

*Resolution No. 05-05-05*

**RESOLUTION 05-05-05**

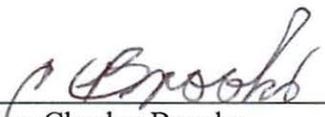
A RESOLUTION OF THE KEY LARGO WASTEWATER TREATMENT DISTRICT, CONFIRMING ITS COMMITMENT TO USE ALL SYSTEM DEVELOPMENT CHARGES FROM WASTEWATER PROJECTS TO FUND CONSTRUCTION AND EXPANSION OF WASTEWATER PROJECTS.

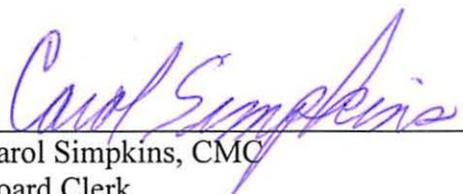
**Motion:** Commissioner Patton made a motion to approve Resolution No. 05-05-05. Commissioner Bullock seconded the motion.

Vote on motion:

Board Member	Yes	No	Other
Commissioner Gary Bauman	X		
Commissioner Claude Bullock	X		
Commissioner Glenn Patton	X		
Commissioner Andrew Tobin			Absent

The KLWTD meeting minutes of May 4, 2005 were approved on May 26, 2005.

  
\_\_\_\_\_  
Chairman Charles Brooks

  
\_\_\_\_\_  
Carol Simpkins, CMC  
Board Clerk



Chairman Charles Brooks	X		
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Motion passed 4 to 0

**ADJOURNMENT**

After a motion to adjourn by Commissioner Patton and a second by Commissioner Bullock the Board adjourned the meeting at 9:15 PM.

# Key Largo Wastewater Treatment District

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## System Development Charge and Rate Workshop

May 4, 2005

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Presented by  
Public Resources Management Group, Inc.

EXHIBIT "A"



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# **System Development Charge Methodology**

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# SDC Application

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**For equitable allocation of construction costs, the SDC needs to be 2 separate components:**

**Connection charge + Capacity charge**



# Capacity Charge

\$ 23 million plant  
\$ 37 million transmit

## 1. Capacity Charge

- Typically based on system-wide treatment plant and transmission main costs
- Applied per EDU, larger customers pay higher amount
- Proposed Capacity Charge = \$2,700/~~connection~~ EDU
- Ties to estimated project costs (March 30, 2005 presentation, p. 12)
- Normal practice in Florida for impact fee design is to include the allocated treatment plant and “backbone” transmission cost
  - New development provides collection infrastructure (e.g. neighborhood collection system for new home construction)
  - Additional charge if utility provides collection system or line extension
    - Additional charge would be based on average unit cost; or actual cost on case-by-case basis

SPC  
New  
Forward



# Connection Charge

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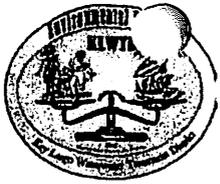
## 2. Connection charge

- **Based on collection system costs**
- **Applied per connection, not based on flow**
- **Equitable to larger customers**
- **Cost per connection (not EDU) = approximately \$8,700**
- **Approx. \$4,500 per connection, after applying grants**
- **Proposed Connection Charge = only \$2,070/connection**
  - **Constraint of \$4,770 for total (connection + capacity)**
  - **(affordability index in grant agreements)**
  - **Uncertainty regarding level of future grants**



# Application of Capacity Charge

<u>Application Methodology</u>	<u>Pros</u>	<u>Cons</u>
1 Flows based on historical usage records (either water, or package plant data, if applicable)	Based on empirical data for actual customers being served. Readily available data.	Water use does not necessarily correspond to wastewater demand (outdoor/irrigation uses)
2 Flows Based on F.A.C 64E Attributes (e.g. flow per seats, rooms, sq. feet, etc.)	Based on industry standards on sizing wastewater facilities.	Difficult to survey existing establishments. Some may not easily be categorized.
3 Flows Based on Plumbing Fixtures (Southern Plumbing Code)	Based on industry load demand standards.	Does not reflect type of usage (attributes). Difficult to survey existing establishments.
4 Meter Size (AWWA equivalent ratios)	Easiest to administer. Used by many FL utilities	Larger meters have diverse usage characteristics. Does not fully capture differences in capacity needs.



# Recommended Capacity Application

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- **Flow demand based on historical water usage records for non-residential customers**
  - **Corresponds to plant capacity design**
  - **Non-residential, 1 EDU = 167 gallons per day (based on highest 3 month average)**
  - **Appeals process for “difficult” scenarios**
    - **e.g. Use attributes table (FAC 64E) as a basis for appeals**
  - **No need to survey fixtures or attributes of existing customers**
  - **Residential = 1 EDU/unit**



# Residential Example

Residential (not condo)

1 EDU

	PRMG Proposal	Other Method		
		A	B	C
Connection Charge	\$ 2,070	_____	_____	_____
No. of Connections	1			
Total Connection	\$ 2,070			
Capacity Charge	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
Factor (EDUs based on flow)	1	1	1	1
Total Capacity Charge	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
<b>Total Connection + Capacity</b>	<b>\$ 4,770</b>	<b>\$ 2,700</b>	<b>\$ 3,500</b>	<b>\$ 4,770</b>



# Small Commercial Example

## Small Commercial

2 EDUs (based on flow)

	PRMG Proposal	Other Method		
		A	B	C
Connection Charge	\$ 2,070	_____	_____	_____
No. of Connections	1			
Total Connection	\$ 2,070			
Capacity Charge	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
Factor (EDUs based on flow)	2	2	2	2
Total Capacity Charge	\$ 5,400	\$ 5,400	\$ 7,000	\$ 9,540
<b>Total Connection + Capacity</b>	<b>\$ 7,470</b>	<b>\$ 5,400</b>	<b>\$ 7,000</b>	<b>\$ 9,540</b>



# Restaurant Example

## Restaurant

25 EDUs (based on flow)

	PRMG Proposal	Other Method		
		A	B	C
<b>Connection Charge</b>	\$ 2,070	_____	_____	_____
No. of Connections	1			
<b>Total Connection</b>	\$ 2,070			
<b>Capacity Charge</b>	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
Factor (EDUs based on flow)	25	25	25	25
<b>Total Capacity Charge</b>	\$ 67,500	\$ 67,500	\$ 87,500	\$ 119,250
<b>Total Connection + Capacity</b>	\$ 69,570	\$ 67,500	\$ 87,500	\$ 119,250



# Laundromat Example

## Laundromat

29 EDUs (based on flow)

	PRMG Proposal	Other Method		
		A	B	C
Connection Charge	\$ 2,070	-----	-----	-----
No. of Connections	1			
Total Connection	\$ 2,070			
Capacity Charge	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
Factor (EDUs based on flow)	29	29	29	29
Total Capacity Charge	\$ 78,300	\$ 78,300	\$ 101,500	\$ 138,330
<b>Total Connection + Capacity</b>	<b>\$ 80,370</b>	<b>\$ 78,300</b>	<b>\$ 101,500</b>	<b>\$ 138,330</b>



# Marina Example

~~Laundromat~~

MARINA

10 EDUs (based on flow)

	PRMG Proposal	Other Method		
		A	B	C
Connection Charge	\$ 2,070	-----	-----	-----
No. of Connections	1			
Total Connection	\$ 2,070			
Capacity Charge	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
Factor (EDUs based on flow)	10	10	10	10
Total Capacity Charge	\$ 27,000	\$ 27,000	\$ 35,000	\$ 47,700
<b>Total Connection + Capacity</b>	<b>\$ 29,070</b>	<b>\$ 27,000</b>	<b>\$ 35,000</b>	<b>\$ 47,700</b>



# Resort/Hotel Example

## Resort/Hotel

182 EDUs (based on flow)

	PRMG Proposal	Other Method		
		A	B	C
<b>Connection Charge</b>	\$ 2,070	-----	-----	-----
No. of Connections	1			
<b>Total Connection</b>	\$ 2,070			
<b>Capacity Charge</b>	\$ 2,700	\$ 2,700	\$ 3,500	\$ 4,770
Factor (EDUs based on flow)	182	182	182	182
<b>Total Capacity Charge</b>	\$ 491,400	\$ 491,400	\$ 637,000	\$ 868,140
<b>Total Connection + Capacity</b>	\$ 493,470	\$ 491,400	\$ 637,000	\$ 868,140



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# Monthly Wastewater Rate Methodology

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# Monthly Rate Methodology Options

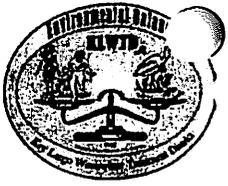
## Non-Residential Base Rate

### Application Methodology

### Pros

### Cons

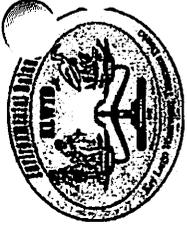
1 Meter Size (AWWA equivalent ratios)	Easiest to administer. Used by many FL utilities/FPSC	Larger meters have diverse usage characteristics. Does not fully capture
2 EDUs based on Capacity Charge Method (Same rate for all commercial based on avg. commercial class usage characteristics)	Customer specific Most equitable	Higher administration costs. Must maintain individual account records and recalculate with redevelopment



# Recommended Monthly Rate Methodology

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- **Use EDUs developed as part of capacity calculation**
  - **Non-residential, 1 EDU = 167 gallons per day (based on highest 3 month average)**
  - **Residential Units = 1 EDU**
- **The alternative of meter size for non-residential is acceptable, but may understate capacity requirements (could result in lower commercial monthly base rates, higher residential monthly rate)**



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# Financial Modeling and Monthly User Rates

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# Financial Model

- **Projection period - Fiscal Year 2005 through 2009**
- **“Cash Flow” model**
- **Customer forecast**
  - **Customer connections**
    - **KLTV, KLP, and Calusa Campground during FY2006 (including approx. 61 commercial EDUs)**
    - **Lake Surprise, Largo Gardens, and along US 1 Corridor during FY2008 and FY2009**
  - **Projected treatment requirements (gpd = annual flow/365)**
    - **FY2006 = 74,000 gpd**
    - **FY2007 = 148,000 gpd**
    - **FY2008 = 289,000 gpd**
    - **FY2009 = 456,000 gpd**
    - **Links to customer forecast**



# Financial Model (con't)

- **System Development Charges**
  - **“Baseline” assumptions**
    - **Capacity Charge = \$2700/EDU**
    - **Connection Charge = \$2070/Connection**
    - **Forecast assumes 15% pay full SDC upfront, the remaining pay an assessment over 20 years**
      - **KLTV, KLP, Calusa Campground assessments begin in FY06**
      - **Others begin in FY07**
    - **SDC revenues through FY07 are applied directly to construction costs, thereby lowering borrowing need**



# Capital Funding Assumptions

<u>Funding Source</u>	<u>Amount</u>
Grants	12,878,000
Monroe County Bond Issue [1]	20,000,000
Upfront System Development Charges [2]	3,520,000
SRF Loan Proceeds	14,110,000
Total Construction through FY09 [3]	50,508,000

[1] No repayment assumed (i.e. additional KLWTD grant funds)

[2] Assumes 15% of assessed properties pay entire SDC upfront rather than multi-year. Also reflects use of initial year assessments toward construction costs.

[3] Reflects KLTV, KLP, Calusa, and Sexton Cove Project (incl. 2.25 MGD Plant and Wastewater Main). Amount includes \$480,000. contingency during construction.



# SRF Loan Assumptions

- **SRF construction loan agreement in FY2006**
- **Total proceeds = \$14,110,000**
- **Total loan principal = \$15,005,000**
  - **Reflects loan service fee (to FDEP) and capitalized interest cost during construction**
- **Semi-annual payments begin FY2009**
  - **Payments begin after construction completed**
  - **Annualize payments = \$1,055,800/yr.**
  - **Assumes 3.5% annual interest rate (conservative)**
  - **Required that net revenues > 1.15x annual debt service**



# Financial Model (cont'd)

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- **Operating and Maintenance (O&M) expenses**
  - **Initial plant operations**
    - **Treatment and collection system O&M = \$303,000/yr.**
  - **System-wide plant operations (begin FY08)**
    - **Treatment and collection system O&M = \$1,016,000/yr.**
  - **Plus administrative/billing/customer service costs**



# Financial Model (cont'd)

- **Other considerations**

- **MSTU revenues**

- **Current Budget = \$827,685**
- **Forecast Assumes level MSTU revenues through FY07**
- **Only uses a portion of available MSTU revenue (e.g. FY06 assumes use of \$470,000)**
  - **Limited to planning activities**
  - **Assumes most administrative costs are planning related (i.e. MSTU reimbursable) through FY07 (when current MSTU tax expires)**
  - **No MSTU revenues relied on in FY09, but \$320,000 used in FY08 (assumes unused prior year collections may be used)**
- **Assumes system becomes self-supportive with rates by FY2009**



# Financial Model (cont'd)

- **Other considerations**
  - **Renewals & Replacements (R&R) Funding**
    - **Forecast assumes KLWTD sets up an R&R Fund**
    - **R&R Fund is a dedicated funding source for renewal and replacement of system assets as they deteriorate**
    - **R&R Fund is funded through a portion of rate revenue annually**
    - **Typically 5% - 7.5% of rate revenue**
    - **Forecast assumes R&R funding equal of 5% annually**
    - **Standard utility practice, often a requirement for obtained revenue bond financing**



# Projected Revenue Requirement through Fiscal Year 2009

KLWTD Wastewater System	Projected Fiscal Year Ending September 30,				
	2005	2006	2007	2008	2009
Total Operating Expenses	549,272	753,987	980,537	1,554,838	1,663,358
Debt Service Payments	0	0	0	0	1,055,768
R&R Expenditures/Other Expenditures	0	24,900	99,800	63,100	145,600
Gross Revenue Requirements	549,272	778,887	1,080,337	1,617,938	2,864,726
Less:					
Miscellaneous Revenues	0	14,670	2,450	24,360	6,410
Use of MSTU Revenue	549,272	474,000	491,000	320,000	0
Use of Assessments for Debt Service *	0	0	0	0	810,253
Use of Cash Reserves	0	0	0	20,000	0
Net Revenue Requirements	0	290,217	586,887	1,253,578	2,048,063
Average Monthly Rate per EDU *	\$0.00	\$47.00	\$47.00	\$51.00	\$54.00
EDUs (monthly avg. over 12 months)	0	528	1,056	2,062	3,259
Annual Wastewater Rate Revenue	\$0	\$297,792	\$595,584	\$1,261,944	\$2,111,832
Estimated Revenue Surplus/(Deficiency)	\$ (0)	\$ 7,575	\$ 8,697	\$ 8,366	\$ 63,769

\* Assumes Capacity Charge of \$2,700/EDU  
plus Connection Charge of \$2,070/connection.



# Wastewater Rate Design

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- **Average rate is an approximation, next step is to design the actual base and usage charges**
- **Steps**
  - **Identify “test” year for designing rates**
    - **FY07 >> first full year of initial customers**
  - **Identify cost level**
    - **Financial model results for test year (revenue requirement)**
    - **Classify costs between base charge and usage charges**
    - **Compile appropriate statistics for customer base**
      - **Base charge “equivalents” for base charges**
      - **“revenue gallons” for usage charges**



# Wastewater Rate Design (cont'd)

Target FY07 Revenue Based on  
Projected Revenue Requirement      \$      596,000

Amount to be recovered from...

<u>Base Charges</u>	<u>Usage Charges</u>
71.8%	28.2%
\$ 428,000	\$ 168,000

EDUs	1,051	Annual 1000 Gallons	31,894
<b>Per EDU/Month</b>	<b>\$ 33.94</b>	<b>per 1000 Gallons</b>	<b>\$ 5.27</b>



# Residential Monthly Bills

Usage (Kgals)	Base Rate	Usage Charge	Total Bill [1]	# of Bills [2]	
				%	Cumulative
0	\$34.00	\$0.00	\$34.00	15.1%	15.1%
1	34.00	5.30	39.30	25.0%	40.1%
2	34.00	10.60	44.60	14.9%	55.0%
3	34.00	15.90	49.90	13.4%	68.4%
4	34.00	21.20	55.20	10.2%	78.6%
5	34.00	26.50	60.50	7.1%	85.7%
6	34.00	31.80	65.80	4.9%	90.6%
7	34.00	37.10	71.10	3.1%	93.7%
8	34.00	42.40	76.40	3.1%	96.9%
9	34.00	47.70	81.70	0.8%	97.6%
10	34.00	53.00	87.00	1.1%	98.7%
11	34.00	58.30	92.30	0.9%	99.7%
12	34.00	63.60	97.60	0.3%	100.0%

[1] Amount does not reflect system development charge assessment. Max. residential usage capped at 12,000 gallons metered water use.

[2] Based on historical usage data for KLTV and KLP.



# Example Monthly Commercial Bill

10 EDUs

<u>Usage (Kgals)</u>	<u>Base Rate</u>	<u>Usage Charge</u>	<u>Total Bill [1]</u>	<u>Average Rate per 1000 Gallons</u>
0	\$340.00	\$0.00	\$340.00	N/A
1	340.00	5.30	345.30	\$345.30
10	340.00	53.00	393.00	39.30
20	340.00	106.00	446.00	22.30
30	340.00	159.00	499.00	16.63
40	340.00	212.00	552.00	13.80
50	340.00	265.00	605.00	12.10
100	340.00	530.00	870.00	8.70



# Comparison of Alternative SDC Methods on Average Rates

KLWTD Wastewater System Projected FY09	Proposed (\$2700 Capacity \$2070 Conn.)	Alternative "combined" SDC Method		
		\$2,700	\$3,500	\$4,770
Total Operating Expenses	1,663,358	1,663,358	1,663,358	1,663,358
Debt Service Payments	1,055,768	1,124,370	1,063,156	971,686
R&R Expenditures/Other Expenditures	145,600	161,200	149,500	137,800
Gross Revenue Requirements	2,864,726	2,948,928	2,876,014	2,772,844
Less:				
Miscellaneous Revenues	6,410	6,410	6,410	6,410
Use of MSTU Revenue	0	0	0	0
Use of Assessments for Debt Service	810,253	561,070	727,379	971,686
Use of Cash Reserves	0	0	0	0
Net Revenue Requirements	2,048,063	2,381,448	2,142,225	1,794,748
Average Monthly Rate per EDU	\$54.00	\$62.00	\$56.00	\$47.00
EDUs	3,259	3,259	3,259	3,259
Annual Wastewater Rate Revenue	\$2,111,832	\$2,424,696	\$2,190,048	\$1,838,076
Estimated Revenue Surplus/(Deficiency)	\$ 63,769	\$ 43,248	\$ 47,823	\$ 43,328

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud. The text notes that without reliable records, it would be difficult to track the flow of funds and identify any irregularities.

2. The second part of the document outlines the specific requirements for record-keeping. It states that all transactions must be recorded in a clear and concise manner, using a standardized format. This includes recording the date, amount, and purpose of each transaction. The document also mentions that records should be maintained for a minimum of five years, unless otherwise specified by applicable laws or regulations.

3. The third part of the document discusses the role of internal controls in ensuring the accuracy of records. It explains that internal controls are designed to prevent errors and fraud by establishing a system of checks and balances. This includes separating duties, requiring authorization for transactions, and conducting regular audits. The text stresses that a strong internal control system is crucial for maintaining the trust of stakeholders.

4. The final part of the document provides a summary of the key points discussed. It reiterates the importance of accurate record-keeping and the role of internal controls in ensuring the reliability of financial information. The document concludes by stating that adherence to these principles is essential for the success of any organization and for the overall health of the financial system.



# Conclusions/Recommendations

- **System Development Charges**
  - **Capacity Charge = \$2,700 per EDU**
  - **Connection Charge = \$2,070 per connection (not EDU)**
  - **Total charge for typical residential (not condo) = \$4,770**
  - **Total charge for other customers typically consist of 1 connection charge + (capacity charge x EDUs)**
- **Monthly Wastewater Rates**
  - **Non-residential base charges are calculated on EDUs (from capacity calculation) x residential base rate**
- **Rate Study**
  - **Document the findings in report (financial forecast, assumptions, summary customer statistics, capacity/connection charges, initial monthly rates)**
  - **Provide financial tools developed during the project to District staff as requested**