

# Key Largo Wastewater Treatment District Board of Commissioners Meeting Agenda Item Summary

Meeting Date:  
May 7, 2024

Agenda Item Number: G-3

Action Required:  
No

Department:  
General Manager

Sponsor:  
Peter Rosasco

Subject:  
**Rate Indexing**

Summary:

Mr. Rosasco will discuss Rate Consulting Indexing recommended to begin in Fiscal Year 2025.

Reviewed / Approved

Financial Impact

Attachments

Operations: \_\_\_\_\_  
Administration: \_\_\_\_\_  
Finance: \_\_\_\_\_  
District Counsel: \_\_\_\_\_  
District Clerk: \_\_\_\_\_  
Engineering: \_\_\_\_\_

\$  
  
Funding Source:  
N/A  
  
Budgeted:  
N/A

1. 2022 Wastewater Rate Study

Approved By: \_\_\_\_\_  
General Manager

Date: 5-2-24

# Key Largo

## Wastewater Treatment District

---

### 2022 Wastewater Rate Study

August 9, 2022



# Background

- Raftelis performed a Rate Study in 2019
  - › Developed financial model comprising budget + 10-year financial forecast
  - › Resulted in adoption of a 15% reduction in retail rates effective January 1, 2020
  - › Study identified need for rate indexing by fiscal year 2025 to keep pace with inflation in operating costs
  - › Recommended updating the study every 3-5 years or as conditions change



# Background - Key Changes Since 2019 Rate Study

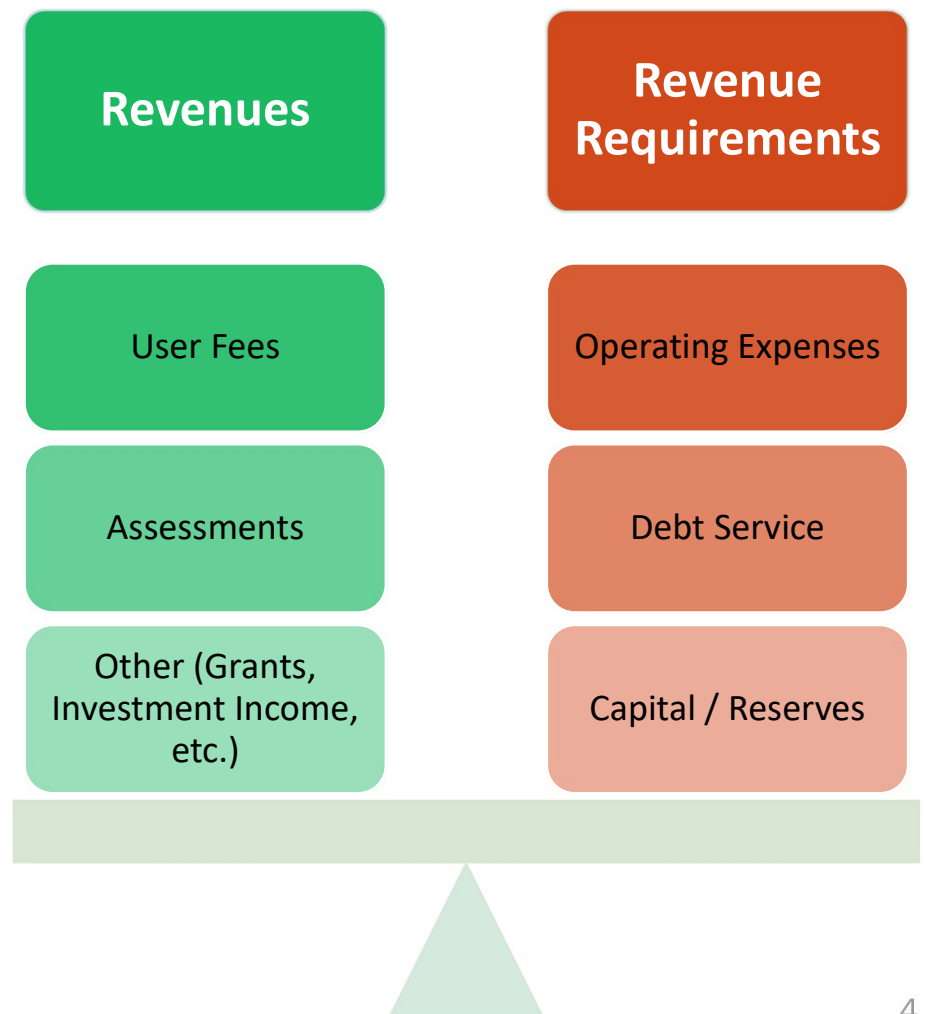
- Cashflow Differences:
  - › Retail rate revenues approximately 5% greater
  - › Operating Costs are 10% greater than
- Capital and Grants:
  - › CIP is \$20m greater over forecast period, however projected to received greater amount of grant funding
    - Offset by \$2.0 million/yr in Annual ACOE grant funding (\$22 million over forecast)
  - › Additional Stewardship grant funding of \$9.9 million
- Debt Service:
  - › District paid off a significant amount of debt; 1 SRF loan remaining maturing in FY29
  - › Projected outstanding balance at EOFY22: \$9.65 million @ Interest rate of 2.5%
- Unrestricted cash balances are \$1m greater than prior study at 9/30/21
- **Key takeaway:** while inflation and CIP spending are higher the District has outperformed with greater revenues and increased grant funding / cash reserves



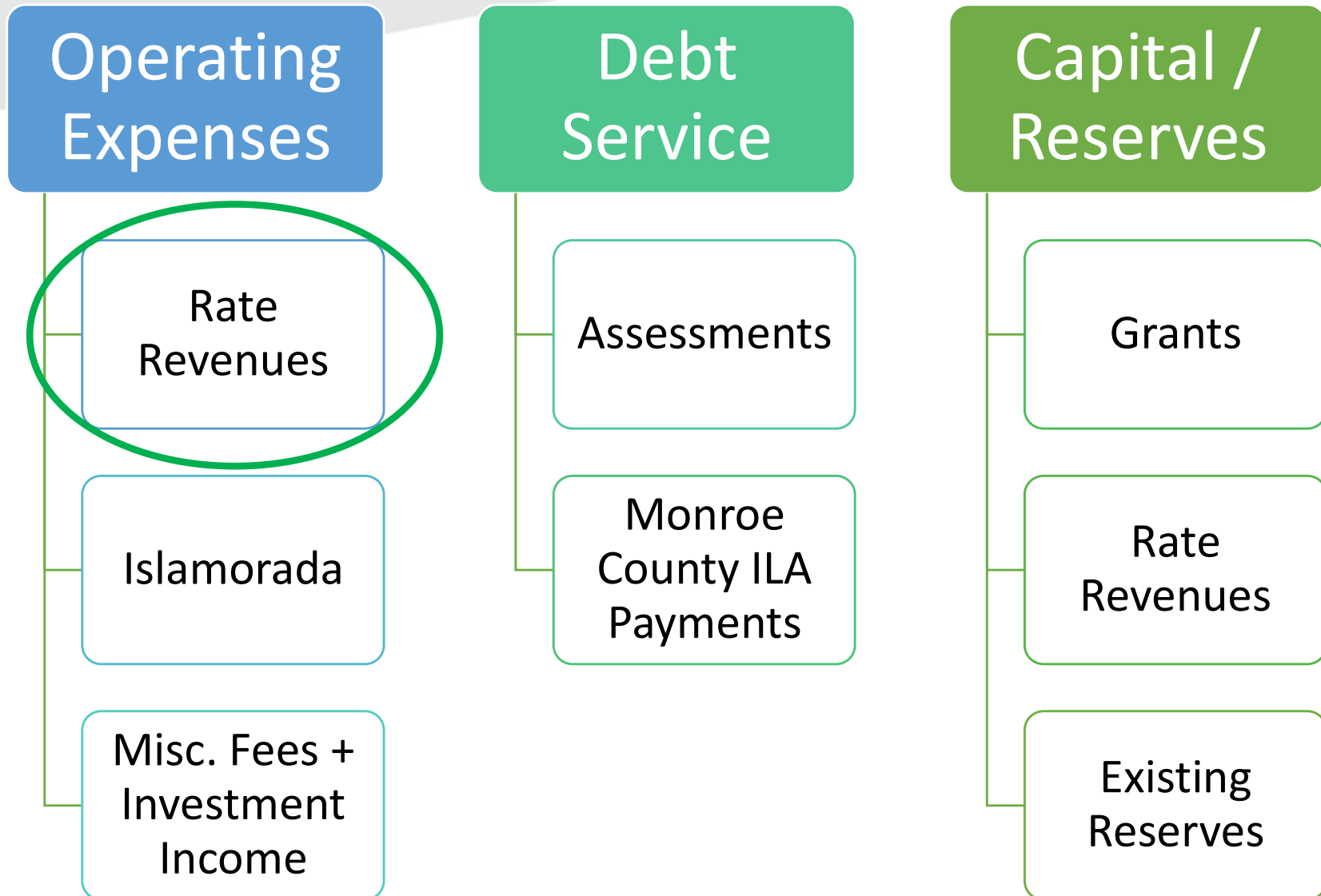
# Methodology

- Updated Financial Forecast
  - › FY22 base year + 10-year forecast
- Data Updated:
  - › Customer accounts and demands
  - › Past financial results & cash balances
  - › Current budget & CIP
  - › Escalation assumptions
  - › Grant funding
- Primary Study Objectives:
  - › Reassess funding needs & need for rate adjustments
  - › Present Rate Options
  - › Seek direction from Board

## Determining Rate Adjustments



# Methodology – Uses and Sources of Funds



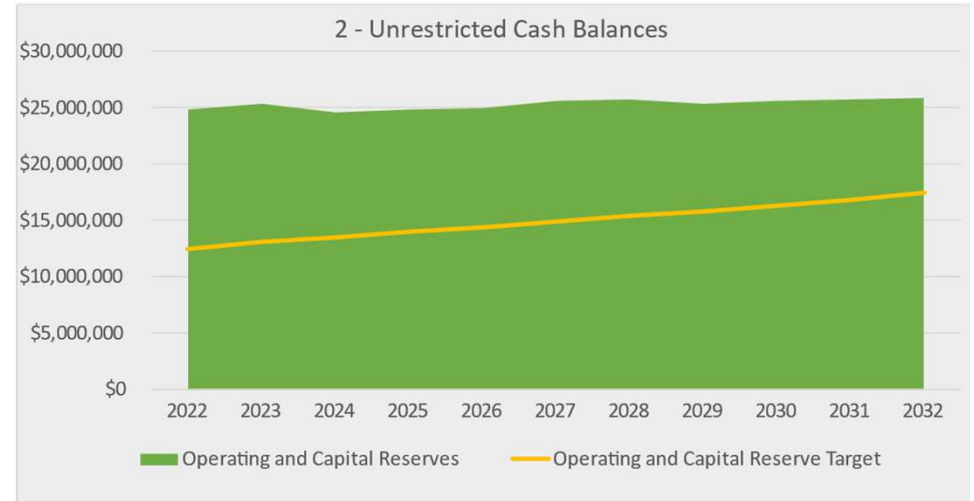
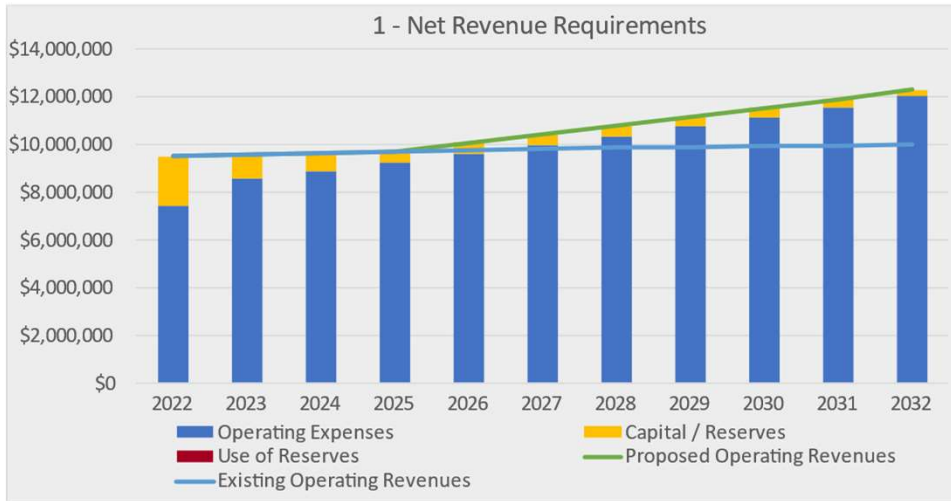
# Options Analysis

- All options set rates to at least recover operating expenses over the forecast period
  - › Assumes that grants and cash reserves will provide majority of capital funding
- Original FY19 Rate Plan Assumed Indexing in FY25
- Examined 2 Rate Option Proposals:
  - › Option 1
    - 3.5% Annual Indexing
    - Delayed from FY25 in FY19 Study to FY26
  - › Option 2
    - FY23 5% reduction
    - 3.5% indexing starting in FY25



# Option 1 – 3.5% Indexing Starting FY26

	Exist.	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Bill at 5,000 gal.	\$50.96	\$50.96	\$50.96	\$50.96	\$52.76	\$54.59	\$56.51	\$58.47	\$60.52	\$62.66	\$64.84
\$ Change	N/A	N/A	N/A	N/A	\$1.80	\$1.83	\$1.92	\$1.96	\$2.05	\$2.14	\$2.18

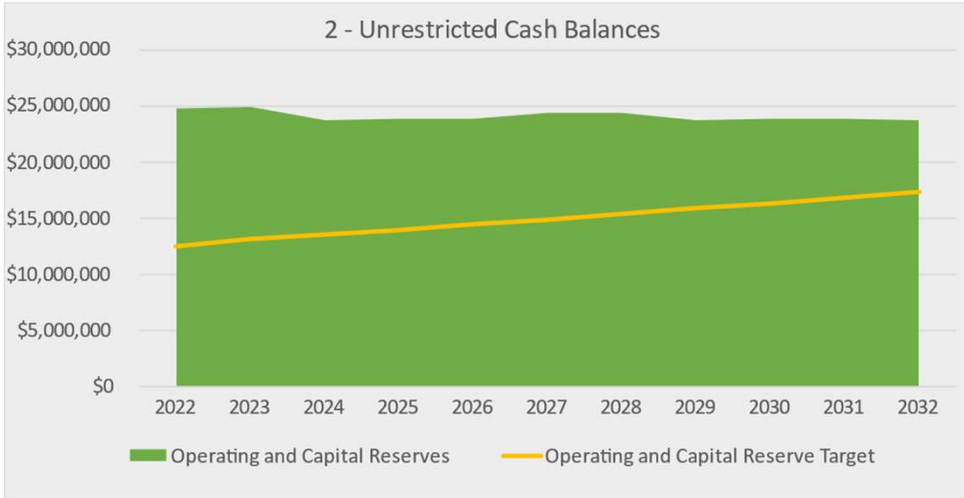
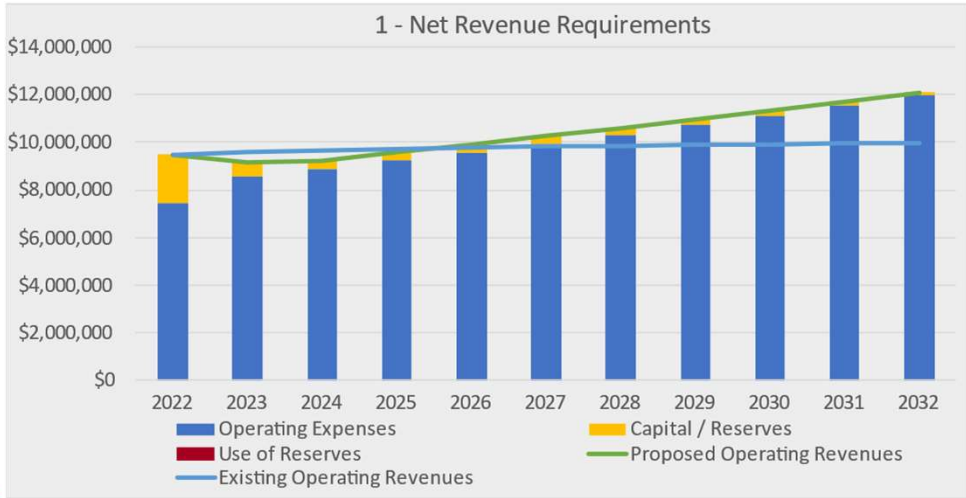




# Option 2 – 5% Reduction + 3.5% Indexing Starting FY25 (*recommended*)

- Balances objective to provide benefit to existing customers and maintain financial flexibility and stability

	Exist.	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Bill at 5,000 gal.	\$50.96	\$48.43	\$48.43	\$50.08	\$51.86	\$53.68	\$55.53	\$57.47	\$59.50	\$61.57	\$63.73
\$ Change	N/A	(\$2.53)	N/A	\$1.65	\$1.78	\$1.82	\$1.85	\$1.94	\$2.03	\$2.07	\$2.16



# Conclusions

- All rate options fully fund projected revenue requirements
- Current projections outperformed prior forecast overall
- District's cash reserves allow the District flexibility to reduce or defer rate increases for the benefit of existing rate payers
  - › Recommended Option (w/ Rate Reduction) still provides sufficient cash reserves maintaining ability to react and adjust rates as needed if current forecasts underperform
- Recommend the District review the revenue requirements Prior to Indexing (2 Years)



# Thank you!

**Raftelis Contacts:**

Thierry Boveri, CGFM, Vice President [tboveri@raftelis.com](mailto:tboveri@raftelis.com)

Trevor McCarthy, CGFM, Consultant [tmccarthy@raftelis.com](mailto:tmccarthy@raftelis.com)

Tristen Townsend, Associate Consultant [tmccarthy@raftelis.com](mailto:tmccarthy@raftelis.com)

