



Key Largo Wastewater Treatment District
103355 Overseas Hwy, Key Largo, FL
Tuesday, December 17, 2024

MINUTES

CALL TO ORDER (A)

Chairman Rodriguez called the meeting to order at 4:00 p.m.

PLEDGE OF ALLEGIANCE (B)

Commissioner Tim Maloney led the Pledge of Allegiance.

ROLL CALL (C)

Present were: Chairman Nicolas Rodriguez; Commissioners Sue Heim, Robert Majeska, Tim Maloney, and Philip Schwartz

Also present: General Manager Peter Rosasco; General Counsel Nicholas Mulick; District Clerk Shannon McCully; Finance Manager Connie Fazio; Field Manager Rudy Perez; Plant/Facilities Manager Ryan Dempsey; Weiler Engineering Lexi Connor; IT Support Deris De Leon

Appeared Virtually: Project Administration and HR Coordinator Laura Weinstock; IT Consultant Randy Redmond; IT Support Manny Santana

Guest Appeared Virtually: Trevor McCarthy, Raftelis Senior Consultant

AGENDA ADDITIONS, CORRECTIONS, OR DELETIONS (D)

Approval of Agenda (E-1)

Mr. Rosasco requested the addition of item *G-3 Florida Keys Day Discussion*

Motion: Commissioner Heim made a motion to approve the agenda as amended. Commissioner Maloney seconded the motion. Motion passed without objection.

PUBLIC COMMENT (E)

No speakers.

APPROVAL OF MINUTES (F)

Minutes of November 19, 2024 (G-1)

Commissioner Heim requested the addition of *Finance Manager Connie Fazio* under Roll Call (C)

Motion: Commissioner Maloney made a motion to approve the minutes of November 19, 2024, as amended. Commissioner Schwartz seconded the motion. Motion passed without objection.

GENERAL MANAGER (G)*Employee Recognitions (G-1)*

Mr. Rosasco recognized employee accomplishments for 2024.

Raftelis presentation for Rate Study (G-2) (Laydown)

Mr. McCarthy presented the Raftelis Rate Study. The item will be brought back January 7, 2025, for further discussion.

Florida Keys Day Discussion (G-3) (Laydown)

Mr. Rosasco discussed Florida Keys Day for 2025.

CUSTOMER SERVICE (H)*Customer Service Report – November 2024 (H-1)*

Ms. Fazio presented the Customer Service monthly report.

IT (I)*IT Report – November 2024 (I-1)*

Mr. Redmond presented the IT monthly report.

BUDGET AND FINANCE (J)*Budget and Finance Report – November 2024 (J-1)*

Ms. Fazio presented the Budget and Finance monthly report.

FY24 4th Quarter Financial Reports (J-2)

Ms. Fazio presented the 4th Quarter Financial Reports for 2024.

FIELD (K)*Field Report – November 2024 (K-1)*

Mr. Perez presented the Field monthly report.

PLANT/FACILITIES (L)*Plant/Facilities Report – October 2024 (L-1)*

Mr. Dempsey presented the Plant/Facilities monthly report.

CAPITAL PROJECTS (M)*Capital Projects Report – November 2024 (M-1)*

Ms. Connor presented the Capital Projects monthly report.

ENGINEERING (N)

No report in agenda.

LEGAL REPORT (O)*Conservation Parcel Waiver Request – Resolution 24-2024 (O-1)*

Mr. Mulick requested adoption of Resolution 24-2024.

Motion: Commissioner Heim made a motion to adopt Resolution 24-2024.
Commissioner Maloney seconded the motion.

Vote on Motion:

Commissioner Majeska – Aye
Commissioner Schwartz – Aye
Commissioner Heim – Aye
Chairman Maloney – Aye

Chairman Rodriguez – Aye

COMMISSIONER ITEMS (P)

No report in agenda

ROUNDTABLE DISCUSSION (Q)

Commissioner Heim requested the 12,000 Gallon Cap item be on the January 7, 2024, agenda.

ADJOURNMENT (R)

The meeting was adjourned at 6:52 p.m.



Nicolas Rodriguez, Chairman

Shannon McCully, Clerk

Key Largo

Wastewater Treatment District

2024 Wastewater Rate Study

Presented on December 17, 2024



Recap

- Raftelis performed a rate study in 2019 and 2022
 - › 2019 Study resulted in adoption of a 15% reduction
 - › 2022 Study resulted in an of an additional 5% reduction
 - Need for increases by FY25 identified
- 3 primary changes since last update:
 - › Projected retail rate revenues approximately 2% lower
 - › Projected FY25 operating expenses are 5% higher plus District staff indicate the need for \$300,000/yr in additional O&M cost beginning in FY26 for Collection System Action Plan
 - › Capital improvement plan has increased while the availability of future grant funding may decline



Recap (continued)

- Rate increases identified in order to:
 - › Keep pace with inflation in operating expenses
 - FY25 budgeted O&M of \$9.7 million while retail/wholesale rate revenues projected at \$8.9 million (9% deficiency)
 - O&M estimated to increase 4% annually
 - › Maintain adequate cash reserves
 - Minimum cash reserve target of 120 days of O&M plus 2 years of depreciation (≈\$13m in FY25)
 - › Provide pay-as-you-go funding for capital projects
 - › Maintain compliance with the rate covenant related to the outstanding SRF loan



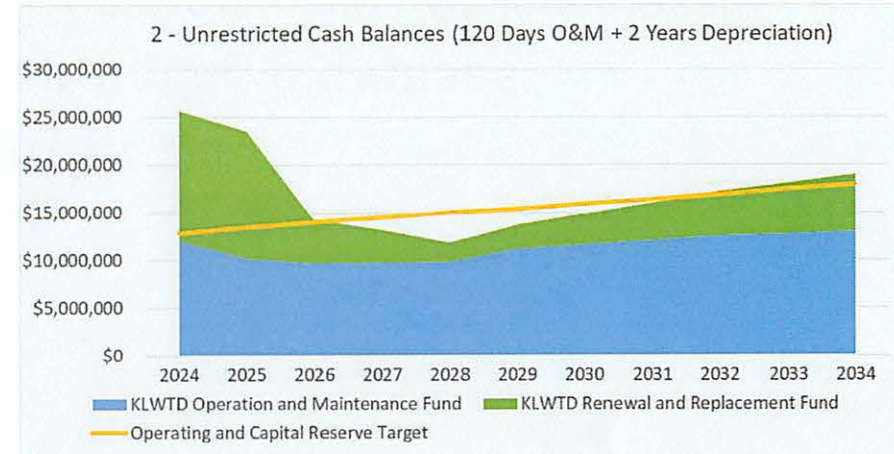
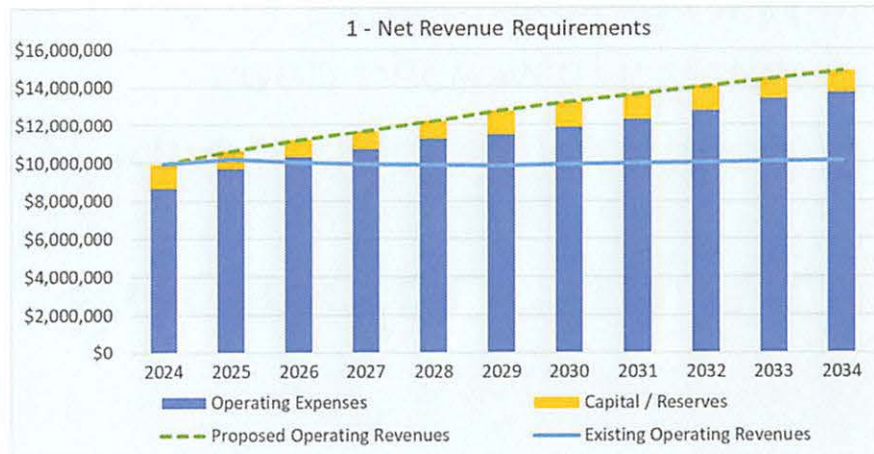
Proposed Rate Adjustments

Proposed Increases – Maintain Residential Sewer Cap

	Exist.	FY25	FY26	FY27*	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Bill at 4,000 gallons	\$44.17	\$47.67	\$51.17	\$54.67	\$58.17	\$61.67	\$63.67	\$65.67	\$67.67	\$69.67	\$71.67
\$ Change	N/A	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

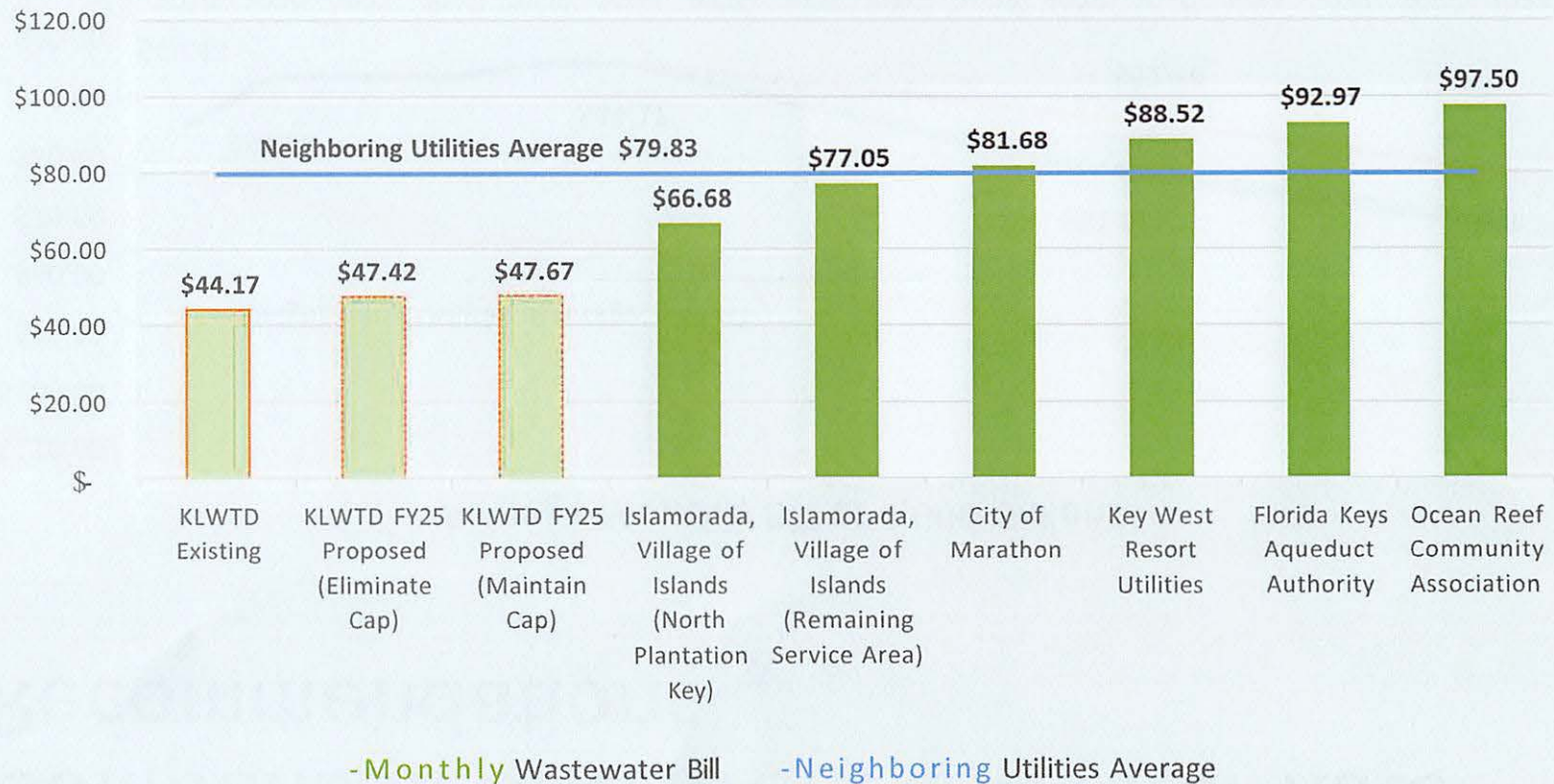
Proposed Increases – Remove Residential Sewer Cap

No Cap	Exist.	FY25	FY26	FY27*	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Bill at 4,000 gallons	\$44.17	\$47.42	\$50.67	\$53.92	\$57.17	\$60.42	\$62.42	\$64.42	\$66.42	\$68.42	\$70.42
\$ Change	N/A	\$3.25	\$3.25	\$3.25	\$3.25	\$3.25	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

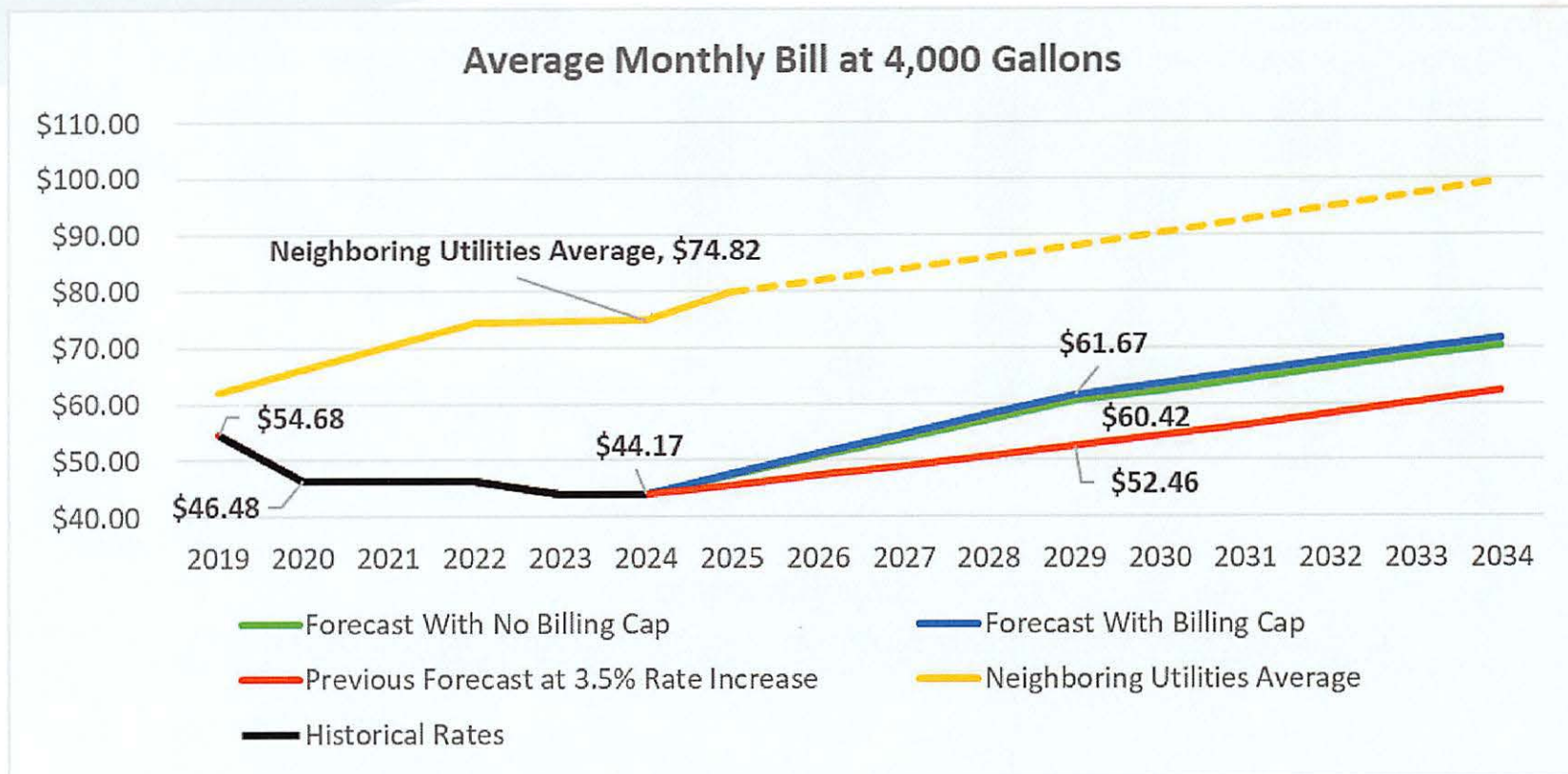


Rate Comparison

Comparison of Neighboring Utilities Monthly Residential Wastewater Bills
at 4,000 Gallons



Comparison of Current and Prior Rate Recommendations



- Neighboring utility average assumed to increase by 2.5% per year.

Alternative Rate Adjustments

Alternative Rate Increases – Maintain Residential Sewer Cap

	Exist.	FY25	FY26	FY27	FY28*	FY29	FY30	FY31	FY32	FY33	FY34
Bill at 4,000 gallons	\$44.17	\$47.17	\$50.17	\$53.17	\$56.17	\$59.17	\$62.17	\$65.17	\$68.17	\$71.17	\$74.17
\$ Change	N/A	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00

Alternative Rate Increases – Remove Residential Sewer Cap

No Cap	Exist.	FY25	FY26	FY27	FY28*	FY29	FY30	FY31	FY32	FY33	FY34
Bill at 4,000 gallons	\$44.17	\$46.92	\$49.67	\$52.42	\$55.17	\$57.92	\$60.67	\$63.42	\$66.17	\$68.92	\$71.67
\$ Change	N/A	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75

Pros

- Lower rate increases in first 5 years compared with initial proposed rate path
- Rates not back to pre-rate decrease level until FY28

Cons

- Results in higher bill by the end of 10-yr forecast
- 30 days short of 120 days of O&M target at end of forecast
- Higher risk in short term



Summary of Rate Path Options

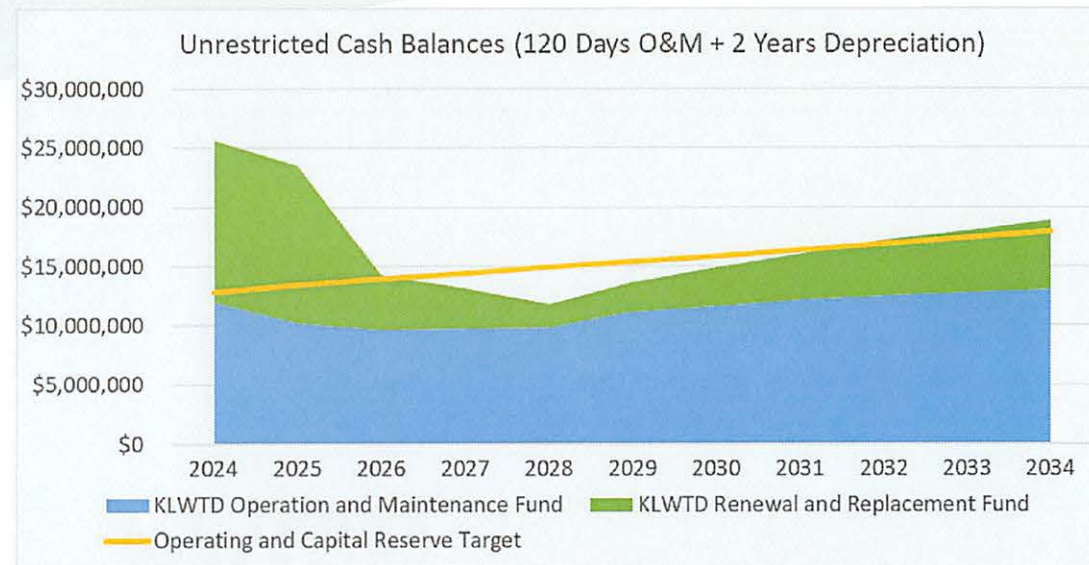
- The Proposed Rate Adjustments result in:
 - › Higher increases in the near-term (first 5 years)
 - › Lower average annual bill by year 10
 - › Higher cash reserve balances
 - › Less Risk
- The Alternate Rate Adjustments result in:
 - › Lower increases in the near-term
 - › Higher average annual bill by year 10
 - › Lower cash reserves but still above 365 days of O&M (except in FY28)
- Keep or eliminate 12,000 gallon cap on residential volumetric charge

FAQs

Comparison of Projected Cash Balances

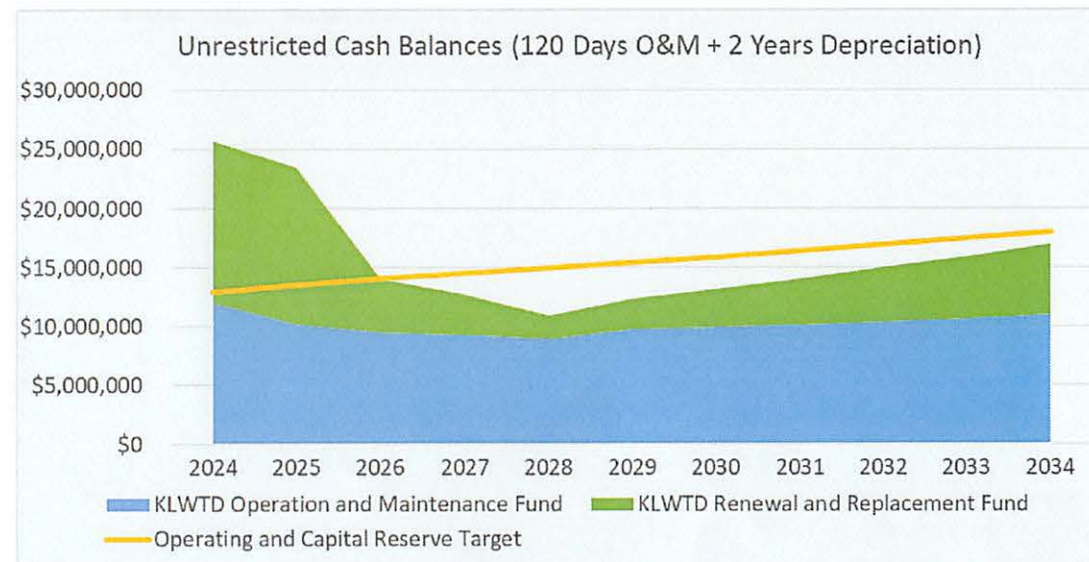
Proposed Rate Options

- Projected balance of \$18.9 million by FY34



Alternative Rate Options

- Projected balance of \$16.9 million by FY34



Proposed and Alternative Rates

Maintain Residential Sewer Cap

Proposed

Description	FY25	FY26	FY27	FY28	FY29
Base Charge (per EDU)	\$29.27	\$31.41	\$33.55	\$35.69	\$37.83
Usage Charge (per kgal)	\$4.60	\$4.94	\$5.28	\$5.62	\$5.96

Alternative

Description	FY25	FY26	FY27	FY28	FY29
Base Charge (per EDU)	\$28.97	\$30.81	\$32.65	\$34.49	\$36.33
Usage Charge (per kgal)	\$4.55	\$4.84	\$5.13	\$5.42	\$5.71

Remove Residential Sewer Cap

Proposed

Description	FY25	FY26	FY27	FY28	FY29
Base Charge (per EDU)	\$29.14	\$31.15	\$33.16	\$35.17	\$37.18
Usage Charge (per kgal)	\$4.57	\$4.88	\$5.19	\$5.50	\$5.81

Alternative

Description	FY25	FY26	FY27	FY28	FY29
Base Charge (per EDU)	\$28.80	\$30.47	\$32.14	\$33.81	\$35.48
Usage Charge (per kgal)	\$4.53	\$4.80	\$5.07	\$5.34	\$5.61

Thank you!

Raftelis Contacts:

Thierry Boveri, CGFM, Vice President tboveri@raftelis.com

Trevor McCarthy, CGFM, Senior Consultant tmccarthy@raftelis.com

Tristen Townsend, Consultant ttownsend@raftelis.com



Laydown December 17, 2024
Agenda Item G-3



MEMO

To: Ms. Connie Fazio, Finance Director
Key Largo Wastewater Treatment District

From: Mr. Trevor McCarthy, Senior Consultant
Raftelis Financial Consultants, Inc.

Date: December 6, 2024

Re: Commissioner Questions from Raftelis Presentation on October, 15 2024

FIXED VERSUS VARIABLE COST RECOVERY

Total retail base charge revenues were \$4,752,133 for calendar year 2023 compared with \$2,100,690 in volumetric charges. Base charge revenue makes up 63.8% of total retail revenues; this ratio is known as *fixed cost recovery*. The greater a utility's fixed cost recovery, the more stable and predictable are monthly revenues. Where seasonality, rain fall, and changes in customer habits affect potable water use, which in turn effects billed wastewater flows, the number of customers served by a utility typically changes in a gradual, more predictable manner. Another factor in the use of a base charge is equitability among rate payers. Base charges are often referred to as *readiness to serve charges*. The concept of readiness to serve recognizes that even if a customer returned no wastewater to the system for a period of time, there is a fixed cost associated with maintaining that customers capacity. In other words, the utility must be ready to serve that customer whenever they choose to initiate use of the system.

BILLED VERSUS TREATED FLOWS

In fiscal year 2023, the District's wastewater plant treated approximately 729,085,000 gallons of water, or an average of 1.997 million gallons per day. As with most utilities, District customers are billed for wastewater based upon their metered water consumption in addition to a monthly base charge. For residential customers, volumetric charges are capped at a maximum of 12,000 gallons per equivalent residential connection. Total revenue gallons for which volumetric charges were applied in fiscal year 2023 were approximately 911,116,000 gallons which is nearly 25% greater that the District's treated flows.

A variance between billed and treated flows is expected, since metered water flows only represent a proxy for wastewater returned to the system. All else equal, if the District could bill only for treated wastewater flows, the rate charged for each 1,000 gallons would need to be approximately 25% greater to recover the cost of operations.

(remainder of page intentionally left blank)

WASTEWATER TREATMENT COST PER 1,000 GALLONS

Determining the average cost to treat 1,000 gallons of wastewater requires the functionalization of operating costs. Based on discussions with staff, an estimate of treatment related operating expenses was identified based on each budgetary department's relation to wastewater treatment.

Description	Allocation	Amount
Administration	50%	\$1,239,254
Plant	100%	\$3,442,382
Field	0%	\$--
Facilities	50%	\$439,596
Total		\$5,121,232
Treated Flows (000s of gallons)		729,085
Cost per 1,000 Gallons		\$7.02

The costs associated with operating a wastewater utility are generally 75% to 85% fixed, which in turn means that incremental changes in treated flows have a minimal effect on the overall cost of providing service.