

City of Ocala

Utility Rate and System Development Fee Study

Executive Summary (Final)

Prepared on May 1, 2025

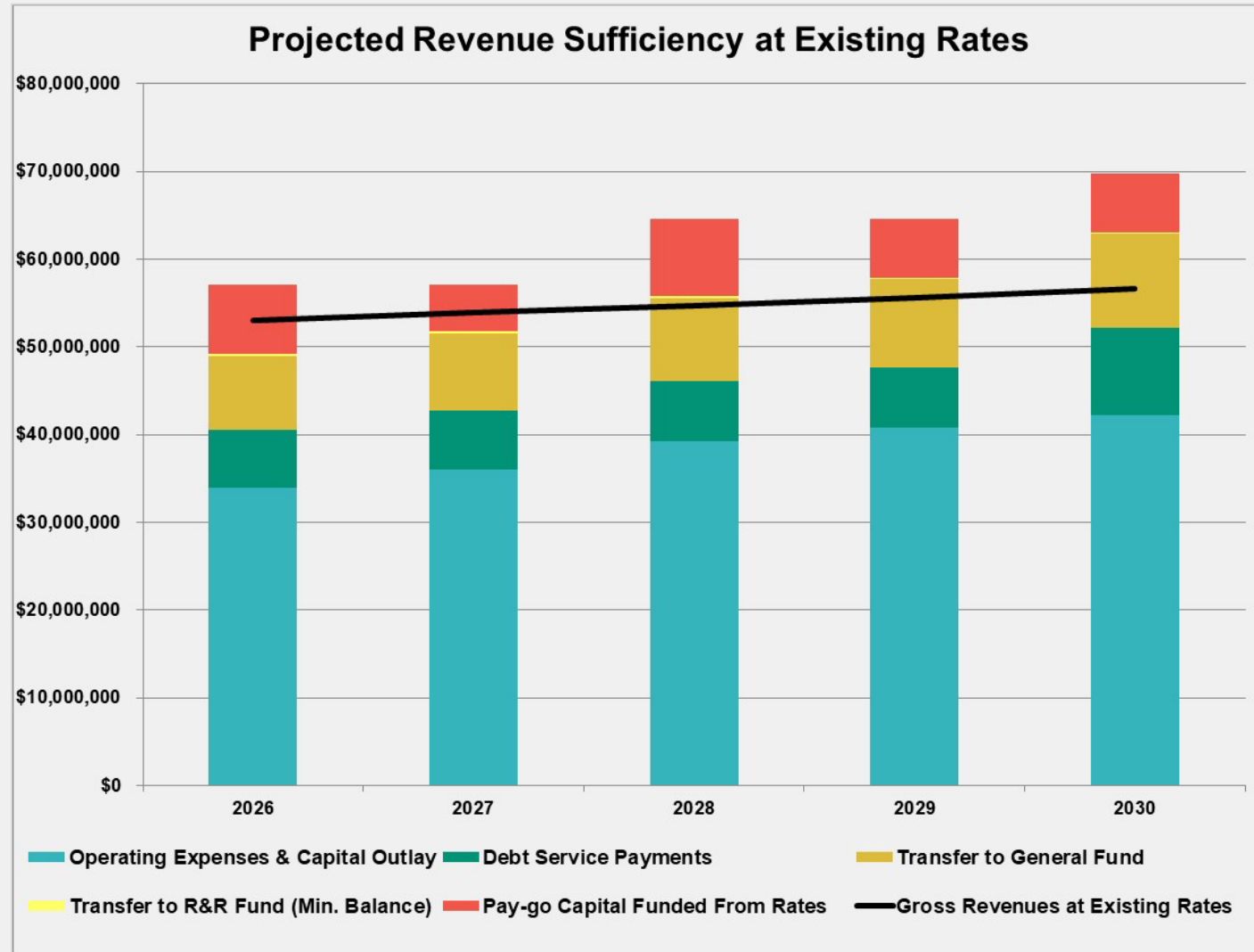
Revised to remove recommended Fire Protection Fees



Study Objectives & Tasks

- Ensure equity of fees and charges for new and existing customers
 - › Review water and wastewater development fees
 - › Update the miscellaneous utility service charges
- Evaluate the adequacy of monthly service rates
 - › Develop a funding strategy to pay for water and wastewater system operations, maintenance and capital repairs & upgrades

Projected Utility Operations



Capital Improvement Plan

- The total capital funding program for FY2026 to FY2030 totals \$116 million
 - › City estimates were adjusted by 5% annually to provide a contingency for construction inflation
 - › An allowance of approximately \$1.4 million per year is included to address facility maintenance, fleet replacement, and other utility related capital outlay
 - › Major projects through FY2030 include, but not limited to:
 - WTP #2 Facility Construction Costs: \$46.4 million
 - Master Plan Improvements: \$24.7 million
 - Water / Sewer Line (R&R) Improvements: \$7.5 million
 - WRF #3 Facility Expansion Design Costs: \$6.6 million
 - NW Ocala Wastewater Modeling: \$6.2 million
 - Sewer & Reuse Line Extension & Capacity Improvements: \$5.8 million
 - Lift Station Improvement Program: \$4.1 million

Capital Funding Strategy

- Water SRF Loan assumed for WTP#2 Expansion
 - › \$49.7 million (includes fees and capitalized interest)
 - › Repayment assumed to begin in FY2030 at \$3.2 million per year
 - › Assumes 20-year repayment at 2.5% annual interest
- Raftelis prioritized the use of wastewater impact fees for recurring capital costs and WRF#3 design
 - › Beyond FY2025, no wastewater impact fee revenues are available for wastewater and reclaimed water master plan projects
 - Amounts funded through Fund 308 (contributions from rate revenues)

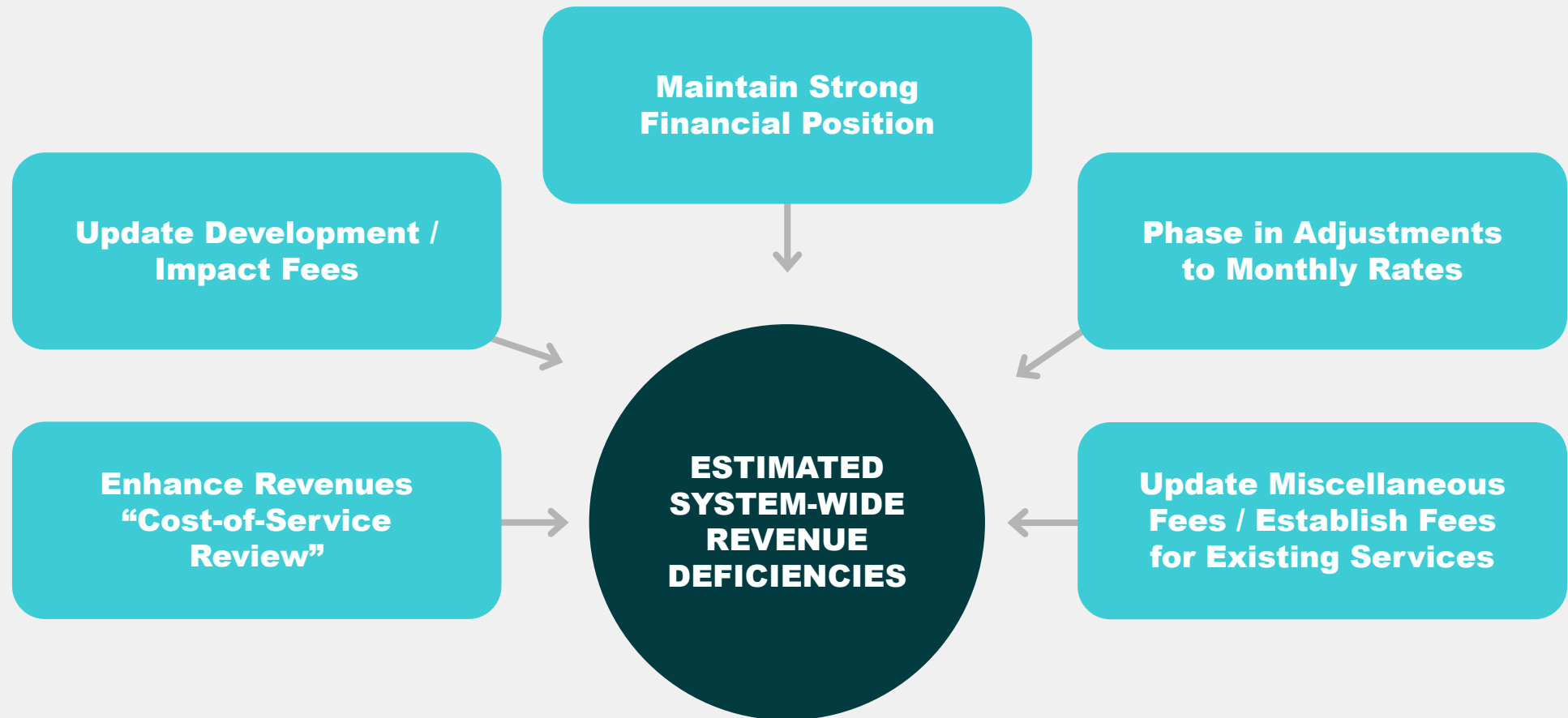
Capital Funding Strategy (cont.)

- Wastewater master plan expenditures exceed \$2.0 million per year by FY2029 / FY2030
 - › Assumed a Wastewater SRF Loan for the overage
 - \$7.0 million (includes fees and capitalized interest)
 - Repayment assumed to begin in FY2031 at \$0.4 million per year
 - Assumes 20-year repayment at 1.0% annual interest
- For NW Ocala Wastewater Modeling of \$6.2 million in FY2027 / FY2028, Raftelis allocated discretionary reserve funds

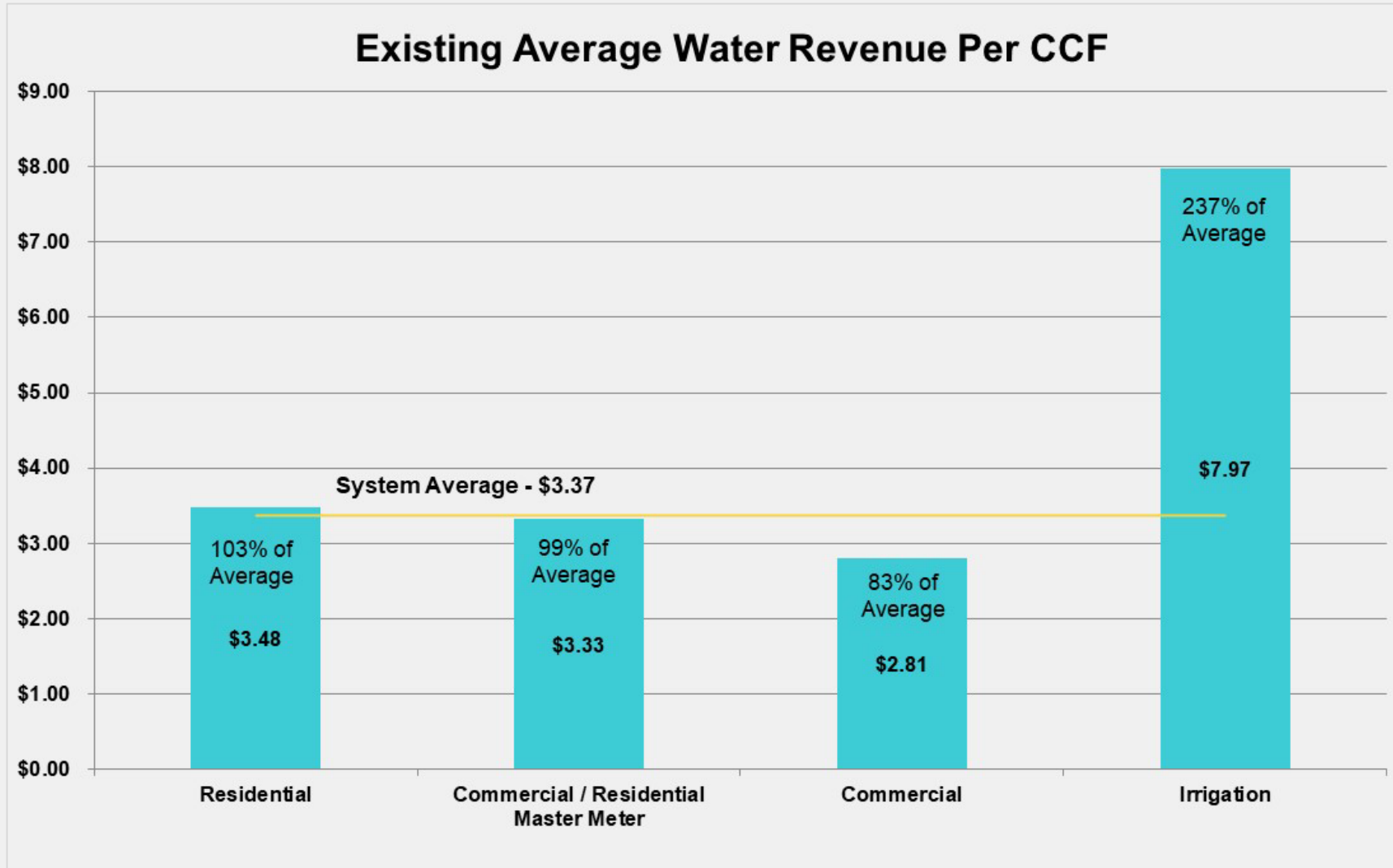
Other Required Transfers

- The System is required to set aside an average of \$6.7 million annually to cover existing debt service requirements
- To meet the capital maintenance needs, the System makes annual transfers to the Construction Fund 308 based on the CIP
 - › In accordance with the bond resolution, a minimum balance is required in the R&R Fund 656 equal to 5% of the previous year's gross revenues
 - Annual deposits from operating reserves to the R&R fund of approximately \$200,000 per year will be required during the study period
- System has required transfers to the General Fund:
 - › Based on 15% of gross revenues
 - › The transfer amount is anticipated to increase from \$6.1 million in FY2025 to \$10.7 million annually by FY30 under the proposed rate plan

Recommendations



Cost-of-Service Review



Proposed Commercial “True-up”

- Raftelis recommends increasing the usage rate by approximately 56-cents over the 5-year study period to better realign the costs of service
 - › Annual adjustment would be approximately 11-cents per year or a 1-1.5% increase to the typical commercial water and wastewater bill before considering any other system-wide rate adjustments
 - › The “True-up” is estimated to produce additional revenues of approximately \$1.0 million per year by FY2030 helping to offset or lower the system-wide adjustments as commercial customers pick-up their proportionate share of system costs
 - › While the usage rate is proposed to be increased, many commercial customers will still benefit from economies of scale resulting in lower costs when compared to the system average since large volumes of water are available through the various meter sizes

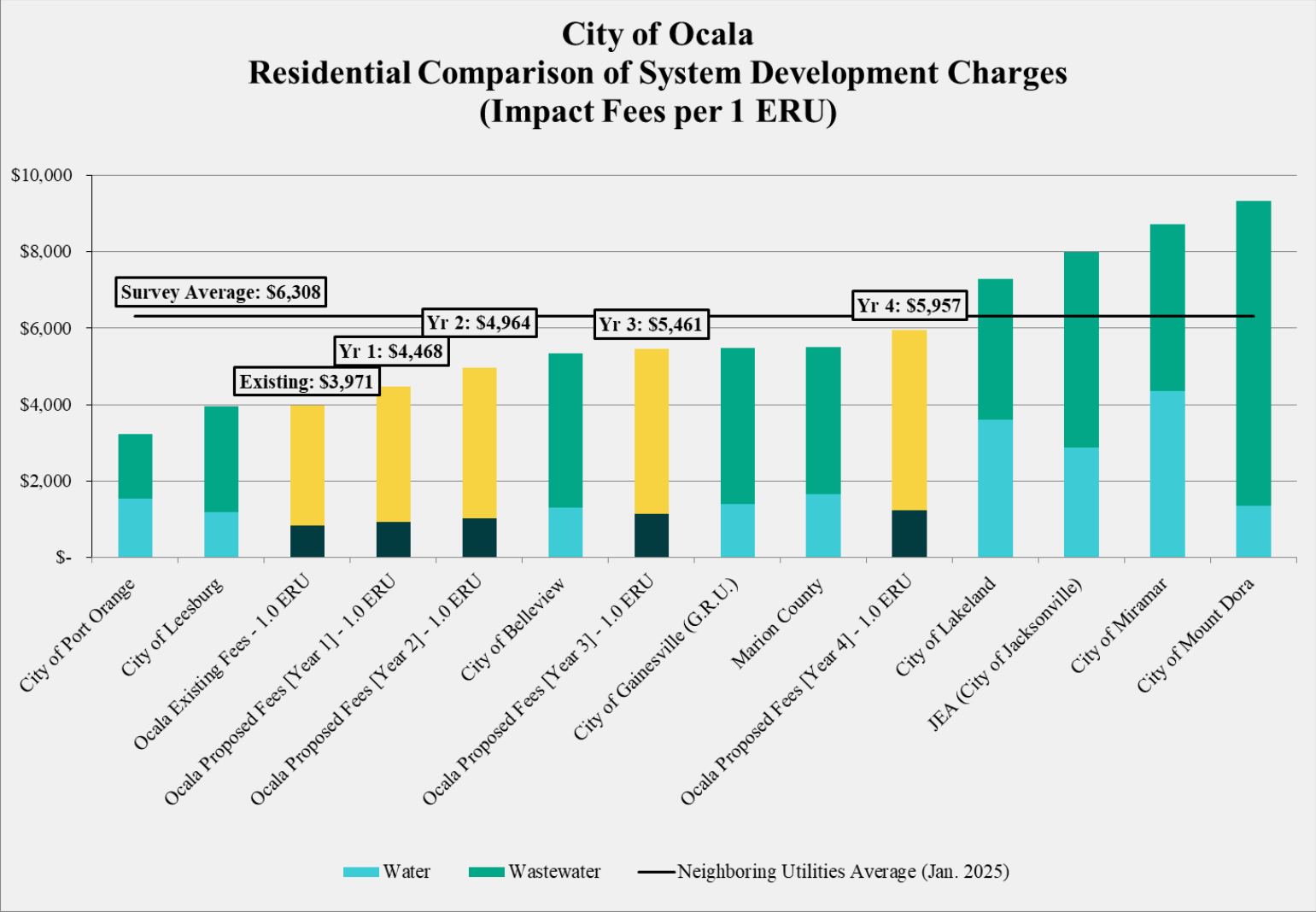
Update Development / Impact Fees

- Existing water and wastewater development fees implemented based on the FY2020 study
- Results of the study reflected significant increases in the cost of providing capacity to serve new customers
 - › *City “capped” increases at no greater than 25%*
- Basis for proposed development fees, **also known as impact fees**, for water and wastewater service
 - › Fees paid by new development that creates demands for system capacity
 - › Fees are used to pay for growth-related facilities and major equipment
 - › Avoids growth-related costs from burdening existing customers

Proposed Development / Impact Fees

Description	Water Fee	Wastewater Fee
Existing Fee per ERU	\$823	\$3,148
Calculated Cost per ERU	<u>\$1,799</u>	<u>\$5,253</u>
Percent Increase	119%	67%
Maximum Charge by FL Statute (50%)	\$1,235	\$4,722
Required (Equal) Phase-in:		
Proposed Fees per ERU – Year 1	\$926	\$3,542
Proposed Fees per ERU – Year 2	\$1,029	\$3,935
Proposed Fees per ERU – Year 3	\$1,132	\$4,329
Proposed Fees per ERU – Year 4	\$1,235	\$4,722
ERU = Equivalent Residential Unit comprised of 300 gallons per day (gpd) of water capacity and 250 gpd of wastewater capacity. Please refer to the detailed fee schedule for each year by customer class and service level.		

Impact Fee Comparison per 1 ERU



Maintain Strong Financial Position

- Fully fund the operating and capital requirements of the System over the study period
- Maintain adequate working capital reserve levels for the Operating Fund (455)
 - › Existing City Policy – Minimum of 90 days of operating expenses or approximately \$7.5 million (FY2025)
- Maintain a debt service coverage margin of at least 150%
 - › Reflects the amount of net revenues that are available to pay the principal and interest payments on utility system's debt

Proposed Adjustments to Monthly Service Rates

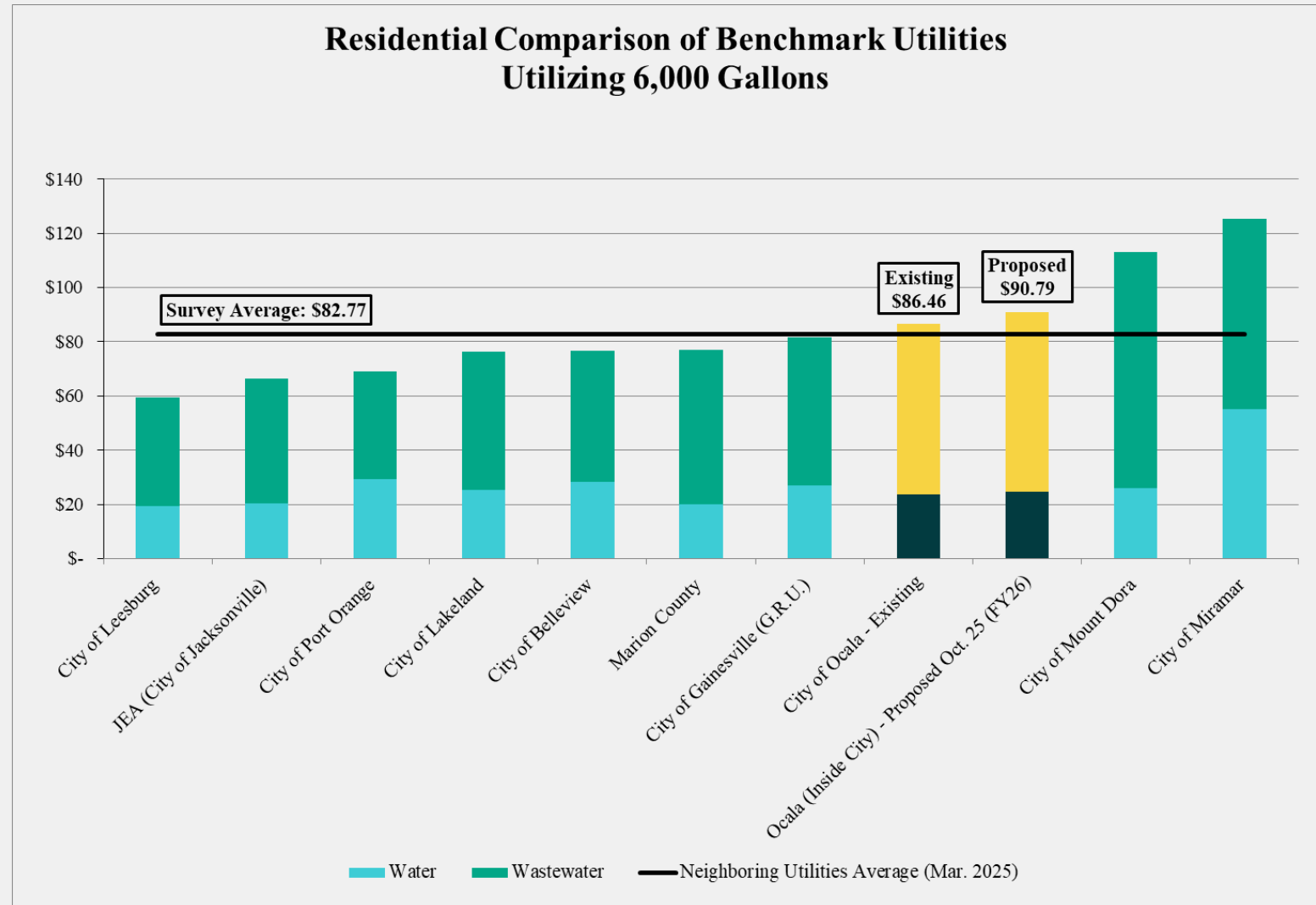
Description	Existing	FY26	FY27	FY28	FY29	FY30
Projected Rate Adjustments						
Percent Applied to Monthly Service Rates		5%	5%	5%	5%	CPI – 4% [*]
Increase in Residential Water and Wastewater Bill (6,000 Gallons or 8CCF)		<u>\$4.33</u>	<u>\$4.53</u>	<u>\$4.76</u>	<u>\$4.99</u>	<u>\$4.21</u>
Existing/Projected Residential Bill	\$86.46	\$90.79	\$95.32	\$100.08	\$105.07	\$109.28
Average Commercial Increase (with True-up)		6 - 6.5%	6 - 6.5%	6 - 6.5%	6 - 6.5%	5 - 5.5%
Projected Operating Reserves (Fund 455) – Days of Operating Expenses						
City Policy – Includes Non-cash Working Capital		244	215	160	179	185
Stress Test – Excludes Non-cash Working Capital		154	129	82	104	113
Required Minimum Balance		90	90	90	90	90

[*] Amount based on the annual US-CPI Water and Sewerage Maintenance Service Index, but not less than 4% (the recent 10-year avg.).

Residential Rate Comparison

Why fees differ among utilities?

- Levels of Service
- Source of Supply
- Proximity to Source of Supply
- Type of Treatment
- Availability of Grant Funding
- Utility Life Cycle (Growth-oriented vs. Mature)
- Age of System
- Density / Size of System



Survey: Background on Current Rates

- City of Belleview: Rates recently increased and effective as of 3/1/2025
- City of Gainesville (G.R.U.): Water rates have remained unchanged since at least FY20. Only sewer rates have increased since FY20.
- City of Jacksonville (JEA): Rates have remained unchanged for 13 years. JEA approved new rates to be effective 04/01/2025 and 10/01/2025 but outcomes will be unique. JEA estimates a 3.7% and 5.1% increase in the total electric, water and wastewater bill.
- City of Lakeland: Rates were recently increased, effective as of 10/1/2024 with additional increases through FY27.
- City of Leesburg: Rates are effective as of 11/1/2024.
- Marion County: Rates have remained unchanged since 2016.
- City of Miramar: Rates are effective as of 10/1/2024.
- City of Mount Dora: Rates are effective as of 1/7/2025.
- City of Port Orange: Rates are effective as of 1/1/2024.



Proposed Miscellaneous Utility Charges

Service Connection Charges

Description	Existing	Proposed
<u>City Installed</u>		
5/8" Meter	\$2,005	\$4,440
1" Meter	\$2,185	\$4,510
1 1/2" Meter	\$4,230	\$7,990
2" Meter	\$4,620	\$8,165
3" Meter and Up	<i>Developer Installed Only</i>	<i>Developer Installed Only</i>
<u>Developer Installed</u>		
5/8" Meter	\$315	\$315
1" Meter	\$400	\$400
1 1/2" Meter	\$805	\$805
2" Meter	\$950	\$950
3" Meter and Up	<i>Actual cost plus overhead</i>	<i>Actual cost plus overhead</i>
Service Charge	\$40	\$40

Hydrant or Jumper Fees

Description	Existing	Proposed
<u>Service Deposit</u>		
5/8" Meter	\$225	Actual Cost of Meter + \$1,000 ^[*]
3" Meter	\$1,150	Actual Cost of Meter + \$1,000 ^[*]
<u>Service Charges</u>		
Monthly Flat Rate – 5/8" Meter	\$125 plus consumption	\$125 plus consumption
Monthly Flat Rate – 3" Meter	\$125 plus consumption	\$175 plus consumption

^[*] City generally bills once every 6-months based on self reported meter readings. Amount of the additional deposit based on estimated (average charges) during the 6-month window.

Miscellaneous Charges

Description	Existing	Proposed
<u>Customer Requested Maintenance</u>		
<u>Disconnect / Reconnect per Trip</u>		
During Business Hours	No Charge	\$65
After Hours (After 3:00 PM)	No Charge	\$160
<u>Water Meter Manual Re-read per Trip</u>	\$40	\$45
<u>Water Meter Test Fee</u>	\$60	Actual Cost
<u>Customer Requested Site Visit (Not</u>		
<u>Otherwise Specified)</u>		
During Business Hours	No Charge	\$65
After Hours (After 3:00 PM)	No Charge	\$160

Miscellaneous Charges (cont.)

Description	Existing	Proposed
<u>Water Meter Disconnection for Non-payment</u>		
Reconnection During Business Hours	Sum of \$25 + \$25 or \$50	\$65
Reconnection After Hours (After 3:00 PM)	Sum of \$25 + \$75 or \$100	\$160
<u>Water Meter and/or Valve Tampering Fee</u>	\$262.50	Actual Cost + \$500
<u>Demo Permits</u>		
Water Demo – Cap water and remove meter	No Charge	\$170
Sewer Demo – Cap sewer service line	No Charge	\$1,035

Miscellaneous Charges (cont.)

Description	Existing	Proposed
Industrial Wastewater Services		
<u>Permit Application Fee</u>		
Discharge Customers	No Charge	\$720
Non-Discharge Customers	No Charge	\$250
<u>Annual Program Fee</u>		
Discharge Customers	No Charge	\$1,995
Non-Discharge Customers	No Charge	No Cost - \$0
<u>Laboratory Charges</u>		
Industrial Sampling Program with Excess Strength	\$40	\$40
F.O.G Excessive Strength	\$20	\$40
<u>Permit Modification / Permit Transfer</u>		
Discharge Customers	No Charge	\$360
Non-Discharge Customers	No Charge	\$125

Action Items

City Council should consider:

1. Implementing the proposed “Commercial True-up” to align costs of service
2. Updating the water and wastewater development / impact fees while providing a 90-day notice
3. Maintaining a strong financial position
4. Implementing the proposed water and wastewater rates through FY2029
5. Adopting an automatic annual index beginning in FY2030
6. Implementing the proposed miscellaneous utility charges and fees

Study results should be updated within 3-4 years to evaluate changes in the plan.

Next Steps

- Send required public notices with May utility bills
 - › Provide the date, time and location of the public hearings including June 3rd and June 17th
- June 3rd City Council Meeting
 - › Hold the first reading of the impact fee and miscellaneous charge ordinances
- June 17th City Council Meeting
 - › Hold a public hearing to consider:
 - Second and final reading of the impact fee and miscellaneous charge ordinances
 - Adopting the rate resolution that outlines the proposed monthly service rates
- Rates and fees proposed to be effective on and after October 1st

Q&A



Thank you!

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