



**Director of Financial Services**  
*"Committed to Quality"*

**MEMORANDUM**

TO: Fort Pierce City Commission

FROM: Nina B. Penick, CPA  
FPUA Director of Financial Services *NBP*

THROUGH: Clayton W. Lindstrom, P.E. *CWL*  
FPUA Director of Utilities

DATE: April 8, 2016

SUBJECT: Agenda Request for April 18, 2016 City Commission Meeting  
FPUA Water Rate Adjustment

In accordance with the provisions of the City of Fort Pierce Charter, Article XII, Section 176 (6), I am forwarding for consideration by the City Commission during the April 18, 2016 City Commission meeting, the following:

Request approval of Resolution No. UA 2016-02, which provides for a 3% increase in the water customer and volume charges, which was adopted by the FPUA Board on February 2, 2016.

The estimated fiscal impact on the City's budget is as follows:

	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Water rate adjustment (increased distribution and utility tax revenue), if effective May 1, 2016	\$12,000	\$40,000	\$55,000

If you have any questions or are in need of additional information, please contact me.

Attachments: Resolution No. UA 2016-02  
Presentation

## RESOLUTION NO. UA 2016-02

**A RESOLUTION AMENDING, SUPERSEDING, AND RESCINDING THE SCHEDULE OF RATES AND CHARGES FOR WATER SERVICES FURNISHED BY FORT PIERCE UTILITIES AUTHORITY, FORT PIERCE, FLORIDA, IN RESOLUTION NO. U.A. 2015-01, IN ACCORDANCE WITH THE CHARTER OF THE CITY OF FORT PIERCE, FLORIDA, ARTICLE XII; PROVIDING FOR A 3% INCREASE IN THE CUSTOMER AND VOLUME CHARGES; AND PROVIDING FOR AN EFFECTIVE DATE HEREOF.**

**WHEREAS**, Fort Pierce Utilities Authority was created and established by the City Commission of the City of Fort Pierce, Florida, through a referendum election held in said City on May 30, 1972; and

**WHEREAS**, the Charter of the City of Fort Pierce, Florida, Article XII, grants to said Fort Pierce Utilities Authority the power and duty to fix rates to be charged for gas, electricity, water, wastewater (sanitary sewer), and other Utility Services sold and services rendered by said Fort Pierce Utilities Authority;

**Now, therefore, be it resolved by Fort Pierce Utilities Authority (FPUA), Fort Pierce, Florida:**

**SECTION I: WATER SERVICE RATE SCHEDULE** - The schedule of rates and charges to be imposed for the commodity and facilities furnished by the water system of FPUA shall be subject to revision from time to time as may be necessary. Unless the context otherwise requires, the terms defined in this Resolution shall have the meanings specified in the Resolution entitled General Rules and Regulations Governing the Provision of Utility Service. The schedule thereof, which shall be applicable to all water service within the territory served by FPUA, with the exception of certain authorized contracts, shall be implemented as follows:

**A. MONTHLY RATE:** Monthly charges for water service are as follows:

<b>TABLE NO. W-1</b>					
<b>Meter Size</b>	<b>Included in Minimum Charge</b>			<b>(3.) Minimum Charge</b>	<b>(4.) Unmetered Fire Protection</b>
	<b>(1.) Customer Charge</b>	<b>Volume in Gallons</b>	<b>(2.) Volume Charge</b>		
5/8 x 3/4 inch	\$ 13.88	3,000	\$ 10.65	\$ 24.53	NA
1 inch	34.48	6,000	21.30	55.78	\$ 2.98
1 1/2 inch	69.00	12,000	42.60	111.60	NA
2 inch	110.33	18,000	63.90	174.23	6.74
3 inch	220.75	38,000	134.90	355.65	13.27
4 inch	344.75	52,000	184.60	529.35	19.81
6 inch	689.50	105,000	372.75	1,062.25	41.53
8 inch	1,103.22	180,000	639.00	1,742.22	67.27
10 inch	1,585.84	240,000	852.00	2,437.84	94.96

**1. Customer (Readiness-to-Serve) Charge,** as shown in Table No. W-1:

**a. Active Account:** The flat monthly charge based on the serving water Meter size.

**b. Inactive Account:** An active account becomes inactive when a Customer elects to voluntarily disconnect Utility Services. Voluntary disconnection includes services disconnected for nonpayment, and Meter(s) removed due to tampering. This charge would not be billed if the Meter has been removed from a structure which has been demolished. This charge is also referred to as the Customer Charge for Active Accounts, and will be billed to the owner of the property based on the serving water Meter size.

**c. Fire Flow Meters:** The Customer Charge for Fire Flow Meters will be the Customer Charge for the required equivalent domestic Meter size, excluding fire flow. When Fire Flow Meters are replaced, the Customer Charge will remain the same if the replacement Meter is equivalent in flow characteristics to the original Meter.

**2. Volume Charge:** For Residential and Commercial Customers, all additional water usage in excess of the gallon volume quantities listed in Table No. W-1 will be charged on the basis of monthly metered water usage at the rate of \$3.55 per 1,000 gallons. [See Conservation Charge (Section I.A.5.a.) for further explanation.]

**3. Minimum Charge:** As shown in Table No. W-1, the Minimum Charge is the Customer Charge plus the Volume Charge; the Volume Charge is based on a minimum number of gallons determined by the serving water Meter size.

**4. Unmetered Fire Protection:** As shown in Table No. W-1, Unmetered Fire Protection is the readiness-to-serve charge for private hydrants, sprinkler systems, hose cabinets, standpipes, or any other device used exclusively for fire protection.

5. **Exceptions:** The following volume charges differ from those listed in Table No. W-1.

TABLE NO. W-2		
Gallons Per Month	(a.) 5/8 x 3/4 Inch Conservation Charge	(b.) Irrigation Volume Charge
Up to 10,000 *	\$3.55	\$3.55
10,001 - 15,000	4.44	4.44
Over 15,000	5.33	7.52

\* This row is not an Exception, but is provided as a reference for clarity.

**a. Conservation Charge for 5/8 x 3/4 Inch Meters:** For the purpose of promoting water usage conservation, a Conservation Charge for all Residential and Commercial Customers served by 5/8 x 3/4 inch water Meters is shown in Table W-2. The Conservation Charge shall be 1.25 times the Volume Charge for water usage from 10,001 to 15,000 gallons per month, and 1.5 times the Volume Charge for water usage over 15,000 gallons per month.

**b. Irrigation Volume Charge:** As shown in Table No. W-2, all additional usage in excess of the gallons included in the Minimum Charge will be billed on the basis of monthly metered water usage at the rates listed.

**B. FIRE HYDRANT METERS:** When Water is delivered through a fire hydrant Meter on a temporary basis, the temporary Water billing rate will be at the 5/8 x 3/4 inch Meter rate unless, as determined by FPUA staff, demand and/or usage warrant a different rate.

**C. ANNUAL INDEXING PROVISION:** In order to ensure that FPUA utility rates shall be sufficient to pay all operating and maintenance expenses, capital outlay, bond interest and redemption costs, and all other costs of each respective utility operation, the FPUA Board may adjust the monthly rates and charges of the water system based on the Florida Public Service Commission annual price index without further action by the City Commission of the City of Fort Pierce. The price index is established by March 31 of each year and is calculated using a comparison of the U.S. Department of Commerce's average Gross Domestic Product Implicit Price Deflator Index for the preceding two years. Such new rates shall be submitted to the FPUA Board for approval and become effective following FPUA Board approval. If in any year the FPUA Board does not apply the price index to the current rates and charges of the water system, such adjustment shall not carry forward to future years.

**D. TAX ADJUSTMENT:** The amount computed at the above Monthly Rate shall be subject to taxes and assessments imposed by any governmental authority which are assessed on the basis of Meters or Customers or the price of or revenues from water service sold or volume of water purchased for sale or sold. Accordingly, Unmetered Fire Protection service charges are not subject to Utility Tax or Surcharge.

A utility tax of 10% shall be added to all rate schedules for service inside the city limits of the City of Fort Pierce, Florida. The amount will not exceed the limitation established by Subsection 166.231, Florida Statutes.

**E. SURCHARGE:** A surcharge of 25% shall be added to all rate schedules for service provided outside the city limits of the City of Fort Pierce, Florida. The amount will not exceed the limitation established by Subsection 180.191, Florida Statutes.

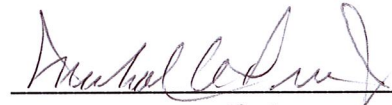
**SECTION II:** This Resolution and all rate changes referred to therein shall take effect the first billing cycle of the next billing month after the City Commission of the City of Fort Pierce, Florida approves such resolution.

**This 2<sup>nd</sup> day of February, 2016 A.D.**

ATTEST:



Secretary



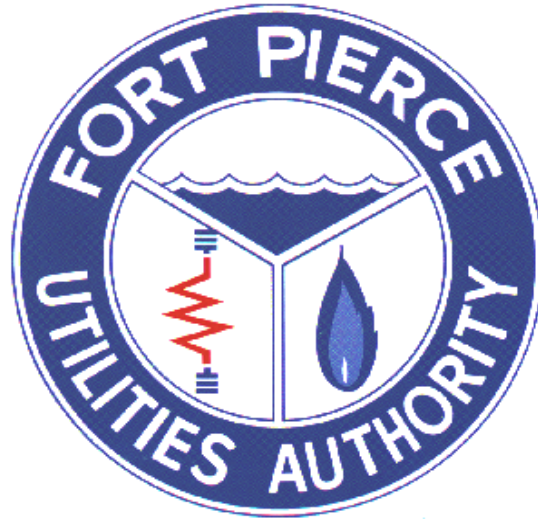
Chairman

Approved as to form and correctness:



Fort Pierce Utilities Authority Attorney

# The Fort Pierce Utilities Authority



## Summary of Utility Rate Study Presentation

Prepared April 8, 2016



Public Resources Management Group, Inc.  
*Utility, Rate, Financial and Management Consultants*



# Rate Study Tasks

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- ❖ Rate Study update for Fiscal Year 2016
  - ◆ Component of FPUA's long-range rate plan
  - ◆ Evaluate revenue sufficiency by utility system
  - ◆ Fund operating and capital-related costs on a stand-alone basis
  - ◆ Phase in rate increases to the extent possible
  
- ❖ Analyze existing operations
  - ◆ Customers, sales and revenues
  - ◆ Net Revenue Requirements (as defined in Bond Resolution)
    - Operating Expenses
    - Capital Improvement Requirements & Funding
    - Other Revenue Requirements
  - ◆ Adequacy of existing rates



# Major Annual Expenditures

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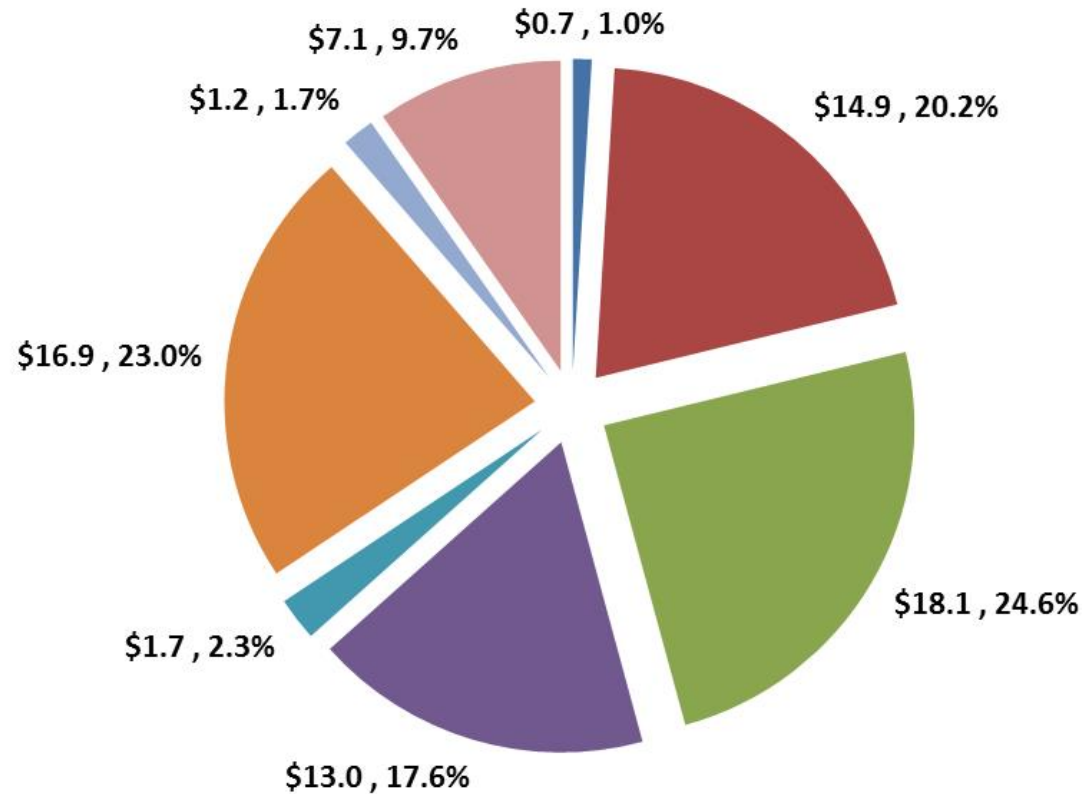
- ❖ Operating Expenses based on the Adopted Fiscal Year 2016 Budget
- ❖ No new debt currently assumed
  - ◆ Existing Debt Service Payments will decrease \$1.8 million in FY17 when the Series 2012 Bonds are paid off (as planned)
- ❖ Distribution to the City of Fort Pierce based on 6% of Gross Revenues or approximately \$5.7 million for the current year
- ❖ Capital Outlay and Renewals & Replacements should be funded each year on an on-going basis
  - ◆ Averages \$9.5 million per year or 10% of revenues based on the adopted capital plan





# Total Capital Plan - \$73.6 Million

Projected Funding of Capital Plan - FY16-20 (Millions)

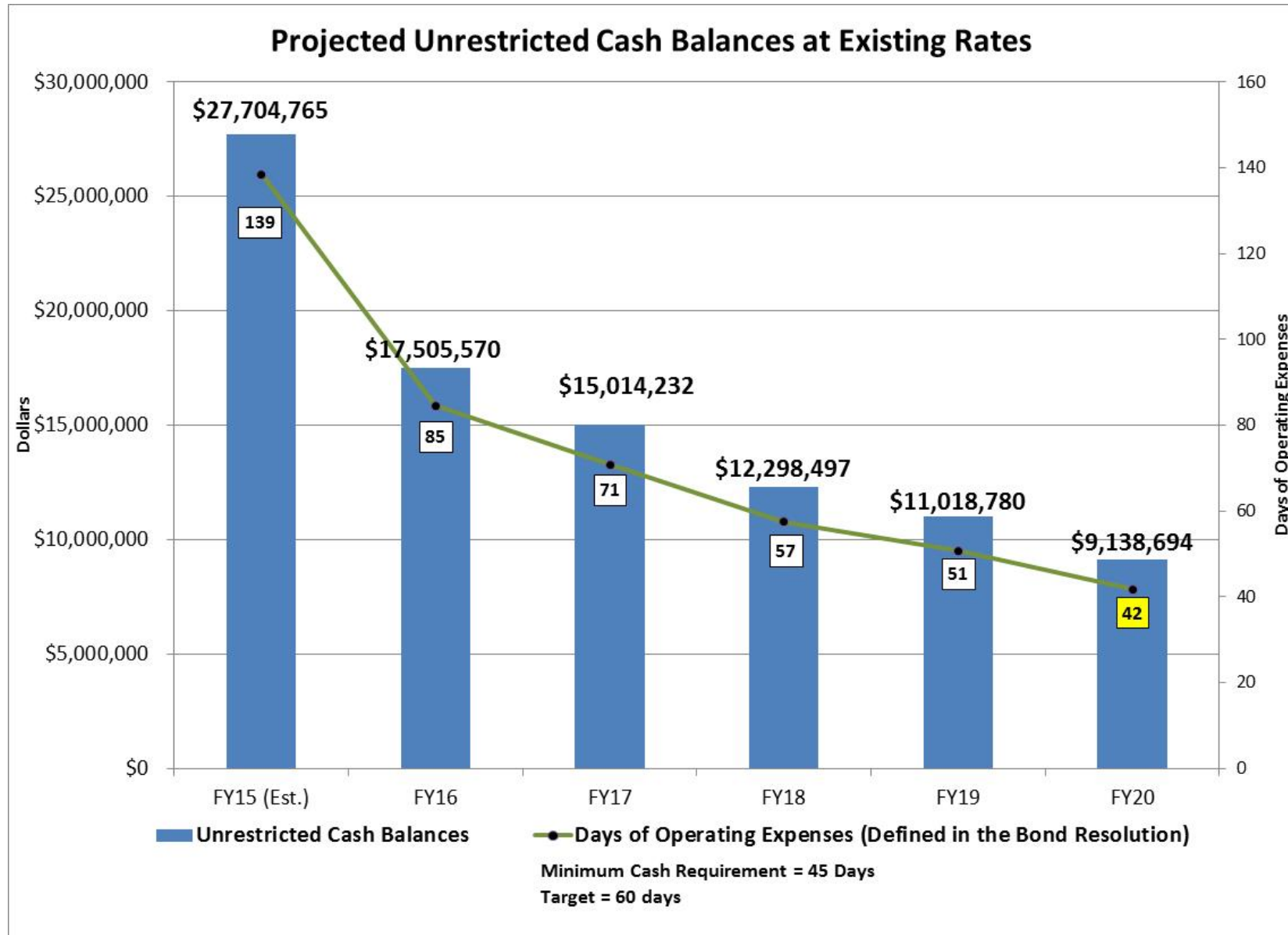


- Operating Reserves
- Water Revenues
- Natural Gas Revenues
- Other System Sources

- Electric Revenues
- Wastewater Revenues
- Contributions from Developers (CIA / CIC)
- Unfunded / Reserve for Contingencies



# Adequacy of Existing Rates





# Projected Water Rate Increases

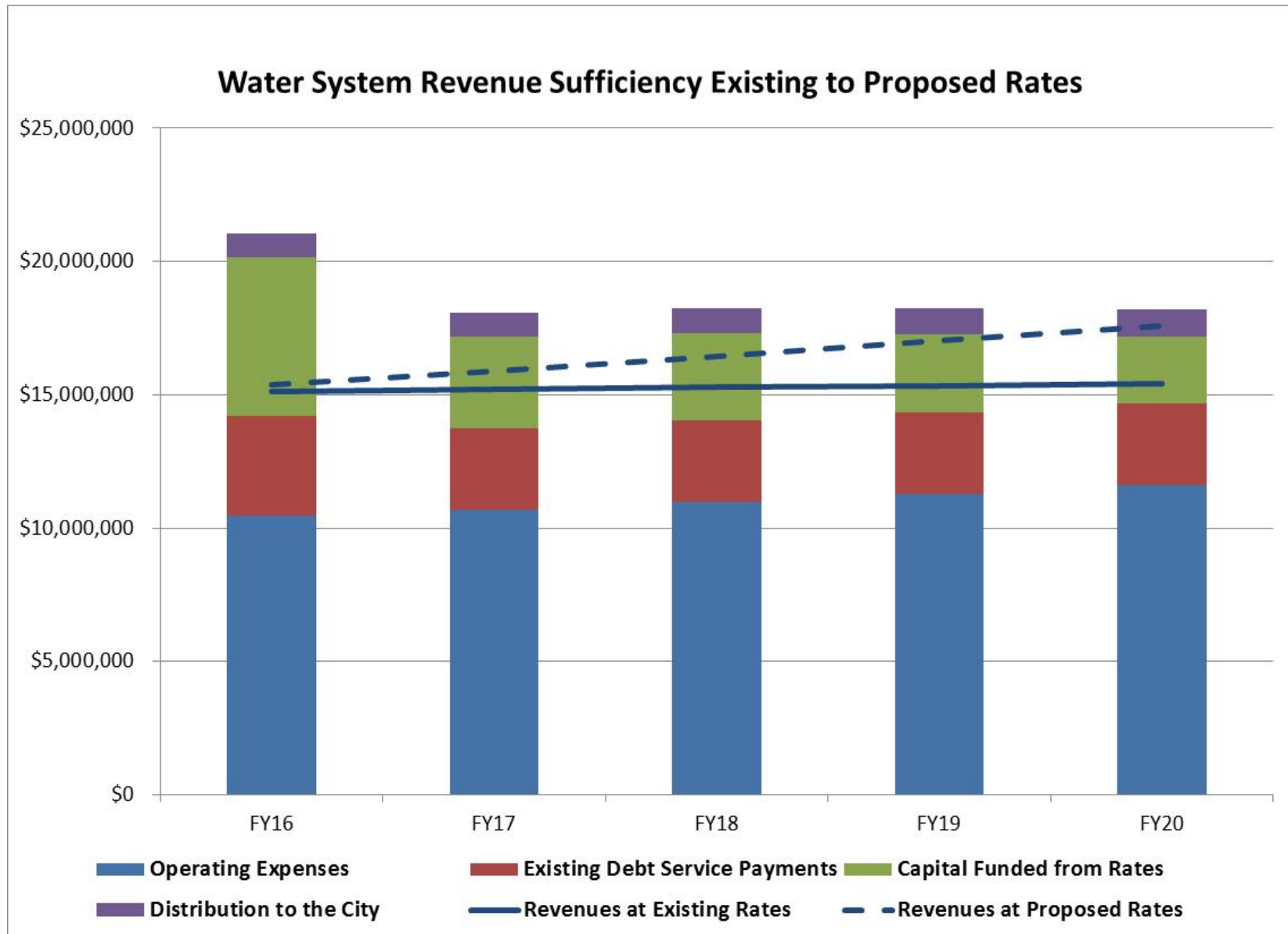
## Proposed Cost Recovery Strategy

<u>Description</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Proposed Annual Increases to FPUA Base Rates</b>					
Electric System	0.0%	0.0%	0.0%	0.0%	0.0%
Water System	3.0%	3.0%	3.0%	3.0%	3.0%
Wastewater System	0.0%	0.0%	0.0%	0.0%	0.0%
Natural Gas System	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Date	May. 1, 2016	Apr. 1, 2017	Apr. 1, 2018	Apr. 1, 2019	Apr. 1, 2020
<b>System-wide Annual Average Increase in Revenue</b>					
	0.4%	0.5%	0.5%	0.5%	0.5%
<b>Projected Cash Flow at Proposed Rates</b>					
Combined Annual Surplus / (Deficiency)	(\$6,070,752)	(\$964,735)	(\$1,970,844)	(\$31,085)	\$308,423
Percent of System Revenues	(6.6%)	(1.0%)	(2.0%)	(0.0%)	0.3%
<b>Projected Debt Service Coverage - Calculated</b>					
	209%	273%	283%	279%	274%
<b>Debt Service Coverage - Minimum Required</b>					
	125%	125%	125%	125%	125%

**Amounts based on current estimates.  
Rate Study should continue to be updated annually.**



# Adequacy of Existing & Proposed Water Rates



# 2016 Bill vs. 2015 Bill



**FORT PIERCE UTILITIES AUTHORITY**  
 PO BOX 3191  
 FORT PIERCE FL 34948-3191  
 WWW.FPUA.COM

Penalty charges, late fees, or reconnect charges may apply to any unpaid portion of the New Charges if paid after the due date. See Reverse side of the bill for more details. Copies of the Customer Service Policies and Service Charges may be obtained in FPUA's lobby or at WWW.FPUA.COM. For questions about your bill, please call FPUA at (772) 466-1600. (CALL 811 OR 1-800-432-4770 - 48 HOURS BEFORE DIGGING.)

Service Address: 2900 MAIN ST			Statement Date: 4/27/2016			
Account Number	Amount of Last Bill	Payments Received	Previous Balance	New Charges	New Charges Due Date	Total Due
72000000-100000	\$224.68	(\$224.68)		\$248.33	5/17/2016	\$248.33

ELECTRIC METER	E23036	MULT	DATE READ
Current Read	83,254		04/22/16
Previous Read	82,254		03/22/16
kWh Used	1,000		
Mar16	444 Nov15	665 Jul15	1,070
Feb16	695 Oct15	746 Jun15	895
Jan16	643 Sep15	902 May15	705
Dec15	443 Aug15	978 Apr15	607

WATER METER	W38567858	DATE READ	
Current Read	485	04/22/16	
Previous Read	479	03/22/16	
K Gals Used	6		
Mar16	9 Nov15	7 Jul15	10
Feb16	9 Oct15	9 Jun15	10
Jan16	8 Sep15	8 May15	8
Dec15	6 Aug15	9 Apr15	9

GAS METER	G208373	MULT	DATE READ
Current Read	5,465		04/22/16
Previous Read	5,457		03/22/16
CCF Used	8		
Mar16	16 Nov15	8 Jul15	5
Feb16	20 Oct15	9 Jun15	6
Jan16	20 Sep15	5 May15	10
Dec15	9 Aug15	5 Apr15	1

ELECTRIC SERVICE	RATE	CHARGE
CUSTOMER CHARGE		\$ 6.01
kWh USAGE	750 kWh @ 0.10822	\$ 81.16
751 AND OVER	250 kWh @ 0.11864	\$ 29.66
POWER COST ADJUSTMENT	1,000 kWh @ (0.00900)	\$ (9.00)
ELEC GROSS RECEIPTS RES		\$ 2.76
CITY UTILITY TAX ELECTRIC		\$ 4.85
	E23036	\$ 115.44
<b>TOTAL ELECTRIC SERVICE:</b>		<b>\$ 115.44</b>

WATER SERVICE	RATE	CHARGE
CUSTOMER CHARGE		\$ 13.88
WATER USAGE	3 K GALS @	\$ 10.65
WATER USAGE	3 K GALS @ 3.55000	\$ 10.65
CITY UTILITY TAX WATER		\$ 3.52
	W38567858	\$ 38.70
<b>TOTAL WATER SERVICE:</b>		<b>\$ 38.70</b>

WASTEWATER SERVICE	RATE	CHARGE
CUSTOMER CHARGE		\$ 15.30
WASTEWATER	6 K GALS @ 5.49000	\$ 32.94
	W38567858	\$ 48.24
<b>TOTAL WASTEWATER SERVICE:</b>		<b>\$ 48.24</b>

GAS SERVICE	RATE	CHARGE
CUSTOMER CHARGE		\$ 13.14
CCF USAGE	8 CCF @ 1.46000	\$ 11.68
PURCHASED GAS ADJUSTMENT	8 CCF @ (0.15000)	\$ (1.20)
GAS GROSS RECEIPTS RES		\$ 0.38
	G208373	\$ 24.00
<b>TOTAL GAS SERVICE:</b>		<b>\$ 24.00</b>

GARBAGE - For questions call 772-467-3000	RATE	CHARGE
GARBAGE RESIDENTIAL		\$ 19.25
GARBAGE RECYCLING		\$ 2.70
<b>TOTAL GARBAGE:</b>		<b>\$ 21.95</b>
<b>TOTAL BILLING:</b>		<b>\$ 248.33</b>

Statement Date: 3/27/2015	
New Charges Due Date	Total Due
4/16/2015	\$257.66

	RATE	CHARGE
		\$ 6.01
750 kWh @	0.10822	\$ 81.16
250 kWh @	0.11864	\$ 29.66
		\$ 2.99
		\$ 4.85
	E8183	\$ 124.67
<b>TOTAL ELECTRIC SERVICE:</b>		<b>\$ 124.67</b>

	RATE	CHARGE
		\$ 13.48
3 K GALS @		\$ 10.35
3 K GALS @	3.45000	\$ 10.35
		\$ 3.42
	W94104720	\$ 37.60
<b>TOTAL WATER SERVICE:</b>		<b>\$ 37.60</b>

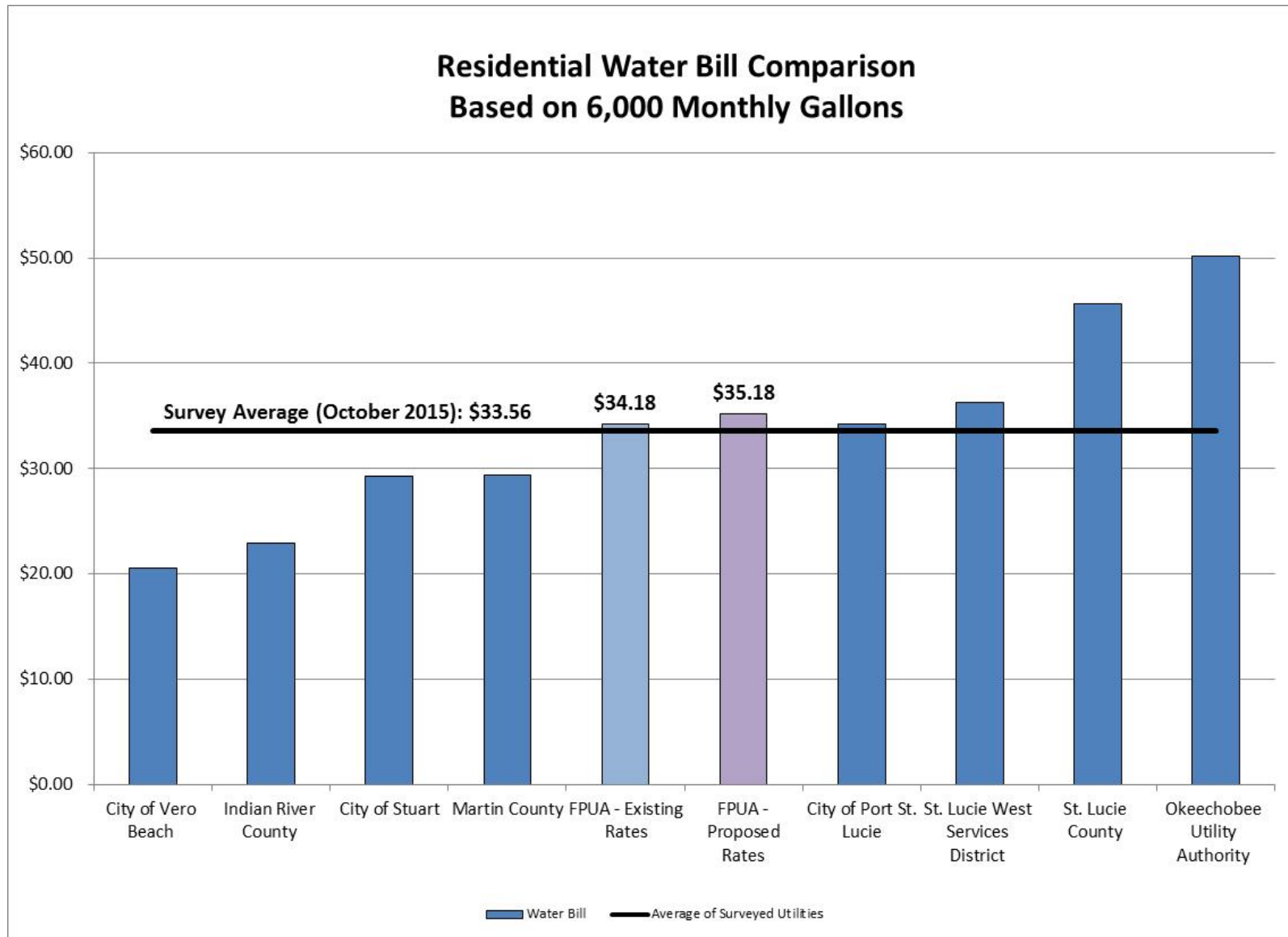
	RATE	CHARGE
		\$ 15.30
6 K GALS @	5.49000	\$ 32.94
	W94104720	\$ 48.24
<b>TOTAL WASTEWATER SERVICE:</b>		<b>\$ 48.24</b>

	RATE	CHARGE
		\$ 13.14
8CCF @	1.46000	\$ 11.68
		\$ 0.38
	G529085	\$ 25.20
<b>TOTAL GAS SERVICE:</b>		<b>\$ 25.20</b>

	RATE	CHARGE
		\$ 19.25
		\$ 2.70
<b>TOTAL GARBAGE:</b>		<b>\$ 21.95</b>
<b>TOTAL BILLING:</b>		<b>\$ 257.66</b>



# Residential Water Rate Comparison



- Amounts reflect charges on or after October 2015 and exclude all taxes and/or surcharges, if any.





# Conclusions & Recommendations

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- ❖ FPUA's existing water rates are not sufficient to meet the current financial obligations and operating needs of the system
- ❖ The City Commission should consider approving Resolution No. UA 2016-02, which provides for a 3% increase in the water customer and volumes charges that was adopted by the FPUA Board on February 2, 2016
- ❖ FPUA should continue to review its rates annually