



FLORIDA RURAL WATER ASSOCIATION

2970 Wellington Circle • Tallahassee, FL 32309-6885

Telephone: 850-668-2746 ~ Fax: 850-893-4581

Rate Review Summary

System:	TAYLOR COASTAL WATER & SEWER DISTRICT		
PWS:	3481506	Facility ID:	FLA325864
From:	Andrew Greene, USDA-RD Circuit Rider Florida Rural Water Association		
Date:	Decmeber 22, 2021		

Florida Rural Water Association is pleased to provide this rate study and recommendations to the Taylor Coastal Water & Sewer District as a free membership benefit and through USDA Rural Development support. FRWA is dedicated to assisting water and wastewater systems to provide Floridians with an ample affordable supply of high-quality water.

You should be congratulated for your utility system operations staff. With unfunded mandates continuing to roll down from state and federal governments along with the aging of pipes, pumps and plants, you have risen to the challenge and continue to operate the system providing safe drinking water. To make a very difficult job, more difficult, revenues have lagged behind expenses. Utility operators have done more with less each year, as measured in real dollars. They have shouldered the responsibility of running the system in a responsible manner and in compliance with state rules and regulations.

A RevPlan was used to complete the rate review. RevPlan is designed to enhance the asset and financial management for small Florida water utilities. The idea behind RevPlan is to provide an online tool for small water utilities to achieve financial resiliency and to maintain their utility assets for long-term sustainability. RevPlan will assist users in identifying the various utility funding requirements over a 5 to 20-year planning window. These funding requirements include capital funding, operating costs, and debt repayment. RevPlan allows the user to identify any rate adjustments necessary to meet the utility funding requirements and the impact rate increases may have on ratepayers.

Depreciation was not included in the rate study as this is a number created by the auditors and may not reflect actual conditions.

The water utility is a very valuable public asset. Every effort should be taken to protect, maintain and improve that asset. It is very important to provide adequate operation and maintenance monies to not overly depreciate the assets for current and future generations. Further it is important to have an Asset Management Plan and renewal, replacement or rehabilitation program for current asset beyond a Capital Improvement Plan which may be new assets, new service, expansion and growth related in a population increasing Florida. If we don't invest and keep up or core assets—water supply, storage, initial mains, etc. and they fail we can't serve the existing or new customers. Some of these core assets could be 100 years old or more and lived out their useful life.

Recommendation – include annual cost-of-living adjustments for the utility to keep pace with incremental costs into your rate ordinance – make this adjustment automatic based on a verifiable index. Use Florida Public Service Commission 2021 Price Index. ¹

1. **Recommendation** – revisit the revenue/expense predictions, current financial position and, other indicators during the annual budget approval process, adjusting the rates as needed.
2. **Recommendation** – the utility should continue to update its financial plan annually in order to assess the actual level of future rate adjustments necessary.
3. **Recommendation** – Utilize REV Plan & Diamond Maps for an Asset Management Plan to project future rate & revenue projections.
4. **Cost Savings.** Rate consultants charge anywhere from \$15,000 to \$50,000 for this type of report, and by using FRWA you have been prudent with ratepayer money. Consultant reports are much thicker in part to justify the fees, explain the results, and build a case for additional services, which means more consulting fees.

Accuracy of Revenue Predictions. We have relied upon such information to be accurate. Projected revenue precision is limited by the accuracy of the financial information provided – good information “in” equals good information “out”, and *vice versa*. Should you find that these recommended rates are not in-line with your needs, we suggest that you go back carefully review and update your financial records. We are always happy to return, revisit your rates, and adjust the analyses as necessary, please call me anytime.

Rate Study Objectives. Ideally utility rate setting should meet several goals and objectives. *The single most important goal of the study is to develop proposed utility rates that meet the projected expenditure requirements of the utility system in order to maintain sound financial operations and to fund the anticipated capital needs of the system.* The other goals and objectives considered in the study include the following:

- ✓ Proposed rates should be equitable among customer classes.
- ✓ Proposed rates should minimize “rate shock” to customers if possible.
- ✓ Proposed rates should promote the conservation of utility resources; and
- ✓ Proposed rates should maintain adequate reserves for emergencies and unforeseen capital.

¹ Florida Public Service Commission 2021 Price Index is found at <http://www.psc.state.fl.us/utilities/waterwastewater/>, click on “Price Index and Pass through Application for Water and Wastewater Utilities”.

The original mission for creation and ownership public water and wastewater utilities include many compelling objectives: (1) health and safety of citizens; (2) protect most vulnerable residents (aged, young, poor health, economically disadvantaged, etc.); (3) ability to return the profit ordinarily collected by a private entity to the customer in the form of lower rates; (4) provide fire protection; (5) tool to expand the tax base; (6) ability to shape, facilitate or control growth; and (7) promotes home rule and self-determination.

Rate Study Standards. FRWA uses contemporary industry standards for recommending and establishing utility rates, these include American Water Works Association (AWWA) Manuals of Practice, Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB), and Florida Public Service Commission guidelines.

Results of Rate Study. EPA recommends that water and wastewater systems set rates to ensure that there are enough revenues in place to support the costs of doing business. The full-cost pricing for rates shall include the costs for operating, maintaining, repairing, rehabilitating and replacing infrastructure. FRWA recommends an adjusted rate structure that is both fair and equitable and increases classifications to better fit your system's needs. We recommend that the rates classification be expanded into two categories: 1) Residential, 2) Commercial.

We also recommend the new rate schedule be evaluated annually to ensure it supports the current year budget and annual rate adjustments also include the Engineering News Record (ENR) Construction Consumer Index or the Florida Public Service Commission 2021 Price Index.

Adopting Rate Study Recommendations: Your legal counsel will confirm the requirements for your public notice and hearing(s).

Scheduling Presentation of Rate Study Findings and Recommendations. We are happy to come to Taylor Coastal Water & Sewer District to explain our analysis and report. We anticipate that you will have questions to discuss and options to consider. My presentation is between 20 to 30 minutes in length, which would be followed by discussion. This activity typically takes about 60 to 90 minutes and can be held during a special workshop meeting. This is an informative meeting and decisions about rates are usually taken at subsequent meetings. It is important that all board members be in attendance since the adoption of rate increases can produce public comment.

Adjusting your own Rates in the Future. It is our goal to provide enough documentation and rate study tools (spreadsheets) so you can review your budget for water and wastewater and adjust the rates for yourself in the future.

Findings: Attached are the results from your Rate Review.

We have enjoyed serving you and wish your water system the best. Please feel free to contact me if you have any further questions.

Sincerely,

Andrew Greene
FRWA-USDA Circuit Rider