RAFTELIS

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October 20, 2023

The Honorable Mayor and City Commission
City of Pompano Beach
Post Office Drawer 1300
Pompano Beach, Florida 33061

Dear Ladies and Gentlemen:

Raftelis Financial Consultants, Inc. ("Raftelis") is pleased to provide this executive summary to the City of Pompano Beach (City) to summarize the results of the rate study update prepared for the City's Utilities Department (Utility Department) for fiscal years (FY) 2024 through 2029.

I. Utility Fund

Over the past five years the Commission approved water, reuse, and wastewater rate increases which resulted in the following impacts on the average single-family residential customer.

Exhibit 1: History of Customer Impacts for Average Single-Family Residential Customer

Effective Date	FY 2020 (Oct. 1, 2019)	FY 2020 (January 1, 2020)	FY 2022 (Oct. 1, 2021)	FY 2023 (Oct. 1, 2022)	FY 2024 (Oct. 1, 2023)
Dollar Increase to Average Single-Family Customer Monthly Water/Sewer Bill (using 8,000 gallons)	***$2.50***	***$5.64***	***$6.12***	***$5.11***	***$0.0***
% Change in Water/Sewer Bill	**3.6%**	**7.8%**	**7.9%**	**6.1%**	**0.0%**

Raftelis has updated the rate and financial planning model that has been built for the Utility Department to determine the sufficiency of water, wastewater, and reuse rates over the next five-year period, fiscal year 2024 to 2029. The operations and maintenance costs are increasing by 8.4% in FY 2024 due to the following:

- Personnel costs (including benefits) are increasing by approximately $800,000.

- Chemical costs based on recent contract bids have doubled, adding approximately $600,000 of additional annual operating costs.
- Broward County increased its volumetric rate for treatment by 15.5% which will increase operating costs by $900.000.

The Model was also updated to incorporate the Utility Department's capital improvement plan (CIP). The Utility Department has identified a total of $193.9 million in capital improvement costs that will be required over the next seven years to meet regulatory requirements, to repair and replace water and wastewater infrastructure, and to expand the reuse system. It is anticipated that the City will need to issue debt of approximately $164.7 million to fund a significant portion of the capital improvement plan. Based on current interest rates for revenue bonds, this level of debt is estimated to add almost $11 million in annual debt service payments

Exhibit 2: Capital Improvement Expenditure Plan for Water, Reuse, and Wastewater (in millions)

YEAR	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	TOTAL
Funded Projects	**$2.9**	**$2.8**	**$4.0**	**$3.8**	**$6.1**	**$5.0**	**$4.5**	**$29.2**
Unfunded Projects	***$32.5***	***$39.0***	***$25.9***	***$29.8***	***$15.5***	***$17.3***	***$4.8***	***$164.7***
Total Projects	**$35.4**	**$41.8**	**$29.9**	**$33.6**	**$21.6**	**$22.3**	**$9.3**	**$193.9**

Raftelis annually reviews billable water and sewer flow to assist with projecting flows in future years. Overall, water consumption decreased by 4.8% in 2020, 1.2% in 2021 and then decreased by an additional 0.5% in 2022. Based on data available for FY 2023 as of the date of this report, it appears that 2023 usage may be slightly above FY 2022 levels. There are several factors that impact water demand such as rainfall, price elastic from increasing water and wastewater rates, efficient water use fixtures, increase in multi-family density (with little irrigation), etc. It is anticipated that customers will continue to cut back on their water use which impacts the levels of revenues generated by the Utility Department.

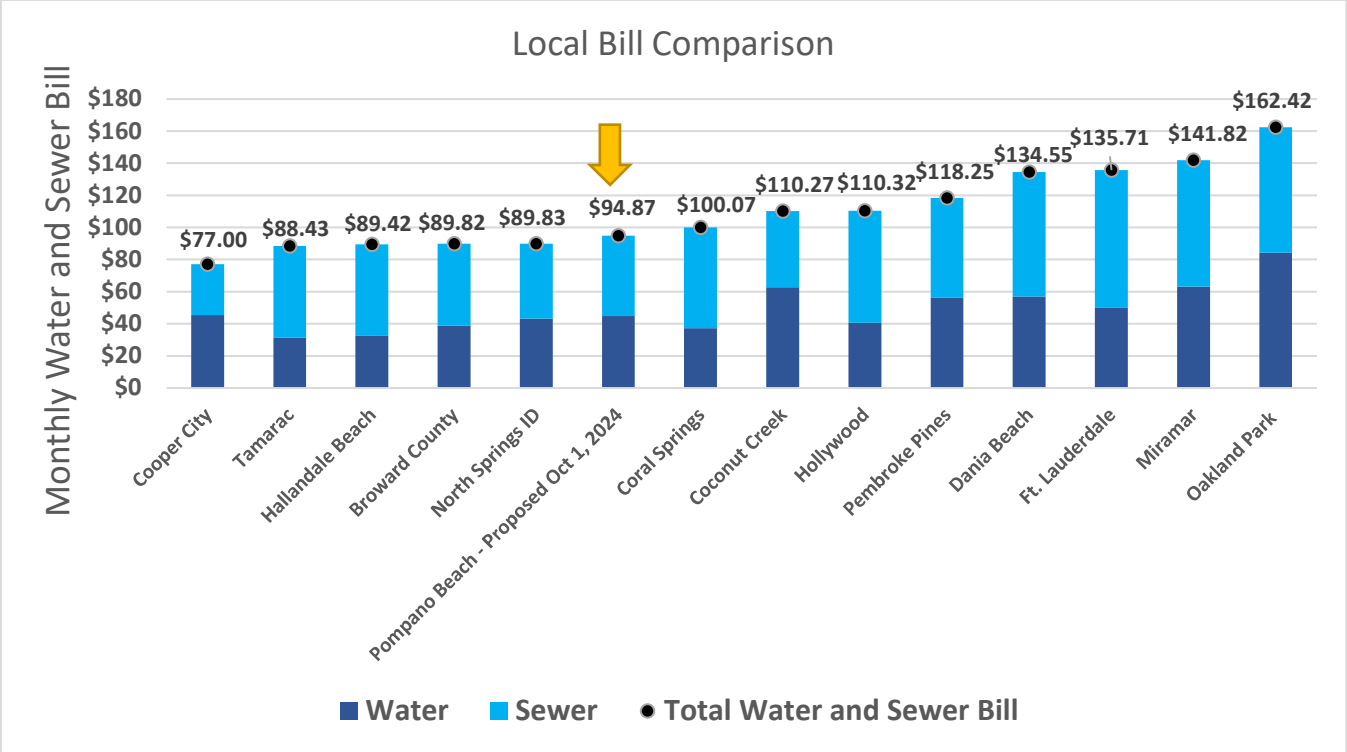
Due to increasing operations and maintenance costs, increasing debt service costs to fund the capital improvement plan, and decreasing water/sewer flow, the *existing* approved rates for FY 2024 will not cover the operations, maintenance, and capital improvements costs of the water, wastewater, and reuse systems in FY 2025 and beyond. To achieve the financial sufficiency required by the City, which includes meeting target debt service coverage and unrestricted reserve fund balances, the following rate increases are recommended, which will result in the following customer impacts for the average single-family residential customer. The proposed water and wastewater bill for the

average single-family residential customer will still be comparable to those of neighboring communities.

Exhibit 3: Proposed Water, Reuse, and Wastewater Rate Adjustments

YEAR	FY 2025 October 1, 2024	FY 2026 October 1, 2025	FY 2027 October 1, 2026	FY 2028 October 1, 2027	FY 2029 October 1, 2028
Water Rates	**9.50%**	**9.50%**	**9.50%**	**9.50%**	**9.50%**
Reuse	**12.00%**	**12.00%**	**12.00%**	**12.00%**	**12.00%**
Wastewater	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
Increase in the combined water/wastewater bill for the average Single-Family Customer using 8,000 gallons per month	***$5.82***	***$6.24***	***$6.76***	***$7.29***	***$7.85***
% Change in Average Single-Family Water/Wastewater Bill	***6.54%***	***6.58%***	***6.69%***	***6.76%***	***6.82%***

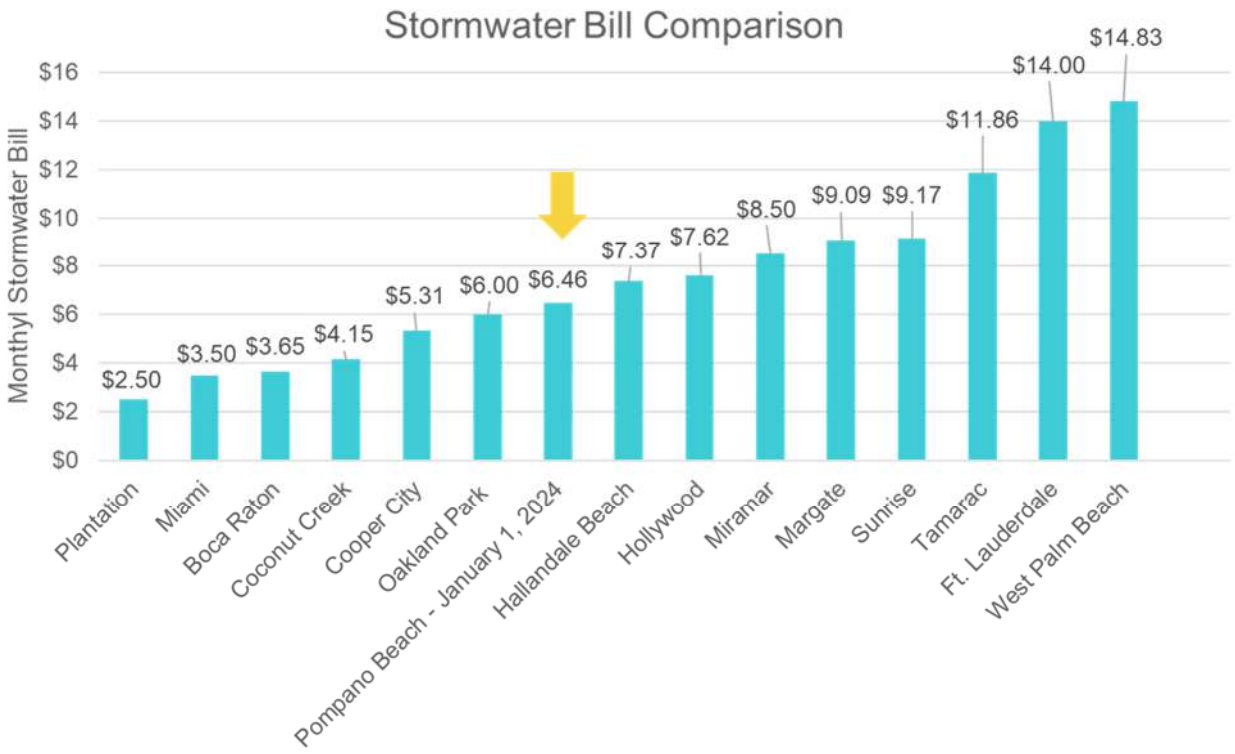
Exhibit 4: Local Bill Comparison for SF Residential Customers Using 8,000 gallons of water



II. Stormwater Utility

The Utility Department implemented a series of annual increases of approximately 7% per year to the stormwater rates from fiscal year 2014 through 2023 which were necessary to fund stormwater projects identified in the Utility Department's stormwater master plan. However, the Utility Department has identified additional stormwater and the recent debt issued to fund a portion of the capital projects is requiring rate increases to meet internal debt service coverage targets. The City will need to implement rate increases of 9.5% beginning on October 1, 2024, followed by additional increases of 9.5% per year through FY 2029. The rate increases will assist in funding capital projects in future years and higher operational costs resulting from the addition of more infrastructure. Additional stormwater facilities require more maintenance and cleaning thus a need to increase staffing. Even with continued rate adjustments, the City's monthly stormwater bill for residential customers will compare favorably when compared to local stormwater bills, as shown in Exhibit 5.

Exhibit 5: Residential Monthly Bill Comparison for Stormwater Rates



III. Miscellaneous Fees and Capacity Fees

The City currently assesses and collects a number of miscellaneous fees and charges which are used to offset revenue requirements and reduce revenues to be recovered through user rates and charges. Miscellaneous fees include one-time fees and tap fees. One-time fees are collected for services provided by the City such as setting up new accounts, returned check charges, etc. Tap fees are collected when the City connects a new customer to a local service line and are intended to recover the cost of making the physical connection to the utility system. These fees were last analyzed and updated in 2009. The results and the recommended fees are shown below. It is recommended that these fees **increase starting on January 1, 2024,** since these fees are only applied to customers that request these services and since these fees reflect current labor, equipment, and material costs. It should be noted that deposits are also recommended to increase. Deposits are calculated by estimating the average bill using current rates. The deposits have not been updated since 2009 and therefore the recommendation is to use current water and wastewater rates to calculate the deposits.

Exhibit 6: Proposed Miscellaneous Fees

Service	Current Fees	Cost of Service Based Fees	Recommended Fees	Range of fees charged by other Utilities
New Account	$20	$30	$40	*$10-$45*
Transfer Fee	$20	$50	$40	*$10-$45*
Disconnection Charge for Non-payment	$29	$39	$40	*$20-$80*
Re-connection After Cutoff - After Hours	$35	$57	$60	*$20-$120*
Non-Pay Service Charge - Meter Pull	$60	$72	$75	*$20-$85*
Returned Check Charge	$15	$41	$25	*$15 - $25*
Meter Testing Charge	$200	$165	$165	*$16-$180*

Exhibit 7: Proposed Tap/Connection Fees

Tap Fees	Current Fees	Cost of Service Based Fees	Recommended Fees
3/4"	$ 680.00	$ 1,034.00	$ 1,040.00
1"	$ 725.00	$ 1,269.00	$ 1,270.00
1 1/2"	$ 950.00	$ 1,847.00	$ 1,850.00
2"	$ 1,030.00	$ 2,568.00	$ 2,570.00
3" or greater	installation cost	installation cost	installation cost
Upgrades:			
Change from 3/4" to 1"	$ 410.00	$ 1,269.00	$ 1,270.00
Change from 3/4" to 1 1/2"	$ 875.00	$ 1,847.00	$ 1,850.00
Change from 3/4" to 2"	$ 1,010.00	$ 2,568.00	$ 2,570.00
Change from 1" to 1 1/2"	$ 840.00	$ 1,847.00	$ 1,850.00
Change from 1" to 2"	$ 975.00	$ 2,568.00	$ 2,570.00
Change from 1 1/2 to 2"	$ 895.00	$ 2,568.00	$ 2,570.00
Change to a meter > than 2"	installation cost	installation cost	installation cost

Raftelis also updated the calculation of the water and wastewater capacity fees that are assessed to new development based on current water and sewer system information and verified that the existing water and sewer capacity fees are still appropriate. No changes are recommended for these fees at this time.

Raftelis appreciates the opportunity to work with the City of Pompano Beach on this very important engagement. If you have any questions about the information presented above please contact me at (704) 936-4436

Sincerely,

Elaine V. Conti
Executive Vice President
Raftelis Financial Consultants, Inc.

Utility Fund Revenue Sufficiency Schedule With Rate Increases Starting October 1, 2024

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues from Water, Sewer, Reuse Rates	$ 55,497,922	$ 58,829,105	$ 62,389,807	$ 66,246,371	$ 70,392,595	$ 74,859,541
Other Operating Revenues						
Interest income on reserves	$ 372,062	$ 181,435	$ 175,124	$ 167,090	$ 173,866	$ 190,105
Tap/connection revenues	$ 182,000	$ 317,000	$ 317,000	$ 317,000	$ 317,000	$ 317,000
Miscellaneous revenues (new account set up, etcl)	$ 120,000	$ 156,000	$ 156,000	$ 156,000	$ 156,000	$ 156,000
Total revenues (1)	**$ 56,171,985**	**$ 59,483,540**	**$ 63,037,931**	**$ 66,886,461**	**$ 71,039,461**	**$ 75,522,646**
	0.8%	***5.9%***	***6.0%***	***6.1%***	***6.2%***	***6.3%***
O&M Expenses						
Water	$ 23,027,476	$ 23,718,466	$ 24,354,894	$ 25,008,537	$ 25,679,864	$ 26,369,357
Reuse	$ 3,144,091	$ 3,231,082	$ 3,320,499	$ 3,412,411	$ 3,506,888	$ 3,604,002
Wastewater	$ 21,743,913	$ 22,852,101	$ 23,431,049	$ 24,029,950	$ 23,507,580	$ 24,148,568
Subtotal O&M Expenses	$ 47,915,479	$ 49,801,648	$ 51,106,442	$ 52,450,898	$ 52,694,332	$ 54,121,927
	8.4%	***3.9%***	***2.6%***	***2.6%***	***0.5%***	***2.7%***
Capital Outlay	$ 2,775,217	$ 2,084,210	$ 2,146,736	$ 2,211,138	$ 2,277,472	$ 2,345,796
	37.2%	***-24.9%***	***3.0%***	***3.0%***	***3.0%***	***3.0%***
Debt Service						
Existing Debt Revenue Bonds	$ 679,687	$ 684,226	$ 683,636	$ 682,982	$ 687,264	$ 686,417
Proposed Debt Revenue Bonds	$ -	$ 3,685,050	$ 6,049,438	$ 7,482,075	$ 8,367,825	$ 10,303,500
Existing SRF Debt	$ 772,869	$ 772,869	$ 772,869	$ 772,869	$ 772,869	$ 772,869
Proposed SRF Debt						
Subtotal Debt Service	$ 1,452,556	$ 5,142,145	$ 7,505,942	$ 8,937,926	$ 9,827,958	$ 11,762,786
	-30.1%	***254.0%***	***46.0%***	***19.1%***	***10.0%***	***19.7%***
Rate Funded Capital	$ 4,000,000	$ 2,850,000	$ 2,790,000	$ 4,040,000	$ 3,790,000	$ 6,130,000
	-47.4%	***-28.8%***	***-2.1%***	***44.8%***	***-6.2%***	***61.7%***
Total Revenue Requirements	**$ 56,143,252**	**$ 59,878,002**	**$ 63,549,120**	**$ 67,639,962**	**$ 68,589,762**	**$ 74,360,509**
	0.4%	***6.7%***	***6.1%***	***6.4%***	***1.4%***	***8.4%***
Surplus/(Deficit)	***$ 28,733***	***$ (394,463)***	***$ (511,189)***	***$ (753,501)***	***$ 2,449,699***	***$ 1,162,137***

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Beginning Fund Balance (412 + 420) after surplus/deficit	$ 23,818,401	$ 23,975,071	$ 23,700,654	$ 23,315,821	$ 22,696,710	$ 25,274,023
Surplus/Deficit	$ 28,733	$ (394,463)	$ (511,189)	$ (753,501)	$ 2,449,699	$ 1,162,137
Capital recovery fee revenues (not counted towards coverage)	$ 500,000	$ 301,480	$ 301,480	$ 301,480	$ 301,480	$ 301,480
Ending Fund Balance	**$ 24,347,134**	**$ 23,882,089**	**$ 23,490,945**	**$ 22,863,800**	**$ 25,447,889**	**$ 26,737,641**
Days cash on hand	*185*	*175*	*168*	*159*	*176*	*180*
Target Ending Fund Balance (@ 35% of Total Rev Requmts)	*$ 19,650,138*	*$ 20,957,301*	*$ 22,242,192*	*$ 23,673,987*	*$ 24,006,417*	*$ 26,026,178*
Calculation of Debt Service Coverage						
Adminstrative service charges (included in O&M costs above)						
Water administrative service charge	$ (4,584,000)	$ (4,698,600)	$ (4,816,065)	$ (4,936,467)	$ (5,059,878)	$ (5,186,375)
Sewer administrative service charge	$ (2,393,421)	$ (2,453,257)	$ (2,514,588)	$ (2,577,453)	$ (2,641,889)	$ (2,707,936)
Subtotal	$ (6,977,421)	$ (7,151,857)	$ (7,330,653)	$ (7,513,919)	$ (7,701,767)	$ (7,894,311)
Net O&M expenses (removal of admin charge)	$ 40,938,058	$ 42,649,792	$ 43,775,789	$ 44,936,979	$ 44,992,565	$ 46,227,616
Net Revenues Available for Debt Service	**$ 15,233,926**	**$ 16,833,748**	**$ 19,262,142**	**$ 21,949,482**	**$ 26,046,896**	**$ 29,295,031**
Revenue Bond Service Coverage (excluding admin exp)	**22.41**	**3.85**	**2.86**	**2.69**	**2.88**	**2.67**
Total Debt Service Coverage (excluding admin exp)	**10.49**	**3.27**	**2.57**	**2.46**	**2.65**	**2.49**
Revenue Bond Service Coverage (including admin exp)	*12.15*	*2.22*	*1.77*	*1.77*	*2.03*	*1.95*
Total Debt Service Coverage (including admin exp)	*5.68*	*1.88*	*1.59*	*1.62*	*1.87*	*1.82*

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Proposed Rates With Rate Increases Starting October 1, 2024

Monthly Service Charges (Fixed)	2024	2025	2026	2027	2028	2029
Water						
Single Family						
3/4"	$17.11	$18.74	$20.52	$22.47	$24.60	$26.94
1"	$22.28	$24.40	$26.72	$29.26	$32.04	$35.08
1 1/2"	$31.32	$34.30	$37.56	$41.13	$45.04	$49.32
2"	$44.40	$48.62	$53.24	$58.30	$63.84	$69.90
% Change	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Multi-Family						
3/4"	$11.76	$12.88	$14.10	$15.44	$16.91	$18.52
1"	$15.81	$17.31	$18.95	$20.75	$22.72	$24.88
1 1/2"	$18.92	$20.72	$22.69	$24.85	$27.21	$29.79
2"	$30.95	$33.89	$37.11	$40.64	$44.50	$48.73
3"	$118.55	$129.81	$142.14	$155.64	$170.43	$186.62
4"	$150.45	$164.74	$180.39	$197.53	$216.30	$236.85
6"	$226.22	$247.71	$271.24	$297.01	$325.23	$356.13
8"	$312.59	$342.29	$374.81	$410.42	$449.41	$492.10
10"	$473.85	$518.87	$568.16	$622.14	$681.24	$745.96
Each additional unit	$5.41	$5.92	$6.48	$7.10	$7.77	$8.51
% Change	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Irrigation						
3/4"	$11.76	$12.88	$14.10	$15.44	$16.91	$18.52
1"	$15.81	$17.31	$18.95	$20.75	$22.72	$24.88
1 1/2"	$18.92	$20.72	$22.69	$24.85	$27.21	$29.79
2"	$30.95	$33.89	$37.11	$40.64	$44.50	$48.73
3"	$118.55	$129.81	$142.14	$155.64	$170.43	$186.62
4"	$150.45	$164.74	$180.39	$197.53	$216.30	$236.85
6"	$226.22	$247.71	$271.24	$297.01	$325.23	$356.13
8"	$312.59	$342.29	$374.81	$410.42	$449.41	$492.10
10"	$473.85	$518.87	$568.16	$622.14	$681.24	$745.96
% Change	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Commercial						
3/4"	$19.53	$21.39	$23.42	$25.64	$28.08	$30.75
1"	$25.35	$27.76	$30.40	$33.29	$36.45	$39.91
1 1/2"	$35.73	$39.12	$42.84	$46.91	$51.37	$56.25
2"	$50.67	$55.48	$60.75	$66.52	$72.84	$79.76
3"	$194.97	$213.49	$233.77	$255.98	$280.30	$306.93
4"	$247.56	$271.08	$296.83	$325.03	$355.91	$389.72
6"	$372.29	$407.66	$446.39	$488.80	$535.24	$586.09
8"	$514.60	$563.49	$617.02	$675.64	$739.83	$810.11
10"	$729.04	$798.30	$874.14	$957.18	$1,048.11	$1,147.68
Each additional unit	$10.09	$11.05	$12.10	$13.25	$14.51	$15.89
12"						
% Change	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Reuse						
3/4"	$10.39	$11.64	$13.04	$14.60	$16.35	$18.31
1"	$25.99	$29.11	$32.60	$36.51	$40.89	$45.80
1 1/2"	$52.00	$58.24	$65.23	$73.06	$81.83	$91.65
2"	$83.19	$93.17	$104.35	$116.87	$130.89	$146.60
3"	$155.99	$174.71	$195.68	$219.16	$245.46	$274.92
4"	$259.97	$291.17	$326.11	$365.24	$409.07	$458.16
6"	$519.91	$582.30	$652.18	$730.44	$818.09	$916.26
8"	$831.86	$931.68	$1,043.48	$1,168.70	$1,308.94	$1,466.01
10"	$1,039.82	$1,164.60	$1,304.35	$1,460.87	$1,636.17	$1,832.51
% Change	0.0%	12.0%	12.0%	12.0%	12.0%	12.0%

WATER Volume Charge	2024	2025	2026	2027	2028	2029
Single-Family and Multi-Family Residential						
Block 1	$2.97	$3.25	$3.56	$3.90	$4.27	$4.68
Block 2	$4.08	$4.47	$4.89	$5.35	$5.86	$6.42
Block 3	$5.67	$6.21	$6.80	$7.45	$8.16	$8.94
Block 4	$7.98	$8.74	$9.57	$10.48	$11.48	$12.57
% Change	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Commercial						
Tier 1	$2.97	$3.25	$3.56	$3.90	$4.27	$4.68
% Change	0.0%	9.4%	9.5%	9.6%	9.5%	9.6%
Tier 2	$4.30	$4.71	$5.16	$5.65	$6.19	$6.78
% Change	0.0%	9.5%	9.6%	9.5%	9.6%	9.5%
Irrigation						
Block 1	$4.57	$5.00	$5.48	$6.00	$6.57	$7.19
Block 2	$6.11	$6.69	$7.33	$8.03	$8.79	$9.63
Block 3	$8.27	$9.06	$9.92	$10.86	$11.89	$13.02
Block 4	$11.04	$12.09	$13.24	$14.50	$15.88	$17.39
% Change	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Reuse Rate (for those connected prior to 2011)						
Block 1	$0.81	$0.91	$1.02	$1.14	$1.28	$1.43
Block 2	$1.60	$1.79	$2.00	$2.24	$2.51	$2.81
Block 3	$2.37	$2.65	$2.97	$3.33	$3.73	$4.18
% Change	0.0%	11.8%	12.1%	12.1%	12.0%	12.1%
Lighthouse (Contract)	$0.78	$0.87	$0.97	$1.09	$1.22	$1.37
Reuse Rate (for those connected AFTER to 2011)						
Block 1	$1.14	$1.28	$1.43	$1.60	$1.79	$2.00
Block 2	$2.22	$2.49	$2.79	$3.12	$3.49	$3.91
Block 3	$3.32	$3.72	$4.17	$4.67	$5.23	$5.86
% Change	0.0%	12.0%	12.1%	12.0%	12.0%	12.0%

Wastewater	2024	2025	2026	2027	2028	2029
All Classes - volume charge	$3.92	$4.08	$4.24	$4.41	$4.59	$4.77
% Change	0.0%	4.1%	3.9%	4.0%	4.1%	3.9%
Monthly Service Charge (10kgal Cap)						
Residential	$16.82	$17.49	$18.19	$18.92	$19.68	$20.47
Multi-Family (Per Unit)	16.10	16.10	16.10	16.10	16.10	16.10
Commercial (Per Unit)	$18.43	$19.17	$19.94	$20.74	$21.57	$22.43
% Change	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Stormwater Rate	$5.90	$6.46	$7.07	$7.74	$8.48	$9.29
% Change	0.0%	9.5%	9.4%	9.5%	9.6%	9.6%