



City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:	Item Type:		1 st Reading	2 nd Reading
9/28/2022	<input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Other	Ordinance Reading	N/A	N/A
		Public Hearing	<input type="checkbox"/>	<input type="checkbox"/>
		Advertising Required	<input type="checkbox"/>	<input type="checkbox"/>
		Quasi-Judicial:	<input type="checkbox"/>	<input type="checkbox"/>
File No.:				
22-382				
Fiscal Impact (\$):	Account Balance (\$):	Funding Source:	Project Number :	
See Below	N/A	N/A	N/A	
Contract/P.O. Required	RFP/RFQ/Bid Number:	Sponsor Name:	Department:	
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	N/A	Geovanne Neste, Finance Director	Finance Department	
Strategic Plan Focus Areas:				
<input checked="" type="checkbox"/> Finance & Budget		<input type="checkbox"/> Organizational Capacity	<input checked="" type="checkbox"/> Infrastructure/Projects	
Implementation Timeline:				
Estimated Start Date: 10/1/2022 Estimated End Date: 9/30/2027				

SHORT TITLE:

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA ADOPTING PHASE ONE OF THE UPDATED FISCAL YEAR 2023-2027 UTILITY WATER, WASTEWATER AND STORMWATER RATE STUDY; AND PROVIDING AN EFFECTIVE DATE.

STAFF SUMMARY:

Summary:

Staff seeks City Commission approval of the attached resolution adopting the Fiscal Year 2023-2027 Utility Water, Wastewater, and Stormwater Rate Study.

The City's financial consultant, Raftelis Financial Consultants, Inc. (Financial Consultant) has completed phase one of the updated Fiscal Year 2023-2027 Utility Water, Wastewater, and Stormwater Rate Study (Rate Study) which is used to determine utility rate recommendations for

the next five fiscal years. Staff has reviewed the Financial Consultant's report, presented the findings from the report to the City Commission, and is recommending the adoption of the Rate Study. Additional recommendations to consider for changes to the rate structures will be included in phase two of the Rate Study in FY 2022-23.

Background:

The City of Hallandale Beach owns, operates, and maintains a water and wastewater (sewer) utility (Utility System). The City's sewer utility does not treat its sewer. Instead, it has a long-established agreement with the City of Hollywood to transmit sewage at volume rates.

The City has major infrastructure needs for its water, wastewater, and stormwater utilities due to the age of the infrastructure, deferred maintenance, and the impacts of climate change and ongoing development requiring additional service capacity. As such, staff has been tasked with developing and implementing a long-term plan that includes but is not limited to:

- Water, wastewater, and stormwater master plans to establish a long-term capital improvement plan of the entire system.
- Issuance of utility revenue bonds to fund capital projects over the next 10 years.
- Pursuing federal and state grant/loan opportunities to help offset the cost of servicing debt.
- Establishing an asset management program for the ongoing tracking, maintenance, and renewal/replacement of utility infrastructure.
- Incorporating a rate stabilization fund.
- Ensuring adequate funding of renewal & replacement reserves.

When financing utility infrastructure through the issuance of utility revenue bonds, lenders require utility enterprise funds to maintain levels of net operating revenues sufficient to cover annual debt service. The City's current CIP Plan includes approximately \$230 million in water, sewer, and stormwater infrastructure projects over the next 10 years. Current projections indicate that approximately \$180 million will be financed through the issuance of utility revenue bonds if alternative funding sources are not obtained.

The Finance Department engaged an outside consultant, Raftelis Financial Consultant, Inc., to assist in performing a 5-year utility rate study covering fiscal years 2023 through 2027. The FY 2023-2027 Utility Rate Study is being completed in two phases to avoid any delays in the issuance of utility revenue bonds and the completion of infrastructure projects. The first series of utility revenue bonds are expected to be issued in FY 2022-23.

The second phase of the FY 2023-2027 Utility Rate Study will focus on reviewing the current rate structure based on meter size, consumption levels, and customer classification (e.g. single family, multi-family, commercial). The second phase will be completed in FY 2022-23. Reviewing the rate structure using industry standard cost allocation methods such as those recommended by the American Water Works Association may provide an opportunity to ensure equitable rate increases in future years and promote water conservation.

During the September 12, 2022, City Commission Special Workshop, phase one of the FY 2023-2027 Utility Rate Study was presented by the Financial Consultant and the proposed rate increases for water and wastewater were discussed. The main objective of the first phase of the study was to establish rates that are sufficient to cover the cost of operating, maintaining, repairing, and financing system operations over the next five years in anticipation of the first series of utility revenue bonds.

Current Situation

The Rate Study herein (Exhibit 2) is being adopted concurrently with the second reading of the utility rate increase ordinance for rate increases recommended in the Rate Study effective October 1, 2022. The Rate Study includes recommended rate increases for water, wastewater, and stormwater for fiscal years 2023 thru 2027.

The Finance Department has reviewed the Rate Study's financial forecasts and has verified the CIP Plan information provided by City Staff used to calculate the recommended utility rates. Staff is recommending the adoption of the Rate Study which will be used to adopt utility rate increases for fiscal years 2023 thru 2027. Updates to the Rate Study will be proposed after the completion of phase two of the Rate Study in FY 2022-23.

Why Action is Necessary:

Adopting the Rate Study will ensure that the Utility System maintains adequate levels of net operating revenues by establishing rates that are sufficient to cover the cost of operating, maintaining, repairing, and financing system operations over the next five years in anticipation of the first series of utility revenue bonds.

Cost Benefit:

Adopting the Rate Study will ensure that the Utility System maintains a positive financial position which will minimize financial risk and attract future capital at lower interest rates.

PROPOSED ACTION:

Staff recommends approval of the attached resolution adopting the Fiscal Year 2023-2027 Utility Water, Wastewater, and Stormwater Rate Study.

ATTACHMENT(S):

- Exhibit 1 – Proposed Resolution
- Exhibit 2 – Fiscal Year 2023-2027 Utility Water, Wastewater, and Stormwater Rate Study

Prepared By: *Geovanne Neste*
Geovanne Neste
Finance Director

Reviewed By: *Noemy Sandoval*
Noemy Sandoval
Assistant City Manager