

MINUTES OF THE HOWEY IN THE HILLS TOWN COUNCIL
WATER RATE STUDY WORKSHOP SESSION HELD SEPTEMBER 22, 2020.

Mayor MacFarlane called the September 22, 2020 Howey in the Hills Water Rate Study Workshop Session to order at 10:00 a.m.

Present: Mayor MacFarlane, Mayor Pro-Tem Conroy, Councilor Klein, and Councilor Gallelli.

Absent: Councilor Nebel

Water Rate Study

David Hanna, Financial Management Circuit Rider with the Florida Rural Water Association, gave a brief and informative presentation.

His findings are that the water rates are currently inadequate to meet expenditures. A minimum percentage increase in water revenues is needed and that it should be implemented immediately to reverse enterprise fund losses. The fundamental breakdown that he showed during his presentation was as follows:

Current Charge

Base Rate	\$27.29 Includes 5,000 gallons				
Gallons Used	5,001 – 9,000	9,001 – 14,000	14,001 – 20,000	20,001 – 30,000	30,001 – 60,000
Usage Rate/1,000 gallons	\$2.17	\$2.39	\$2.59	\$3.65	\$10.54

Proposed Rate Residential

Base Rate	\$18.22				
Gallons Used	0 – 5,000	5,001 – 9,000	9001 – 14,000	14,001 – 20,000	20,001 +
Usage Rate	\$3.19 per 1000 gallons	\$3.35 per 1000 gallons	\$3.52 per 1000 gallons	\$3.65 per 1000 gallons	\$3.88 per 1000 gallons

Proposed Rate Commercial

Meter Size	Multiplication factor	Base rate		Meter Size	Multiplication factor	Base rate
5/8	1.0	\$18.22		2	2.9	\$58.12
3/4	1.0	\$20.04		3	11	\$220.46
1	1.0	\$28.06		4	14	\$280.58
1.50	1.8	\$36.08		6	21	\$420.88
2	2.9	\$58.12		8	29	\$581.21

Residential Rate Study Findings Option #1

	Volume	Rate	Increments	Difference Over Current	
	0 -5,000	\$32.57	Base Rate	\$5.28	19.35%
	5,000 - 9,000	\$3.19	Per 1,000 gal	\$1.02	46.93%
	9,000 - 14,000	\$3.35	Per 1,000 gal	\$0.96	40.07%
	14,000 - 20,000	\$3.52	Per 1,000 gal	\$0.93	35.72%
	20,000 - 30,000	\$3.69	Per 1,000 gal	\$0.04	1.12%
	30,000 - 60,000	\$3.88	Per 1,000 gal	-\$6.66	-63.23%
Example	5,000 gal	\$28.78		\$1.49	15.87%
Example	10,000 gal	\$47.73		\$9.37	34.33%

Residential Rate Study Findings Option #2

	Volume	Rate	Increments	Difference Over Current	
	0	\$18.22	Base Rate	-\$9.07	-33.24%
	0 - 5000 gal	\$3.19	Per 1,000 gal	\$1.02	47.00%
	5001 - 9000 gal	\$3.35	Per 1,000 gal	\$1.18	49.37%
	9001 - 14000 gal	\$3.52	Per 1,000 gal	\$1.13	43.53%
	14001-20000 gal	\$3.69	Per 1,000 gal	\$1.10	30.23%
	20001 and up	\$3.88	Per 1,000 gal	\$0.23	2.16%
Example	2,000 gal	\$24.60		-\$2.69	-9.86%
Example	3,000 gal	\$27.79		\$0.50	1.83%
Example	5,000 gal	\$34.17		\$6.88	25.21%
Example	10,000 gal	\$51.09		\$12.73	33.19%

Residential Rate Structure Findings Option #3

Volume	Rate	Increments	Difference	% Over Cu
0-3000	\$25.88	Base Rate	-\$1.41	0.00%
3001-5000	\$2.87	Per 1,000 gal	\$0.70	32.26%
5001-9000	\$3.19	Per 1,000 gal	\$0.80	33.47%
9001-14000	\$3.35	Per 1,000 gal	\$0.76	29.32%
14001-20000	\$3.52	Per 1,000 gal	-\$0.13	-3.64%

	20001 and up	\$3.69	Per 1,000 gal	-\$6.85	-64.96%
Example	5,000	\$31.62		\$4.33	15.87%
Example	10,000	\$41.99		\$3.63	9.00%

Other Considerations and Recommendations:

1. Water Loss is estimated at **11%**

2. Recommend implementing an Asset Management Program for funding infrastructure repair & replacement projects (facilities, pumps, tanks, motors, etc.) In lieu of not having an asset mgmt program a reserve for these short-term projects is recommend at 5% to 10% of Annual Budget.

3. Recommend implementing a Major Capital Improvement Program for funding MAJOR long-term projects at 5% to 10% of Annual Budget.

4. Recommend a Contingency / Emergency Reserve for funding at least three (3) months of utility operations following emergencies / hurricanes. Funds to be set aside in a separate account.

5. Via Ordinance, Implement an automatic yearly increase in rate equal to the Consumer Price Index.

Note: Ordinance can be waived if desired by Council in any one year.

6. All proposed rate options can have added a conservation rate tier structure if necessary to comply with regulatory water conservation rate practices.

David Hanna recommended annual cost-of-living adjustments and annually evaluate the strength of the City’s Water Enterprise Fund.

Pro-Tem Conroy said that the goal is to be profitable both long term and short term as well as being competitive and comparable with other Lake County cities. He also mentioned that the CUP renewal is this year and is focused on encouraging conservation. He wants to ensure water rates are clearly identified and at a fair price. He asked what meter types and how many of each meter type the Town has. **Mayor MacFarlane** said the Town does have that number in the database. **David Hanna** said the recommended residential meter size is no more than a 5/8. **JJ Southall** said the standard size is 1’ meter. **Pro-Tem Conroy** questioned which proposal addresses conservation in negotiations with water management district. **David Hanna** indicated that the Town should change the tier levels to accommodate increases and the

accelerated rate structure. **Mayor MacFarlane** said that impact fees have to be used for expenditures that are capital in nature.

Councilor Gallelli suggested that option 2 would encourage water conservation. She said that encouraging conservation through the idea that people know that they would be paying more for frivolous use. She asked about the 2014 water study and if other towns typically addressed this every 5 years. **David Hanna** recommended conducted an annual evaluation to ensure the Town is on target using methodology rate increases and that they are typically adopted by ordinances. **Mayor MacFarlane** said that implementing a procedure to pull these reports at the time of the annual audit could confirm that the Town billing practices are appropriate.

Councilor Klein asked if any study had been conducted that indicated what the average use should be for an average household to base were the conservation use should start. He said that in doing research he found data that indicated 8400 gallons per day was the median. **David Hanna** said anything below 125000 a day would be considered acceptable. **Councilor Klein** wanted to know how do the proposed rates compare to other towns. **David Hanna** said that the net services and reserves are different so each community charges differently but the Town has a comparable base rate.

Mayor MacFarlane questioned the difference between potable water versus irrigation. The Town currently has a variety of scenarios that include residents using single meter for both internal use and irrigating lawn, others have 2 meters that were never distinguished as potable, and the newer homes have 2 meters. There appears that there may be the improper utilization of water for irrigation. **William Herrington** said that the disparity of Venezia water costs should be addresses and that the only variable cost is the chemical used to treat the water and electricity. **Pro-Tem Conroy** said that the new subdivisions meters have been installed to measure irrigation water usage and that using this data the Town could come up with a rate structure that adjusts accordingly using an availability rate as the base. He said that even possibly having a well water charge as well and that being open minded on how to be fair would be essential in this process.

Citizen's Comment

William Herrington, 107 Island Drive wanted to know how our Town compared to other municipalities. He also questioned if 11% water loss rate was acceptable and comparable to other areas. **David Hanna** said an acceptable percentage of water loss is 12%. The Town is slightly higher than average in regard to the other local municipalities that are at 10% or less. The annual operating expenses were discussed for FY 2019 and **Mayor MacFarlane** found through the budgeting process that appropriations were not being billed to the utility department expenses but were being billed out to the general fund. William Herrington suggested the Town consider moving forward identifying an "availability charge" to eliminate verbiage confusion. William Herrington summarized his thoughts in stating that reviewing the revenue the overall

idea is to lower rates and generate a 4% revenue increase and make annual adjustments accordingly.

Myron Lewellen, 508 Bellissimo Place wanted to know if the new suggested rates for irrigation. The water study is suggestive of the total cost of water usage. He was opposed to an automatic increase on a preformulated allocation and said that it should be looked at before increasing rates. He would like to see an adopt budget index.

Sal Gallelli, 1104 N. Tangerine wanted to know if taking into consideration the growth rate and allotment of water from St. John's as the population grows would the allotment reflect it appropriately. He wants to ensure that as the demand for water will increase that this be taken into consideration during evaluation. **Mayor MacFarlane** said St. Johns River water district is looking at reducing the water consumption rates.

ATTENDEES: 7

ADJOURNMENT

The Meeting adjourned at 11:16 a.m.

ATTEST:

Mayor MacFarlane

Leanda Chinama
Town Clerk