

# CITY OF WEST MELBOURNE, FLORIDA



## SEWER RATE STUDY

July 14, 2006



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



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

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July 14, 2006

Mr. Keith Mills  
Interim City Manager  
City of West Melbourne  
2285 Minton Rd.  
West Melbourne, FL 32904-4928

Subject:       **Sewer Rate Study**

Dear Mr. Ryan:

Public Resources Management Group, Inc. (PRMG) has completed the study of sewer rates for the City of West Melbourne, Florida (the “City”) and the results of our analyses, assumptions, recommendations and conclusions are summarized in this report for your consideration. This report summarizes the basis for the proposed rates and charges for sewer service that are necessary, along with other appropriate sources of funds, to meet the near term expenditure requirements of the City’s sewer utility system. The analysis encompassed the five (5) fiscal year period ending September 30, 2006 through 2010.

The City’s sewer rates and charges should meet a number of goals and objectives. The single most important objective of the study was to ensure that the proposed utility rates meet the projected expenditure requirements of the sewer system in order to maintain sound financial operations and fund the anticipated capital needs of the utility system. In addition, the rates were reviewed to ensure compliance with rate covenants as required by outstanding loans.

Following this letter is an executive summary that briefly summarizes the results of our study and outlines our recommendations and conclusions. The accompanying sections of the report provide additional details regarding the rate and financial analysis conducted on behalf of the City.

The proposed monthly rates and charges are based on the recovery of the total costs anticipated for the City’s sewer utility system. As such, the proposed rates are considered by PRMG to be reasonable and reflect the cost of service for the sewer system.

Mr. Keith Mills  
City of West Melbourne  
July 14, 2006  
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We appreciate the opportunity to be of service to the City.

Very truly yours,

**Public Resources Management Group, Inc.**



Henry L. Thomas  
Vice President



Paul B. Crum  
Rate Consultant

HLT/dlm

**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

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**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**EXECUTIVE SUMMARY**

**GENERAL**

The City of West Melbourne's (the "City") sewer utility system is established as a utility enterprise fund. By law, utility enterprise funds must have revenues equal to the cost of the services provided. Therefore, the City must establish rates sufficient to cover the cost of operating, maintaining, repairing, and financing each respective utility system. According to the Government Accounting Standards Board, "Enterprise Funds should be used to account for operations that are financed and operated in a manner similar to private business enterprises-where intent of the governing body is that costs of providing services to the general public on a continuing basis *be financed or recovered primarily through user charges.*"

The City's sewer system currently has outstanding long-term debt financed with tax-exempt revenue bonds. As a condition of such borrowing, the City adopted a Bond Resolution in conjunction with the issuance of the following revenue bonds:

- Water and Sewer Revenue Refunding and Improvement Bonds, Series 1999
- Water and Sewer Revenue Refunding Bonds, Series 2004
- Series 2005 Bonds

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Note: The Series 1999, Series 2004, and Series 2005 Bonds are collectively referred to as the "Bonds".

The Bond Resolution is a contract between the utility enterprise fund and the bondholders or lenders. The Bond Resolution includes a rate covenant requiring, among other things, that the City's governing body must set rates sufficient to meet certain financial criteria. The Bond Resolution also requires the City to maintain the sewer system in good condition and to operate the system efficiently. The rate covenant specifically requires the City to maintain rates sufficient to pay the utility's annual operation and maintenance expenses and other required payments and either (1) at least one hundred ten percent (110%) of the annual debt service payments for the Bonds due in each Fiscal Year; or (2) rates along with sewer connection fees sufficient to pay at least one hundred twenty-five percent (125%) of the annual debt service payments for the Bonds due in each fiscal year.

In addition to the Bonds, the City has an outstanding loan (the "Bank Loan") with SunTrust for the purpose of extending sewer service to additional sewer customers. Unlike the Bonds, repayment of the Bank Loan is not pledged by the net revenues of the sewer system, but rather the City has pledged its non-ad valorem tax revenues. However, the annual debt service of the

Bank Loan is considered a revenue requirement of the sewer system and the review of sewer rates included the determination of sufficiency in meeting the Bank Loan debt service.

In short, the City must establish ordinances from time to time, as necessary to set sewer user fees and charges to satisfy its contractual obligations with lenders. Apart from these contractual obligations, the City should also evaluate the operating and capital needs of the sewer system in setting rates. These business needs are guided by customer requirements, level of service standards, public health and safety considerations, regulatory requirements and sound engineering and operating practices. As part of fulfilling these rate administrative requirements, this rate study was prepared on behalf of the City.

Based on the assumptions contained in this report, it is anticipated that the City's projected sewer revenues from existing rates, will be sufficient to meet the projected sewer revenue requirements during the forecast period.

The City currently indexes its sewer rates annually beginning with bills rendered for consumption each October (i.e. November utility bills). The annual sewer rate index is based on the annual change in the U.S. Consumer Price Index ("CPI"); however, it is limited to 3.0% per year.

The recommendations of this study are based on a financial forecast for the sewer system developed for Fiscal Years 2006 through 2010. The financial forecast considers operating costs, capital expenditures, and annual debt service and other requirements. The capital financing requirements identified by the City include expansion of the existing sewer plant, a new sewer plant to be built during the last half of the forecast period, sewer line extensions, and improvements to the City's reuse system. These capital additions and upgrades will improve the level of service provided to existing customers as well as meet the needs of customer growth expected over the next several years. The total cost of the sewer system's five-year capital improvements program is approximately \$23.7 million.

The following discussion is a brief summary of our observations, assumptions, conclusions, and recommendations. More detailed documentation to support the study's findings is set forth in the body of this report, which should be read in conjunction with this summary.

## **EXISTING RATES**

The existing rates and charges for the sewer utility system are established by the City Council and approved by ordinance. While the City indexes its sewer rates annually, the City's sewer rates were last reviewed in 2002.

The rates charged to the City's utility customers for sewer service are as follows:

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### Summary of Inside-City Monthly Sewer Rates [1]

	Sewer
<b>Monthly Service Charge</b>	
<u>Meter Size</u>	
5/8- x 3/4-inch	\$18.96
1-inch	47.39
1 1/2-inch	94.77
2-inch	151.63
3-inch	284.30
4-inch	473.82
6-inch	947.64
 Minimum Gallons Included in Monthly Service Charge	 2,000
 <b>Consumption Charge</b>	
Per 1,000 Gallons Metered Consumption Above 2,000 Gallons	\$4.11

[1] For Outside-City customers, a sewer surcharge of 25% is applied to the Inside-City rates shown above.

## NET REVENUE REQUIREMENTS FROM RATES

The various components of costs associated with the operations, maintenance, and financing of utility system renewals, replacements and capital improvements are generally considered the revenue requirements of a publicly-owned and operated utility system. The development of the net revenue requirements for the City's utility system is a critical component of the rate study since rates are designed to recover the cost of providing utility service. The projection of the City's utility system revenue requirements was made in a manner consistent with the methods employed for other publicly owned utilities utilizing revenue bond financing to meet their capital needs. This method of defining revenue requirements focuses primarily on the sewer system's cash expenditure needs including allowances for proper levels of cash reserves. This "cash funding" approach is also consistent with governmental and enterprise fund budgeting requirements and practices. To the extent that the actual expenditures differ from the estimate of revenue requirements, as set forth herein, the proposed rates could over- or under- recover such expenditure requirements and affect the projected cash reserve balances. Additionally, the projected cash flow is also dependant on customer growth and sales projections that may not materialize as anticipated.

Our analysis of the City's sewer rates includes a five (5) year forecast period for the fiscal years ending September 30, 2006 through 2010. Based upon the projections of utility expenditures discussed in Section 3, the estimated rate adjustments on existing sewer rates during the study period are discussed below:

## ADEQUACY OF EXISTING SEWER RATES

As shown below and as discussed in Section 3, based on the forecast of sewer sales and revenue and the assumptions and considerations of sewer system expenditures, the existing rate revenues without annual adjustments based on future rate indexing for inflation are anticipated to be sufficient to meet the sewer system net revenue requirements during the forecast period:

### Adequacy of Existing Sewer Rates

	Fiscal Year Ending September 30				
	2006	2007	2008	2009	2010
Sewer System: [1]					
Net Revenue Requirements from Retail Rates	\$2,054,921	\$2,687,901	\$3,454,752	\$3,500,172	\$3,633,874
Existing Sewer Rate Revenue	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
Cumulative Revenue From Annual Rate Index [2]	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sewer Rate Revenue	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
Estimated Revenue Surplus/(Deficiency)	<u>\$1,081,516</u>	<u>\$638,286</u>	<u>\$62,620</u>	<u>\$209,822</u>	<u>\$270,178</u>
Percent of Rate Revenue	<u>34.5%</u>	<u>19.2%</u>	<u>1.8%</u>	<u>5.7%</u>	<u>6.9%</u>

[1] Derived from Table 3-1.

[2] The Fiscal Year 2006 existing sewer rate revenue includes revenue from the City's last rate index applied to bills rendered on or after November 1, 2005. Additional rate increases based on the rate index have not been included in this analysis.

### CONNECTION FEES

Like most other Florida municipal utilities, the City charges connection fees (commonly referred to as "impact fees") for new connections to the sewer system. The City's sewer connection fees should not be confused with meter installation fees, which are miscellaneous services for physically connecting the new service to the wastewater collection system. Rather, the City's connection fees are intended to charge new connections for their share of the cost of the utility's infrastructure, including the transmission systems and treatment systems.

This study only involves a review of the sewer connection fee, and the proposed changes to the sewer connection fee compared to the existing fees are shown below:

Meter Size	Existing Fee	Proposed Fee
3/4"	\$1,725	\$2,045
1"	4,310	5,110
1-1/2"	8,620	10,220
2"	13,800	16,360
3"	25,870	30,670
4"	43,120	51,120

### CONCLUSIONS AND RECOMMENDATIONS

Based on our studies, assumptions, considerations, and analyses as summarized herein, we are of the opinion that:

1. The City's existing rates for sewer service, with no additional index-based increases, will recover the sewer system's projected revenue requirements for the fiscal years ending September 30, 2006 through 2010.
2. The City may want to continue to increase its rates based on annual indexing due to the unforeseen increases in costs of operations and capital requirements. This will ensure that there will be no major rate increases in the near future.

3. The City should adopt the proposed sewer connection fees so that new connections to the sewer system will adequately contribute their prorated cost of the City's sewer treatment and transmission systems that will serve new growth.

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**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**SECTION 1 – INTRODUCTION**

**INTRODUCTION**

The City of West Melbourne (the “City”) owns a water and sewer utility system consisting of water distribution facilities and sewer collection, treatment and disposal facilities. The operation of the City’s sewer treatment, collection, and disposal facilities is provided by Veolia Water Operating Services LLC as outlined in an operations agreement with the City executed September 1, 2000. During Fiscal Year 2005, the sewer system served approximately 7,316 customers. The City adjusts its sewer user rates annually based on the U.S. Consumer Price Index (CPI). The most recent sewer rate index of 3.0% was implemented October 1, 2005. The City last conducted a water and sewer rate study approximately three years ago in 2002. Public Resources Management Group, Inc. (PRMG) has been retained to perform an update of the utility rate study and prepare a five-year financial forecast for the City’s sewer utility system. Specifically, this task includes analyzing the revenue requirements of the utility system, balancing the utility funding requirements, the conservation goals, and the financial objectives of the City, and to recommend, if appropriate, revisions to sewer system user rates and sewer connection (impact) fees.

**SCOPE OF SERVICES**

In an effort to ensure adequate funding for the cost of utility operations and major capital improvements necessary to continue providing adequate service to existing customers and meet the requirements of sewer system growth, regulatory requirements, and utility system replacement and upgrades, the City has decided to review the adequacy of existing sewer rates and fees. The City’s current sewer rates include charges for minimum usage of 2,000 gallons sewer service, regardless of actual usage.

In addition to monthly rates for sewer service, this report also includes a review of the City’s existing sewer connection fee (i.e., impact fee) charged to new customers connecting to the City’s sewer system.

**AUTHORIZATION**

PRMG was authorized by the City to prepare a sewer rate study pursuant to a consulting services contract entered into between the City and PRMG on September 17, 2005.

**SUMMARY OF REPORT**

In addition to Section 1, this Report has been subdivided into five (5) other sections. The following is a brief discussion of the remaining sections included in this report.

Section 2 – Customer and Sales Forecast – This section summarizes the forecast of customer growth, sales or usage relationships, and sewer production/disposal.

Section 3 – Revenue Requirements – This section summarizes the projection of revenue requirements from user fees or rates (i.e., expenditures paid from rates). Included in this section is a discussion of the assumptions utilized in the forecast of utility expenditures, rate revenues, and capital improvement needs. A summary of the projected operating results of the utility systems was prepared for the five (5) fiscal year period ending September 30, 2010. This section also includes recommendations regarding the City’s cost recovery strategy including the use of rate indexing in the future.

Section 4 – Rate Comparisons – This section provides a comparison of the City’s rates with rates of neighboring utility systems.

Section 5 – Financial Compliance and Performance – This section provides a discussion regarding compliance with rate covenants as required by the Bond Resolution that authorized the issuance of the City’s outstanding senior lien utility revenue bonds and the terms of the State Revolving Fund loan agreement. This section includes discussion of the ability to meet the debt service coverage requirements associated with outstanding loan obligations.

Section 6 – Sewer Connection Fees – This section provides a discussion regarding a review of the City’s existing sewer connection fees for sewer service and proposed increases to the sewer connection fees. Included in this section is a summary of the general criteria associated with developing utility impact fees (connection fees) the specific costs and methods used to develop the proposed impact fees and a comparison of the proposed connection fees with similar fees charged by neighboring utility systems.

## **ACKNOWLEDGEMENTS**

This report was prepared with the cooperation and assistance of the staff of the City of West Melbourne. In particular, we appreciate the valuable assistance of Mr. Joe Menz, Ms. Charlotte Luikart, Mr. Keith Mills, Mr. Ron Terrell, and Mr. Mark Ryan.

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**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**SECTION 2 – CUSTOMER AND SALES FORECAST**

**GENERAL**

A major component in the determination of rates for sewer service is the development of a forecast of customers and sales. This is necessary to design cost-based rates that reflect customer usage requirements and service area demographics. This section provides a discussion of the recent historical trends and the forecast of customers, sales, and sewer treatment requirements for the System.

**SEWER CUSTOMER STATISTICS**

During the Fiscal Year 2005, it is estimated that the City provided service to an average of 7,189 sewer customers. As shown on Table 2-1 and in the tabulation below, the number of sewer customers has grown 16.98% between Fiscal Year 2004 and Fiscal Year 2005:

Sewer System		
Fiscal Year	Units	Annual Revenue Gallons (000s)
2004	6,254	346,565
2005	7,316	458,168
<b>Annual Growth Rate</b>	<u>16.98%</u>	<u>32.20%</u>

In comparison, however, sewer revenue gallons have not grown at the same rate as customers. As shown above, during this same period, sewer revenue gallons have increased by 32.2%. Although this study is limited to the Sewer System, these figures suggest that despite the effects of water conservation efforts and annual rate increases, the average water usage for the fastest growing customer classes, single family residences and multi-family units, increased significantly between Fiscal Year 2004 and Fiscal Year 2005. To be conservative in our revenue projections, the average sewer usage for these customer classes was based on the Fiscal Year 2004 figures.

In Fiscal Year 2005, approximately 90% of the City’s sewer customers were single family residential customers, as indicated on the following table:

Number of Units by Class of Service – Fiscal Year 2005	
Class of Service	Sewer
Single Family Residential	6,595
Multi-Family Residential	156
Commercial	<u>565</u>
Total	<u>7,316</u>

As shown above, for reporting purposes the City currently differentiates its customer base between residential and commercial classes (not including reclaimed water). The customer classes are further accounted for by location (i.e., customers located inside the City limits and those customers located outside the City). Based on customer billing data provided by the City, the average number of units served by location during Fiscal Year 2005 for the sewer system is as follows:

	Sewer System			Class Percent of Total Accounts
	Inside-City	Outside- City	Total	
Total Residential	6,593	2	6,595	90.14%
Multi-Family Residential	156	0	156	2.13%
Commercial	<u>549</u>	<u>16</u>	<u>565</u>	<u>7.73%</u>
Totals	<u>7,298</u>	<u>18</u>	<u>7,316</u>	<u>100.0%</u>

In order to provide additional information regarding the customer mix and service levels for the City's sewer customers, a summary of the customers by meter size was prepared. As one would expect, the primary meter size for service is the 3/4-inch meter, consistent with the customer mix (i.e., mostly residential). The number of sewer customers served by meter size, estimated for Fiscal Year 2005 is summarized on the following tabulation:

Total System Units by Meter Size [*]		
Meter Size	Total Units	
	Amount	Percent
3/4-inch	7,142	97.80%
1-inch	104	1.45%
1½-inch	15	0.21%
2-inch	34	0.47%
3-inch	3	0.04%
4-inch	2	0.03%
6-inch	<u>0</u>	<u>0.00%</u>
Totals	<u>7,302</u>	<u>100.0%</u>

[\*] Based on historical customer data, includes both inside the City and outside the City sewer customers. Amounts include master multi-family units. Does not include flat-rate sewer customers.

## CUSTOMER AND SALES FORECAST

A projection of customers and sewer treatment/disposal requirements is necessary in the evaluation of the adequacy of rate levels and rate structures. This forecast is essential for the determination of revenues from rates, certain sewer treatment-related expenses, and for the design of rates. This forecast has been prepared for Fiscal Years 2006 through 2010.

The City anticipates the additional of residential developments during the projection period reflected in the report. Based on this information provided by the City and discussions with City staff, it has been assumed that the City's single family residential sewer customer base would

increase by 390 accounts for Fiscal Year 2006, with 300 of these accounts being inside the City, and 90 of these accounts being outside the City. For the Fiscal Years 2007 through 2010, it is estimated that the single family residential sewer customer base will increase by 300 accounts, and that all of these customers will be inside the City limits. Additionally, multi-family units are projected to increase inside the City by 300 annually during the forecast period. Units outside the City are only projected to increase by 32 units in Fiscal Year 2006. The only other growth in sewer customers includes commercial accounts using the smaller meter sizes. These customers are expected to increase annually for the Fiscal Years 2006 through 2010 by 8 to 12 accounts per year. This projected growth results in an annual compound growth rate of 7.47% in overall sewer customers between Fiscal Year 2005 and 2010.

Because metered water consumption is used for sewer billing purposes, the forecast of sewer revenue gallons is directly related to water sales and the trends in consumption experienced by each customer class. The total sewer sales forecast is based on the sum of a forecast of each of the individual customer class components (i.e., residential sales, commercial sales, etc). This was necessary since the growth in customers by class is projected to be different and therefore the sewer sales forecast is consistent with the type of customer growth anticipated by the System. This customer growth forecast also assumes that prevailing local economic conditions will be similar to the economic conditions experienced over the past several years. To the extent actual conditions deviate from recent historical experiences, the results as projected herein may be substantially different. Historical trends show an increase in average sewer treated per customer, particularly among the single family and multi-family customer classes, which are experiencing the highest growth during the forecast period. As noted earlier, the average usage figures for Fiscal Year 2004 were used for these classes in order to be conservative in our revenue projections.

Table 2-1 provides a summary of the forecast in the number of units served and associated sales requirements for the sewer system. This forecast is summarized on the following tabulation:

Sewer System [*]		
Fiscal Year	Units	Sales (000s)
2005[*]	7,316	458,168
2006	8,046	436,820
2007	8,655	460,847
2008	9,265	485,099
2009	9,876	509,577
2010	10,488	534,280
Average Annual Compound Growth Rate (FY02 – FY06)	<u>7.47%</u>	<u>3.12%</u>

[\*] Amounts derived from Table 2-1.

The forecast above is used as the basis for projecting the City sewer treatment/disposal capacity requirements during the forecast period. Sewer treatment requirements are projected based on historical trends regarding the amount of customers served, historical flows attributable to the City's System, and other factors. By Fiscal Year 2010 it is anticipated that the City will average

treating 2.495 million gallons per day representing an increase of 0.754 mgd over Fiscal Year 2005 sewer treatment levels.

**REUSE WATER FORECAST**

In addition to the sewer forecast presented above, a projection of reclaimed (reuse) water sales and revenue is included in this analysis. As with many Florida municipal utilities, the City’s reuse water distribution system serves a dual purpose of providing both a means of effluent disposal for the sewer treatment process as well as an alternative irrigation source to potable water.

The City currently has approximately 2,094 reuse water customers. The City charges a \$9.00 flat monthly reuse water fee and does not meter actual reuse water use. The monthly reuse fee is required for all residential customers in the City’s reuse service area. Based on discussions with City staff, the reuse service area will support a total of 2,100 customers, is nearly at capacity, and therefore, no reuse connection fees are projected for the study period. The projections below for customers and revenue indicate that the reuse system will reach capacity prior to fiscal year 2007 and remain at that level through Fiscal Year 2010:

Forecast of Annual Reclaimed Water Customers and Revenue		
Fiscal Year	Average Annual Customers	Annual Revenue
2006	2,000	\$216,000 [1]
2007	2,100	226,800
2008	2,100	226,800
2009	2,100	226,800
2010	2,100	226,800

[1] Estimated reuse revenues from the adopted Fiscal Year 2006 Budget.

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**Table 2-1  
City of West Melbourne, Florida  
Sewer System**

**Historical and Projected Customer Statistics**

Line No.	Description	Historical			Projected				
		2003	2004	2005	2006	2007	2008	2009	2010
<b>SEWER SYSTEM</b>									
Residential - Single Family									
<u>Inside City</u>									
1	Average Annual Accounts	3,997	5,611	6,593	6,893	7,193	7,493	7,793	8,093
2	Total Revenue Gallons (000's)	236,598	236,129	324,537	290,085	302,710	315,335	327,961	340,586
3	Avg. Monthly Sales per Account (Gallons)	4,932	3,507	4,102	3,507	3,507	3,507	3,507	3,507
<u>Outside City</u>									
4	Average Annual Accounts	0	1	2	92	92	92	92	92
5	Total Revenue Gallons (000's)	0	83	63	2,880	2,880	2,880	2,880	2,880
6	Avg. Monthly Sales per Account (Gallons)	0	6,900	2,608	2,608	2,608	2,608	2,608	2,608
Residential - Multi-Family Master Meter									
<u>Inside City</u>									
7	Average Annual Accounts	21	24	29	85	141	196	252	308
8	Number of Units	165	140	156	456	756	1,056	1,356	1,656
9	Total Revenue Gallons (000's)	5,226	4,382	6,765	14,249	23,623	32,998	42,372	51,747
10	Avg. Monthly Sales per Account (Gallons)	20,576	15,216	19,439	14,008	14,008	14,008	14,008	14,008
11	Avg. Monthly Sales per Unit (Gallons)	2,637	2,604	3,614	2,604	2,604	2,604	2,604	2,604
<u>Outside City</u>									
12	Average Annual Accounts	0	0	0	6	6	6	6	6
13	Number of Units	0	0	0	32	32	32	32	32
14	Total Revenue Gallons (000's)	0	0	0	1,000	1,000	1,000	1,000	1,000
15	Avg. Monthly Sales per Account (Gallons)	0	0	0	14,008	14,008	14,008	14,008	14,008
16	Avg. Monthly Sales per Unit (Gallons)	0	0	0	2,604	2,604	2,604	2,604	2,604
Commercial									
<u>Inside City</u>									
17	Average Annual Accounts	447	474	535	543	552	562	573	585
18	Total Revenue Gallons (000's)	110,209	100,127	120,527	122,329	124,356	126,609	129,087	131,791
19	Avg. Monthly Sales per Account (Gallons)	20,538	17,603	18,774	18,774	18,774	18,774	18,774	18,774
<u>Flat-Rate</u>									
20	Average Annual Accounts	16	14	14	14	14	14	14	14
<u>Outside City (2)</u>									
21	Average Annual Accounts	13	14	16	16	16	16	16	16
22	Total Revenue Gallons (000's)	6,162	5,845	6,277	6,277	6,277	6,277	6,277	6,277
23	Avg. Monthly Sales per Account (Gallons)	39,001	34,790	32,693	32,693	32,693	32,693	32,693	32,693
TOTAL SEWER SYSTEM (3)									
24	Average Annual Accounts	4,494	6,138	7,189	7,649	8,013	8,379	8,746	9,114
25	Average Annual Units	4,638	6,254	7,316	8,046	8,655	9,265	9,876	10,488
26	Total Revenue Gallons (000's)	358,196	346,565	458,168	436,820	460,847	485,099	509,577	534,280
27	Avg. Monthly Use per Account (Gallons)	6,642	4,705	5,311	4,759	4,793	4,825	4,855	4,885
28	Total Sewer Flow (000's Gallons)	332,046	534,002	635,344	698,741	751,630	804,605	857,667	910,817
29	Average Daily Flow (ADF)	0.910	1.471	1.741	1.914	2.059	2.204	2.350	2.495

(1) Projected sewer customers based on Fiscal Year 2005 customer data and input from City staff.

**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**SECTION 3 – REVENUE REQUIREMENTS**

**BACKGROUND**

The various components of cost associated with operating and maintaining a sewer utility system, as well as the cost of financing the renewal and replacement of facilities and capital improvements for upgrades and expansion, are generally considered the revenue requirements of a publicly owned utility system. The totaling of these cost components, after adjusting for other income and other operating revenues available to the utility, represents the net revenue requirements of the utility system or the amount of revenues required to be collected from monthly user fees. The development of the net revenue requirements of the City's sewer utility system is a major component of the study and utility rates should be designed to recover such costs. The estimate of the City's utility system net revenue requirements is consistent with methods generally employed by publicly owned utilities that rely on revenue bond financing to fund capital investment needs. This section provides a discussion of the development of the utility system revenues, expenditure requirements, capital financing plan, and rate adjustments necessary to satisfy the revenue requirements of the sewer system.

This study utilizes a forward-looking study period to assess the adequacy of existing sewer rates. An important objective of the projected study period is to establish rates and rate levels that will reflect the current and near future cost of providing service to ensure continuing and adequate financial resources. By designing rates and charges to provide revenues to match the near future operating needs and capital funding requirements, the objective of maintaining the financial integrity of the utility system should be accomplished. Sound financial operations are a key element in the utilities' ability to provide for the service needs of customers. The revenue requirements for this rate study are predicated on the analysis of utility costs for the five (5) fiscal year period ending September 30, 2005 through 2010. This forecast of utility operations is prepared in order to: i) assess the adequacy of utility rates in the near future; ii) recognize potential cost recovery strategies based on multiple rate adjustments to meet projected revenue requirements and finance capital expenditure needs; and iii) examine the financial implications of alternatives to funding the utilities' capital improvement program. The projected revenue requirements include the various generalized cost components described below:

Operating Expenses: These expenses include the sewer system operations contract, labor, operating supplies, insurance, and other items necessary for the operation and maintenance of the sewer system.

Debt Service: Debt service includes the principal and interest on the City's currently outstanding revenue bond and loan obligations payable from the net operating revenues of the sewer system.

Other Revenue Requirements: This component of cost includes capital improvements to be financed from revenues and transfers to operating reserves to level net revenue requirements throughout the forecast period.

## **PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS**

The projected revenue requirements as shown on Table 3-1 for the sewer system are the result of certain assumptions, considerations and analyses. The major assumptions, considerations and analyses of the projected revenue requirements for the study period are as follows:

1. The approved Fiscal Year 2006 Water and Sewer Enterprise Fund Budget (the “Budget”) as provided by the City is the basis for the expenditure projections. Unless otherwise noted, the underlying assumptions therein are assumed to be reasonable and reflect anticipated operations. Such budgetary amounts are incorporated into the revenue requirement component of the study, except for adjustments and assumptions as noted hereunder.
2. Projected revenues from current rates and charges for the City’s sewer system are based on the schedule of rates and charges currently in effect as of the date of this report. Such rates are applied to the customer and sales or usage forecast discussed in Section 2 of this report. Although these independently developed revenue projections are different from the \$2,400,000 in sewer operations revenue budgeted by the City for Fiscal Year 2006, they are supported by the revenue reports provided by the City which indicate approximately \$2,900,000 in sewer revenues for Fiscal Year 2005 and approximately \$2,400,000 in sewer revenues for Fiscal Year 2004. Table 3-1 summarizes the projected rate revenues under existing rates for the forecast period for the sewer system.
3. Adjustments to the Budget for the Fiscal Year 2006 include a contingency allowance of 3.0% of expenses to account for any unforeseen expenses, and an upward adjustment to bad debt expense to equal 0.5% of projected sewer revenue. An upward adjustment to the Contract with Veolia Water is included to reflect projected increases in electrical, repair and maintenance, and sludge disposal costs. All line items related to capital outlays are adjusted out of operating expenses and those pertaining to the Sewer system are summarized on the Sewer system capital improvement plan shown on Table 3-4. The debt service figure is adjusted out as it includes both water and sewer system debt service. Debt service allocated to the Sewer system is broken out separately by each loan or bond issue and is listed on Table 3-1, with the other revenue requirements. The reserve figure is adjusted out of the 2006 budget figure as it reflects revenues from both the water and sewer systems. The adjustments to the Budget are contained in Table 3-2 and are summarized below:

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Description	Amount
Fiscal Year 2006 Water and Sewer Budget	\$6,223,475
Contingency	121,987
Bad Debt Expense (Increase to Budget amount)	27,482
Veolia Water Contract (Increase to Contract amount)	75,485
Water Capital Outlays	(190,200)
Sewer Capital Outlays	0
Non-Departmental Capital Outlays	(25,110)
Debt Service	(834,220)
Non-Operating Expenses	(6,280)
Reserves	(1,204,415)
Adjusted Fiscal Year 2006 Budget Used as Basis for Operating Expense Forecast	<u>\$4,188,204</u>

4. The adjusted Fiscal Year 2006 operating expenses shown above based on the Budget are allocated between the water and sewer systems as a component of each respective system's net revenue requirements forecast. All Water Department expenses are allocated to the water system and all Sewer Department expenses are allocated to the sewer system. Non-Departmental expenses are allocated among each respective system based on a number of factors such as the relative level of Water Department expenses to Sewer Department expenses, the number of water versus sewer customers, and the relative level of water to sewer revenue. The allocation of adjusted Fiscal Year 2006 operating expenses is summarized in Table 3-2.
  
5. The Fiscal Year 2006 adjusted operating expenses allocated to the sewer system are projected for the remaining four (4) years of the forecast period (i.e., through Fiscal Year 2010). These operating cost projections are illustrated on Table 3-3 for the sewer system. The operating expenses are projected for the remaining years of the study period as follows:
  - a. Certain budgeted Fiscal Year 2006 operating expenses such as operating supplies, professional services, small tools and equipment, and other contractual services (other than meter reading) and certain other operating expenses are projected to increase from current budgetary levels at an annual rate of inflation equal to 2.2%. The forecast of inflation is based upon the Consumer Price Index (CPI) forecast prepared by the Congressional Budget Office as contained in "The Budget and Economic Outlook" report dated January 2006.
  
  - b. Based on discussions with the City staff, utility system salaries and wages are escalated 5.0% annually above Fiscal Year 2006 budgeted amounts to reflect anticipated increases due to cost of living adjustments and allowances for salary adjustments such as promotions and merit increases. Costs associated with payroll taxes and employee benefits are projected to increase at the same growth rate as salaries and wages. Based on recent trends, health insurance costs are projected to increase much more rapidly at 15.0% annually during the forecast period.

- c. It is estimated that the cost of insurance other than health insurance (i.e., property and general liability insurance) will increase 5.0% annually during the forecast period. This escalation level reflects the probability that non-health insurance costs will likely increase faster than the overall inflation rate, but not as rapidly as health insurance costs.
- d. The cost of maintenance and repairs are also escalated at a higher rate than the CIP index. Such expenses are increase from the Fiscal Year 2006 budgeted level by 5.0% annually during the forecast period.
- e. On September 1, 2000 the City entered into a ten (10) year operations contract with Veolia Water Operating Services, LLC, formerly known as U.S. Filter Operating Services, Inc., for the management, operation and maintenance of the sewer system (including sewer treatment, collection, and disposal facilities). The City's Fiscal Year 2006 budgeted amount for contract operations is \$1,336,860, which represents 74.9% of the sewer system's allocated Fiscal Year 2006 operation expenses. The projection of the operations contract costs for the remainder of the forecast period is based on the provisions of the contract. The cost escalation provisions include an annual escalation on the date of the agreement based on the previous 12 months CPI Index percent increase for the South Region. While the applicable CIP Index is 2.2%, the contract provides for a maximum increase of 3% annually. For projection purpose, the maximum increase allowed was applied to the operations portion of the contract during the forecast period. The CPI Index increase is not applied to repair and maintenance, sludge disposal, or utility electricity costs. For this forecast, the repair and maintenance costs are projected to increase at 5% per year, the same rate applied to other repair and maintenance items in the budget. The cost of sludge disposal is projected to increase by the level of projected annual sewer treatment requirements outlined in Section 2 plus the projected CPI increase of 2.2% annually. Due to recent significant increases in the cost of electricity, electrical costs were escalated at the rate of 30% for Fiscal Year 2007 and 10% annually for Fiscal Years 2008 though 2010. All other costs are escalated at 2.2% based on the forecasted CPI Index during the forecast period. The projected sewer contract operations cost increases are shown on Table 3-5 and are summarized below:

Fiscal Year	Projected Annual Sewer Contract Operations Cost	% Increase
2006	1,336,860	N/A
2007	1,434,071	7.3%
2008	1,498,853	4.5%
2009	1,567,482	4.6%
2010	1,640,256	4.6%

- f. A contingency allowance of three percent (3.0%) of total operating expenses is recognized in each fiscal year for each utility system. The allowance is included in order to have sufficient funds to meet unknown or unplanned expenditures throughout the fiscal year and to recognize, to a limited degree, potential changes in revenues due to weather, water conservation, and other factors.

6. Based on discussions with the City, no labor costs associated with additional personnel above the budgeted Fiscal Year 2006 level are included during the study period.
7. As of September 30, 2005, the City had several outstanding utility revenue bonds and a bank loan. The total principal amounts outstanding that have been allocated to the sewer system are shown below:

Description of Debt	Amount Outstanding as of 9/30/05
Water and Sewer Revenue Refunding and Improvement Bonds, Series 1999	\$2,167,560
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004	3,764,240
Series 2005 Bonds	4,910,000
SunTrust Bank Term Loan	<u>660,000</u>
Total Outstanding Sewer System Debt	<u>\$11,501,800</u>

The debt service requirements shown in the study for the sewer system's outstanding debt are based on the actual debt service schedules for each respective issue or loan. The existing debt service is allocated between the water and sewer systems in relation to the original use of the funds between the two systems. The allocated debt service for the sewer system during the forecast period is shown on Table 3-1.

8. The projected capital expenditures for the sewer system are based on data derived from the City's Capital Program Plan for Fiscal Years 2006 through 2010. Table 3-4 at the end of this section provides a detailed listing of the capital projects for the sewer system during the study period. Included in the capital improvement program is the use of sewer rate revenue to finance recurring capital outlays and other ongoing projects. Two additional debts are assumed during the forecasting period. The first debt is in the amount of \$4,910,000 to be used to fund the third phase of the expansion of the Ray Bullard Reclamation Facility. The second debt totals approximately \$6,700,000 and will partially fund the land and facilities needed for a new sewer treatment facility required to meet the needs of the City due to growth during the last half of the forecast period. The estimated total cost of this new plant, including land, is \$15,000,000, and will also be funded by impact fees and rate revenues. A summary of the sewer department's capital improvement program and the anticipated funding sources is shown below:

**(Remainder of page intentionally left blank)**

Fiscal Year Ending September 30, [1]

	2006	2007	2008	2009	2010
<b>Capital Expenditures: Sewer System</b>					
<b>Sewer System</b>					
Ray Bullard Facility Expansion	\$2,000,000	\$2,910,000	\$0	\$0	\$0
New Sewer Treatment Facility (Land & Plant)	0	0	5,000,000	5,000,000	5,000,000
Reuse System	0	500,000	70,000	500,000	500,000
Other Machinery and Equipment	170,000	330,000	180,000	180,000	180,000
Sewer Lines	200,000	200,000	150,000	150,000	150,000
Lift Stations	<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Total Sewer Capital Projects</b>	<b>\$2,370,000</b>	<b>\$3,990,000</b>	<b>\$5,450,000</b>	<b>\$5,930,000</b>	<b>\$5,930,000</b>
<b>Funding Sources:</b>					
Operating Reserves	\$0	\$0	\$2,380,000	\$0	\$1,190,000
Rate Revenue	0	500,000	1,190,000	1,080,000	550,000
Wastewater Reuse Fund	0	225,000	90,000	90,000	0
Capital Expansion Fund	290,000	200,000	1,650,000	1,145,000	725,000
Proposed 2006 Bonds	2,000,000	2,910,000	0	0	0
Proposed 2008 Bonds	0	0	0	3,425,000	3,275,000
Renewal & Replacement Fund	<u>80,000</u>	<u>155,000</u>	<u>140,000</u>	<u>190,000</u>	<u>190,000</u>
<b>Total Funding Sources</b>	<b><u>\$2,370,000</u></b>	<b><u>\$3,990,000</u></b>	<b><u>\$5,450,000</u></b>	<b><u>\$5,930,000</u></b>	<b><u>\$5,930,000</u></b>

[1] Amounts derived from Table 3-4.

9. A significant funding source of the capital improvement program is existing sewer system cash reserves. The use of cash reserves used during the forecast period is summarized below by a comparison of existing reserve balances to projected reserve balances for the end of Fiscal Year 2006:

<b>Fund Description – Sewer System</b>	<b>Balance 09/30/05</b>	<b>Transfers-In</b>	<b>Transfers-Out</b>	<b>Projected Balance 09/30/10</b>
Working Capital (Operating Reserves)	\$2,853,037	\$2,608,637	\$4,141,215	\$1,320,459
Wastewater Reuse Fund	392,537	19,946	405,000	7,483
Sewer Capital Improvement Fund – Grant	279,742	35,216	0	314,958
Capital Expansion Fund	462,497	3,574,250	4,010,000	26,747
Capital Fees Trust Fund	955,811	2,990,769	3,330,914	615,666
Renewal & Replacement Fund	<u>0</u>	<u>1,005,841</u>	<u>755,000</u>	<u>250,841</u>
<b>Total Funds Available</b>	<b><u>\$4,943,624</u></b>	<b><u>\$10,234,659</u></b>	<b><u>\$12,642,129</u></b>	<b><u>\$2,536,154</u></b>

As shown above, available reserve balances are projected to decrease from approximately \$4.9 million to \$2.1 million at the end of Fiscal Year 2010. The projected ending balance for operating reserves (unrestricted funds) is \$1,320,459, representing approximately 217 days of sewer operating expenses forecast for Fiscal Year 2010. It is our recommendation that the utility system should strive to maintain an unrestricted operating reserve balance of at least 75 to 90 days of operating expenses to meet any unexpected short-term funding needs.

10. Interest income is included as an available revenue source to fund the expenditure needs of the sewer system. For the study period, interest income is projected based on estimated balances for all cash accounts excluding sewer connection fees (capital trust funds). Interest income earned on connection fees is assumed to be restricted to such accounts and therefore is not used to reduce net revenue requirements. Although these earnings are considered as available for capital project funding, such earnings are not considered as being available to fund utility operating expenses.

In the development of the estimated interest earnings, an assumed average interest rate ranging from 2.0% to 2.5% annually is applied to the estimated average fund balances during the forecast period based on recent prevailing market rates.

11. The City also receives other operating revenues from miscellaneous charges for specific customer service requests or needs which serve to reduce rate revenue requirements. Examples of the revenues include service fees, delinquent payment charges, and reuse monthly service charges. Service fees, delinquent penalties, and shut-off for non-payment fees are projected to increase at the same rate as the system's customer growth rate. Projections of local ordinance violation charges and per lot sewer capacity charges are held constant during the forecast period. The projected reuse water revenue reflects the City's \$9.00 monthly service fee billed to all existing reuse water customers and is required for all new residential customer growth within the reuse water service area. According to City staff, the reuse system has almost reached its capacity, and therefore, no increase in reuse revenues have been projected beyond Fiscal Year 2007 and no reuse connection fees have been projected during the study period.
12. The City currently uses Sewer Connection Fees to fund various projects in the capital improvement program, including those required to meet the needs of growth as well as those designated as renewal and replacement projects. A portion of Connection Fees is also used to fund the principal portion of the Sewer System's annual debt service to the extent such funds are available. In keeping with the concept that growth should pay its own way, as explained in more detail in Section 6, the use of connection fees is typically limited to the funding of growth-related projects or the debt service resulting from the funding of growth-related projects. Additionally, a separate Renewal and Replacement fund is generally established to set aside funds to be used to fund Renewal and Replacement projects. In this analysis, the City's sewer system connection fees are separated and used to fund the Capital Expansion Fund and the Capital Fees Trust Fund. The portion of connection fees allocated to the Capital Expansion Fund, as determined by the City, is used to fund growth-related capital projects. That portion allocated to the Capital Fees Trust Fund is used to fund the principal portion of the sewer system's debt service. A separate Renewal and Replacement fund, initially funded from reserves, is used to fund Renewal and Replacement projects in the capital improvement plan. Annual deposits funded from rate revenue are made to the Renewal and Replacement fund to maintain the minimum balance requirement of 5% of gross revenues derived from the sewer system.
13. The policy of funding a portion of the system's debt service with connection fees reduces the level of monthly sewer rates that would otherwise be needed if the monthly rates were

to fund the entire annual debt service, provided that the City's bond covenant requirements are met (as discussed in Section 5). However, there is a risk that significantly lower rates of customer growth could limit the availability of connection fees to fund principal debt payments in the future.

## SUMMARY OF SEWER SYSTEM REVENUE REQUIREMENTS

The projected net revenue requirements for the City's sewer system which are estimated to be needed to be recovered from user rates or charges are summarized below:

	<b>Fiscal Year Revenue Requirements - Sewer System [1]</b>				
	2006	2007	2008	2009	2010
<b><u>Sewer System</u></b>					
Total Operating Expenses	\$1,784,892	\$1,917,553	\$2,013,338	\$2,114,875	\$2,222,623
Debt Service – Existing Debt	779,012	779,097	778,436	781,074	909,916
Debt Service – 2006 Bonds	369,731	368,680	368,430	372,580	371,405
Debt Service – Additional Debt	0	0	0	0	554,054
Transfer to R&R Fund	80,000	155,000	140,000	190,000	190,000
Capital Improvements Funded from Rates	0	500,000	1,190,000	1,080,000	550,000
Total Utility Expenditures	3,013,635	3,720,329	4,490,204	4,538,530	4,797,998
Less Revenues from Other Sources:					
Other Income [2]	356,633	406,969	391,611	371,138	371,810
Use of Conn. Fees for Debt Service	<u>602,080</u>	<u>625,460</u>	<u>643,840</u>	<u>667,220</u>	<u>792,314</u>
Net Revenue Required from Rates [3]	<u>\$2,054,921</u>	<u>\$2,687,901</u>	<u>\$3,454,752</u>	<u>\$3,500,172</u>	<u>\$3,633,874</u>

[1] Derived from Table 3-1.

[2] Amount includes interest income on unrestricted funds (excludes interest income on Connection Fee balances). Amount also includes reuse water revenue and other miscellaneous operating revenue.

[3] Represents the amount of expenditures funded from City sewer rates (user fees).

As can be seen in the above summary, the estimated net revenue requirements for the sewer system for the five (5) years beginning with the Fiscal Year 2006 are anticipated to increase by approximately 77% or approximately 15% per year on average. The primary reasons for this increase are i) the projected increases in the cost of sewer operation services; ii) other inflationary increases in operating expenses; iii) the funding of capital improvements from rates; and iv) the additional debt used to fund expansion-related capital projects.

## ADEQUACY OF EXISTING UTILITY RATE REVENUES

As shown on Table 3-1, based on the forecasted growth of the sewer system and the assumptions and considerations set forth herein, the existing sewer rate revenue sufficiency in the study period is anticipated to be as follows:

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**Adequacy of Existing Sewer Rates**

	Fiscal Year Ending September 30				
	2006	2007	2008	2009	2010
Sewer System: [1]					
Net Revenue Requirements from Retail Rates	\$2,054,921	\$2,687,901	\$3,454,752	\$3,500,172	\$3,633,874
Existing Sewer Rate Revenue	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
Cumulative Revenue From Annual Rate Index [2]	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sewer Rate Revenue	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
Estimated Revenue Surplus/(Deficiency)	<u>\$1,081,516</u>	<u>\$638,286</u>	<u>\$62,620</u>	<u>\$209,822</u>	<u>\$270,178</u>
Percent of Rate Revenue	<u>34.5%</u>	<u>19.2%</u>	<u>1.8%</u>	<u>5.7%</u>	<u>6.9%</u>

[1] Derived from Table 3-1.

[2] The Fiscal Year 2006 existing sewer rate revenue includes revenue from the City's last rate index applied to bills rendered on or after November 1, 2005. Additional rate increases based on the rate index have not been included in this analysis.

Based on the projected revenue surplus in the above analysis, no rate adjustments are proposed during the forecast period. It should be noted that the projected revenues do not include any additional increases based on the rate index beyond the increase which became effective in Fiscal Year 2006.

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**Table 3-1**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Projected Net Revenue Requirements for the Sewer System**

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2006	2007	2008	2009	2010
Operating Expenses: (1)						
1	Sewer Department	\$1,433,960	\$1,545,154	\$1,620,085	\$1,699,446	\$1,783,578
2	Non-Departmental	350,932	372,399	393,253	415,429	439,045
3	Total Operating Expenses	1,784,892	1,917,553	2,013,338	2,114,875	2,222,623
Other Revenue Requirements:						
<u>Debt Service (2)</u>						
4	Series 1999 Bonds	236,942	235,693	234,119	236,822	234,699
5	Series 2004 Bonds	414,260	415,821	417,159	413,034	416,914
6	SunTrust Bank Term Loan	127,810	127,582	127,158	131,219	258,303
7	Series 2005 Bonds	369,731	368,680	368,430	372,580	371,405
8	Proposed 2008 Bonds	0	0	0	0	554,054
9	Total Debt Service	1,148,743	1,147,777	1,146,866	1,153,654	1,835,375
Other Miscellaneous Revenue Requirements:						
10	Transfer to Operating Reserve	0	0	0	0	0
11	Transfer to R&R Fund	80,000	155,000	140,000	190,000	190,000
Departmental Capital and Capital Improvements						
12	Funded From Rate Revenues (3)	0	500,000	1,190,000	1,080,000	550,000
13	Total Other Miscellaneous Revenue Requirements	80,000	655,000	1,330,000	1,270,000	740,000
14	Gross Revenue Requirements	3,013,635	3,720,329	4,490,204	4,538,530	4,797,998
Less Other Income and Funds from Other Sources:						
15	Interest	72,981	107,094	86,102	59,774	54,366
16	Service Fees	18,935	20,785	22,707	24,704	26,778
17	Delinquent Penalties	28,800	31,614	34,537	37,575	40,730
18	Shut Off Non-Payment Fees	7,768	8,527	9,316	10,135	10,986
19	Per Lot Sewer Capacity Charge	12,000	12,000	12,000	12,000	12,000
20	Reuse Water	216,000	226,800	226,800	226,800	226,800
21	Local Ordinance Violation	150	150	150	150	150
22	Other	0	0	0	0	0
23	Principal Payments From Capital Fees	602,080	625,460	643,840	667,220	792,314
24	Transfer From Operating Reserve	0	0	0	0	0
25	Total Other Income	958,713	1,032,429	1,035,451	1,038,358	1,164,124
26	Total Net Retail Revenue Requirements	2,054,921	2,687,901	3,454,752	3,500,172	3,633,874
Revenue From Sewer Rates						
27	Revenue from Existing Retail Rates	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
28	Revenue From Prior Year Rate Index/Adjustments	0	0	0	0	0
29	Total Rate Revenue Before Current Year Adjustments	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
Current Year Rate Adjustments						
30	Current Year Rate Adjustments (4)	0.0%	0.0%	0.0%	0.0%	0.0%
31	Effective Month	Oct.	Oct.	Oct.	Oct.	Oct.
32	Percent of Current Year Effective	100%	100%	100%	100%	100%
33	Revenue From Current Year Rate Adjustments	0	0	0	0	0
34	Total Revenue From Rates	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
35	Revenue Surplus/(Deficiency)	\$ 1,081,516	\$ 638,286	\$ 62,620	\$ 209,822	\$ 270,178

**Table 3-2**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Allocation of Utility Operating Expenses to Individual Systems**

Line No.	Description	Proposed Budget		As Adjusted 2006	Basis	Percent Allocation		Allocation	
		2006	Adjustments			Water	Sewer	Water	Sewer
<b><u>OPERATING EXPENSES: (1)</u></b>									
<b>Water Department</b>									
Personal Services:									
1	Regular Wages	\$0	\$0	\$0	Direct-W	100.00%	0.00%	\$0	\$0
2	Additional Personnel Salaries	0	0	0	Direct-W	100.00%	0.00%	0	0
3	Overtime	0	0	0	Direct-W	100.00%	0.00%	0	0
4	Special Pay	0	0	0	Direct-W	100.00%	0.00%	0	0
5	Vacation / Comp / Sick	0	0	0	Direct-W	100.00%	0.00%	0	0
6	FICA Taxes	0	0	0	Direct-W	100.00%	0.00%	0	0
7	Retirement Contribution	0	0	0	Direct-W	100.00%	0.00%	0	0
8	Health / Life Insurance	0	0	0	Direct-W	100.00%	0.00%	0	0
9	Workers' Compensation	0	0	0	Direct-W	100.00%	0.00%	0	0
10	Total Personal Services	\$0	\$0	\$0				\$0	\$0
Other Operating Expenses:									
11	Professional Services	\$0	\$0	\$0	Direct-W	100.00%	0.00%	\$0	\$0
12	Other Contractual	0	0	0	Direct-W	100.00%	0.00%	0	0
13	Small Tools and Equipment	0	0	0	Direct-W	100.00%	0.00%	0	0
14	Travel and Per Diem	0	0	0	Direct-W	100.00%	0.00%	0	0
15	Communications	0	0	0	Direct-W	100.00%	0.00%	0	0
16	Rentals and Leases	0	0	0	Direct-W	100.00%	0.00%	0	0
17	Maintenance and Repair	0	0	0	Direct-W	100.00%	0.00%	0	0
18	Printing and Binding	0	0	0	Direct-W	100.00%	0.00%	0	0
19	Water Purchase From Melbourne	0	0	0	Direct-W	100.00%	0.00%	0	0
20	Operating Supplies	0	0	0	Direct-W	100.00%	0.00%	0	0
21	Books, Dues, and Subscriptions	0	0	0	Direct-W	100.00%	0.00%	0	0
22	Advertising	0	0	0	Direct-W	100.00%	0.00%	0	0
23	Total Other Operating Expenses	\$0	\$0	\$0				\$0	\$0
24	Total Water Department	\$1,962,745	\$0	\$1,962,745				\$1,962,745	\$0
<b>Sewer Department</b>									
Operating Expenses:									
25	Professional Services - Veolia Water	\$1,261,375	\$75,485	\$1,336,860	Direct-S	0.00%	100.00%	\$0	\$1,336,860
26	Other Contractual	30,000	0	30,000	Direct-S	0.00%	100.00%	0	30,000
27	Small Tools and Equipment	0	0	0	Direct-S	0.00%	100.00%	0	0
28	Travel and Per Diem	0	0	0	Direct-S	0.00%	100.00%	0	0
29	Utilities	0	0	0	Direct-S	0.00%	100.00%	0	0
30	Maintenance and Repair	0	0	0	Direct-S	0.00%	100.00%	0	0
31	Other Charges and Obligations	24,100	0	24,100	Direct-S	0.00%	100.00%	0	24,100
32	Backflow Inspections	38,000	0	38,000	Direct-S	0.00%	100.00%	0	38,000
33	FDEP Permits	5,000	0	5,000	Direct-S	0.00%	100.00%	0	5,000
34	Advertising	0	0	0	Direct-S	0.00%	100.00%	0	0
35	Total Operating Expenses	\$1,358,475	\$75,485	\$1,433,960				\$0	\$1,433,960
36	Total Sewer Department	\$1,358,475	\$75,485	\$1,433,960				\$0	\$1,433,960
<b>Non-Departmental</b>									
Personal Services:									
37	Executive Wages	\$187,780	\$0	\$187,780	Salary	55.75%	44.25%	\$104,679	\$83,101
38	Regular Wages	192,100	0	192,100	Salary	55.75%	44.25%	107,087	85,013
39	Additional Personnel Salaries	0	0	0	Salary	55.75%	44.25%	0	0
40	Overtime	1,000	0	1,000	Non-Dept	55.75%	44.25%	557	443
41	FICA Taxes	30,000	0	30,000	Non-Dept	55.75%	44.25%	16,724	13,276
42	Retirement	51,125	0	51,125	Non-Dept	55.75%	44.25%	28,500	22,625
43	Health / Life Insurance	41,870	0	41,870	Non-Dept	55.75%	44.25%	23,341	18,529
44	Workers' Compensation	4,025	0	4,025	Non-Dept	55.75%	44.25%	2,244	1,781
45	Total Personal Services	\$507,900	\$0	\$507,900				\$283,131	\$224,769
Other Operating Expenses:									
46	Professional Services	\$23,000	\$0	\$23,000	Non-Dept	55.75%	44.25%	\$12,821	\$10,179
47	Other Contractual	1,175	0	1,175	Non-Dept	55.75%	44.25%	655	520
48	Small Tools and Equipment	1,500	0	1,500	Non-Dept	55.75%	44.25%	836	664
49	Travel and Per Diem	0	0	0	Non-Dept	55.75%	44.25%	0	0
50	Transportation	28,750	0	28,750	Non-Dept	55.75%	44.25%	16,027	12,723
51	Insurance	45,195	0	45,195	Non-Dept	55.75%	44.25%	25,194	20,001
52	Maintenance and Repair	11,285	0	11,285	Non-Dept	55.75%	44.25%	6,291	4,994
53	Printing and Binding	10,925	0	10,925	Non-Dept	55.75%	44.25%	6,090	4,835
54	Other Charges and Obligations	10,700	0	10,700	Non-Dept	55.75%	44.25%	5,965	4,735
55	Books, Dues, and Subscriptions	1,000	0	1,000	Non-Dept	55.75%	44.25%	557	443
56	Bad Debt Expense (0.5%)	600	27,482	28,082	Revenue	Input	Input	13,000	15,082
57	Other	0	0	0	Non-Dept	55.75%	44.25%	0	0
58	Contingency (3.0%)	0	121,987	121,987	Expenses	57.38%	42.62%	69,999	51,987
59	Total Other Operating Expenses	\$134,130	\$149,469	\$283,599				\$157,436	\$126,163
60	Total Non-Departmental	\$642,030	\$149,469	\$791,499				\$440,567	\$350,932
61	<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,963,250</b>	<b>\$224,954</b>	<b>\$4,188,204</b>				<b>\$2,403,312</b>	<b>\$1,784,892</b>

**Table 3-2**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Allocation of Utility Operating Expenses to Individual Systems**

Line No.	Description	Proposed Budget		As Adjusted 2006	Basis	Percent Allocation		Allocation	
		2006	Adjustments			Water	Sewer	Water	Sewer

**Footnotes:**

(1) Amounts shown exclude Water and Sewer capital outlays as well as debt service, non-operating expenses, and reserves in the Fiscal Year 2006 budget. Capital Outlays are reflected in Table 3-4 and other expenses are reflected in Tables 3-1.

Total Fiscal Year 2006 Water and Sewer Operating Fund Budget (Expenses):	\$ 6,223,475
Add:	
Contingency (3%)	121,987
Bad Debt Expense (0.5%)	27,482
Veolia Water Contract Increase	75,485
Less:	
Water Capital Outlays	(190,200)
Sewer Capital Outlays	-
Non-Departmental Capital Outlays	(25,110)
Debt Service	(834,220)
Non-Operating Expenses	(6,280)
Reserves	(1,204,415)
Adjusted Budget Shown Above	<u>\$ 4,188,204</u>

(2) Adjustment made to reflect .5% of the proposed Annual Budget projection for FYE 2006 Water Revenue and the projected FYE 2006 Sewer Revenue in this study.

**Table 3-2**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Allocators for Assigning Utility Operating Expenses to Individual Systems**

Line No.	Description	Basis	Allocation Percentages	
			Water	Sewer
1	Direct-Water	Direct-W	100.00%	0.00%
2	Direct-Sewer	Direct-S	0.00%	100.00%
3	Equal	Equal	50.00%	50.00%
4	Salaries and Benefits	Salary	55.75%	44.25%
5	Non-Departmental Expenses	Non-Dept	55.75%	44.25%
6	Customer Accounts - Water vs. Sewer	Accounts	51.45%	48.55%
7	CIP	CIP	100.00%	0.00%
8	Fixed Assets	Assets	12.42%	87.58%
9	Miles of Lines	Linear Feet of Lines	49.62%	50.38%
10	Revenue - Water vs. Sewer	Revenue	52.00%	48.00%
11	Expenses	Expenses	57.38%	42.62%

**Table 3-3  
City of West Melbourne, Florida  
2005 Sewer Rate Study**

**Projected Operating Expenses - Sewer System**

Fiscal Year Ending September 30,

Line No.	Description	Escalation Reference	Fiscal Year Ending September 30,				
			Adjusted Budget 2006	2007	2008	2009	2010
<b><u>OPERATING EXPENSES - SEWER</u></b>							
				7	8	9	10
<b>Sewer Department</b>							
Operating Expenses:							
1	Professional Services - Veolia Water (1)	Input	\$1,336,860	\$1,434,071	\$1,498,853	\$1,567,482	\$1,640,256
2	Other Contractual	Cust-Sewer	30,000	32,931	35,976	39,140	42,427
3	Small Tools and Equipment	InflationCPI	0	0	0	0	0
4	Travel and Per Diem	InflationCPI	0	0	0	0	0
5	Utilities	InflationCPI	0	0	0	0	0
6	Maintenance and Repair	Repair	0	0	0	0	0
7	Other Charges and Obligations	Electric	24,100	31,330	34,463	37,909	41,700
8	Backflow Inspections	Cust-Sewer	38,000	41,712	45,570	49,578	53,741
9	FDEP Permits	InflationCPI	5,000	5,110	5,222	5,337	5,455
10	Advertising	InflationCPI	0	0	0	0	0
11	Total Operating Expenses		<u>1,433,960</u>	<u>1,545,154</u>	<u>1,620,085</u>	<u>1,699,446</u>	<u>1,783,578</u>
12	Total Sewer Department		<u>\$1,433,960</u>	<u>\$1,545,154</u>	<u>\$1,620,085</u>	<u>\$1,699,446</u>	<u>\$1,783,578</u>
<b>Non-Departmental</b>							
Personal Services:							
13	Executive Wages	Labor	\$83,101	\$87,256	\$91,619	\$96,200	\$101,010
14	Regular Wages	Labor	85,013	89,264	93,727	98,413	103,334
15	Additional Personnel Salaries	Input	0	0	0	0	0
16	Overtime	Labor	443	465	488	512	538
17	FICA Taxes	Labor	13,276	13,940	14,637	15,369	16,138
18	Retirement	Labor	22,625	23,756	24,944	26,191	27,501
19	Health / Life Insurance	MedIns	18,529	21,309	24,505	28,181	32,408
20	Workers' Compensation	Labor	1,781	1,870	1,964	2,062	2,165
21	Total Personal Services		<u>224,769</u>	<u>237,861</u>	<u>251,885</u>	<u>266,929</u>	<u>283,094</u>
Other Operating Expenses:							
22	Professional Services	InflationCPI	\$10,179	\$10,402	\$10,631	\$10,865	\$11,104
23	Other Contractual	InflationCPI	520	531	543	555	567
24	Small Tools and Equipment	InflationCPI	664	678	693	709	724
25	Travel and Per Diem	InflationCPI	0	0	0	0	0
26	Transportation	SewerFlow	12,723	13,966	15,258	16,600	17,994
27	Insurance	GenIns	20,001	21,001	22,051	23,154	24,311
28	Maintenance and Repair	Repair	4,994	5,244	5,506	5,781	6,070
29	Printing and Binding	InflationCPI	4,835	4,941	5,050	5,161	5,275
30	Other Charges and Obligations	InflationCPI	4,735	4,839	4,946	5,055	5,166
31	Books, Dues, and Subscriptions	InflationCPI	443	452	462	472	483
32	Bad Debt Expense (0.5%)	Input	15,082	16,631	17,587	18,550	19,520
33	Other	InflationCPI	0	0	0	0	0
34	Contingency (3.0%)	Input	51,987	55,851	58,641	61,598	64,737
35	Total Other Operating Expenses		<u>126,163</u>	<u>134,538</u>	<u>141,368</u>	<u>148,500</u>	<u>155,951</u>
36	Total Non-Departmental		<u>\$350,932</u>	<u>\$372,399</u>	<u>\$393,253</u>	<u>\$415,429</u>	<u>\$439,045</u>
37	<b>TOTAL OPERATING EXPENSES</b>		<u><b>\$1,784,892</b></u>	<u><b>\$1,917,553</b></u>	<u><b>\$2,013,338</b></u>	<u><b>\$2,114,875</b></u>	<u><b>\$2,222,623</b></u>

(1) Amounts obtained from Table 3-5.

**Table 3-3**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Operating Expense Escalation Factors**

Line No.	Description	Reference	Escalation/De-escalation Factors			
			2007	2008	2009	2010
1	Constant Factor	Constant	1.0000	1.0000	1.0000	1.0000
2	Inflation (CPI Price Index)	InflationCPI	1.0220	1.0220	1.0220	1.0220
3	Other	Other	1.0000	1.0000	1.0000	1.0000
4	Marginal	Marginal	1.0100	1.0100	1.0100	1.0100
5	Labor	Labor	1.0500	1.0500	1.0500	1.0500
6	Water: Customer Growth + Inflation	Cust-Water	1.0220	1.0220	1.0220	1.0220
7	Sewer: Customer Growth + Inflation	Cust-Sewer	1.0977	1.0925	1.0879	1.0840
8	Total Customers + Inflation	Customers	1.0682	1.0662	1.0644	1.0628
9	Water: Change in Customer Growth	WCustGrowthChange	1.0000	1.0000	1.0000	1.0000
10	Sewer: Change in Customer Growth	SCustGrowthChange	0.8342	1.0016	1.0016	1.0016
11	Repair and Maintenance	Repair	1.0500	1.0500	1.0500	1.0500
12	Rate Revenue - Water	WaterRev	1.0047	1.0000	1.0000	1.0000
13	Rate Revenue - Sewer	SewerRev	1.0150	1.0166	1.0181	1.0196
14	Rate Revenue - Total	Revenue	1.0054	1.0011	1.0012	1.0013
15	Total Water Production + Inflation	TotWatProd	1.0220	1.0220	1.0000	1.0000
16	Sewer Flow + Inflation	SewerFlow	1.0977	1.0925	1.0879	1.0840
17	Insurance - Medical	MedIns	1.1500	1.1500	1.1500	1.1500
18	Insurance - General	GenIns	1.0500	1.0500	1.0500	1.0500
19	Electricity	Electric	1.3000	1.1000	1.1000	1.1000
20	Zero	Zero	0.0000	0.0000	0.0000	0.0000

**Table 3-4**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Five Year Projected Capital Improvements (1)**

Line No.	Description	Escalation Factor	Funding Source						Five-Year
				2006	2007	2008	2009	2010	Total
<b>CIP - SEWER SYSTEM</b>									
1	Ray Bullard Water Reclamation Facility - Third Phase	Input	Bonds	\$2,000,000	\$2,910,000	\$0	\$0	\$0	\$4,910,000
2	Ray Bullard Water Reclamation Facility - Third Phase	Input	Other	0	0	0	0	0	0
3	New Sewer Plant & Land (western expansion)	Input	S-OR	0	0	2,380,000	0	1,000,000	3,380,000
4	New Sewer Plant & Land (western expansion)	Input	S-Rev	0	0	1,120,000	575,000	0	1,695,000
5	New Sewer Plant & Land (western expansion)	Input	S-CapExp	0	0	1,500,000	1,000,000	725,000	3,225,000
6	New Sewer Plant & Land (western expansion)	Input	Fut-Bonds	0	0	0	3,425,000	3,275,000	6,700,000
7	Extend Sewer Lines	Input	S-CapExp	200,000	200,000	150,000	145,000	0	695,000
8	Extend Sewer Lines	Input	S-Rev	0	0	0	5,000	150,000	155,000
9	Pump Station	Input	S-CapExp	90,000	0	0	0	0	90,000
10	Emergency Generator	Input	S-R&R	80,000	80,000	80,000	80,000	80,000	400,000
11	Lift Stations	Input	S-R&R	0	50,000	50,000	100,000	100,000	300,000
12	Reuse Filter	Input	Reuse-Exp	0	225,000	90,000	90,000	0	405,000
13	Reuse Filter	Input	S-OR	0	0	0	0	90,000	90,000
14	Reuse Filter	Input	S-R&R	0	25,000	10,000	10,000	10,000	55,000
15	Reuse System	Input	S-OR	0	0	0	0	100,000	100,000
16	Reuse System	Input	S-Rev	0	500,000	70,000	500,000	400,000	1,470,000
17	<b>Total Sewer System Capital Costs</b>			<b>\$2,370,000</b>	<b>\$3,990,000</b>	<b>\$5,450,000</b>	<b>\$5,930,000</b>	<b>\$5,930,000</b>	<b>\$23,670,000</b>
<b>FUNDING SOURCES - SEWER SYSTEM</b>									
18	Operating Reserves		S-OR	\$0	\$0	\$2,380,000	\$0	\$1,190,000	\$3,570,000
19	Rate Revenue		S-REV	0	500,000	1,190,000	1,080,000	550,000	3,320,000
20	Capital Fees Trust Fund 401 - Sewer		S-CAPFEE	0	0	0	0	0	0
21	Wastewater Reuse Fund 403 (Reuse Expansion)		Reuse-Exp	0	225,000	90,000	90,000	0	405,000
22	Sewer Capital Improvement Grant Fund 404		S-G	0	0	0	0	0	0
23	Capital Expansion Fund - Sewer		S-CapExp	290,000	200,000	1,650,000	1,145,000	725,000	4,010,000
24	Proposed 2006 Bonds		Bonds	2,000,000	2,910,000	0	0	0	4,910,000
25	Series 2008 Bonds		Fut-Bonds	0	0	0	3,425,000	3,275,000	6,700,000
26	Renewal & Replacement Fund		S-R&R	80,000	155,000	140,000	190,000	190,000	755,000
27	<b>Total Sewer System Funding Sources</b>			<b>\$2,370,000</b>	<b>\$3,990,000</b>	<b>\$5,450,000</b>	<b>\$5,930,000</b>	<b>\$5,930,000</b>	<b>\$23,670,000</b>

**Footnotes:**

(1) Unless otherwise noted, projects were obtained from the City's Fiscal Year 2006 through 2010 Capital Improvement Program (CIP) and the City's Fiscal Year 2006 operating budget.

**Table 3-5**  
**City of West Melbourne, Florida**  
**2005 Sewer Rate Study**

**Projection of Veolia Water Contract Costs**

Line No.	Description	Budgeted 2006	Escalation Factor	Projected Contract Operations Cost for Fiscal Year Ending Sept. 30,			
				2007	2008	2009	2010
<b>Contract with Veolia Water</b>							
1	Previous Year's Contract Cost			\$1,336,860	\$1,069,301	\$1,101,380	\$1,134,421
2	Less Prior Year's Electrical Utility Cost			(\$198,000)			
3	Less Prior Year's Repair and Maintenance Cost			(\$66,504)			
4	Less Sewer Collection System and Reuse System Operating Cost			\$0			
5	Less Sludge Disposal Cost			(34,200)			
6	Subtotal			\$1,038,156	\$1,069,301	\$1,101,380	\$1,134,421
7	Projected CPI/U Index Factor for the South Region			1.030	1.030	1.030	1.030
8	Basic Contract Cost			\$1,069,301	\$1,101,380	\$1,134,421	\$1,168,454
9	Add Electrical Utility Cost - Escalated		Electric	257,400	283,140	311,454	342,599
10	Add Repair and Maintenance Cost - Escalated		Repair	69,829	73,321	76,987	80,836
11	Add Sludge Disposal Cost - Escalated		SewerFlow	37,541	41,013	44,620	48,367
12	Total Veolia Water Contract Cost	\$1,336,860		\$1,434,071	\$1,498,853	\$1,567,482	\$1,640,256

**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**SECTION 4 – RATE COMPARISON**

**SEWER RATE COMPARISONS**

Table 4-1 at the end of this section summarizes a comparison of the City’s existing sewer rates to the sewer rates of neighboring utilities. It should be noted that when making comparisons for sewer service, several factors have an effect on levels of rates charged. These factors may include:

1. Level of treatment and effluent disposal methods of sewer service;
2. Plant capacity utilization, age, and assistance in construction by federal grants, connection fees, etc.;
3. General fund and administrative fee transfers made by municipal and County systems which may account for differences in the level of rates charged; and
4. Bond Covenants and funding requirements of the rates.

For the utilities included in the rate comparisons on Table 4-1 the end of this section, no analysis has been made of the above mentioned factors, as they related to the reported sewer rates currently being charged.

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**Table 4-1**

**City of West Melbourne, FL  
Sewer Rate Study**

**Comparison of Typical Monthly Residential Bills for Sewer Service [1]**

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter							
		0 Gallons	2,000 Gallons	4,000 Gallons	5,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons
<b>City of West Melbourne:</b>									
1	Existing Rates - Effective October 1, 2005	\$18.96	\$18.96	\$27.18	\$31.29	\$43.62	\$51.84	\$72.39	\$92.94
<b>Other Florida Utilities:</b>									
2	Brevard County	\$13.97	\$19.89	\$25.81	\$28.77	\$37.65	\$43.57	\$49.49	\$49.49
3	City of Cocoa	8.50	15.50	22.50	26.00	36.50	43.50	50.50	50.50
4	City of Daytona Beach	6.96	12.78	23.36	28.64	44.51	55.09	81.53	107.98
5	City of Edgewater	10.06	16.76	23.46	26.81	36.86	43.56	60.31	77.06
6	City of Melbourne	6.85	16.69	26.53	31.45	46.21	56.05	80.65	105.25
7	City of Ormond Beach	10.78	10.78	16.60	19.51	28.24	34.06	48.61	63.16
8	City of Palm Bay	13.10	20.68	28.26	32.05	43.42	51.00	51.00	51.00
9	City of Port St. Lucie	12.95	25.37	37.79	44.00	62.63	62.63	62.63	62.63
10	City of Stuart	5.65	15.25	24.85	29.65	44.05	53.65	63.25	63.25
11	City of Titusville	10.46	21.50	32.54	38.06	54.62	65.66	93.26	93.26
12	City of Vero Beach	19.40	19.40	22.42	25.44	34.50	40.54	40.54	40.54
13	City of West Palm Beach	6.60	10.48	14.36	16.30	22.12	26.00	35.70	37.64
14	Fort Pierce Utilities Authority	11.09	19.03	26.97	30.94	42.85	50.79	50.79	50.79
15	Indian River County	15.87	21.59	27.31	30.17	38.75	44.47	50.19	50.19
16	Martin County	15.45	22.97	30.49	34.25	45.53	53.05	53.05	53.05
17	New Smyrna Beach Utilities Commission	16.62	21.72	27.92	31.02	40.32	46.52	62.02	77.52
18	St. Lucie West Services District	15.67	21.93	28.19	31.32	40.71	46.97	62.62	78.27
19	Other Florida Utilities' Average	\$11.76	\$18.37	\$25.84	\$29.67	\$41.15	\$48.07	\$58.60	\$65.39

**Footnotes:**

[1] Unless otherwise noted, amounts shown reflect residential rates in effect February 2006 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**SECTION 5 – FINANCIAL COMPLIANCE AND PERFORMANCE**

**GENERAL**

This section of the report discusses the ability of the wastewater system to meet certain rate covenant and flow of funds requirements as defined in the Bond Resolution that authorized the issuance of the Series 1999, Series 2004, and Series 2005 Bonds (the “Bonds”). The rates of the System must be sufficient to meet the minimum debt coverage ratios and satisfy the flow of funds dictated for the System in order to maintain financial sufficiency.

**RATE COVENANT COMPLIANCE**

A major aspect in evaluating a utility’s performance is its ability to meet the rate covenants as contained in the Bond Resolution authorizing the issuance of the outstanding utility revenue bonds. Generally, the covenants contained in the Bond Resolution are in the form of: i) certain debt service coverage ratios; ii) application of funds; and iii) providing no free service.

As of September 30, 2005, the outstanding principal amount of Bonds allocated to the sewer system totaled approximately \$11,501,800 as summarized below:

Issue Description	Senior Lien Bonds Principal Amount Outstanding [*]
Water and Sewer Revenue Refunding and Improvement Bonds, Series 1999	\$2,167,560
Water and Sewer Revenue Refunding Bonds, Series 2004	3,764,240
Series 2005 Bonds	<u>4,910,000</u>
Total	<u>\$10,841,800</u>

[\*] Outstanding as of September 30, 2005; amounts shown are on a gross basis and do not include the unamortized portion of the original bond issuance discount.

The Bonds have been issued on a parity basis to the Net Revenues of the combined water and wastewater systems pledged towards the payment of such bonds. In addition to the Bonds shown above, the City has obtained a SunTrust bank loan (“Bank Loan”), which is allocated to the wastewater system for transmission extensions. The outstanding balance of the Bank Loan as of September 30, 2005 is estimated to be \$660,000.

Pursuant to the provisions of the Bond Resolution, the City has covenanted to fix, establish, and maintain such rates and revise the same from time to time so as to always provide in each Fiscal Year:

- (A) (1) Net Revenues adequate at all times to pay in such Fiscal Year at least one hundred ten percent (110%) of Annual Debt Service on all Outstanding Bonds...

*OR*

- (2) Net Revenue, Water Connection Fees and Sewer Connection Fees in each Fiscal Year adequate to pay in such Fiscal Year at least one hundred twenty-five (125%) of the Annual Debt Service on all Outstanding Bonds...

**AND**

- (B) Net Revenues (not including any transfers to the Revenue Fund from the Surplus Fund or Rate Stabilization Fund) adequate at all times to pay in such Fiscal Year at least 100% of the Annual Debt Service on all Outstanding Bonds...

The rate covenants shown above apply to the outstanding Bonds but not to the Bank Loan since the Bank Loan is pledged by the City's non-ad valorem tax revenue. As discussed in Section 3, the City will be required to issue additional bonds in the amount of \$6,700,000 in order to fully fund the five-year capital improvement plan of the Sewer system. With respect to the issuance of the additional bonds, the following was assumed in order to project debt service and coverage requirements: i) a repayment term of 30 years; ii) an average annual interest rate of 6.0%; iii) level debt service payments with one year of interest expense being capitalized; iv) the funding of issuance expenses, approximately 5.0% of the total proceeds of the bonds. It was assumed that the bonds would be issued October 1, 2008 and that repayment would begin in Fiscal Year 2010.

As summarized on Table 5-1, the anticipated revenue for the System, assuming that the City does not index its sewer rates for Fiscal Years 2007 through 2010 as discussed in Section 3, should be adequate for the forecast period to meet the debt service rate covenant requirements. The projected debt service coverage for the Bonds is summarized below:

Debt Service Coverage [1]				
Fiscal Year	Net Revenues Only		Net Revenues with Impact Fees	
	Estimated	Required	Estimated	Required
2006	1.67	1.10	2.92	1.25
2007	1.78	1.10	3.03	1.25
2008	1.86	1.10	3.11	1.25
2009	1.92	1.10	3.18	1.25
2010	1.30	1.10	2.12	1.25

[1] The coverage test excludes the Bank Loan since the net revenues of the Sewer system is not pledged toward this debt.

As can be seen above, it is anticipated that the City will meet the required debt service coverage requirements during the forecast period based on the assumptions contained in Section 3.

In addition to the rate covenant as it relates to the Net Revenues of the Sewer system meeting a defined coverage ratio, the City has other covenants delineated in the Bond Resolution with which it must comply. The following is a list of the major covenants contained in the City's Bond Resolution:

Covenant	Comments
Establishment of Funds	The City has established various funds and accounts as required by the Bond Resolution. These include a Revenue Fund, the Operation and Maintenance Fund, the Sinking Fund, Operating Reserve Fund, Subordinate Debt Service Fund, Renewal, Replacement and Improvement Fund; Public Service Taxes Fund; Sewer System Development Charges Fund; Water System Development Charges Fund; and a Construction Fund.
Operation and Maintenance	The City will maintain the System in good condition and operate the same in an efficient manner.
Annual Budget	The City shall adopt an annual budget by resolution prior to the beginning of each Fiscal Year.
Records and Audits	The City has retained a public accounting firm to conduct an annual audit as required at the end of every Fiscal Year.
No Free Service	The City has implemented rates and charges designed to charge customers for all water, wastewater, and reclaimed water used. All customers receiving service from the water and wastewater systems are charged for such service.
Enforcement of Charges	The City has a number of written policies and procedures in place, which are designed to compel the prompt payment of rates for services rendered, including service termination and delinquent payment procedures.

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**Table 5-1  
City of West Melbourne, Florida  
2005 Sewer Rate Study**

**Projected Debt Service Coverage Analysis**

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2006	2007	2008	2009	2010
<b>Gross Operating Revenue:</b>						
1	Gross Operating Revenue - Water	\$0	\$0	\$0	\$0	\$0
2	Revenue From Proposed Water Rate Increases / Indexing	0	0	0	0	0
3	Gross Operating Revenue - Sewer	3,136,438	3,326,187	3,517,372	3,709,994	3,904,052
4	Revenue From Proposed Sewer Rate Increases / Indexing	0	0	0	0	0
5	Unrestricted Interest Earned	72,981	107,094	86,102	59,774	54,366
6	Other Income	283,653	299,875	305,509	311,363	317,444
7	<b>Total Gross Operating Revenue</b>	<b>3,493,071</b>	<b>3,733,155</b>	<b>3,908,984</b>	<b>4,081,132</b>	<b>4,275,862</b>
<b>Operating Expenses:</b>						
8	Salaries and Benefits	224,769	237,861	251,885	266,929	283,094
9	Contract with Veolia Water to Manage Sewer Treatment Plant	1,336,860	1,434,071	1,498,853	1,567,482	1,640,256
10	Water Purchases From City of Melbourne	0	0	0	0	0
11	Operating Supplies	38,000	41,712	45,570	49,578	53,741
12	Other Contractual	30,520	33,462	36,519	39,695	42,994
13	Repair and Maintenance	0	0	0	0	0
14	Contingency	51,987	55,851	58,641	61,598	64,737
15	All Other Operating Expenses	102,755	114,596	121,870	129,593	137,802
16	<b>Total Operating Expenses</b>	<b>1,784,892</b>	<b>1,917,553</b>	<b>2,013,338</b>	<b>2,114,875</b>	<b>2,222,623</b>
17	Net Revenue Available for Debt Service Coverage	1,708,179	1,815,603	1,895,646	1,966,256	2,053,239
18	Percent of Total Revenue / Operating Margin	49%	49%	48%	48%	48%
<b>Debt Service Coverage - Test (A)</b>						
<b>Test (1) - 110%</b>						
19	Net Revenue Available for Debt Service Coverage	1,708,179	1,815,603	1,895,646	1,966,256	2,053,239
20	Transfers From Surplus Fund or Rate Stabilization Fund	0	0	0	0	0
21		<b>1,708,179</b>	<b>1,815,603</b>	<b>1,895,646</b>	<b>1,966,256</b>	<b>2,053,239</b>
22	Annual Debt Service [1]	<b>1,020,933</b>	<b>1,020,195</b>	<b>1,019,708</b>	<b>1,022,435</b>	<b>1,577,072</b>
23	Calculated Coverage	<b>167%</b>	<b>178%</b>	<b>186%</b>	<b>192%</b>	<b>130%</b>
24	Required Coverage	<b>110%</b>	<b>110%</b>	<b>110%</b>	<b>110%</b>	<b>110%</b>
<b>OR</b>						
<b>Test (2) - 125%</b>						
25	Net Revenue Available for Debt Service Coverage	1,708,179	1,815,603	1,895,646	1,966,256	2,053,239
26	Sewer Connection Fees	1,267,880	1,272,990	1,278,100	1,283,210	1,288,320
27		<b>2,976,059</b>	<b>3,088,593</b>	<b>3,173,746</b>	<b>3,249,466</b>	<b>3,341,559</b>
28	Annual Debt Service [1]	<b>1,020,933</b>	<b>1,020,195</b>	<b>1,019,708</b>	<b>1,022,435</b>	<b>1,577,072</b>
29	Calculated Coverage	<b>292%</b>	<b>303%</b>	<b>311%</b>	<b>318%</b>	<b>212%</b>
30	Required Coverage	<b>125%</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>
<b>AND</b>						
<b>Debt Service Coverage - Test (B) - 100%</b>						
31	Net Revenue Available for Debt Service Coverage	1,708,179	1,815,603	1,895,646	1,966,256	2,053,239
32	Less Transfers From Surplus Fund or Rate Stabilization Fund	0	0	0	0	0
33		<b>1,708,179</b>	<b>1,815,603</b>	<b>1,895,646</b>	<b>1,966,256</b>	<b>2,053,239</b>
34	Annual Debt Service [1]	<b>1,020,933</b>	<b>1,020,195</b>	<b>1,019,708</b>	<b>1,022,435</b>	<b>1,577,072</b>
35	Calculated Coverage	<b>167%</b>	<b>178%</b>	<b>186%</b>	<b>192%</b>	<b>130%</b>
36	Required Coverage	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

[1] Amount excludes debt service on Suntrust Loan since this loan is pledged by the City's non-ad valorem revenue.

**CITY OF WEST MELBOURNE, FLORIDA**  
**SEWER RATE STUDY**

**SECTION 6 – CONNECTION FEES**

**GENERAL**

The City of West Melbourne’s sewer utility systems, like other publicly owned utility systems, must make the necessary capital commitments to expand sewer system facilities to serve new growth. The utility business is capital intensive and requires the commitment of significant resources in advance of growth. System rehabilitation and regulatory compliance also requires significant capital expenditures as well. Further, the impact of inflation on system operating expenses and on the cost of new and replacement facilities results in upward pressure on monthly utility user rates. The compelling capital needs associated with the utility business and the desire to control the increase in monthly utility user rates have resulted in publicly owned utilities relying increasingly on nontraditional funding alternatives such as impact fees (also referred to by the City as connection fees) to finance, in part at least, the cost of system expansion.

An impact fee, or connection fee, is a charge imposed on new users of real property to help finance the capital cost of constructing public facilities necessary to serve new residents. The purpose of a connection fee is to assign, to the extent practical, growth-related capital costs to those new residents or users responsible for such additional costs. The connection fee can be considered to be a new user’s contribution to those facilities or capital costs that are required in order to provide a comparable level of service to that which is being provided to existing customers.

**CONNECTION FEE CRITERIA**

To the extent new population growth and associated development imposes identifiable added capital costs to municipal utility services, those costs should be recovered from the residents or system users responsible for the added costs rather than the existing population base. Generally, this practice has been labeled as “growth paying its own way.”

The use of impact fees by municipally owned utilities as a mechanism to fund capital requirements has become widespread. At least twenty-five states have adopted legislation authorizing the use of impact fees and prescribing how such fees may be enacted, assessed, collected, and expended.<sup>[1]</sup>

Within the State of Florida, a specific statute authorizing the use of impact fees does not exist. The authority to impose an impact fee is supported by case law before the Florida courts based upon broad grants of power including the home rule power of Florida counties and municipalities. The Municipal Home Rule Powers Act grants Florida municipalities the governmental, corporate, and proprietary powers to conduct municipal government, perform

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[1] Clark, D. Development Fees: A Legislative History. *Journal of the American Water Works Association* (November 1994).

municipal functions, and render municipal services, as limited by legislation or as prohibited by state constitution or general law. Florida courts have ruled that the Municipal Home Rule Powers Act grants the requisite power and authority to establish valid impact fees. The authority for Florida governments to implement valid impact fees is further granted in the Florida Growth Management Act of 1985. The Act allows for impact fees under land use regulation by stating:

*“This section shall be construed to encourage the use of innovative land development regulations which include provisions such as the transfer of development rights, incentive and inclusionary zoning, planned unit development, impact fees, and performance zoning.”*

[Florida Statutes, Sec. 163.3203(3)]

The initial precedent for impact fees in Florida was set in the Florida Supreme Court decision, *Contractors and Builders Association of Pinellas County v. City of Dunedin, Florida*. In this case, the Court’s ruling found that an equitable cost recovery mechanism, such as impact fees, could be levied for a specific purpose by a Florida municipality as a capital charge for services. An impact fee should not be considered as a special assessment or an additional tax. A special assessment is predicated upon an estimated increase in property value as a result of an improvement being constructed in the vicinity of the property. Further, an assessment must be directly and reasonably related to the benefit that the property receives. Impact fees conversely are not related to the value of the improvement to the property but rather to the property’s use of the public facility.

Until property is put to use (i.e., developed), there is no burden upon servicing facilities and the land use may be entirely unrelated to the value or assessment basis of the underlying land. Impact fees are distinguishable from taxes primarily in the direct relationship between amount charged and the measurable quantity of public facilities required. In the case of taxation, there is no requirement that the payment be in proportion to the quantity of public services consumed since tax revenue can be expended for any legitimate public purpose.

Florida case law identifies certain conditions for a valid impact fee. Generally, it is our understanding that these conditions involve the following issues:

1. The system impact fee must meet the “dual rational nexus” test. First, impact fees are valid when a reasonable impact or rationale exists between the anticipated need for additional capital facilities and the growth in population. Second, impact fees are valid when a reasonable association, or rational nexus, exists between the expenditure of the impact fees proceeds and the benefits accruing to the growth from those proceeds.
2. The system of fees and charges should be set up so that there is not an intentional windfall to existing users.
3. The impact fee should, to the extent practical, only cover the capital cost of construction and related costs thereto (engineering, legal, financing, administrative, etc.) for capital expansions or other additional capital requirements that are required solely due to growth. Therefore, expenses due to upgrading of a facility serving existing customers

(e.g., replacement of a capital asset) or an increase in the level of service should be borne by all users of the facility. Likewise, increased expenses due to operation and maintenance of that facility should be borne by all users of the facility.

4. The City must maintain a connection fee ordinance that explicitly restricts the use of connection fees collected. Therefore, system connection fee revenue should be set aside in a separate account, and separate accounting must be made for those funds to ensure that they are used only for the lawful purposes described above.

Based on the criteria above, connection fees, which will be developed in subsequent sections herein: i) will include only the estimated incremental capital cost of new facilities necessary to serve anticipated population growth; ii) will not reflect costs associated with improvements of any existing capital assets of the City; and iii) will not include any costs of operation and maintenance of any facilities, including those facilities financed in part with connection fees.

### **IMPACT FEE METHODS**

A variety of formulas or methods have been historically used to calculate and apply impact fees. No single method exists for calculating impact fees that is either appropriate in all situations or universally equitable to all new customers of the system. Absent specific legislative standards, the determination of impact fees under the adjudicated criteria of the rational nexus test need only be reasonable, not absolute. We believe that several methods are available that meet the criteria of the Rational Nexus test based upon accepted engineering and economic principles.

There are generally two major steps in calculating impact fees, including: i) determining the level of capital costs to be recovered; and ii) designing the specific charge for various customer classes to recover those capital costs. The remainder of this section will generally describe the various methods that can be applied in performing these two steps.

Two methods are generally considered appropriate for determining the amount of costs to be recovered through impact fees. These two methods are the improvements-driven method and the standards-driven method. Both methods have been used in the development of impact fees by local governments in Florida.

The improvements-driven method is an approach based on a specific list of existing facilities or planned capital improvements over a period of time. For example, the costs to be recovered may correspond to a capital improvements budget or capital improvements identified in the Comprehensive Plan. The standards-driven method does not use the cost of improvements based on actual capital budgets but rather on the theoretical costs of providing a given level or standard of service.

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Both methods have their advantages and disadvantages. The advantages associated with the improvements-driven method include the following:

1. It is based solely on projected capital improvements, thus providing a definite relationship between the level of the impact fee and the need for the expenditure.
2. The use of fees can be shown to be attributable to growth based on the nature of the specific expenditures anticipated by the capital improvement plan utilized in the analysis.

There are disadvantages associated with the improvements-driven method. Some of the disadvantages include the following:

1. Due to limited planning information, the impact fee may be based on an intermediate range forecast of capital improvements (e.g., five years) which may not reflect the true level of cost associated with meeting the needs of new growth since major capital improvements may be beyond the time frame of the capital forecast.
2. The forecast of capital improvements required for new development is still an estimate of cost and is subject to revisions and update.
3. It may be difficult to apportion the cost of specific improvements between existing deficiencies and additional capacity to serve new growth.

There also exist several advantages and disadvantages with the standards-driven method. The advantages include the following:

1. The fee is based on a certain level of service and type of facility, and it may be easier to estimate the cost of the capital facilities based on level of service.
2. The development of the fee does not require a detailed projection of future capital improvements and associated costs, and is more applicable to the needs of a small utility due to constraints of staff and resources.

The disadvantages associated with the standards-driven method include:

1. The capital costs for the impact fee may not be associated with anticipated or current capital needs as identified by the City, thus increasing the potential of not providing a clear relationship between the fee and its use, and
2. The development of the standard for the capital facilities is based primarily on theoretical service levels using engineering, planning, and financial judgment. However, this may be somewhat mitigated by the level of service standards included in the comprehensive planning process.

The development of impact fees based on the improvements-driven method is more readily applicable when capital facilities can be allocated between current and future users based on reasonable and defensible data and estimates of facility utilization. The improvements-driven method is most often used by utility systems because this method works well in conjunction with the capital planning process required of the utility business.

Using the improvements-driven method, the specific capital projects and costs included in the impact fee are generally determined in one of three ways:

1. **Marginal/Incremental Cost Approach:** The marginal/incremental cost approach of determining impact fees is based on the premise that new system users should be responsible for the latest or next increment of facility capacity costs which they cause to be required. Accordingly, such charges reflect the cost of system expansion as may be indicated by costs estimated in the capital improvement plan.
2. **System Buy-In Approach:** Under this approach, impact fees reflect the “buy-in” concept that existing customers have developed a valuable utility system and have created equity, which has accrued to their benefit. New users connecting to the system should pay an impact fee that will permit them to receive service at a comparable equity position. New connectors pay a proportionate share of the facilities designed to serve them that are already in service. This approach works best when there is significant existing capacity available to serve new growth.
3. **Combination Approach:** If existing system capacity is available and new facilities are also under construction or planned for the future, it may be appropriate to weigh both the cost of capacity associated with existing facilities and the incremental cost of new facilities to estimate the cost of new customer growth.

The impact fees proposed herein are based upon the marginal/incremental approach due to the extent the current capacity of the system has been utilized by existing customers and the resulting minimal amount of capacity remaining to serve future growth.

Once a method has been selected to calculate the level of capital costs to be recovered by the impact fee, then the next step is to design specific charges associated with various customer classes that can be applied to new customers. The calculation of specific impact fees involves choosing a procedure that estimates individual customer capacity requirements. The procedures typically used by water utilities in Florida as the basis for estimating customer capacity needs include:

- Equivalent service connection based on meter size.
- Equivalent residential connection (ERC) based upon generic customer attributes.
- ERC based upon fixture analysis.
- ERC based upon estimated flow requirements.

The City currently uses the equivalent service connection approach based on meter size. We propose the City maintain this approach since the proposed water and sewer monthly service charges discussed in Section 4 are designed under this method and would provide consistency among rates.

**DEVELOPMENT OF IMPACT (CONNECTION) FEES**

The City’s current sewer connection fees for a 3/4-inch meter are as follows:

Sewer Service Connection Fee	<u>\$1,725.00</u>
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For purposes of calculating the sewer connection fee, one (1) sewer service ERU was assumed to have an average daily flow of 300 gallons, as provided in Section 70-2 of the City’s Ordinance.

As shown on Table 6-1, the estimated sewer service connection fee is \$2,045.00 per 3/4-inch connection (i.e. per ERU). This amount represents a \$320.00 increase per ERU, or 18.6% increase above the current fee. The sewer connection fee was last adjusted in 2003; therefore, the proposed adjustment is an average increase of 6.2% per year. The proposed sewer connection fees reflect the cost of capital improvements planned in the near future that are related to serving new growth. The summary of capital improvements used in the design of the proposed sewer connection fees is shown on Table 6-2.

The 2002 Rate Study included a proposal to determine connection fees for meter sizes larger than 3/4-inch based on AWWA equivalent ratios. The City implemented this proposal and the sewer connection fees based on these ratios are as follows:

<u>Meter Size</u>	<u>Existing Fee</u>	<u>Proposed Fee</u>
3/4”	\$1,725	\$2,045
1”	4,310	5,110
1-1/2”	8,620	10,220
2”	13,800	16,360
3”	25,870	30,670
4”	43,120	51,120

In order to assess the reasonableness of the proposed connection fees, a comparison of the City’s existing and proposed connection fees with similar fees charged by other Florida utilities is shown on Table 6-3. As shown on Table 6-3, the proposed connection fees are competitive with other utilities throughout Florida.

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**Table 6-1**  
**City of West Melbourne**  
**Sewer System**

**Development of Sewer System Connection Fee**

Line No.	Description	Amount	
<b>Total Estimated Cost of Existing Wastewater Treatment and Effluent Disposal Facilities:</b>			
1	Cost of Existing Facilities [1]	\$8,023,977	
2	Existing Plant Capacity (GPD) (ADF) [2]	2,100,000	
3	ERU Factor - GPD [3]	300	
4	Estimated ERUs to be Served by Existing Facilities	7,000	
5	Percent Remaining Capacity of Existing Facilities [4]	17.14%	
6	Allocation of Existing Facilities to Incremental Growth	\$1,375,539	
7	Rate per ERU Associated with Existing Facilities	\$1,146.28	
<b>Total Estimated Cost of Additional Wastewater Treatment and Effluent Disposal Facilities:</b>			
8	Cost of Additional Facilities	\$20,405,000	
9	Additional Plant Capacity (GPD) (ADF)	3,370,000	
10	ERU Factor - GPD	300	
11	Estimated ERUs to be Served by Additional Facilities	11,233	
12	Rate per ERU Associated with Additional Facilities	<u>\$1,816.47</u>	
<b>Primary Collection System:</b>			
13	Existing Facilities [5]	\$3,248,496	
14	New Facilities to Aid Growth [6]	940,000	
15	Subtotal of Existing Facilities	<u>\$4,188,496</u>	
16	Estimated ERU's Served by Existing Facilities	7,000	
17	Estimated Future ERU's to be Served by Transmission Facilities	<u>11,233</u>	
18	Total Estimated ERU's served by Transmission Facilities	18,233	
19	Rate per ERU of Primary Transmission Facilities	\$229.72	
20	Total Combined Fee per ERU	\$2,046.19	<u>Current</u>
21	<b>Proposed Fee per ERU (3/4-inch Meter) (rounded)</b>	<u><u>\$2,045.00</u></u>	<u><u>\$1,725.00</u></u>

**Footnotes:**

- [1] Reflects actual capital expenditures on the treatment plants as of June 2005 based on the City's "Asset Register By Location" report.
- [2] Reflects current design capacity of existing facilities based on information provided by Utility staff
- [3] Section 58-112 of the City's ordinance designates a level of service standard for sanitary sewer of 300 gallons per day per equivalent residential dwelling unit.
- [4] Remaining capacity based on average daily flow of 1.74 MGD for Fiscal Year 2005
- [5] Reflects actual capital expenditures on collection system as of June 2005 less: (1) miscellaneous equipment and miscellaneous services, the costs of which would not normally be recovered with connection fees; and (2) contributed and donated items. The information was obtained from an "Asset Register By Location" report provided by the Utility
- [6] Amounts obtained from Table 6-2.

**Table 6-2  
City of West Melbourne, Florida  
2005 Sewer Rate Study**

**Allocation of Five Year Estimated Capital Improvement Program to Sewer Connection Fee Design**

Line No.	Description	Funding Source	Fiscal Year 2006-2010 Total (1)	Percent Allocable to Growth		Amount Allocable to Growth	
				Existing	Growth	Existing	Growth
<b>CIP - SEWER SYSTEM</b>							
1	Extend Sewer Lines	S Tran-Add	\$850,000	0.00%	100.00%	\$0	\$850,000
	Third Phase Ray Bullard WRF - Plant	S Treat-Add	4,910,000	0.00%	100.00%	0	4,910,000
2	Third Phase Ray Bullard WRF - Force Main	S Tran-Add	0	0.00%	100.00%	0	0
3	Reuse Filter	S Treat-Add	550,000	10.00%	90.00%	55,000	495,000
4	Reuse System	S Tran-Add	1,570,000	100.00%	0.00%	1,570,000	0
5	Pump Station	S Tran-Add	90,000	0.00%	100.00%	0	90,000
6	Emergency Generators for Lift Stations	S Tran-Add	400,000	100.00%	0.00%	400,000	0
7	Lift Stations	S Tran-Add	300,000	100.00%	0.00%	300,000	0
8	New Plant for West area	S Treat-Add	15,000,000	0.00%	100.00%	0	15,000,000
9	Other	S Non-Alloc	0	100.00%	0.00%	0	0
10	<b>Total Sewer System Capital Costs</b>		<u>\$23,670,000</u>			<u>\$2,325,000</u>	<u>\$21,345,000</u>
<b>FUNCTIONALIZATION OF PROPOSED CAPITAL PROJECTS</b>							
11	Total Treatment Related (Existing Facilities)	S Treat-Exist	\$0			\$0	\$0
12	Total Treatment Related (Additional Facilities)	S Treat-Add	20,460,000			55,000	20,405,000
13	Total Transmission Related (Existing Facilities)	S Tran-Exist	0			0	0
16	Total Transmission Related (Additional Facilities)	S Tran-Add	3,210,000			2,270,000	940,000
17	Total Non-Allocable	S Non-Alloc	0			0	0
	<b>Total Sewer System Funding Sources</b>		<u>\$23,670,000</u>			<u>\$2,325,000</u>	<u>\$21,345,000</u>

Footnotes:

(1) Amounts obtained from Table 3-4.

**Table 6-3**

**City of West Melbourne, FL  
Sewer Rate Study**

**Comparison of Residential Impact/Connection Fees for Sewer Service [1]**

Line No.	Description	
<b>City of West Melbourne:</b>		
1	Existing Fee	\$1,725
2	Proposed Fee	2,045
<b>Other Comparable Utilities:</b>		
3	Brevard County	\$2,257
4	City of Cocoa	1,250
5	City of Daytona Beach	849
6	City of Edgewater	2,077
7	City of Melbourne	1,900
8	City of Ormond Beach	1,341
9	City of Palm Bay	1,650
10	City of Port St. Lucie	1,096
11	City of Stuart	1,600
12	City of Titusville	2,070
13	City of Vero Beach	1,330
14	City of West Palm Beach	940
15	Fort Pierce Utilities Authority	1,447
16	Indian River County	2,796
17	Martin County	2,100
18	New Smyrna Beach Utilities Commission	1,250
19	St. Lucie West Services District	1,450
20	Other Florida Utilities' Average	\$1,612

Footnotes:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect February 2006 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.