

CITY OF EUSTIS, FLORIDA



STORMWATER UTILITY RATE STUDY

July 20, 2006



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

July 20, 2006

Mr. Michael Stearman
City Manager
City of Eustis
P.O. Drawer 68
Eustis, FL 32727

Subject: **Stormwater Utility Financial Forecast and Rate Study**

Dear Mr. Stearman:

We have completed our study of the Stormwater Utility financial plan and rates for the City of Eustis, Florida (the "City"), and have summarized the results in this report for your consideration. This report summarizes the proposed rates and financial plan for the Fiscal Year 2006 through Fiscal Year 2011 period.

To develop the proposed Stormwater Utility financial plan and rates, we have relied upon certain information and data collected from the City including the City's Comprehensive Annual Financial Reports; the adopted Fiscal Year 2006 operating budget; the proposed Fiscal Year 2007 operating budget; estimated capital expenditures; customer statistics; periodic reports; records of operation; and other information and data provided by the City. To the extent we have performed our analyses using certain data and information obtained from the City and others in the preparation of this report, we have relied upon such information to be accurate and no assurances are intended and no representation or warranties are made with respect thereto or the use made herein.

Following this letter is the report summarizing our study and outlining our recommendations and conclusions. The proposed rates are based on the recovery of total projected costs and rates applied "across-the-board" based on the City staff's preference. As indicated in the report, the City should consider revising its stormwater rate structure in the future.

Mr. Michael Stearman
City of Eustis
July 20, 2006
Page 2

We appreciate the opportunity to be of service to the City and would like to thank the City's staff for their assistance and cooperation during the course of this study.

Respectfully submitted,

Public Resources Management Group, Inc.

A handwritten signature in blue ink that reads "Anthony D. Hairston". The signature is written in a cursive style with a prominent initial 'A'.

Anthony Hairston
Supervising Consultant

A handwritten signature in blue ink that reads "Felipe A. Salcedo". The signature is written in a cursive style with a prominent initial 'F'.

Felipe A. Salcedo
Rate Analyst

AH/dm

Attachments

CITY OF EUSTIS, FLORIDA
STORMWATER UTILITY FINANCIAL FORECAST
AND RATE STUDY

TABLE OF CONTENTS

Title	Page No.
Letter of Transmittal	
Table of Contents	i
List of Tables, Figures, and Appendices.....	ii
Introduction.....	1
Customer and Sales Forecast	2
Revenue Requirements	3
Principal Assumptions and Considerations	4
Summary of Stormwater System Net Revenue Requirements	6
Adequacy of Stormwater Rate Revenues	7
Existing and Proposed Rates.....	8
Annual Rate Indexing	8
Stormwater Rate Comparisons	9
Conclusions and Recommendations	9

CITY OF EUSTIS, FLORIDA
STORMWATER UTILITY FINANCIAL FORECAST
AND RATE STUDY

LIST OF TABLES AND APPENDICES

Table No.	Title
1	Summary of Historical and Projected Accounts and Stormwater Revenue
2	Revenue Requirements for the Stormwater Utility
3	Projection of Operating Expenses
4	Escalation Factors
5	Six Year Estimated Capital Improvement Program
6	Comparison of Monthly Residential Stormwater Rates
7	Comparison of Monthly Commercial Stormwater Rates

APPENDIX A – Financial Model Results

Stormwater Financial Control Panel

Contains the following figures:

- Summarized Revenue Requirements Analysis Fiscal Year 2006 to Fiscal Year 2011
- Available Fiscal Year 2006 to Fiscal Year 2011 Fund Balances
- Use – Additions to Reserves and Interfund Transfers Fiscal Year 2006 to Fiscal Year 2011
- Operating Margin Fiscal Year 2006 to Fiscal Year 2011
- Six-Year Expense Allocation

APPENDIX B – Comparison of Monthly Residential Stormwater Charges

APPENDIX C – City Workshop Presentation

CITY OF EUSTIS, FLORIDA

STORMWATER UTILITY FINANCIAL FORECAST AND RATE STUDY

INTRODUCTION

The City's Stormwater Utility (the "System") is established as a special revenue fund. The goal of this study is to assist the City in establishing stormwater rates that are sufficient to recover the cost of operating, maintaining, repairing and financing the System. A particular focus in projecting future costs includes meeting the requirements of recently enacted regulation, including the Wekiva Parkway and Protection Act and the Total Maximum Daily Load (TMDL) Program administered by the Florida Department of Environmental Protection (FDEP). The City's consulting engineers completed and updated the Stormwater Master Plan in May 2005 identifying a program for the City to address these and other regulatory issues. The stormwater System Capital Improvements Program (CIP) summarized later in this report has been developed by City staff to be funded during the next five years as an initial phase in meeting the City's regulatory requirements. The proposed rate levels outlined in this report are designed to fund the projects identified by City staff along with the projected costs of operating the System. These total costs are referred as the System revenue requirements.

As outlined in this report, stormwater rates are proposed to be adjusted so that the revenues derived from such rates will support the revenue requirements of the System. Based on the projected operating results summarized herein, the study shows that by implementing a series of annual rate increases over the next five years the City can recover the total costs anticipated for the System and provide a source of additional funding to make significant capital improvements needed to comply with NPDES requirements.

As defined in the City of Eustis Code, Article IX, Section 94-180, an equivalent single-family dwelling unit ("ESFU") is the average impervious surface area of residential developed property per dwelling unit located within the City. One ESFU is defined as 2,187 square feet of impervious surface area. For residential developed property, the monthly stormwater fee is based on the rate per equivalent unit multiplied by the number of individual dwelling units. For non-residential property, the monthly stormwater fee is based, not on Article IX of the City Code, but on Ordinance No. 97-27, and is applied as a flat fee to all non-residential developed units regardless of the number of ESFUs. The City of Eustis currently charges \$3.00 per month per ESFU for each residential dwelling unit within the City; and a flat fee of \$6.00 per month for each non residential developed unit.

(Remainder of page intentionally left blank)

For the City's Stormwater Utility, this study recommends that a series of rate adjustments should be implemented as follows:

	Proposed Stormwater Rate per ESFU Effective October 1,				
	<u>2006</u>	<u>2007 [1]</u>	<u>2008 [1]</u>	<u>2009 [1]</u>	<u>2010 [1]</u>
Monthly Residential Stormwater Rate	\$6.00	\$6.15	\$6.30	\$6.45	\$6.60
Monthly Nonresidential Stormwater Rate	\$12.00	\$12.30	\$12.60	\$12.90	\$13.20

[1] Assumes an inflationary indexed rate increase of approximately 3.0% per year.

The major reasons for the proposed rate increases shown above include: i) funding of Stormwater System capital projects; ii) increasing operating expenses due to inflation and increased level of service requirements; and iii) capital expenditures required for ongoing needs such as vehicle and equipment replacement.

The recommendations of this study are based on a financial forecast developed for the Stormwater Utility. The financial forecast starts with the forecast of customers and revenues, proceeds next with identification of utility operating and capital needs, next considers capital financing alternatives in order to develop a proposed capital financing plan, and finally, establishes the timing of rate adjustments, if necessary. The basis for the study's recommendations is a financial forecast developed for Fiscal Years 2006 through 2011.

CUSTOMER AND SALES FORECAST

During Fiscal Year 2005, it is estimated that the City billed an average of 9,196 stormwater accounts. As shown on Table 1 and in the tabulation below, over the past year, 92.11% of the stormwater customer accounts were classified as residential, while 7.89% of the stormwater customer accounts were classified as nonresidential.

Average Stormwater System Accounts Fiscal Year 2005 [1]				
<u>Account Classification</u>	<u>Accounts</u>	<u>Percentage (%) of Total</u>	<u>Annual Revenue</u>	<u>Percentage (%) of Total</u>
Residential [2]	8,470	92.11%	\$304,920	85.37%
Non Residential [3]	<u>726</u>	<u>7.89%</u>	<u>\$52,272</u>	<u>14.63%</u>
Total	<u>9,196</u>	<u>100.00%</u>	<u>\$357,192</u>	<u>100.00%</u>

[1] Amounts derived from Table 1.

[1] Includes Multi-residential and RV Parks accounts.

[2] Includes Commercial and Multi-commercial accounts.

As derived from the Fiscal Year 2005 data shown above, 85.73% of the stormwater utility revenue comes from residential customers, while 14.63% of revenue is derived from commercial customers.

A forecast of customers and revenues was developed for Fiscal Years 2006 through 2011 to evaluate the adequacy of existing rate levels. The forecast is also used to estimate revenues from the proposed rates. Based on a review of historical growth in the City's water System customer base located inside the City limits, which approximates the City's stormwater utility customer

base, it is assumed that the City's stormwater customer base will increase approximately 1.7% per year during the forecast period. The 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 experience, the results could be substantially different from the projections used in this study.

Table 1 provides a summary of the forecast of the number of accounts served and the associated revenues for the System. The forecast is also summarized in the following tabulation:

Projected Stormwater Accounts and Revenue Under Existing Rates [1]						
Fiscal Year	Residential [2]		Non-residential [3]		Total System	
	Accounts	Revenue	Accounts	Revenue	Accounts	Revenue
2005 (Actual)	8,470	\$304,920	726	\$52,272	9,196	\$357,192
2006	8,675	312,300	736	52,992	9,411	365,992
2007	8,825	317,700	746	53,712	9,571	371,412
2008	8,975	323,100	756	54,432	9,731	377,532
2009	9,125	328,500	766	55,152	9,891	383,652
2010	9,275	333,900	776	55,872	10,051	389,772
2011	9,375	337,500	781	56,232	10,156	393,732
Average Annual Compound Growth Rate (FY06–FY11)	<u>1.7%</u>	<u>1.7%</u>	<u>1.2%</u>	<u>1.2%</u>	<u>1.7%</u>	<u>1.6%</u>

[1] Amounts derived from Table 1.

[2] Includes Multi-residential and RV Parks accounts.

[3] Includes Commercial and Multi-commercial accounts.

REVENUE REQUIREMENTS

The various components of cost associated with operating and maintaining a municipally-owned utility system, as well as the cost of financing the renewal and replacement of equipment and capital improvements, are generally referred to as the utility cash revenue requirements. The sum 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. The revenue requirements for this rate study were based on an estimate of Stormwater Utility costs for the six (6) fiscal year period ending September 30, 2011 (i.e., Fiscal Years 2006 through 2011). The projected revenue requirements include the various generalized cost components described below:

- **Operating Expenses:** These expenses include: the cost of labor and personnel related costs, vehicle maintenance, stormwater collection system repairs, utilities, operating supplies, equipment repairs and maintenance, and other items necessary for the operation and maintenance of the System.
- **Transfer to the Street Improvement fund:** This is an annually recurring transfer to the City's Street Improvement Fund as a repayment for services rendered by the Street Improvement Fund on behalf of the Stormwater Utility.

- **Other Revenue Requirements:** This component of cost includes, in general, any recurring capital improvements to be financed from revenues such as vehicle and equipment replacement and acquisition of right of ways and easements. Other revenue requirements may include debt service payments on funds borrowed on behalf of the System.

PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

The projected cash revenue requirements, as shown on Table 2 for the Stormwater Utility, reflect certain assumptions, considerations and analyses. The major assumptions, considerations and analyses that are included in the development of the projected System revenue requirements for the study period are as follows:

1. The proposed Fiscal Year 2007 Annual Budget associated with the operations of the Stormwater Utility, as provided by the City, serves as the basis for the expenditure projections set forth herein. Unless otherwise noted, the underlying assumptions and expenditure amounts included 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 Stormwater Utility rates are based on the schedule of rates currently in effect as of the date of this report. Such rates are applied to the customer forecast previously discussed in this report and shown on Table 1. Table 1 also summarizes the projected rate revenue under existing rates for the forecast period. For Fiscal Year 2006 rate revenue from existing rates is projected to be approximately \$365,292.
3. The operations and maintenance expenses of the Stormwater Utility budgeted for Fiscal Year 2007 are projected for the remaining four (4) years of the forecast period (i.e., through Fiscal Year 2011). These operating cost projections and the escalation factors used to estimate future expenditures are illustrated on Tables 3 and 4, respectively. The projected operating expenses were developed for the study period as follows:
 - a. Budgeted Fiscal Year 2007 operating expenses such as contractual services, communication services, road materials, and operating supplies are projected to increase from current budgetary levels at an annual rate of inflation equal to 2.5%. The forecast of inflation is based upon the Consumer Price Index (CPI) forecast prepared by the Congressional Budget Office (CBO) as contained in "The Budget and Economic Outlook" report dated January 2006. The January 2006 CPI inflation projections obtained from the CBO are 2.2% annually. An additional 0.3% was assumed in our analysis to provide a larger margin of forecast error for inflation. This inflation forecast was compared to other price indices used by utilities for financial forecasting and rate review purposes. These indices included: i) the Gross Domestic Product (GDP) implicit price deflator index that is used by the Florida Public Service Commission in the regulation of investor-owned utilities to establish price indices that automatically "pass through" increased operating costs without a full rate review; and ii) published indices such as the *Engineering News Record* or *Handy Whittman Index* that track historical trends in utility construction and materials costs.

- b. Based on discussions with the City staff, labor and personnel related costs other than health insurance are projected to increase 5.0% annually. The cost of employee health insurance paid by the City is escalated at 15.0% for Fiscal Years 2008 through 2009 and then at 5.0% for the remaining forecasted years. In addition to labor and personnel related costs, the cost of stormwater collection system repairs and vehicle and equipment maintenance are projected to increase 4.0% annually.
- c. The financial forecast herein reflects two (2) additional employee positions during the forecast period as identified by City staff. The cost of additional personnel, including employee benefits, reflects an increase in staffing levels above the proposed Fiscal Year 2006 budget level. A summary of additional employee expenses is shown below:

Staffing Addition	No. of Positions	Fiscal Year	Base Salary Expense in Year of Addition	Benefits in Year of Addition	Total Expense in Year of Addition
Maintenance Worker	1	2008	\$23,699	\$10,110	\$33,809
Maintenance Worker	1	2011	27,435	11,704	39,139

- 4. The projected capital expenditures for the Stormwater Utility are based on specific project cost data provided by City staff along with information regarding annual departmental and recurring capital needs. Included in the capital improvement funding plan is the use of Stormwater Utility rate revenue to finance the ongoing acquisition of right of ways, easements and detention ponds and to fund recurring capital projects related to the renewal and replacement of vehicles and other existing assets and equipment. As shown on Table 5, and in the tabulation below, The City has identified capital improvement projects totaling \$4,585,662 for the forecasted period. In addition, the City has recurring capital expenditures of approximately \$50,000 annually in average.

(Remainder of page intentionally left blank)

Stormwater Utility Capital Expenditures for Fiscal Years 2006 -2011 [1]

	Project Cost
Capital Projects/Drainage	\$1,007,162
Steven Ave. Project	621,000
Bay St. / Morin St. Project	804,500
Bay St. & Clifford Ave. Project	900,000
Citrus / Dewey St. Project	200,000
Wall St. / Harlem Ave Project	550,000
Eustis St. & Bates Ave. Project	450,000
Northshore Dr. Project	<u>50,000</u>
Subtotal Capital Projects/Drainage	<u>\$4,582,662</u>
Departmental Capital Outlay	<u>\$303,039</u>
Subtotal Including Capital Outlay	\$4,885,701
Total Stormwater Utility Capital Costs - Escalated	<u>\$5,051,166</u>
Funding Sources	
Stormwater Utility Revenue (Rate Revenue) [2]	\$840,236
Department of Transportation Grants	1,830,062
LCWA / St. Johns River Water Mgmt. District Grants	<u>2,380,868</u>
Total Funding Sources	<u>\$5,051,166</u>

[1] Amounts derived from Table 5.

[2] Amount Reflects available Stormwater Utility revenue available under the rates proposed herein.

As shown above, the City has secured grants to fund the majority of the capital projects for the forecasted period. The Department of Transportation and the LCWA – St. Johns River Water Management District has pledged \$1,830,062 and \$2,380,062, respectively. The amount of capital projects funded through rate revenue totals \$840,236. At current rate levels these capital expenditures are essentially unfunded and Stormwater Utility rate increases will be necessary to provide the funding identified above.

5. The Fiscal Year 2006 budget does not include transfers from the City's general fund to meet the Stormwater Utility's financial obligations. However, based on the projections summarized on Table 2 at the end of this report, \$40,000 is assumed to be borrowed from other City sources in order to meet the projected Fiscal Year 2006 revenue requirements. The financial forecast assumes this amount is repaid during Fiscal Year 2007 with the implementation of the proposed rates. No interest payment is assumed as part of this short-term internal loan.

SUMMARY OF STORMWATER UTILITY NET REVENUE REQUIREMENTS

Based upon the assumptions used to prepare the Stormwater Utility's financial forecast regarding operating expenses, capital requirements, capital funding, general fund transfers and rate increases, the projected net revenue requirements of the System that are estimated to be recovered from user rates are summarized as follows:

**Fiscal Year Net Revenue Requirements –
Stormwater Utility System**

Stormwater Utility System	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Expenses	\$287,723	\$321,434	\$380,806	\$403,126	\$420,378	\$479,113
Transfers to the Street Improvement Fund	114,628	114,730	120,467	126,490	132,814	139,445
Debt Service (Interim Financing)	0	40,000	0	0	0	0
Capital Funded from Rates/Deposits to Reserves	<u>135,836</u>	<u>268,975</u>	<u>321,705</u>	<u>283,538</u>	<u>301,824</u>	<u>272,359</u>
Total Utility Expenditures	\$538,187	\$745,139	\$822,977	\$813,154	\$855,016	\$890,917
Less Income and Funds from Other Sources [2]	<u>172,895</u>	<u>2,979</u>	<u>48,379</u>	<u>7,711</u>	<u>17,117</u>	<u>25,475</u>
Net Revenue Required from Rates	<u>\$365,292</u>	<u>\$742,160</u>	<u>\$774,597</u>	<u>\$805,443</u>	<u>\$837,899</u>	<u>\$865,442</u>

[1] Derived from Table 2.

[2] For FY2006 amount includes a transfer of \$40,000 to the Stormwater Utility System as a short-term internal loan.

As can be seen in the above summary, and graphically in Appendix A, the estimated net revenue requirements estimated to be recovered from rates for the System for the five years beginning with the Fiscal Year 2007 are anticipated to increase from \$742,160 to \$865,442. The primary reason for these increases are: i) increased funding to support capital projects; ii) continued inflationary increases in operating expenses; iii) an increase in the level of Street Improvement Fund transfers; and iv) increases in operating expenses due to additional employee additions.

ADEQUACY OF STORMWATER UTILITY RATE REVENUES

As shown on Table 2 and graphically in Appendix A, based on the forecast of sales and revenues for the System and the assumptions and considerations set forth herein with respect to the estimation of System net revenue requirements, the proposed rate adjustments are anticipated to produce additional revenues as follows:

	Fiscal Year Ending September 30,					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Stormwater Utility System [1]						
Net Revenue Requirements from Rates	\$365,292	\$742,160	\$774,597	\$805,443	\$837,899	\$865,442
Rate Revenue From Existing Rates (Projected)	365,292	371,412	377,532	383,652	389,772	393,732
Additional Revenue From Proposed Rate Increases	<u>0</u>	<u>371,412</u>	<u>396,409</u>	<u>422,018</u>	<u>448,238</u>	<u>472,479</u>
Total Rate Revenue	\$365,292	\$742,824	\$773,941	\$805,669	\$838,010	\$866,210
Projected Surplus (Deficiency) Under Proposed Rates	<u>\$0</u>	<u>\$664</u>	<u>(\$657)</u>	<u>\$227</u>	<u>\$111</u>	<u>\$758</u>

[1] Derived from Table 2.

EXISTING AND PROPOSED RATES

The scope of this study does not include a review of the existing Stormwater Utility rate structure. Therefore, the proposed rates are applied to existing rates “across-the-board” and affect residential and commercial customers by an equal percentage. However, a common and equitable rate structure used for stormwater utilities includes a rate per ESFU based on impervious surface area. The City’s existing Code includes a provision for charging stormwater rates per ESFU based on an estimated residential impervious surface area of 2,187 square feet. As shown in the commercial comparison described later in this report, this billing method is common among other utilities. In the future, the City should consider implementing commercial rates per ESFU in order to more equitably recover costs through higher monthly stormwater fees for those customers that represent multiple ESFUs. However, if and when the City chooses to implement such billing it should also lower the per ESFU commercial rate to be equal to the residential rate. The City of Eustis currently charges \$3.00 per month per ESFU for each residential or single-family dwelling unit within the City; and a flat fee of \$6.00 per month for each non residential developed unit. This study recommends that a series of across-the-board adjustments should be implemented as follows:

	Proposed Stormwater Rate per ESFU Effective October 1,				
	<u>2006</u>	<u>2007[1]</u>	<u>2008[1]</u>	<u>2009[1]</u>	<u>2010[1]</u>
Monthly Residential Stormwater Utility Rate	\$6.00	\$6.15	\$6.30	\$6.45	\$6.60
Monthly Nonresidential Stormwater Utility Rate	\$12.00	\$12.30	\$12.60	\$12.90	\$13.20

[1] Assumes an inflationary indexed rate increase of approximately 3.0% per year.

The primary reasons for the proposed rate increases shown above include: i) funding of certain System capital projects; ii) increasing operating expenses due to inflation and increased level of service requirements; and iii) capital expenditures required for ongoing needs such as vehicle and equipment replacement.

ANNUAL RATE INDEXING

After the City increases its Stormwater Utility rates per ESFU from \$3.00 per month to \$6.00 for residential accounts and from \$6.00 to \$12.00 per month per account for nonresidential accounts for Fiscal Year 2007, we recommend that the City adjust its rates by an inflationary factor on an annual basis to maintain its operating margins and ability to fund capital projects in the future. We propose that the City adjust rates based on an inflation index every year beginning in October 2007 (beginning of Fiscal Year 2008). The Stormwater Utility rates should be increased by the annual change in the Municipal Cost Index (MCI) or by a similar Index such as the Gross Domestic Product Deflator (the GDP deflator is used by the Florida Public Service Commission to allow for indexed rate adjustments for regulated water and wastewater utilities). By increasing rates by a small, inflationary amount every year, the City will be able to lessen any large rate adjustments in the future. However, it should be noted that indexing will not absolutely preclude the need for additional rate adjustments in the future due to additional regulatory requirements, changing operating needs, or the need for new infrastructure.

STORMWATER UTILITY RATE COMPARISONS

In order to provide additional information regarding the proposed rate changes PRMG developed a comparison of the City's existing and proposed monthly rates per ESFU for residential and commercial accounts with monthly rates charged by other jurisdictions. Tables 6 and 7 and graphically on Appendix B show a rate comparison that includes a number of utilities throughout Central Florida.

The City's current stormwater rates are lower than those charged by most neighboring jurisdictions. After the proposed rate increases for Fiscal Years 2007 through 2011 are implemented, the City's rates will be somewhat higher than rates charged by other communities today. As discussed previously, the City's current policy is to charge a flat fee to all commercial customers regardless of the ESFUs for that particular customer. As shown on Table 7, the proposed rates for a representative sample of the City's Stormwater Utility customers are substantially lower than rates charged by other communities. For example, a convenience store representing 37,477 square feet of impervious surface area, or 17.14 ESFUs under the City's level of service, would pay anywhere from \$31.13 to \$120.42 per month in other nearby cities compared to \$12.00 for the City of Eustis. The City should consider implementing the commercial charges per ESFU. However, after such implementation, the commercial charge should be lowered to the residential rate per ESFU. This change may require an adjustment to the overall rate per ESFU.

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 Stormwater Utility service will not recover the projected System costs for the fiscal years ending September 30, 2006 through 2011.
2. The City should consider adopting the Stormwater Utility rates proposed herein, effective October 1, 2006. The proposed rates with annual inflation index adjustments are anticipated to meet the projected net revenue requirements over the next several years. The revenue requirements include operation and maintenance expenses and the funding of capital needs during the forecast period.
3. The City should consider adopting an annual rate index to adjust rates annually starting October 2007 (beginning of Fiscal Year 2008) that would be based on the annual change in an inflationary index such as the Municipal Cost Index (MCI) for the most recent 12-month period available.
4. The proposed rates are somewhat higher than other neighboring communities, while the proposed monthly flat commercial rates are lower than other communities. In the future the City should consider implementing commercial rates based on each parcel's impervious surface area in order to more equitably recover the costs of the Stormwater Utility System.

TABLES

Table 1
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Summary of Historical and Projected Accounts and Stormwater Revenue

Line No.	Description	Actual Fiscal Year Ended September 30,		Projected Fiscal Year Ending September 30,					
		2004	2005	2006	2007	2008	2009	2010	2011
Residential									
1	Annual Average Accounts	N/A	6,506	6,706	6,856	7,006	7,156	7,306	7,406
2	Existing Rate Per Account	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
3	Annual Revenue Under Existing Rates	N/A	\$ 234,216	\$ 241,416	\$ 246,816	\$ 252,216	\$ 257,616	\$ 263,016	\$ 266,616
Multi-Residential [1]									
4	Annual Average Units	N/A	1,264	1,269	1,269	1,269	1,269	1,269	1,269
5	Existing Rate Per Account	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
6	Annual Revenue Under Existing Rates	N/A	\$ 45,504	\$ 45,684	\$ 45,684	\$ 45,684	\$ 45,684	\$ 45,684	\$ 45,684
RV- Parks [1]									
7	Annual Average Units	N/A	700	700	700	700	700	700	700
8	Existing Rate Per Account	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
9	Annual Revenue Under Existing Rates	N/A	\$ 25,200	\$ 25,200	\$ 25,200	\$ 25,200	\$ 25,200	\$ 25,200	\$ 25,200
Commercial									
10	Annual Average Accounts	N/A	678	688	698	708	718	728	733
11	Existing Rate Per Account	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
12	Annual Revenue Under Existing Rates	N/A	\$ 48,816	\$ 49,536	\$ 50,256	\$ 50,976	\$ 51,696	\$ 52,416	\$ 52,776
Multi-Commercial									
13	Annual Average Accounts	N/A	48	48	48	48	48	48	48
14	Existing Rate Per Account	\$ 1.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
15	Annual Revenue Under Existing Rates	N/A	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456	\$ 3,456
16	Total Annual Average Accounts	N/A	9,196	9,411	9,571	9,731	9,891	10,051	10,156
17	Total Annual Revenue Under Existing Rates	\$ 338,398	\$ 357,192	\$ 365,292	\$ 371,412	\$ 377,532	\$ 383,652	\$ 389,772	\$ 393,732
18	Percentage Change Revenue	N/A	5.6%	2.3%	1.7%	1.6%	1.6%	1.6%	1.0%

Footnotes:

[1] Amounts for FY 2005 were adjusted from City's billing system using information provided by City Staff.

Table 2
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Revenue Requirements for the Stormwater Utility

Line No.	Description	Fiscal Year Ending September 30,					
		2006	2007	2008	2009	2010	2011
Operating Expenses							
<u>Street Sweeping & Drain. Maint. (371)</u>							
1	Personnel Services	\$ 129,212	\$ 133,665	\$ 176,803	\$ 188,685	\$ 198,119	\$ 247,163
1	Operating Expenses	80,420	83,348	85,700	88,122	90,616	93,183
2	Total Street Sweeping & Drain. Maint (371)	\$ 209,632	\$ 217,013	\$ 262,503	\$ 276,807	\$ 288,735	\$ 340,347
<u>Administration (370)</u>							
3	Personnel Services	\$ 0	\$ 29,430	\$ 31,544	\$ 33,859	\$ 35,552	\$ 37,330
3	Operating Expenses	10,900	10,900	13,173	15,452	15,738	16,032
4	Total Administration (370)	\$ 10,900	\$ 40,330	\$ 44,716	\$ 49,311	\$ 51,290	\$ 53,361
4	Miscellaneous Expenses	\$ 56,125	\$ 51,728	\$ 58,940	\$ 61,503	\$ 64,185	\$ 66,978
5	Contingency	11,066	12,363	14,646	15,505	16,168	18,427
6	Total Operating Expenses	\$ 287,723	\$ 321,434	\$ 380,806	\$ 403,126	\$ 420,378	\$ 479,113
Other Revenue Requirements							
7	Proposed Additional Debt Service	0	0	0	0	0	0
8	Total Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
9	Transfers to the Street Improvement Fund	[1] \$ 114,628	\$ 114,730	\$ 120,467	\$ 126,490	\$ 132,814	\$ 139,455
10	Capital Funded from Rates	[2] 135,836	203,975	321,705	21,538	93,824	63,359
10	Transfers to Reserves	0	65,000	0	262,000	208,000	209,000
11	Transfers to Other Funds (Debt Repayment)	0	40,000	0	0	0	0
12	Total Other Revenue Requirements	\$ 250,464	\$ 423,705	\$ 442,171	\$ 410,028	\$ 434,638	\$ 411,814
13	Gross Revenue Requirements	\$ 538,187	\$ 745,139	\$ 822,977	\$ 813,153	\$ 855,016	\$ 890,927
Less Income and Funds from Other Sources							
14	Interfund Transfer In	[3] \$ 40,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
15	Transfer In from Reserves	128,656	0	45,000	0	0	0
16	Unrestricted Interest Income	4,239	2,979	3,379	7,711	17,117	25,475
17	Other Income	0	0	0	0	0	0
18	Net Revenue Requirements	\$ 365,292	\$ 742,160	\$ 774,597	\$ 805,443	\$ 837,899	\$ 865,452
19		\$ 172,895	\$ 2,979	\$ 48,379	\$ 7,711	\$ 17,117	\$ 25,475
Revenue from Existing rates							
20	Stormwater System Rates	\$ 365,292	\$ 371,412	\$ 377,532	\$ 383,652	\$ 389,772	\$ 393,732
21	Prior Year Rate Adjustment	0	0	377,532	402,835	428,749	452,792
22	Total Revenue Before Adjustment	\$ 365,292	\$ 371,412	\$ 755,064	\$ 786,487	\$ 818,521	\$ 846,524
Proposed Rate Effective October-1							
23	Residential Customers	\$ 3.00	\$ 6.00	\$ 6.15	\$ 6.30	\$ 6.45	\$ 6.60
24	Commercial Customers	\$ 6.00	\$ 12.00	\$ 12.30	\$ 12.60	\$ 12.90	\$ 13.20
25	(%) Rate Increase Effective October-1	0.00%	100.00%	2.50%	2.44%	2.38%	2.33%
26	Revenue from Current Year Rate Adjustment	0	371,412	18,877	19,183	19,489	19,687
27	TOTAL ADJUSTED REVENUE	\$ 365,292	\$ 742,824	\$ 773,941	\$ 805,669	\$ 838,010	\$ 866,210
28	Revenue Surplus / (Deficiency)	\$ 0	\$ 664	\$ (657)	\$ 227	\$ 111	\$ 758

Footnotes:

- [1] Amounts reflect transfers to the Street Improvement Fund as part of repayment for services rendered.
[2] Amounts include departmental capital and capital projects related to the drainage system.
[3] Expected transfer from other funds to prevent the Stormwater Utility Fund to have a negative balance.

Table 3
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Projection of Operating Expenses

Line No.	Description	Escalation Reference	Budget 2006	Adjustments	Adjusted 2006	Proposed 2007	Projected Fiscal Year Ending September 30,			
							2008	2009	2010	2011
Street Sweeping & Drainage Maintenance (371)										
Personnel Services										
1	Executive Salaries	Labor	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	Regular Salaries & Wages	Labor	85,984	0	85,984	88,564	92,992	97,642	102,524	107,650
3	Other Salaries & Wages	Labor	0	0	0	0	0	0	0	0
4	Overtime	Labor	4,000	0	4,000	4,126	4,332	4,549	4,776	5,015
5	Christmas Bonus	Labor	765	0	765	1,040	1,092	1,147	1,204	1,264
6	FICA Taxes	Labor	6,965	0	6,965	7,170	7,529	7,905	8,300	8,715
7	Florida Retirement	Labor	1,933	0	1,933	2,197	2,307	2,422	2,543	2,670
8	Life & Health Insurance	Health	25,680	0	25,680	26,450	30,418	34,980	36,729	38,566
9	ICMA Retirement	Labor	3,885	0	3,885	4,118	4,324	4,540	4,767	5,005
10	Additional Personnel [1]	Input	0	0	0	0	33,809	35,500	37,275	78,277
11	TOTAL PERSONNEL SERVICES		\$ 129,212	\$ 0	\$ 129,212	\$ 133,665	\$ 176,803	\$ 188,685	\$ 198,119	\$ 247,163
Operating Expenses										
12	Professional Services	Inflation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
13	Other Contractual Services	Inflation	20,000	0	20,000	20,600	21,115	21,643	22,184	22,739
14	Travel & Per Diem	Inflation	0	0	0	0	0	0	0	0
15	Communication Services	Inflation	2,200	0	2,200	2,269	2,326	2,384	2,443	2,505
16	Transportation	Inflation	0	0	0	0	0	0	0	0
17	Repair & Maintenance	Repair	17,250	0	17,250	17,906	18,622	19,367	20,142	20,947
18	Printing & Binding	Inflation	0	0	0	0	0	0	0	0
19	Other Current Charges	Inflation	21,000	0	21,000	21,840	22,386	22,946	23,519	24,107
20	Office Supplies	Inflation	120	0	120	124	127	130	134	137
21	Operating Supplies	Inflation	12,000	0	12,000	12,480	12,792	13,112	13,440	13,776
22	Road Materials	Inflation	7,000	0	7,000	7,252	7,433	7,619	7,810	8,005
23	Employee Study Expense	Inflation	850	0	850	877	899	921	944	968
24	Other Operating Expenses	Inflation	0	0	0	0	0	0	0	0
25	Machinery & Equipment [2]	Inflation	60,836	(60,836)	0	0	0	0	0	0
26	Other Capital Outlay	Inflation	0	0	0	0	0	0	0	0
27	TOTAL OPERATING EXPENSES		\$ 141,256	\$ (60,836)	\$ 80,420	\$ 83,348	\$ 85,700	\$ 88,122	\$ 90,616	\$ 93,183

Table 3
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Projection of Operating Expenses

Line No.	Description	Escalation Reference	Budget 2006	Adjustments	Adjusted 2006	Proposed 2007	Projected Fiscal Year Ending September 30,			
							2008	2009	2010	2011
Administration (370)										
Personnel Services										
28	Executive Salaries	Labor	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
29	Regular Salaries & Wages	Labor	0	0	0	20,000	21,000	22,050	23,153	24,310
30	Other Salaries & Wages	Labor	0	0	0	0	0	0	0	0
31	Overtime	Labor	0	0	0	0	0	0	0	0
32	Christmas Bonus	Labor	0	0	0	260	273	287	301	316
33	FICA Taxes	Labor	0	0	0	1,550	1,628	1,709	1,794	1,884
34	Florida Retirement	Labor	0	0	0	0	0	0	0	0
35	Life & Health Insurance	Health	0	0	0	6,420	7,383	8,490	8,915	9,361
36	ICMA Retirement	Labor	0	0	0	1,200	1,260	1,323	1,389	1,459
37	Additional Personnel	Input	0	0	0	0	0	0	0	0
38	TOTAL PERSONNEL SERVICES		\$ 0	\$ 0	\$ 0	\$ 29,430	\$ 31,544	\$ 33,859	\$ 35,552	\$ 37,330
Operating Expenses										
39	Professional Services	Inflation	\$ 10,000	\$ 0	\$ 10,000	\$ 10,000	\$ 10,250	\$ 10,506	\$ 10,769	\$ 11,038
40	Other Contractual Services	Inflation	0	0	0	0	0	0	0	0
41	Travel & Per Diem	Inflation	500	0	500	500	513	525	538	552
42	Repair & Maintenance	Input	0	0	0	0	2,000	4,000	4,000	4,000
43	Office Supplies	Inflation	100	0	100	100	103	105	108	110
44	Operating Supplies	Inflation	200	0	200	200	205	210	215	221
45	Books, Publ. and Subscriptions	Inflation	100	0	100	100	103	105	108	110
46	Other Capital Outlay	Inflation	0	0	0	0	0	0	0	0
47	TOTAL OPERATING EXPENSES		\$ 10,900	\$ 0	\$ 10,900	\$ 10,900	\$ 13,173	\$ 15,452	\$ 15,738	\$ 16,032

Table 3
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Projection of Operating Expenses

Line No.	Description	Escalation Reference	Budget 2006	Adjustments	Adjusted 2006	Proposed 2007	Projected Fiscal Year Ending September 30,			
							2008	2009	2010	2011
Miscellaneous Expenses										
Recurring Expenses										
48	Accounting and Auditing	Inflation	\$ 2,000	\$ 0	\$ 2,000	\$ 2,000	\$ 2,050	\$ 2,101	\$ 2,154	\$ 2,208
49	Insurance	Insurance	20,000	0	20,000	25,000	31,250	32,813	34,453	36,176
50	Bad Debt Write -Off [3]	Input	2,000	192	2,192	2,228	2,265	2,302	2,339	2,362
51	Professional Services	Inflation	29,533	0	29,533	10,000	10,250	10,506	10,769	11,038
52	Additional Employee Cost	Labor	2,400	0	2,400	12,500	13,125	13,781	14,470	15,194
53	TOTAL RECURRING EXPENSES		\$ 55,933	\$ 192	\$ 56,125	\$ 51,728	\$ 58,940	\$ 61,503	\$ 64,185	\$ 66,978
54	Contingency (4% of Budgeted Expenditures)		0	11,066	11,066	12,363	14,646	15,505	16,168	18,427
55	TOTAL STORMWATER UTILITY FUND EXPENSE		\$ 337,301	\$ (49,578)	\$ 287,723	\$ 321,434	\$ 380,806	\$ 403,126	\$ 420,378	\$ 479,113
56	% Increase					11.7%	18.5%	5.9%	4.3%	14.0%

Footnotes:

- [1] Additional Maintenance Worker to be added in FY 2008 and 2010 due to increased work load and demand placed by NPDES Phase II.
- [2] Equipment expenses and other capital outlay are adjusted from projected operating expenses and reflected in the capital improvements program. For FY 2007 the value of such adjustment is equal to \$25,000.
- [3] Adjusted to be equal to 0.60% of projected retail rate revenue.

Table 4
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Escalation Factors

Line No.	Description	Reference	Projected Escalation Factors for the Fiscal Year ending September 30,				
			2007	2008	2009	2010	2011
1	Constant Factor	Constant	1.00000	1.00000	1.00000	1.00000	1.00000
2	General Inflation [1]	Inflation	1.02500	1.02500	1.02500	1.02500	1.02500
3	Inflation/Customer Growth	Inf/Cust	1.04243	1.04214	1.04185	1.04158	1.03571
4	Inflation/Employee Growth	Inf/Emp	1.02500	1.28125	1.02500	1.02500	1.23000
5	Labor	Labor	1.05000	1.05000	1.05000	1.05000	1.05000
6	Customer Growth	Customer	1.01700	1.01672	1.01644	1.01618	1.01045
7	Rate Revenue	Revenue	1.01648	1.01621	1.01595	1.01595	1.01016
8	Repair and Maintenance	Repair	1.04000	1.04000	1.04000	1.04000	1.04000
9	Property/General Insurance Liability	Insurance	1.25000	1.25000	1.05000	1.05000	1.05000
10	Elimination Factor	Eliminate	0.00000	0.00000	0.00000	0.00000	0.00000
11	Health Insurance	Health	1.15000	1.15000	1.15000	1.05000	1.05000
12	Other	Other	1.00000	1.00000	1.00000	1.00000	1.00000

Footnotes:

[1] For FY 2008-2015 adjusted from CPI projections obtained from Congressional Budget Office: "The Budget and Economic Outlook:" January 2006 Edition plus an additional 0.3%.

Line No.	Escalation Parameters	Fiscal Year Ending September 30,					
		2006	2007	2008	2009	2010	2011
13	Total Stormwater Accounts	9,411	9,571	9,731	9,891	10,051	10,156
14	Percentage Change		1.70%	1.67%	1.64%	1.62%	1.04%
15	Existing Rate Revenue	\$ 365,292	\$ 371,412	\$ 377,532	\$ 383,652	\$ 389,772	\$ 393,732
16	Percentage Change		1.65%	1.62%	1.60%	1.60%	1.02%
17	Budgeted Additional Employees	0	0	1	0	0	1
18	Number of Current Employees	4.0	4.0	5.0	5.0	5.0	6.0
19	Percentage Change		0.00%	25.00%	0.00%	0.00%	20.00%

Table 5
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Six Year Estimated Capital Improvement Program

Line No.	Description		Projected Fiscal Year Ending September 30,							Total Fiscal Years 2006 - 2011	
			Budgeted 2006	Adjustments	Adjusted 2006	2007	2008	2009	2010		2011
CAPITAL EXPENDITURES STORMWATER SYSTEM											
<u>Capital Projects -Drainage [1]</u>											
1	Land at Steven Ave. & Donnelly Detention Pond and 1600' -24/30' ADS	DOT	\$ 932,162	\$ 0	\$ 932,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 932,162
2	Land at Steven Ave. & Donnelly Detention Pond and 1600' -24/30' ADS	Rates	75,000	0	75,000	0	0	0	0	0	75,000
3	Land at Bay St. / Morin St. Detention Pond and 100' -20'/24' DTS	SJRWMD	621,000	0	621,000	0	0	0	0	0	621,000
4	Land at Bay St. & Clifford Avenue Detention Pond	SJRWMD	0	0	0	400,000	0	0	0	0	400,000
5	Detention Pond	SJRWMD	0	0	0	45,000	0	0	0	0	45,000
6	Detention Pond	Rates	0	0	0	150,000	0	0	0	0	150,000
7	Aerator Float	SJRWMD	0	0	0	30,000	0	0	0	0	30,000
8	24" RCP & Structure	SJRWMD	0	0	0	179,500	0	0	0	0	179,500
9	Land at Citrus / Dewey St. Detention Pond	DOT	0	0	0	350,000	0	0	0	0	350,000
10	Detention Pond	DOT	0	0	0	76,000	0	0	0	0	76,000
11	Detention Pond	Rates	0	0	0	24,000	0	0	0	0	24,000
12	Infrastructures	DOT	0	0	0	450,000	0	0	0	0	450,000
13	Land at Wall St. / Harlem Av. Detention Pond & Sewer	Rates	0	0	0	0	100,000	0	0	0	100,000
14	Detention Pond & Sewer	Rates	0	0	0	0	100,000	0	0	0	100,000
15	Land at Eustis St. & Bates Av. Detention Pond & Sewer	SJRWMD	0	0	0	0	0	200,000	0	0	200,000
16	Detention Pond & Sewer	SJRWMD	0	0	0	0	0	100,000	0	0	100,000
17	24" RCP & Structure	SJRWMD	0	0	0	0	0	250,000	0	0	250,000
18	Land at Northshore Dr. 1000'-20" Storm water	SJRWMD	0	0	0	0	0	0	250,000	0	250,000
19	1000'-20" Storm water	SJRWMD	0	0	0	0	0	0	100,000	0	100,000
20	Detention Pond	SJRWMD	0	0	0	0	0	0	100,000	0	100,000
21	Detention Pond & Sewer at Cardinal	Rates	0	0	0	0	0	0	0	50,000	50,000
22	Additional	Rates	0	0	0	0	0	0	0	0	0
23	Total Capital projects - Drainage		\$1,628,162	\$ 0	\$1,628,162	\$1,704,500	\$ 200,000	\$ 550,000	\$ 450,000	\$ 50,000	\$ 4,582,662
<u>Departmental Capital Outlay [2]</u>											
24	Departmental Capital/Equipment	Rates	\$ 60,836	\$ 0	\$ 60,836	\$ 25,000	\$ 106,203	\$ 20,000	\$ 85,000	\$ 6,000	\$ 303,039
25	Total Capital projects - Drainage		\$ 60,836	\$ 0	\$ 60,836	\$ 25,000	\$ 106,203	\$ 20,000	\$ 85,000	\$ 6,000	\$ 303,039
26	Total Stormwater System Capital Costs		\$1,688,998	\$ 0	\$1,688,998	\$1,729,500	\$ 306,203	\$ 570,000	\$ 535,000	\$ 56,000	\$ 4,885,701

Table 5
City of Eustis
Utility Rate and Cost of Service Study
Stormwater Utility Fund

Six Year Estimated Capital Improvement Program

Line No.	Description	Projected Fiscal Year Ending September 30,							Total Fiscal Years 2006 - 2011		
		Budgeted 2006	Adjustments	Adjusted 2006	2007	2008	2009	2010		2011	
CAPITAL COST ESCALATION [3]											
27	Annual Cost Escalation Factor (CPI Index)	1.000	1.000	1.000	1.025	1.025	1.025	1.025	1.025		
28	Cumulative Cost Escalation	1.000	1.000	1.000	1.025	1.051	1.077	1.104	1.131		
<u>Escalated Costs:</u>											
29	Total Stormwater System Capital Costs	\$ 1,688,998	\$ 0	\$ 1,688,998	\$ 1,772,738	\$ 321,705	\$ 613,828	\$ 590,540	\$ 63,359	\$ 5,051,166	
FUNDING SOURCES											
30	Stormwater Fund	Rates	\$ 135,836	\$ 0	\$ 135,836	\$ 203,975	\$ 321,705	\$ 21,538	\$ 93,824	\$ 63,359	\$ 840,236
31	Department of Transportation Grants	DOT	932,162	0	932,162	897,900	0	0	0	0	1,830,062
32	LCWA / St. Johns River Water Management District	SJRWMD	621,000	0	621,000	670,863	0	592,290	496,716	0	2,380,868
33	Additional Debt / Lines of Credit	LOC	0	0	0	0	0	0	0	0	0
34	Other Funds	Other	0	0	0	0	0	0	0	0	0
35	To Be Determined	TBD	0	0	0	0	0	0	0	0	0
36	TOTAL		<u>\$ 1,688,998</u>	<u>\$ 0</u>	<u>\$ 1,688,998</u>	<u>\$ 1,772,738</u>	<u>\$ 321,705</u>	<u>\$ 613,828</u>	<u>\$ 590,540</u>	<u>\$ 63,359</u>	<u>\$ 5,051,166</u>

Footnotes:

- [1] Amounts derived from the Five Year Storm Plan 06-11 dated on June 2, 2006.
[2] Amounts derived from the Five Year Budget Forecast 2005 -2009.
[3] Cost escalation is applied with capital projects starting in Fiscal Year 2007.

**Table 6
City of Eustis
Stormwater Utility Fund**

Comparison of Monthly Residential Stormwater Rates [1]

Line No.	Description	Monthly Stormwater Rate per ERU	Impervious Surface per ERU
1	City of Eustis - Existing	\$ 3.00	2,187
2	City of Eustis- Proposed Oct. 2006	\$ 6.00	2,187
<u>Other Florida Utilities</u>			
3	City of Apopka [2]	\$ 2.08	N/A
4	Lake County [3]	5.20	N/A
5	City of Mount Dora	3.50	2,500
6	City of Leesburg [4]	4.00	2,000
7	City of Ocala [5]	4.00	1,948
8	City of Ocoee [6]	5.50	2,054
9	City of Orlando [7]	8.25	2,000 [8]
10	City of Tavares	3.00	3,000
11	City of Winter Garden [9]	4.13	4,077
12	Other Neighboring Utilities' Average	\$ 4.41	2,511

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect rates in effect June 2006 and are exclusive of taxes or franchise fees, if any. All rates are as reported by the respective City/County.
- [2] City is currently involved in a rate study, and is planning to implement a rate revision within the next twelve months.
- [3] A tax mileage rate of \$0.50 applies only to unincorporated property and is collected through ad-valorem property taxes. Value shown above is estimated for a single family home with an assessed value of \$150,000 and a \$25,000 homestead exemption.
- [4] Rate will increase to \$5.00 in October 1, 2006.
- [5] City has two different rates ('private' and 'public') depending on whether the City has to perform on-site maintenance or not. The City charges \$4.00 and \$5.00 respectively. Amount shown above does not reflect cost if city provides on-site services.
- [6] Rates vary according to building size as follows:

	Rates Effective	
	April 1, 2006	October 1, 2006
Class 1 (up to 1199 sq. ft)	\$ 5.50	\$ 5.75
Class 2 (1200 to 1999 sq. ft)	6.00	6.50
Class 3 (2000 to 2999 sq. ft.)	6.50	7.00
Class 4 (Over 3000 sq. ft.)	7.00	7.50

- [7] Rate has a fixed component of \$3.30 and a variable of \$4.95 per ERC Equivalent. Minimum ERC is 0.5 and maximum is 1.25.
- [8] ERC is based on a typical single family residential parcel of 7760 sq. ft. with 2000 sq. ft impervious area.
- [9] Rate shown above excludes the administrative charge of \$0.87 per lot or parcel and is divided into a base fee and a contribution fee as follows:

	Rates Effective	
	Current Rates	October 1, 2006
Base Fee	\$ 1.16	\$ 1.23
Contribution Fee per ERC	2.97	3.15
Total Fee for 1 ERC	\$ 4.13	\$ 4.38

**Table 7
City of Eustis
Stormwater Utility Fund**

Comparison of Monthly Commercial Stormwater Charges [1]

Line No.	Sample Customer	Impervious Area (Sq.ft.) [2]	City of Eustis			City of Orlando [3]	City of Mount Dora	City of Tavares	City of Ocala	City of Ocoee [4]	
			Sq.ft./ERU 2,187	Existing Flat Rate	Adjusted Flat Rate	Alternative 1 \$6.00 / ERU	Monthly Rate \$3.30 Flat rate plus \$1.485 / ERU	Monthly Rate/ERU \$ 3.50	Monthly Rate/ERU \$ 3.00	Monthly Rate/ERU \$ 4.00	Monthly Rate/ERU \$ 6.60
			No. of ERU's	Monthly Rate			Monthly Rate	Monthly Rate	Monthly Rate	Monthly Rate	
1	Commercial Warehouse	139,974	64.00	6.00	12.00	384.02	107.23	195.96	139.97	287.42	449.77
2	Convenience Store	37,477	17.14	6.00	12.00	102.82	31.13	52.47	37.48	76.95	120.42
3	Gas Station	17,780	8.13	6.00	12.00	48.78	16.50	24.89	17.78	36.51	57.13
4	Grocery Store	232,105	106.13	6.00	12.00	636.78	175.64	324.95	232.11	476.60	745.81
5	Restaurant - Fast-Food	25,992	11.88	6.00	12.00	71.31	22.60	36.39	25.99	53.37	83.52
6	Restaurant - Sit Down	49,333	22.56	6.00	12.00	135.34	39.93	69.07	49.33	101.30	158.52
7	Impervious Sq. Ft / ERU				2,187	2,187	2,000	2,500	3,000	1,948	2,054

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect rates in effect June 2006 and are exclusive of taxes or franchise fees, if any. All rates are as reported by the respective City/County.
- [2] Amount from sample customers derived from information provided by the City and the Lake County Property Appraiser.
- [3] Rate shown above reflects a 'mitigation' credit equal to 70% of the full rate of \$4.95 per ERU. This 'mitigation' credit applies to parcels developed in the city after 1989 which are in compliance with the OUSWMM (Orlando Urban Stormwater Management Manual).
- [4] Rate will increase to \$7.00/ERU in October 1, 2006.

APPENDIX A

**Appendix A
City of Eustis
Stormwater Utility Fund**

Financial Model Results



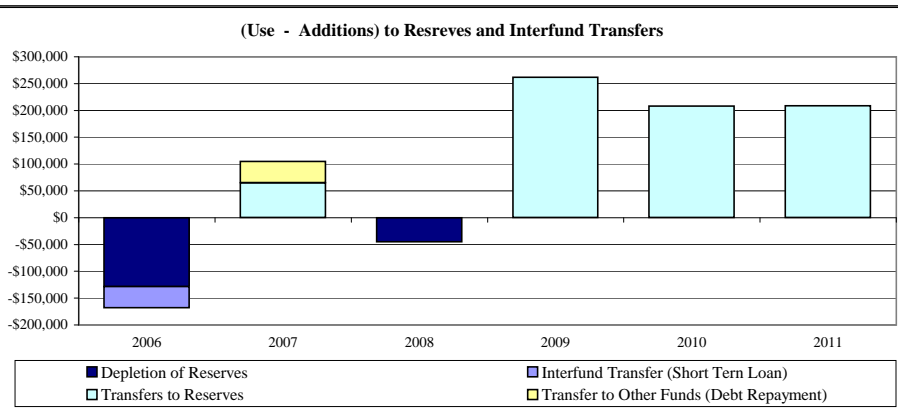
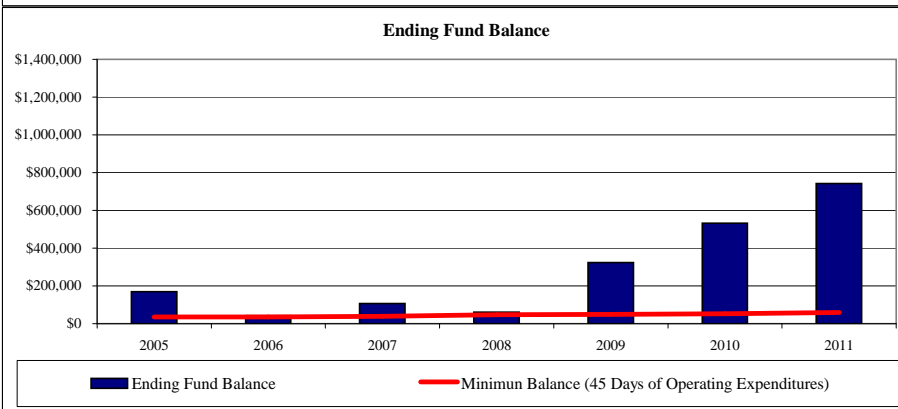
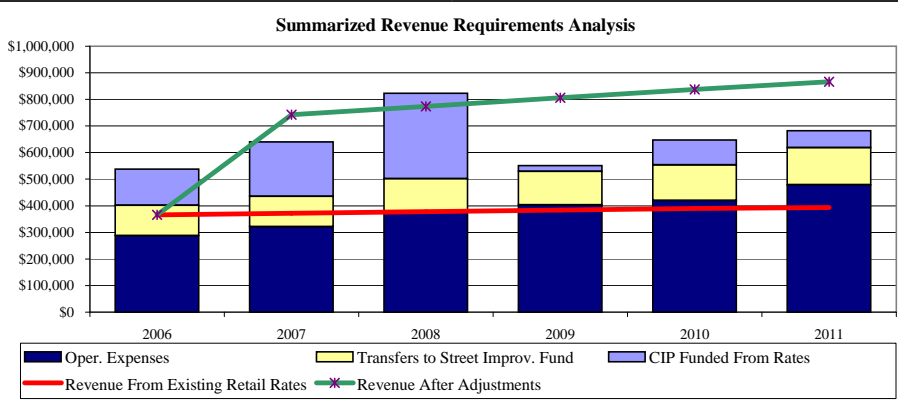
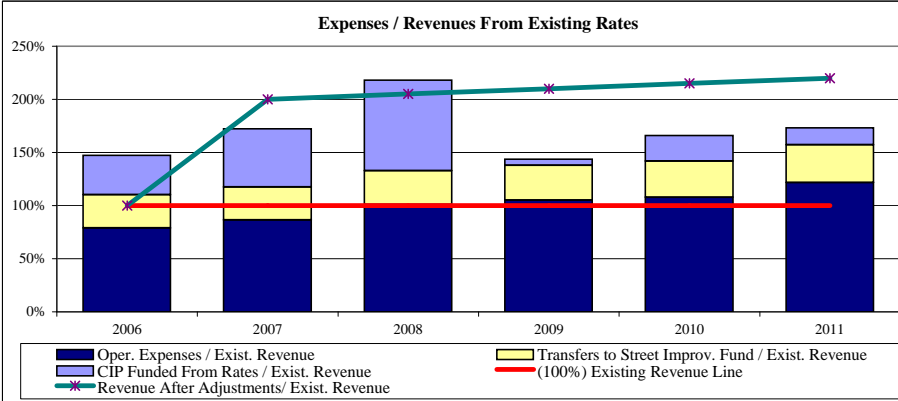
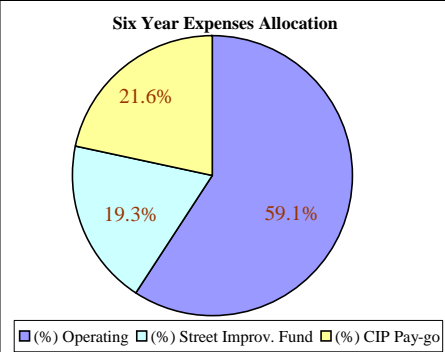
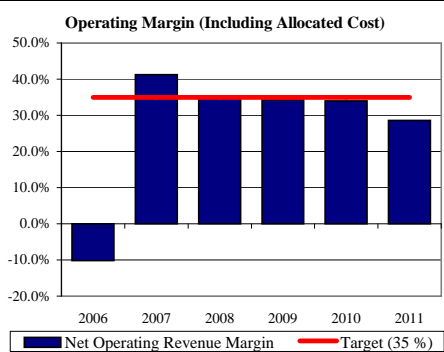
STORMWATER SYSTEM

Projected Adjustments :

	2005	2006	2007	2008	2009	2010
Residential Customers	\$ 3.00	\$ 6.00	\$ 6.15	\$ 6.30	\$ 6.45	\$ 6.60
Commercial Customers	\$ 6.00	\$ 12.00	\$ 12.30	\$ 12.60	\$ 12.90	\$ 13.20

Historical and Projected Fiscal Year [*]						
	2005	2006	2007	2008	2009	2010
Residential Customers	\$ 3.00	\$ 6.00	\$ 6.15	\$ 6.30	\$ 6.45	\$ 6.60
Commercial Customers	\$ 6.00	\$ 12.00	\$ 12.30	\$ 12.60	\$ 12.90	\$ 13.20

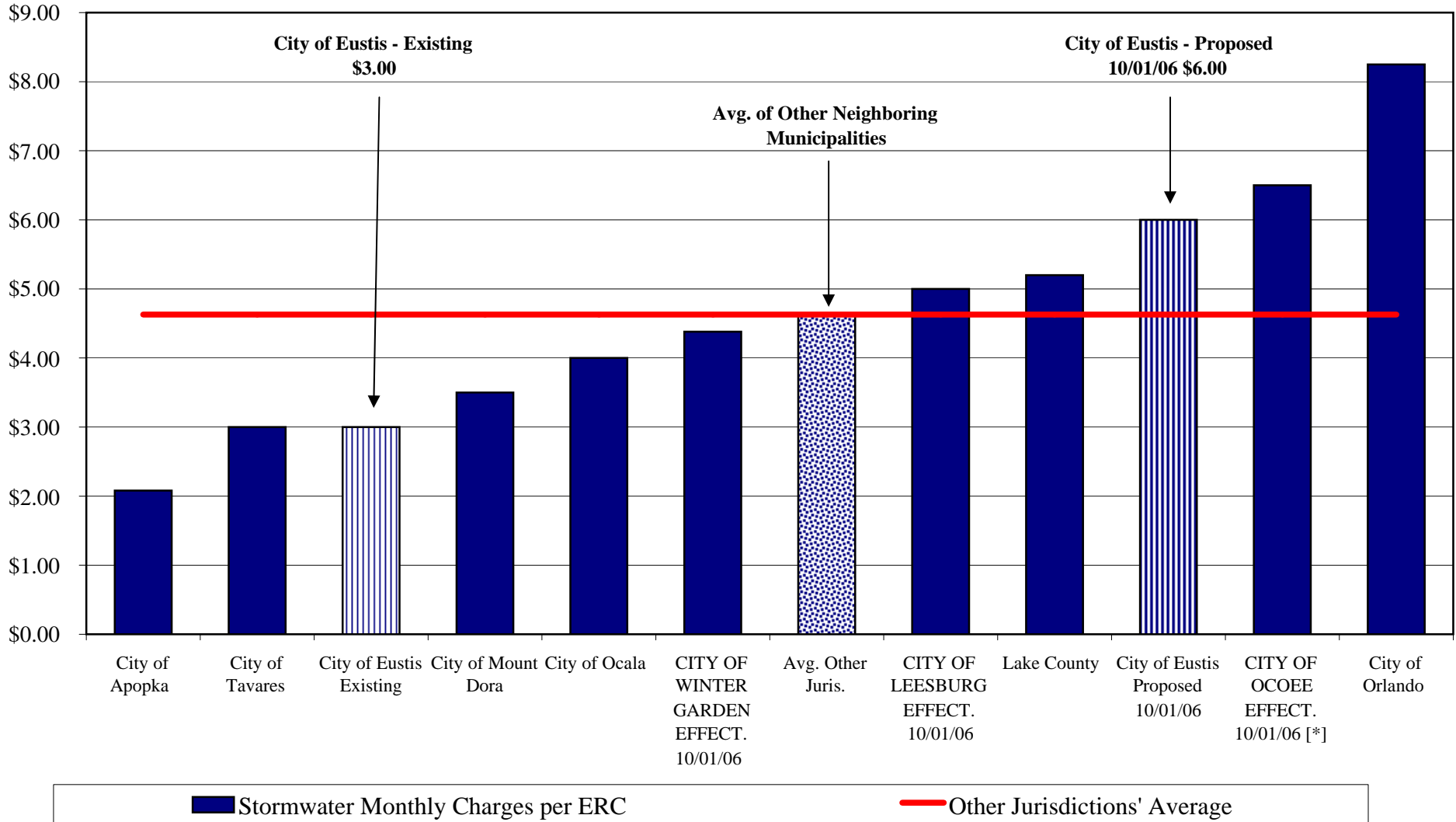
[*] FY 2005 shows existing rates. FY 2006 - 2010 show rates effective October of each respective year



APPENDIX B

**Appendix B
City of Eustis, Florida
Stormwater Utility Fund**

Comparison of Monthly Residential Stormwater Charges



[*] For the City of Ocoee fee shown is the Class 2 Fee for (1,200 to 1,999 sq. ft.) dwelling unit size

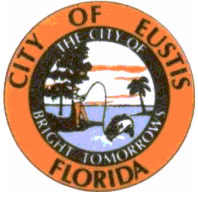
Presentation To City of Eustis



Stormwater Rate Study July 2006

Presented By
Public Resources Management Group, Inc.





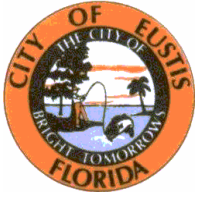
Objectives

- ❖ **Provide Five-Year Financial Forecast for City's Stormwater Utility**
- ❖ **Rate Recommendations**
- ❖ **No Rate Structure Changes**
- ❖ **Data Utilized Includes:**
 - ❖ **City's Adjusted Fiscal Year 2006 Budget and Fiscal Year 2007 Budget**
 - ❖ **City's 5 Year Budget Document**
 - ❖ **City's 5 Year Capital Improvement Plan**
 - ❖ **City's Revenue Reports**



Accounts, Revenue and Operating Expenses Forecast

- ❖ **Stormwater Account Growth Fiscal Years 2005 through 2011**
 - 1.7% per year
- ❖ **Escalation Assumptions**
 - Labor-related Increases = 5.0%/year
 - Health Insurance
 - ◆ 15.0%/year Through Fiscal Year 2009
 - ◆ 5.0%/year After Fiscal Year 2009
 - General Liability
 - ◆ 25.0% year Through Fiscal Year 2008
 - ◆ 5.0% year After Fiscal Year 2008
 - Miscellaneous Inflation = 2.5%/year
 - Street Improvement Fund Transfers = 5.0%/year
 - 4.0% Contingency Included
 - Includes 2 additional employee positions (Maintenance Worker)
 - ◆ 1 for Fiscal Year 2008 and 1 for Fiscal Year 2011

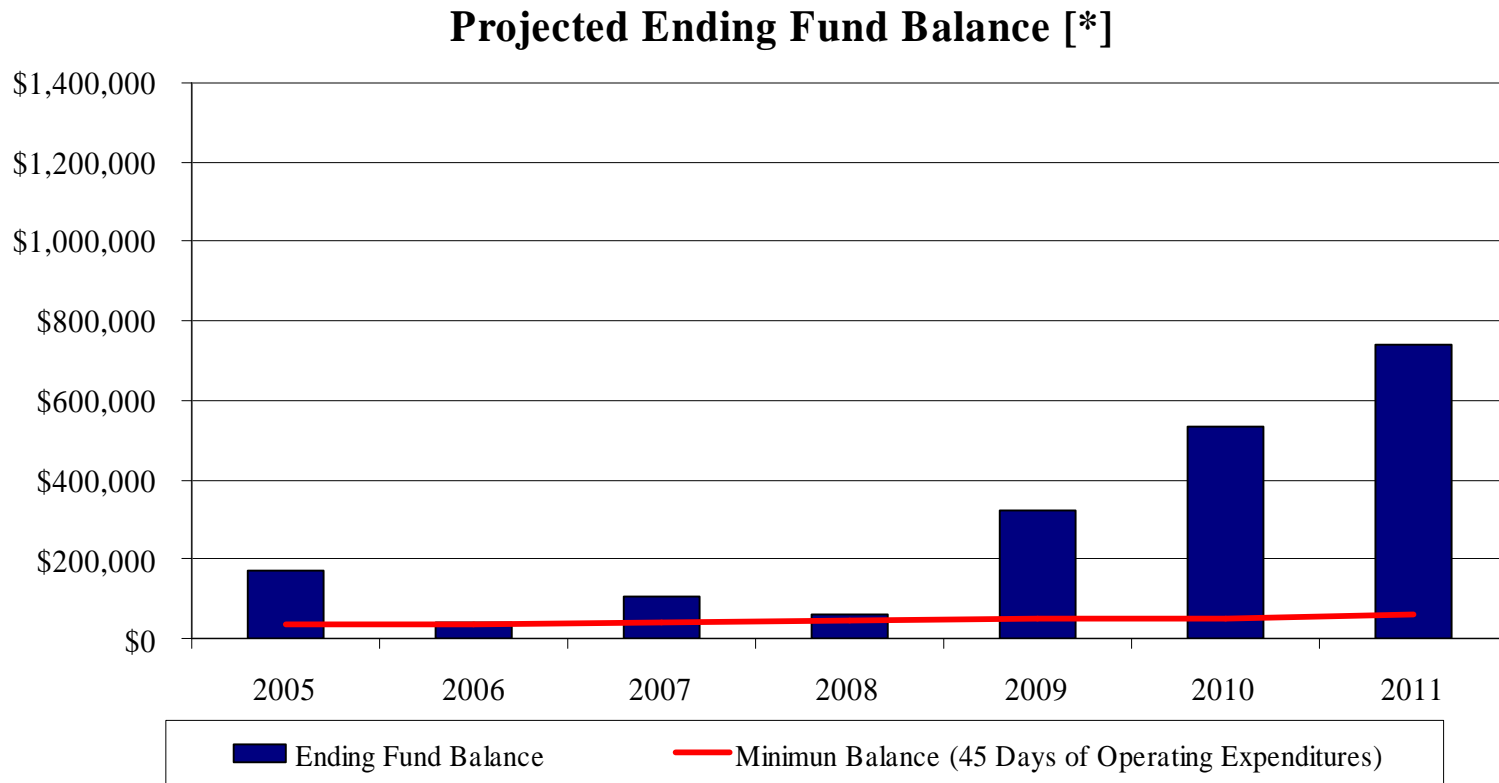


Stormwater Capital Expenditures & Funding

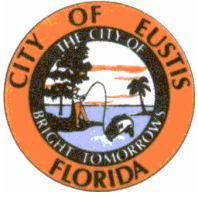
	<u>Fiscal Years</u> <u>2006 - 2011</u>
Stormwater System Capital Costs	
Capital Projects Drainage	\$ 4,582,662
Ongoing Capital Outlay (Vehicles, Equipment, Etc.)	303,039
Total Stormwater System Capital Costs	<u>\$ 4,885,701</u>
Total Stormwater System Capital Costs - Escalated	\$5,051,166
Stormwater Funding Sources	
Stormwater Fund	\$ 840,236
Department of Transportation Grants	1,830,062
LCWA / St. Johns River Water Management District Grants	2,380,868
Additional Debt / Lines of Credit	0
Total Stormwater System Funding Sources	<u>\$5,051,166</u>



Projected Stormwater Fund Balance

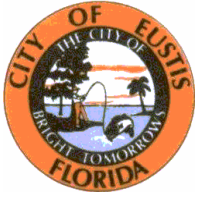


[*] Amounts above minimum target are available for additional stormwater projects



Stormwater System Debt

- ❖ **No existing Stormwater System Debt**
- ❖ **Short term (interim financing)**
 - **Partial Funding for Steven Ave. Retention Project:**
 - ◆ **Fiscal Year 2006: Borrow \$40,000**
 - ◆ **Fiscal Year 2007: Repay \$40,000**
 - ◆ **No interest payments assumed**
- ❖ **Fiscal Year 2008 – 2011 Transfers to Reserves for future CIP projects not yet identified**



Summary of Projected Rate Adjustments

Effective Date	Monthly Rate	
	Residential	Non-Residential
Existing	\$ 3.00	\$ 6.00
Proposed October 1, 2006 [1]	6.00	12.00
Indexed October 1, 2007 [2]	6.15	12.30
Indexed October 1, 2008 [2]	6.30	12.60
Indexed October 1, 2009 [2]	6.45	12.90
Indexed October 1, 2010 [2]	6.60	13.20

Footnotes:

- [1] Amount reflects 'across-the-board' rate increases.
[2] Amount reflects annual inflationary index adjustments.



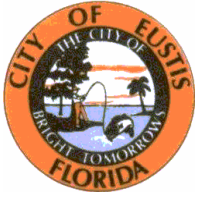
Basis for Required Rate Adjustments

- ❖ **Compliance with Phase I – N.P.D.E.S.**
- ❖ **Additional personnel requirements**
- ❖ **Funding stormwater infrastructure improvements (Phase I)**
- ❖ **Funding mechanism for future improvements**

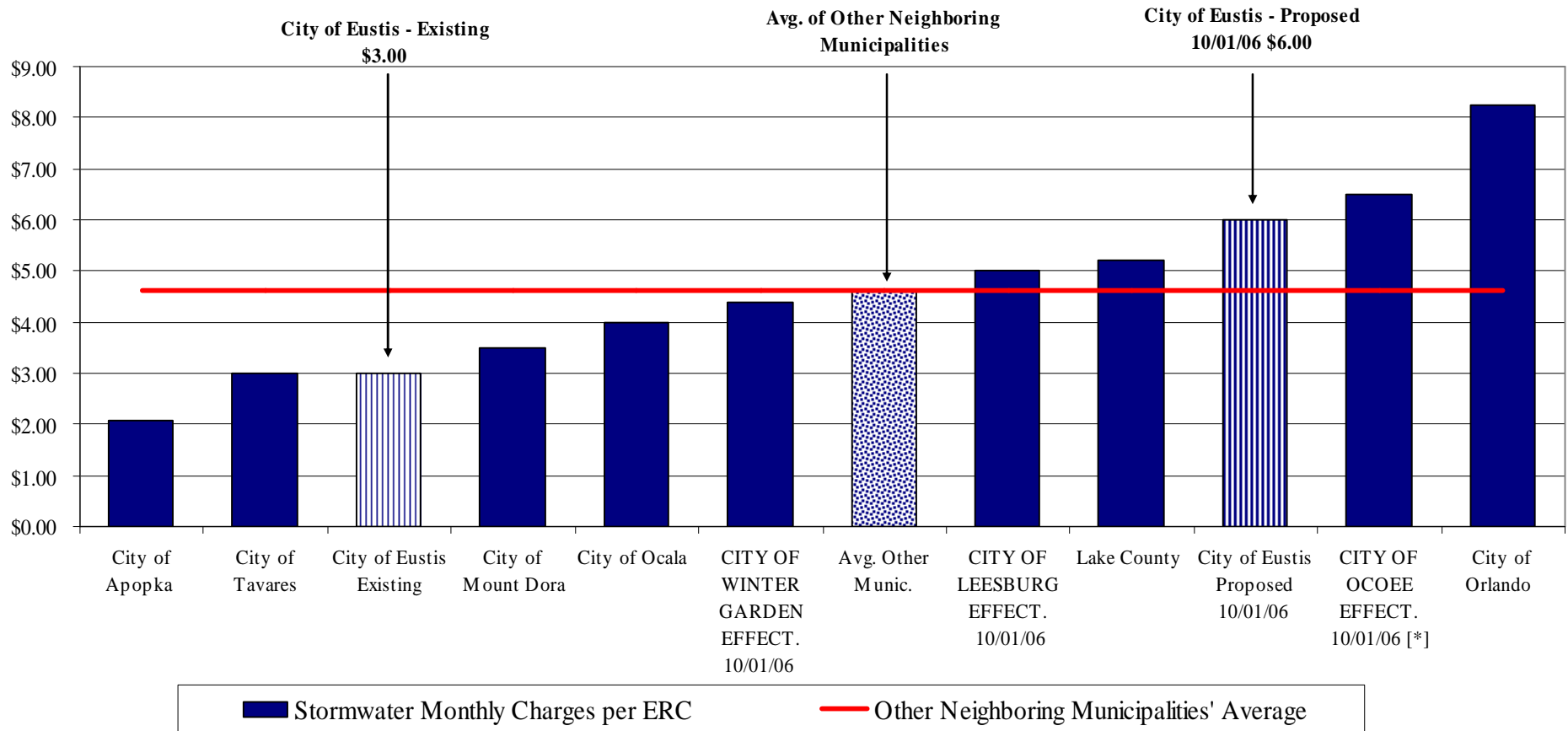


Stormwater System Financial Forecast

Stormwater System	Projected Fiscal Year Ending September 30,					
	2006	2007	2008	2009	2010	2011
Operating Expenses	\$ 287,723	\$ 321,434	\$ 380,806	\$ 403,126	\$ 420,378	\$ 479,113
Transfers to the Street Improvement Fund	114,628	114,730	120,467	126,490	132,814	139,455
Debt Service (Interim Financing)	0	40,000	0	0	0	0
Capital Funded from Rates/Deposits to Reserves	135,836	268,975	321,705	283,538	301,824	272,359
Less Income and Revenue from Other Sources	172,895	2,979	48,379	7,711	17,117	25,475
Net Revenue Requirements	365,292	742,160	774,597	805,443	837,899	865,452
Existing Residential Rates	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Stormwater Rate Revenue from Existing Rates	\$ 365,292	\$ 371,412	\$ 377,532	\$ 383,652	\$ 389,772	\$ 393,732
Surplus/(Deficiency) Under Existing Rates	<u>(0)</u>	<u>(370,748)</u>	<u>(397,065)</u>	<u>(421,791)</u>	<u>(448,127)</u>	<u>(471,720)</u>
Projected Residential Rates	\$ 3.00	\$ 6.00	\$ 6.15	\$ 6.30	\$ 6.45	\$ 6.60
Projected Non-Residential Rates	\$ 6.00	\$ 12.00	\$ 12.30	\$ 12.60	\$ 12.90	\$ 13.20
Revenue from Prior Year Adjustments	\$ 0	\$ 0	\$ 377,532	\$ 402,835	\$ 428,749	\$ 452,792
Revenue from Current Year Adjustments	0	371,412	18,877	19,183	19,489	19,687
Total Projected Revenue With Adjustments	365,292	742,824	773,941	805,669	838,010	866,210
Estimated Revenue Surplus/(Deficiency)	<u>(\$0)</u>	<u>\$664</u>	<u>(\$657)</u>	<u>\$227</u>	<u>\$111</u>	<u>\$758</u>



Comparison of Monthly Residential Stormwater Charges



[*] For the City of Ocoee fee shown is the Class 2 Fee for (1,200 to 1,999 sq. ft.) dwelling unit size.

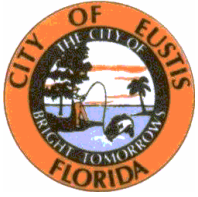


Comparison of Sample Commercial Stormwater Fees

Sample Customer	Impervious Area (Sq.ft.) [1]	City of Eustis			City of Orlando [2]	City of Mount Dora	City of Tavares	City of Ocala	City of Ocoee [3]
		ERUS at 2,187	Monthly Flat Rate Existing	Monthly Flat Rate Proposed	Monthly Rate \$3.30 Flat rate plus \$1.485 / ERU	Monthly Rate/ERU \$3.50	Monthly Rate/ERU \$3.00	Monthly Rate/ERU \$4.00	Monthly Rate/ERU \$6.60
Commercial Warehouse	139,974	64.00	6.00	12.00	107.23	195.96	139.97	287.42	449.77
Convenience Store	37,477	17.14	6.00	12.00	31.13	52.47	37.48	76.95	120.42
Gas Station	17,780	8.13	6.00	12.00	16.50	24.89	17.78	36.51	57.13
Grocery Store	232,105	106.13	6.00	12.00	175.64	324.95	232.11	476.60	745.81
Restaurant - Fast-Food	25,992	11.88	6.00	12.00	22.60	36.39	25.99	53.37	83.52
Restaurant - Sit Down	49,333	22.56	6.00	12.00	39.93	69.07	49.33	101.30	158.52
Impervious Sq. Ft / ERU			2,187	2,187	2,000	2,500	3,000	1,948	2,054

Footnotes:

- [1] Amount from sample customers derived from information provided by the City and the Lake County Property Appraiser.
- [2] Rate shown above reflects a 'mitigation' credit equal to 70% of the full rate of \$4.95 per ERU. This 'mitigation' credit applies to parcels developed in the city after 1989 which are in compliance with the OUSWMM (Orlando Urban Stormwater Management Manual).
- [3] Rate will increase to \$7.00/ERU in October 1, 2006.



Observations and Recommendations

- ❖ **The City must make stormwater utility system improvements in order to comply with NPDES requirements**
- ❖ **The projected capital projects do not reflect additional NPDES requirements that are not known at this time**
- ❖ **Average commercial fees are lower than other municipalities since ERU factors are not applied**