

**SEMINOLE COUNTY
BOARD OF COUNTY COMMISSIONERS
WORK SESSION**

Date: October 27, 2009

Time: 1:30 p.m.

Location: County Services Building – Room 3024, 3rd Floor
1101 East First Street
Sanford, Florida 32771

Subject: Water, Sewer and Reclaimed Water Capital Project Bond Financing
and Supporting User Fees

AGENDA

1. Work session to discuss rate adjustments to support the next phase of the water and sewer capital improvement program. Presentation will include water and sewer financial information, capital project needs, needed rate adjustments, rate comparisons, and bond market update.

DEPARTMENT: Environmental Services

AUTHORIZED BY: Andrew Neff

CONTACT: Bob Briggs **EXT:** 2148

ATTACHMENTS:

1. PowerPoint Presentation
2. Administrative Code
3. Resolution



Water and Sewer System Rate Needs

Environmental Services Department

Outline

- **Rate Need Presentation**
 - Current Economic Conditions
 - FY09 Budget Performance
 - Long-term Forecasts
 - Needed Rate Adjustments
 - Bill Comparisons
 - W/S Strategy
 - Recommendations

Environmental Services

Mission

To protect the public health and safety and protect the environment while providing quality, cost effective services to the citizens of Seminole County.

Current Economic Conditions

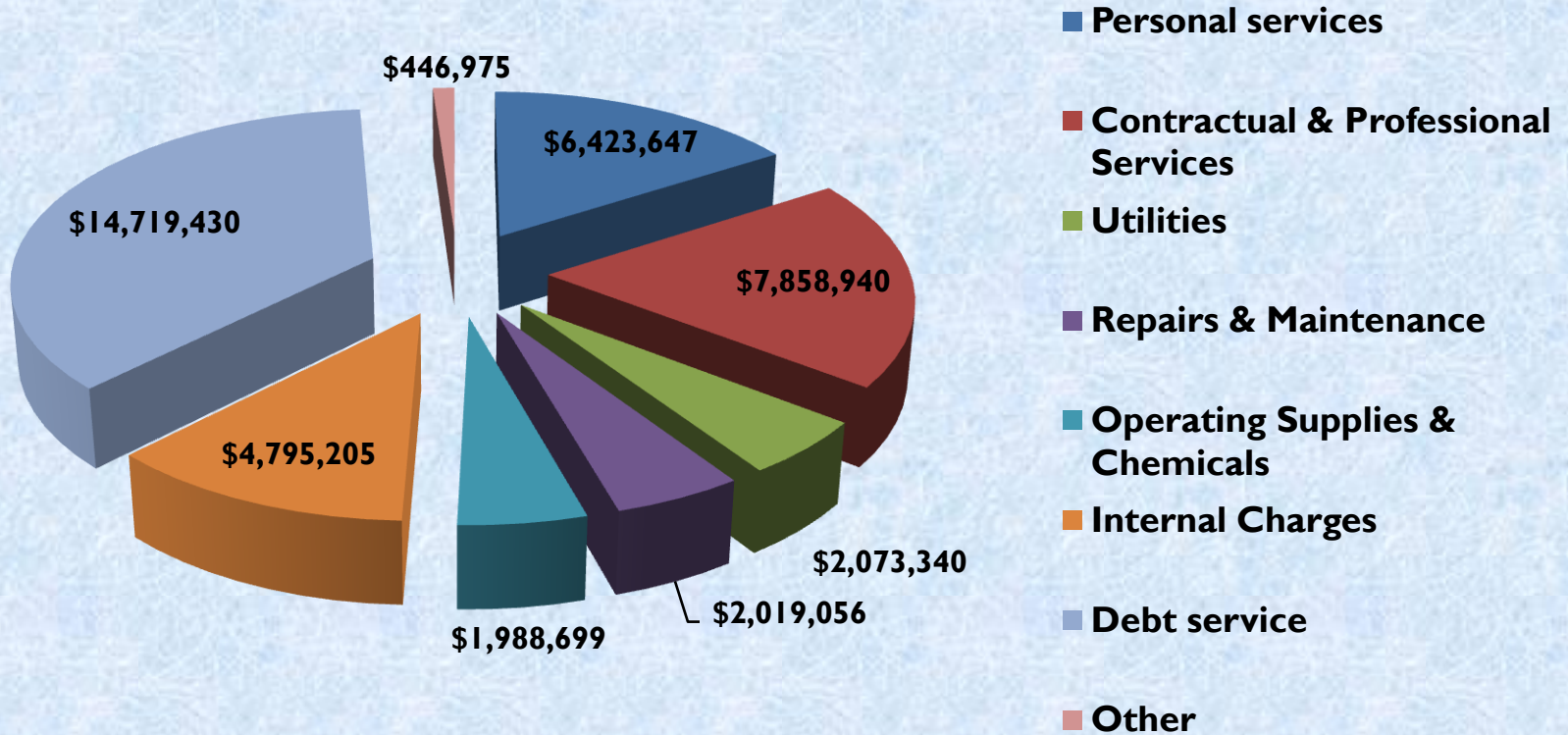
- Utilities are energy intensive enterprises
- Impacted by power and transportation costs
- System growth has moderated, will not support new programs
- Capital market conditions remain favorable
- Bidding environment remains favorable

2009 Budget Performance

Water and Sewer

- Base flows and revenues continue at 2009 levels
- 2010 operating budget for W&S is \$209K (0.8%) less than 2009 for existing programs

W/S FY 10 Operating Budget



Available Funds In 2010 CIP Budget

2009 CIP	\$141M
• Expended	-\$28M
• Encumbered	<u>-\$73M</u>
Subtotal	\$40M
• 2010 Connection Fees	+\$1M
• Grants, Contributions	+\$6M
• System Revenue	+\$7M
• Bond Projects Contingency	<u>+\$7M</u>
• Available	\$61M

Full Review of W/S Capital Program Needs

- Reprioritize Most Critical Needs
- Move the Most Critical, Regulatory Driven Projects Forward
- Defer Less Urgent Regulatory Projects

Reprioritization Results:

- Tier I: Urgent
- Tier II: Need Within 3 Years (FY10-12)
- Tier III: Need Within 5 Years (FY12-15)
- Clearly Defined, Time Driven...Manage Risk Over Time

90% of all CIP projects are regulatory driven

Tier I Projects

Results:

• Disinfection By-Product/H ₂ S Treatment	\$88.6M
• Urgent Regulatory Projects	\$ 6.4M
• Agreements	\$ 4.4M
• Current Contract Commitments	\$ 4.2M
• Contingency for Current Contracts	<u>\$ 7.5M</u>
	\$111.1M

***Only \$61M Can Be Funded With Remaining Available Funds**

Tier II Projects

Results:

• Rehab Deteriorated Facilities	\$ 32.0M
• CUP Requirements	\$ 13.3M
• Other Regulatory Requirements	\$ 7.1M
• Relocations (w/Roadway Projects)	\$ 8.1M
• Capacity	<u>\$ 1.1M</u>
	\$61.6M

***\$92M Planned for Rest of FY 10-11 (incl. 2010 Bond) Will Cover
Balance of Tier I and \$42M of Tier II**

Tier III Projects

Results:

***Additional Funding Need Beyond 2011 is \$58M for Remaining Tier II and Tier III**

CIP Budget Status

- **\$61M Water & Sewer CIP Funding Available**
 - *Will Fund 1/2 of Tier I Projects*
- **\$92M Additional Water & Sewer CIP Funding Needed to Support FY10 and FY11 Projects**
 - *FY10 Borrowing Need is \$70M*
 - *Will Fund Remaining Tier I & 2/3 of Tier II Projects*
- **\$58M Additional Funding Needed After 2011**
 - *To Support Remaining Tier II & Tier III Projects*
 - *Does Not Include Yankee Lake Potable Surface Water Supply Project*

Urgency of Need

- **Long Term Rate Impacts Identified in 2006**
- **18% anticipated for FY09**
- **Rate Adjustment Needed Now for Existing Debt Service Coverage**
- **Projects Deferred Pending Bond Decision**

Needed Rate Adjustments*

Original Strategy (Consistent with 2006 Plan)

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Rate	18%	4%	10%
Avg. Bill	\$75	\$78	\$87

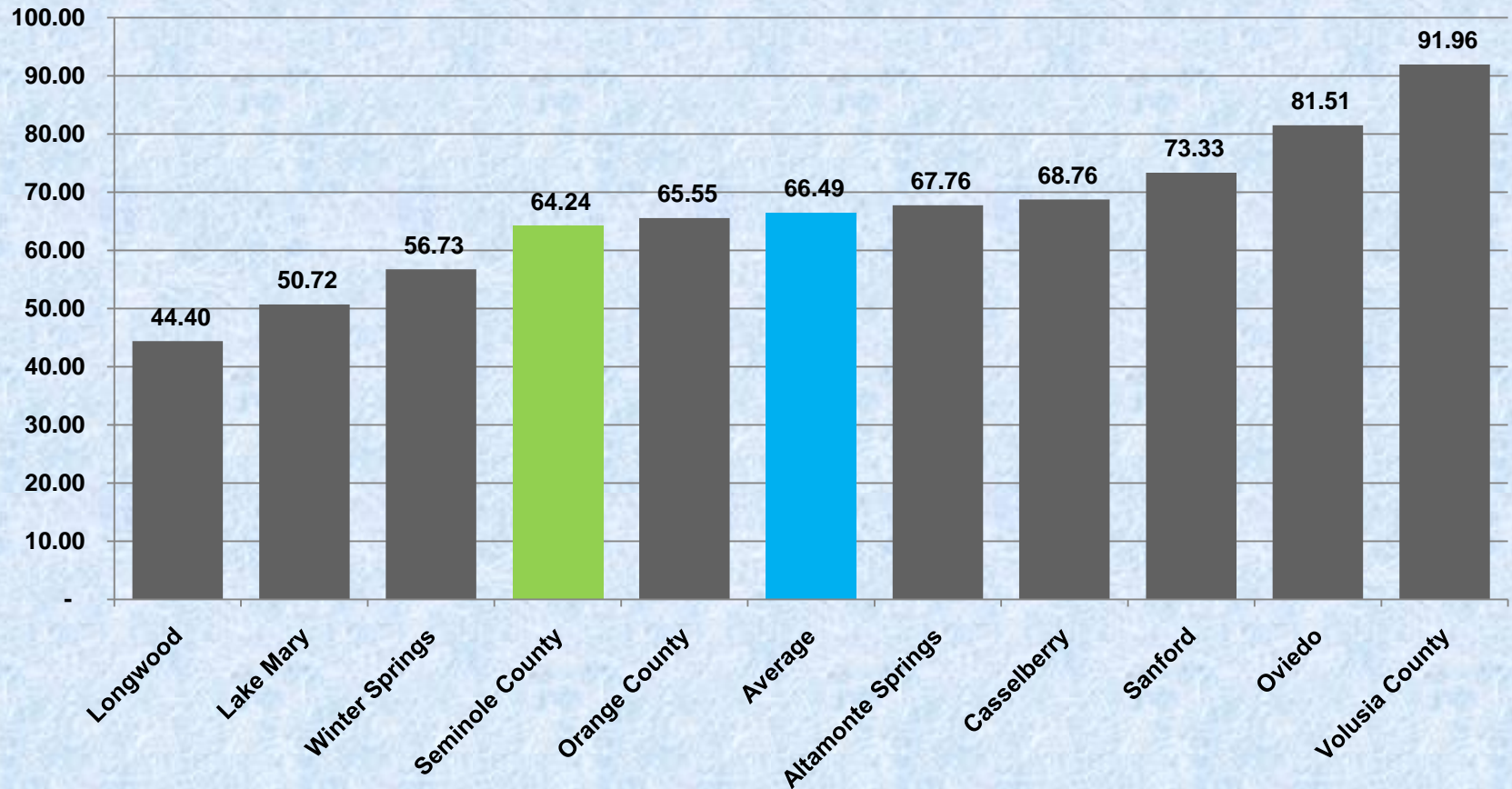
Recommended Strategy

	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
Rate	11%	11%	10%
Avg. Bill	\$71	\$79	\$87

***Does not include Yankee Lake Potable Surface Water Supply**

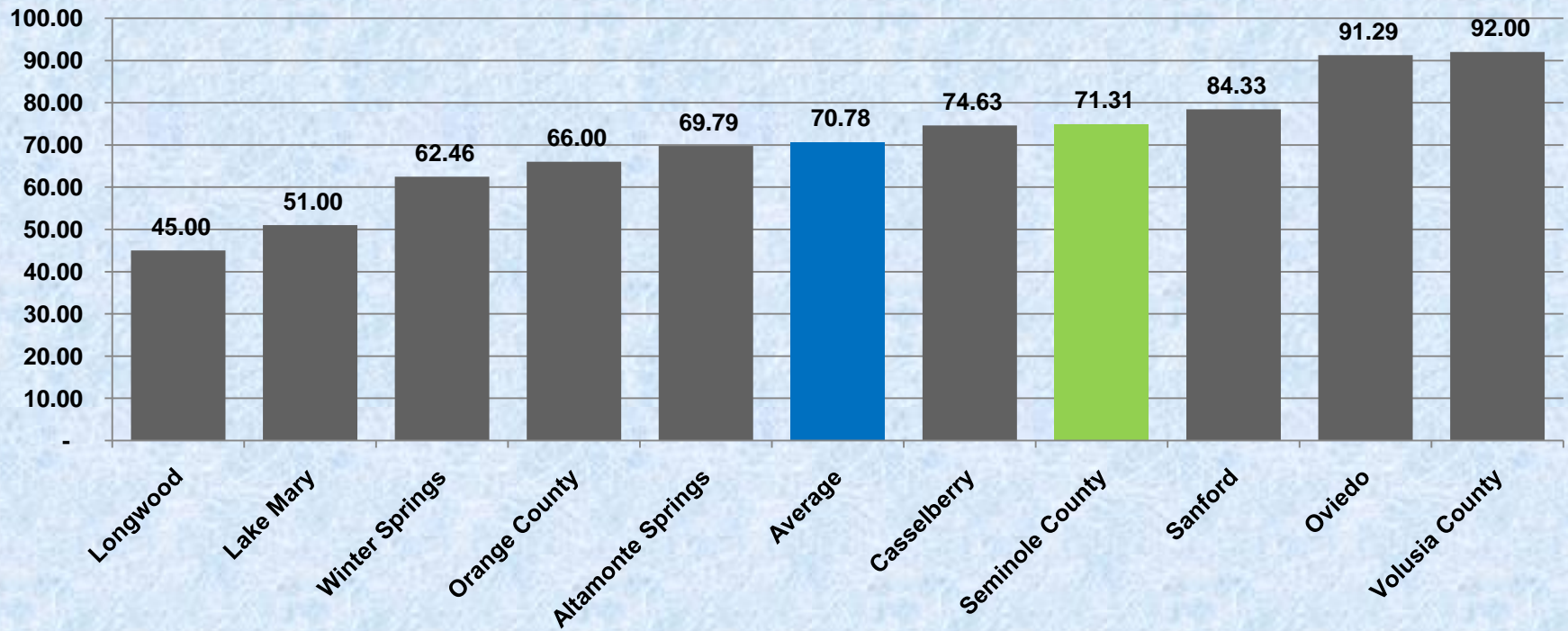
Rate Comparisons/FY 2009 Bills

(10,000 gal/mo Average Bill)



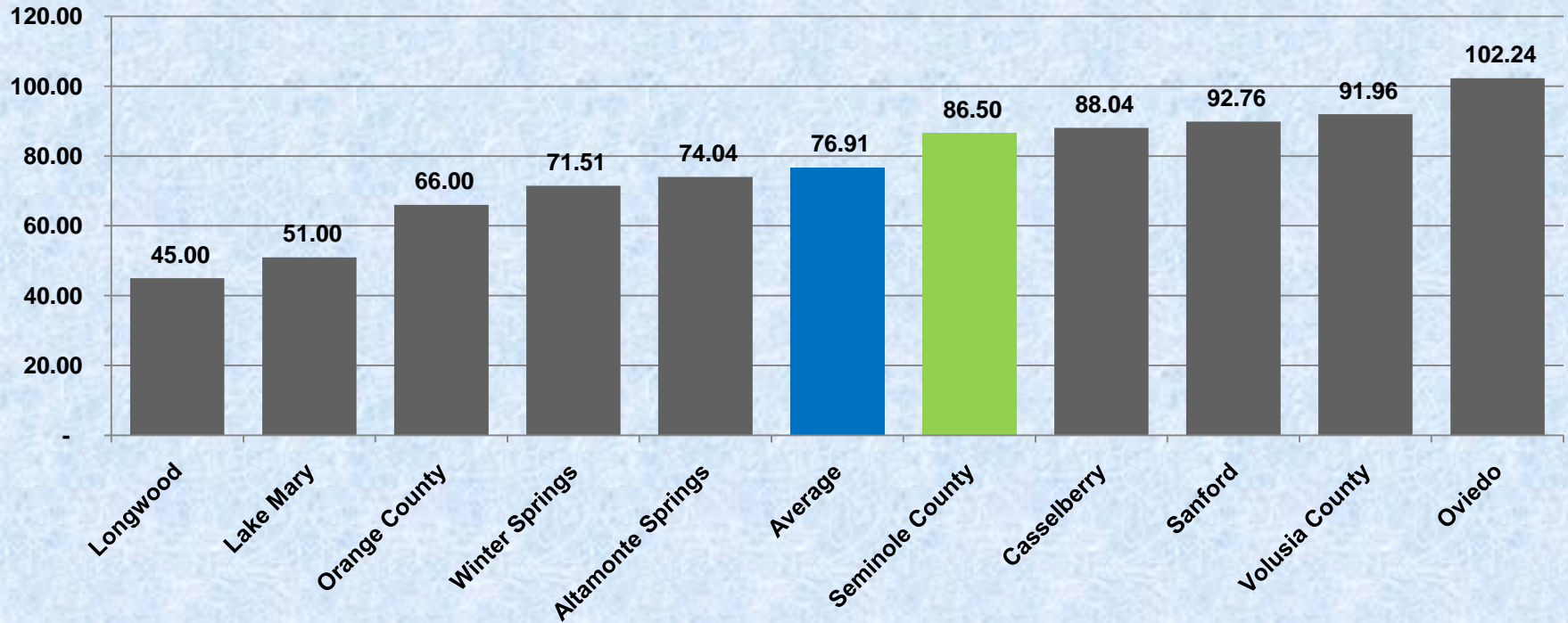
Rate Comparisons/FY 2010 Bills

(10,000 gal/mo Average Bill)



Rate Comparisons/FY 2012 Bills

(10,000 gal/mo Average Bill)



Long-Term Water and Sewer Strategy

- Continue Needed O&M to Sustain Operations
- Finalize Surface Water/Potable Scope With Financing Approach
- Update Financial Strategy for Long-Term Rate Needs

Important Financing Considerations

- Current market conditions
- Credit Rating Implications
- Rate covenant compliance

Environmental Services

Recommendations

- Adopt Recommended Rate Adjustments
- FY10 Adjustment Effective 1 Dec 09; Remaining Adjustments Effective 1 Oct Each Year
- Adopt Annual Index Adjustment at 4% From 3% With Effective Date of October 1st Each Year Needed
- Return With Financial Strategy On Yankee Lake Potable Surface Water Plant
- Update the Administrative Code to Return to Uniform Rates Fully Integrating Existing FWS Customers With S/C

Environmental Services

Questions and Discussion

