



Agenda Item Summary

File ID: 19-0286

DEPT-4

Meeting Date: 2/12/2019

PLACEMENT: Departmental

TITLE:

WATER AND WASTEWATER SYSTEM TEN YEAR FINANCIAL FORECAST

EXECUTIVE SUMMARY:

In order to evaluate the sufficiency of existing rate revenues, County has contracted Resources Management Group, Inc. (PRMG) to prepare a financial projection of the wastewater utility system recognizing recent historical trends, anticipated future customer increases in the cost of providing services for the Fiscal Years 2018 - 2028. Rob Ori of PRMG, will present a summary of the Ten-Year Financial Forecast.

DEPARTMENT: Utilities and Solid Waste

PREPARED BY: **Name:** Samuel Amerson, P.E.
Title: Utilities & Solid Waste Director

REQUESTED BY:

PRESET:

PROCEDURES: None

BACKGROUND/RELATED STRATEGIC GOAL:

Public Resources Management Group, Inc. ("PRMG") has completed an update of the ten (10) year financial forecast (the "Financial Forecast") for the water and wastewater utility system (the "System") operations on behalf of Martin County (the "County"). The primary purpose of the development of the Financial Forecast was to identify the ability of the System operating revenues (derived primarily from monthly rates for service and other miscellaneous services charges) to adequately fund the expenditure requirements of the System, including the ten-year capital improvement plan as identified by the County. Specifically, the Financial Forecast focuses on the sufficiency of the existing rate revenues to fund the capital improvement plan and provide additional information to the County with respect to the anticipated sources of available funding (i.e., capital facility charges, anticipated indebtedness, etc.) for the projects required for service area development and capacity needs for the Fiscal Years 2018 through 2028 (the "Forecast Period").

The attached report includes a discussion of the significant assumptions used in the development of the Financial Forecast, an analysis of the ability of revenues of the System to meet the estimated operating and capital expenditure requirements and the presentation of the identified financing plan for the current ten-year capital program. The analysis is based on detailed financial information

provided by County staff, including but not limited to, customer statistical data, annual financial and budgetary data, information regarding the extension of service to developed and un-served areas and potential development of the System service area, as well as, other information provided by the County relative to the development of the capital program.

The Board of County Commissioners (the "BOCC") adopted annual rate indexing of monthly utility rates (the "Price Index") through Rate Resolution No. 16-3.15 (the "Rate Resolution"), which is tied to the Florida Public Service Commission (the "FPSC") annually published price index and pass-through adjustment. Pursuant to the Rate Resolution, the annual Price Index cannot exceed 2.5%. The Price Index is currently scheduled to sunset after October 1, 2024 (i.e., rates for the Fiscal Year 2025). Based on the assumptions and analyses reflected in this report, which should be read in its entirety, we are of the opinion that the current rates of the System will be sufficient to meet the projected revenue requirements of the System. It is recommended that the Price Index adjustment be re-instated (based on the same formula as is currently in place) by the Fiscal Year 2025 to help the System to continue to provide operating margins to allow for continued capital re-investment to fund future capital needs and utility extension programs.

Events may occur during this projected time period that could have an effect on the financial projections presented in this report and such effects could be material, which may alter the level of the projected future rate adjustments. As such, it is recommended the County continue to annually review the System's financial condition to monitor the potential need for such rate adjustments in the future.

ISSUES:

The Department has been diligent in controlling costs while not compromising the safety and reliability of the System and services provided. The annual rate indexing provides revenue increases to meet inflationary pressures for goods and services such as power, fuel and chemicals, and is expected to be sufficient to meet projected revenue requirements throughout the forecast period.

LEGAL SUFFICIENCY REVIEW:

This item has been reviewed for legal sufficiency to determine whether it is consistent with applicable law, has identified and addressed legal risks, and has developed strategies for legal defensibility.

RECOMMENDED ACTION:

RECOMMENDATION

Move that the Board receive and file the Financial Forecast.

ALTERNATIVE RECOMMENDATIONS

None

FISCAL IMPACT:

RECOMMENDATION

None

ALTERNATIVE RECOMMENDATIONS

None

DOCUMENT(S) REQUIRING ACTION:

- ☐ Budget Transfer / Amendment ☐ Chair Letter ☐ Contract / Agreement
☐ Grant / Application ☐ Notice ☐ Ordinance ☐ Resolution
☐ Other:

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