

RESOLUTION NO. 16 - 2315

A RESOLUTION OF THE TOWN COMMISSION OF THE TOWN OF SURFSIDE, FLORIDA, AUTHORIZING THE EXPENDITURE OF FUNDS IN THE AMOUNT OF \$9,625.00 FROM THE FISCAL YEAR 2015/2016 WATER AND SEWER FUND, ACCOUNT NO. 401-9900-536-3110 TO CONTRACT WITH BLACK & VEATCH MANAGEMENT CONSULTING, LLC; TO REVISE AND UPDATE THE 2010 COMPREHENSIVE WATER AND SEWER COST OF SERVICE AND RATE DESIGN STUDY, EXEMPT FROM THE COMPETITIVE BID PROCEDURE PURSUANT TO SECTION 3-13(2) OF THE TOWN OF SURFSIDE CODE OF ORDINANCES; PROVIDING FOR APPROVAL AND AUTHORIZATION; PROVIDING FOR IMPLEMENTATION; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on March 9, 2010 the Town Commission approved by Resolution No. 10-1926 a comprehensive water and sewer cost of service and rate design study; and

WHEREAS, the original study conducted by TischlerBise, Inc. in 2010 has projections up to 2016; and

WHEREAS, an updated comprehensive study is needed to review the current rate structure for water and sewer services; and

WHEREAS, an updated study will allow the Town staff to make rate change recommendations; and

WHEREAS, the updated study will take into account the increases from Miami-Dade County for water and the City of Miami Beach for sewer charges; and

WHEREAS, in accordance with the Surfside procurement process and pursuant to Section 3-13(2) of the Town of Surfside Code of Ordinances, contracts for professional services are exempt from competitive bidding procedures as outlined in Chapter 3 of the Town of Surfside Code; and

WHEREAS, it is in the best interest of the Town to authorize the expenditure of funds in the amount of \$9,625.00 from the Fiscal Year 2015/2016 Water and Sewer Fund, Account No. 401-9900-536-3110 to contract with Black & Veatch Management Consulting, LLC to revise and update the 2010 comprehensive water and sewer cost of service and rate design study.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COMMISSION OF THE TOWN OF SURFSIDE, FLORIDA AS FOLLOWS:

Section 1. Recitals. That the above and foregoing recitals are true and correct and are incorporated herein by reference.

Section 2. Approval and Authorization to Expend Funds. The Town Commission hereby approves and authorizes the Town Manager and/or designee to expend funds in the amount of \$9,625.00 from the Fiscal Year 2015/2016 Water and Sewer Fund, Account No. 401-9900-536-3110.

Section 3. Implementation. The Town Manager and/or designee are hereby authorized to take any and all action necessary to implement this Resolution.

Section 4. Effective Date. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 10th day of May 2016.

Motion by Commissioner Karukin,

Second by Commissioner Paul.

FINAL VOTE ON ADOPTION

Commissioner Daniel Gielchinsky	<u>yes</u>
Commissioner Michael Karukin	<u>yes</u>
Commissioner Tina Paul	<u>yes</u>
Vice Mayor Barry Cohen	<u>yes</u>
Mayor Daniel Dietch	<u>yes</u>



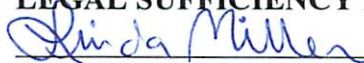
Daniel Dietch, Mayor

ATTEST:



Sandra Novoa, MMC, Town Clerk

APPROVED AS TO FORM AND LEGAL SUFFICIENCY FOR THE TOWN OF SURFSIDE ONLY:



Linda Miller, Town Attorney



4/5/2016

Joseph Kroll
Public Works Director
Town of Surfside
9293 Harding Avenue
Surfside, FL 33154

Dear Joseph:

Black & Veatch Corporation (Black & Veatch) is pleased to have the opportunity to present this letter proposal describing our services and fee related to updating the financial analyses of the Town of Surfside's (Town) Water and Sewer Enterprise Funds.

Proposed Scope of Services:

The Town asks that Black & Veatch perform the following services related to this project:

1. **Data Collection and Review.** This task will involve collecting and reviewing basic data to be provided by the Town, including current and proposed debt structures, reports by others, the Town's current rate models, historical and current financial information, and operating and capital budgets. Black & Veatch will furnish Town staff with a list of basic data needed to conduct the study. We will review all data received to confirm its completeness and our understanding of historical utility operations and requirements reflected therein.
2. **Review and Analysis of Revenue Requirements for Each Utility.** The development of revenue requirements for each utility will be based on an examination of historical financial reports, current operating budgets, and the proposed capital improvement and replacement program. Detailed utility analyses will provide an indication of the magnitude of overall adjustments in respective annual revenue levels needed to meet the projected revenue requirements of each utility and what the proposed rates need to be to match financing requirements.

Black & Veatch will project operation and maintenance expenses based on a review of historical financial records and trends, and available utility budget estimates of future operation and maintenance expense. Projections will recognize estimated increases in the number of customers served and potential effects of continued inflation in cost levels, the addition of new system facilities, anticipated changes in operation and staffing, and other factors which may influence future expense levels. Projections of principal and interest payments on outstanding debt obligations and any projected future bonds or state revolving fund loans for major capital improvements will be developed for the forecast study period. Existing reserve fund requirements and balances will be reviewed for adequacy. Applicable bond ordinance requirements will be reviewed along with any relevant utility policies. We will recommend adequate



reserve levels based on our review of both reserve funding requirements and industry standards.

Black & Veatch will prepare a cash flow analysis summarizing the above projections of revenues and revenue requirements for each utility to determine the adequacy of revenues under proposed rate levels to meet operating and capital needs for the study period. We will develop different rate adjustment scenarios for the Town to determine the best mix of revenues from rate increases while balancing customer impact of such adjustments.

3. **Project Deliverables.** Black and Veatch will prepare a preliminary report with text and tables supporting the selected rate adjustment scenarios. This report will be presented to appropriate Town staff via telephone conference call. Based on review comments of the preliminary report, a final report will be prepared and delivered electronically to Town Staff. The deliverable to the City will be a technical memorandum summarizing Black & Veatch's financial impact review and analysis.

Project Schedule:

Black & Veatch will begin the project as soon as the notice to proceed is issued by the Town. Once notice to proceed has been issued, the planned project execution should last 8 weeks, assuming quick turnaround by Town staff on data requests and review and comment of work product submitted to the Town.

Fees for Service:

For this project, we propose the following Black & Veatch personnel and related hourly billing rates:

- Brian Jewett, Principal, \$275.00/hour (35 hours on project)

We propose a lump sum amount of \$9,625 for tasks outlined above, including: analysis, calculations, conclusions, preparation of the deliverable, and telephone conference calls related to the project. The following table lists the breakdown of hours by task:

If you have any questions regarding our submittal, please do not hesitate to contact Brian Jewett at (951) 575-5249. We appreciate your consideration of our proposal and welcome the opportunity to assist the City of Fountain Valley in this matter.

Very truly yours,

BLACK & VEATCH CORPORATION

Ann Bui
Managing Director, Black & Veatch Management Consulting

MEMORANDUM

Town of Surfside
Utility Rate Feasibility Analysis
Final Analysis

May 3, 2012

To: Roger Carlton

From: Brian Jewett

The purpose of this memorandum is to present the third evolution of the utility feasibility analysis based on direction from the Town.

Executive Summary

Black & Veatch was engaged by the Town of Surfside to review and analyze the Town's current water, sewer and storm water rates and to conduct a feasibility study to determine the status of future rate levels for each utility over the next five fiscal years. The resulting rate level recommendations are compared to the rate levels and recommendations from the Town's prior rate studies which occurred in 2010 and 2011. The first rate analysis was conducted prior to bonds being issued for needed utility capital projects. The second rate analysis conducted in 2011 incorporated improved assumptions related to long range operating and capital costs coupled with projected operational savings due to implementation of the new capital projects. The suggested rate levels in the original report were utilized in the 2011 revised analysis. This current analysis (2012) presents the impact on current utility rate levels should the Town decide to re-structure their current debt obligations. This restructuring would benefit the Town in several ways including 1) lower financing costs for long-term debt, 2) operational savings from reduced sewer inflow/infiltration and water loss issues, and 3) completion of the scope of work for the planned capital improvements for each utility system, e.g. water main improvements, sewer lining and repair, drainage improvements and the Surfside/Bal Harbour Force Main Project.

ASSUMPTIONS

The following table (Table 1) lists the assumptions utilized for this analysis. The largest operational expense for the water and sewer utilities are water purchases from Miami-Dade Water and Sewer District (MDWASD) and sewage disposal costs per agreement with the City of Miami Beach (Miami Beach's costs are initially established by MDWASD). For Fiscal Year 11/12, water purchase costs were held at rates similar to FY 10/11 while sewage disposal costs for FY 11/12 were 5.25 percent higher than the previous year due to a 5 percent County increase and 5 percent added by the City of Miami Beach (COMB). Based on representations from Town staff, Fiscal Year 12/13 rates for water purchases will be approximately 7 percent higher while sewage disposal costs for this year are estimated to be held at the same rate as FY 11/12 costs. Subsequent years' increases are projected to be nominal at approximately 3 percent per year. Operating and Personnel escalators are assumed at 1 percent per year and 1.50 percent, respectively, for the study period. These percentages are reflected in Table 1.

Reserve funding targets are important to Town officials to help ensure there are enough funds (restricted and unrestricted net assets) available to address contingencies in the day-to-day operations, short and long term replacement needs of each utility and a rate stabilization reserve to smooth large increases in wholesale costs. These target level approaches were first introduced to Town officials in the initial 2010 rate analysis. To date, the Town has sufficient reserve levels approaching or at these targeted figures. This is a positive finding in this analysis, as the restricted and unrestricted net assets are proposed to be utilized to meet operational and capital needs, thus ensuring future customer rate levels are minimally impacted. Recent announcements regarding the

Federal EPA's proposed consent decree with Miami-Dade County may impact this analysis, however, there is no definitive rate information to justify any adjustments at this time.

Table 1. Feasibility Analysis Assumptions

Description	Annual Figure	Notes
Escalators		
Customer Growth FY 11/12 & 12/13	0.25%	Annual Rate
Customer Growth FY 13/14 and beyond	0.50%	Annual Rate
Personnel Costs	1.50%	Annual Rate
Water Purchases FY 11/12	0.00%	Annual Rate
Water Purchases FY 12/13	7.00%	Annual Rate
Water Purchases FY 13/14	3.00%	Annual Rate
Water Purchases FY 14/15	3.00%	Annual Rate
Water Purchases FY 15/16	3.00%	Annual Rate
Sewage Disposal Costs FY 11/12	5.50%	Annual Rate
Sewage Disposal Costs FY 12/13	0.00%	Annual Rate
Sewage Disposal Costs FY 13/14	3.00%	Annual Rate
Sewage Disposal Costs FY 14/15	3.00%	Annual Rate
Sewage Disposal Costs FY 15/16	3.00%	Annual Rate
Operating Costs	1.00%	Annual Rate
Fund Equity Targets		
O&M Reserves	25.0%	25% of current year O&M
Water Renewal & Replacement Reserves	\$ 788,970	50% of annualized costs of FY12-FY16 CIP
Sewer Renewal & Replacement Reserves	\$ 987,855	50% of annualized costs of FY12-FY16 CIP
Stormwater Capital Reserves	\$ 423,292	50% of annualized costs of FY12-FY16 CIP
Rate Stabilization Reserves	10.0%	10% of annual projected rate revenues
Financial Ratios and Inputs		
Debt Service Coverage Ratio w/ Partial Re-financing	115%	1.15x (net operating income/annual debt service)

Sources: Town of Surfside; Black & Veatch.

The next two tables illustrate the projected debt obligations and coverage ratios assuming the re-financing approach is implemented by the Town. Table 2 lists the various debt structures proposed including a new State Revolving Fund (SRF) loan at a significantly lower interest rate than the current utility bonds. A portion of the funds from the SRF loan (approximately \$4,150,000) would be applied to the outstanding balance on the current utility bonds to lower the Town's overall annual debt service payments. One-time costs of issuance and a prepayment penalty would apply, however the issuance costs and small prepayment penalty are more than overcome by the reduced interest costs over the life of the debt. Table 3 demonstrates the coverage ratios achieved assuming the proposed financing plan included in this document. As the table shows, required coverage ratios are exceeded based on the assumptions and recommendations of this analysis.

Table 2. Proposed Debt Structure

Description	Amounts	Description	Amounts
\$9.3 Million SRF Loan ¹		Remaining Regions Bank Loan (Proposed)	
Loan Amount plus \$125K COI ²	\$ 9,425,000	Loan Amount ³	\$ 11,350,000
Term (years)	20	Term (years) ⁴	20
Interest Rate	2.50%	Interest Rate ⁵	4.72%
Estimated Annual Debt Service	\$589,840.67	Estimated Annual Debt Service	\$849,175.57
Debt Service Allocation (begin FY 10/11):		Debt Service Allocation (begin FY 10/11):	
Water (35%)	206,444	Water (35%)	297,211
Sewer (49%)	289,022	Sewer (49%)	416,096
Stormwater (16%)	94,375	Stormwater (16%)	135,868
Prepayment Penalty Allocation (FY 11/12 Only):			
Water (35%)	10,500		
Sewer (49%)	14,700		
Stormwater (16%)	4,800		

- \$4,150,000 of this loan is targeted toward reducing outstanding Regions Bank. \$4 million of the repayment is not subject to pre-payment penalties, however the remaining \$150,000 is subject to a 1.2% penalty. The penalty amount is \$30,000 and is allocated to each utility for FY 11/12 expenses.
- COI is 1% of loan amount plus an additional \$32K for bond counsel and other financing assistance.
- \$15.5 million less \$4.15 million loan reduction.
- Regions Bank Loan is amortized for a 20-year term, however includes a 15-year payoff period requirement.
- Interest rate reflects current bond issue interest rate of 4.72%.

Source: Town of Surfside; Black & Veatch.

Table 3. Estimated Debt Service Coverage Ratios Next 5 Fiscal Years

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Combined Utility Net Operating Income	1,508,195	1,661,248	1,828,527	1,908,482	2,000,730
Combined Debt Service Requirement	1,439,016	1,439,016	1,439,016	1,439,016	1,439,016
Combined Coverage Ratio	105%	115%	127%	133%	139%
Ratio Requirements ¹	115%	115%	115%	115%	115%

Note: The small shortfall in coverage ratio in FY 11/12 will be paid from available reserves.

- Assume 115% (1.15x) for purposes of this analysis. Actual debt service coverage requirements are 115% for SRF Loan and 110% for Regions Bank Loan.

Source: Town of Surfside; Black & Veatch.

SUMMARY OF RESULTS

This report is structured to compare projected rates prior to going forward with the proposed debt financing structure with projected rates and reserve accumulation if the proposed re-financing goes forward. Lower interest rates are proposed as part of this re-financing. Based on the results of the analysis for each utility, this re-structuring can be accomplished with nominal impacts on customer rates. This analysis demonstrates that the proposed refinancing effort is feasible and, if assumptions prove correct, will allow flexibility to Town Commissioners to adjust utility rates, absorb all or part of reasonable future MDWASD and COMB increases, and/or replenish reserves to targeted levels within the next five fiscal years. Finally, the analysis shows that the Town will meet or exceed minimum debt service coverage requirements per the Town's bond and loan covenants from FY 2012/13 through FY 2015/16 which is the end of the study.

Water System Analysis

Based on input from the Town's utility engineering consultant Calvin, Giordano & Associates, Inc., the following table (Table 4) displays the Water Utility Capital Improvement Program and related funding sources. The CIP costs include an estimate to cover the cost of projected claims, change orders and general condition expenses. Each utility is allocated its share of current utility bond proceeds. The recommended rate levels found in this report are designed to replenish reserve funds at the end of the study period (FY 15/16). The bottom line of this table shows the remaining amount of CIP costs, adjusted as needed from knowledge gained by completing the first 50 percent of the project, to be met by increased customer rates. In this case, the water project is fully funded from existing rates.

Table 4. Water CIP, Sources and Uses of Funds

Project	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
General Items - Water Portion	\$ 289,643	\$ 200,000	\$ -	\$ -	\$ -
Water Main Replacement	2,287,011	-	-	-	-
Connections to Existing Meters on Private Property	2,325,701	-	-	-	-
Contingency - Water Portion	179,439	-	-	-	-
Allowances - Water Portion	20,000	-	-	-	-
Additional Quantities Items - Water Portion	276,000	-	-	-	-
Design/Studies/Permitting/Soft Costs - Water Portion	444,470	-	-	-	-
Change Orders - Water System	1,000,000	500,763	-	-	-
Change Orders - General Conditions - Water Portion	-	366,670	-	-	-
Total Water Capital Projects	\$ 6,822,264	\$ 1,067,433	\$ -	\$ -	\$ -
Less: Outside Funding Sources					
Water Impact Fees	\$ 381	\$ 500	\$ 500	\$ 750	\$ 750
Restricted Net Assets - R&R	-	-	-	-	-
Unrestricted Assets	-	-	-	-	-
BBC Reimbursement	859,000	-	-	-	-
Bonds & Loans Proceeds	5,962,883	1,066,933	-	-	-
Carry-over from Prior FY	-	-	-	500	1,250
Total Outside Funding	\$ 6,822,264	\$ 1,067,433	\$ 500	\$ 1,250	\$ 2,000
Balance to Carry Over to Next FY or Amount to be Funded by Rates	\$ (0)	\$ -	\$ 500	\$ 1,250	\$ 2,000
Net CIP Projects Funded from Rates	\$ 0	\$ -	\$ -	\$ -	\$ -

Source: Town of Surfside; Black & Veatch.

The table on the next page (Table 5) illustrates the revenue requirements or pro forma of the water utility based on budgeted and anticipated revenues and expenditures of the utility. Note the transfer of funds from the water utility to the sewer utility is necessary to help meet some of the operating and capital expenditure items of the sewer utility. In FY 13/14, the Water Sales revenue increases by an additional 3 percent to account for two new major properties connecting and utilizing the water system: Beach House property and Best Western property. Water purchase costs are also assumed to increase by 3 percent to account for the additional demand incurred by these two properties. This pro forma analysis assumes modest water rate increases in each fiscal year beginning in FY 2012/13. Should the Town Commission desire, the amount of these rate increases could be absorbed from the Rate Stabilization Fund which at the end of FY 10/11, consisted of a balance of \$227,900.

Table 5. Water Utility Revenue Requirement Analysis

Description	Estimated FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Operating Revenue					
Water Sales (before increase)	\$ 1,465,721	\$ 1,469,386	\$ 1,521,034	\$ 1,528,640	\$ 1,536,283
Tapping Fees	2,750	12,500	12,500	5,000	5,000
Penalties	2,965	2,965	2,965	2,965	2,965
Total Operating Revenue	1,471,436	1,484,851	1,536,500	1,536,605	1,544,248
Additional Rate Revenue Required					
	<i>Revenue Increase</i>	<i>Months Effective</i>			
Year					
2011/12	0.00%	12	-	-	-
2012/13	5.00%	12	-	73,469	76,814
2013/14	3.00%	12	-	47,913	48,393
2014/15	2.00%	12	-	-	33,230
2015/16	2.00%	12	-	-	33,894
Total Additional Water Sales Revenue			-	73,469	123,964
			-	157,649	192,331
Total Operating Revenue	1,471,436	1,558,320	1,660,464	1,694,253	1,736,579
O&M Expenses					
Personnel	139,428	141,519	142,310	144,445	146,612
Operations	115,602	113,922	115,061	116,211	117,374
Water Purchases (MDWSD)	436,385	466,932	495,368	510,229	525,536
Total O&M Expenses	691,414	722,373	752,739	770,886	789,521
Net Operating Income	780,022	835,947	907,724	923,368	947,058
Debt Service					
Annual Debt Service (Estimated)	503,656	503,656	503,656	503,656	503,656
Total Debt Service	503,656	503,656	503,656	503,656	503,656
Calculated Debt Coverage Ratio	155%	166%	180%	183%	188%
Targeted Debt Coverage Ratio	115%	115%	115%	115%	115%
Non-Operating Revenue					
Interest Income	5,490	2,745	2,500	3,000	3,500
Total Non-Operating Revenue	5,490	2,745	2,500	3,000	3,500
Non-Operating Expenses					
Capital Outlay (excl Improvements)	-	-	-	-	-
Regions Bank Prepayment Penalty	10,500	-	-	-	-
Transfer to Sewer Revenues	200,000	200,000	100,000	100,000	100,000
Rate Funded Capital Project Expenses	0	-	-	-	-
Total Non-Operating Expenses	210,500	200,000	100,000	100,000	100,000
Net Income (Loss) ¹	\$ 71,356	\$ 135,037	\$ 306,569	\$ 322,712	\$ 346,902

1. Positive net income to be applied to fund balances.

Source: Town of Surfside; Black & Veatch.

Table 6 presents the fund balance information for the water utility system. Note that the water utility and sewer utility are part of the same enterprise fund. Based on assumptions and data provided for this analysis, reserve fund targets are projected to be exceeded by FY 15/16. As mentioned earlier in this report, because Rate Stabilization funds exceed target, these funds could be used to absorb the rate increases presented in this report.

Table 6. Water Utility Reserve Fund Analysis

Description	Estimated FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Total Fund Equity - Water Only					
Beginning FY 11/12 Balance ¹	\$ 1,062,117	See below for fund balance allocation (dependent on Town approval)			
Restricted Net Assets - Renewal & Replacement Reserves					
Beginning Balance	\$ 410,100	\$ 481,456	\$ 616,492	\$ 923,061	\$ 1,245,773
Restricted Net Assets to Fund Water CIP Projects	-	-	-	-	-
Surplus from CIP Program (after bond issue)	-	-	-	-	-
Deposit from Positive Net Income	71,356	135,037	306,569	322,712	-
Ending Balance	\$ 481,456	\$ 616,492	\$ 923,061	\$ 1,245,773	\$ 1,245,773
Target Balance: 50% of 5-Year Annualized CIP	788,970	788,970	788,970	788,970	788,970
Restricted Net Assets - Rate Stabilization Reserves					
Beginning Balance	\$ 227,900	\$ 227,900	\$ 227,900	\$ 227,900	\$ 227,900
Transfer to Operating Reserves	-	-	-	-	-
Ending Balance	\$ 227,900	\$ 227,900	\$ 227,900	\$ 227,900	\$ 227,900
Target Balance: Up to 10% of Rate Revenues	146,572	154,285	164,500	168,629	172,861
Unrestricted Net Assets - Operating Reserves					
Beginning Balance	\$ 424,116	\$ 424,116	\$ 424,116	\$ 424,116	\$ 424,116
Deposit from Net Income	-	-	-	-	346,902
Transfer from Rate Stabilization Reserves	-	-	-	-	-
Ending Balance	\$ 424,116	\$ 424,116	\$ 424,116	\$ 424,116	\$ 771,018
Target Balance: Up to 25% of Current Year O&M	172,854	180,593	188,185	192,721	197,380

1. The Water Utility's share of total fund equity balance is equal to 35 percent. This figure is based on the Water Utility's proportion of capital projects to all utility capital projects.

Source: Town of Surfside; Black & Veatch.

To conclude the analysis for the water utility, the following tables illustrate the fixed bi-monthly water charges and the variable-based consumption rates. For a comparative analysis, we list two tables for each component of a customer's water bill: 1) the proposed rates incorporating the lower interest rate analysis, and 2) the water rates derived from the original and revised rate analyses conducted in 2010 and 2011, respectively.

Table 7. Water Bi-Monthly Base Charges (Lower Interest Rate Analysis)¹

Meter Size	Adopted FY Forecast FY Forecast FY Forecast FY Forecast FY				
	11/12	12/13	13/14	14/15	15/16
5/8"	\$ 27.81	\$ 29.62	\$ 31.42	\$ 32.05	\$ 32.69
1"	40.45	43.38	46.02	46.94	47.88
1 1/2"	61.52	66.32	70.36	71.76	73.20
2"	86.80	93.84	99.56	101.55	103.58
3"	145.79	158.06	167.69	171.04	174.46
4"	230.06	249.81	265.02	270.33	275.73
6"	440.75	479.18	508.36	518.53	528.90
8"	693.57	754.42	800.37	816.37	832.70

Sources: Town of Surfside; Black & Veatch.

Table 8. Water Bi-Monthly Base Charges [Original (2010) and Revised (2011) Analyses]

Meter Size	Adopted FY Forecast FY Forecast FY Forecast FY			
	11/12	12/13	13/14	14/15 ¹
5/8"	\$ 27.81	\$ 30.66	\$ 31.88	\$ 33.16
1"	40.45	44.59	46.38	48.23
1 1/2"	61.52	67.82	70.54	73.36
2"	86.80	95.70	99.52	103.50
3"	145.79	160.73	167.16	173.85
4"	230.06	253.65	263.79	274.34
6"	440.75	485.92	505.36	525.57
8"	693.57	764.66	795.24	827.05

1. Rates for FY 15/16 were not covered in the original and revised analyses.

Sources: Town of Surfside; Black & Veatch.

¹ The proposed base charges in the Lower Interest Rate Analysis are lower than the forecasted charges in the Original and Revised Analyses which were completed in 2010 and 2011, respectively. The same result occurs for the Water Consumption Charges as well as for the Sewer and Storm Water forecasted charges shown later in this report.

Table 9. Residential Customers - Water Consumption Charges (Lower Interest Rate Analysis)

Description	Adopted FY	Forecast	Forecast	Forecast	Forecast
	11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
	Rate per 1,000 gal				
Block 1 (0 - 12,000 gal)	2.97	3.11	3.30	3.37	3.44
Block 2 (12,001 - 24,000 gal)	3.56	3.73	3.96	4.04	4.12
Block 3 (above 24,000 gal)	5.94	6.22	6.60	6.74	6.87

Sources: Town of Surfside; Black & Veatch.

Table 10. Residential Customers - Water Consumption Charges [Original (2010) and Revised (2011) Rate Analyses]

Description	Adopted FY	Forecast FY	Forecast FY	Forecast FY
	11/12	12/13	13/14	14/15 ¹
	Rate per 1,000 gal			
Block 1 (0 - 12,000 gal)	2.97	3.27	3.40	3.54
Block 2 (12,001 - 24,000 gal)	3.56	3.93	4.09	4.25
Block 3 (above 24,000 gal)	5.94	6.55	6.81	7.08

1. Rates for FY 15/16 were not covered in the original and revised analyses.

Sources: Town of Surfside; Black & Veatch.

Table 11. All Other Customers - Water Consumption Charges (Lower Interest Rate Analysis)

Description	Adopted FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
	Rate per 1,000 gal				
Uniform Rate	\$ 3.54	\$ 3.89	\$ 4.13	\$ 4.21	\$ 4.30

Sources: Town of Surfside; Black & Veatch.

Table 12. All Other Customers - Water Consumption Charges [Original (2010) and Revised (2011) Rate Analyses]

Description	Adopted FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15 ¹
	Rate per 1,000 gal			
Uniform Rate	\$ 3.54	\$ 4.05	\$ 4.21	\$ 4.38

1. Rates for FY 15/16 were not covered in the original and revised analyses.

Sources: Town of Surfside; Black & Veatch.

Sewer System Analysis

Based on input from the Town's utility engineering consultant Calvin, Giordano & Associates, Inc., the following table (Table 13) displays the Sewer Utility Capital Improvement Program and related funding sources. The CIP costs include an estimate to cover the cost of projected claims, change orders and general condition expenses. Each utility is allocated its share of utility bond proceeds. The rate levels found in this report are designed to replenish reserve funds at the end of the study period (FY 15/16). The bottom line of this table shows the remaining amount of CIP costs to be met by increased customer rates. In this case, the sewer project is fully funded from existing rates.

Table 13. Sewer CIP, Sources and Uses of Funds

Project	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
General Items - Sewer Portion	\$ 1,000,000	\$ 233,651	\$ -	\$ -	\$ -
Sewer Lining & Repair	3,089,576	\$ 200,000			
Sewer Pump Station and Force Main	665,224				
Contingency - Sewer Portion	152,095	\$ 300,000			
Additional Quantities Items - Sewer Portion	1,857,300				
Bal Harbour/Surfside FM Project	1,650,000	-	-	-	-
Design/Studies/Permitting/Soft Costs - Sewer Portion	464,035	-	-	-	-
Change Orders - General Conditions - Sewer Portion	100,000	166,670	-	-	-
Total Water Capital Projects	\$ 8,978,230	\$ 900,321	\$ -	\$ -	\$ -
Less: Outside Funding Sources					
Sewer Impact Fees	\$ 381	\$ 500	\$ 500	\$ 750	\$ 750
Restricted Net Assets - R&R	-	-	-	-	-
Unrestricted Assets	-	-	-	-	-
Bonds & Loans Proceeds	8,977,850	899,821	-	-	-
Carry-over from Prior FY	-	-	-	500	1,250
Total Outside Funding	\$ 8,978,230	\$ 900,321	\$ 500	\$ 1,250	\$ 2,000
Balance to Carry Over to Next FY or Amount to be Funded by Rates	\$ -	\$ -	\$ 500	\$ 1,250	\$ 2,000
Net CIP Projects Funded from Rates	\$ -	\$ -	\$ -	\$ -	\$ -

Source: Town of Surfside; Black & Veatch.

The table on the next page (Table 14) illustrates the revenue requirements or pro forma of the sewer utility based on budgeted and anticipated revenues and expenditures of the utility. Note the transfer of funds from the water utility to the sewer utility help mitigate larger sewer rate increases. In FY 13/14, the Sewer Service revenues increase by an additional 3 percent to account for two new major properties connecting to and utilizing the sewer system: Beach House property and Best Western property. Sewage disposal costs are also assumed to increase by 3 percent to account for the additional demand incurred by these two properties. This pro forma analysis assumes sewer rate increases in each fiscal year beginning in FY 2012/13. Should the Town Commission desire, the amount of these rate increases could be absorbed from the Rate Stabilization Fund which at the end of FY 10/11, consisted of a balance of \$319,601 and Operating Reserves which at the end of FY 10/11, consisted of a balance of \$593,763.

Table 14. Sewer Utility Revenue Requirements

Description	Estimated FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Operating Revenue					
Service Revenues and Interest	\$ 1,415,323	\$ 1,418,861	\$ 1,468,734	\$ 1,476,078	\$ 1,483,458
Total Operating Revenue	1,415,323	1,418,861	1,468,734	1,476,078	1,483,458
Additional Rate Revenue Required					
	<i>Revenue Increase</i>	<i>Months Effective</i>			
Year					
2011/12	0.00%	6	-	-	-
2012/13	6.00%	12	-	85,132	88,565
2013/14	5.00%	12	-	77,843	78,232
2014/15	5.00%	12	-	-	82,144
2015/16	5.00%	12	-	-	86,682
Total Additional Sewer Charge Revenue	-	85,132	165,967	248,940	336,867
Total Required Revenue	1,415,323	1,503,993	1,634,701	1,725,018	1,820,325
O&M Expenses					
Personnel	159,735	162,131	163,037	165,483	167,965
Operations	126,934	124,954	126,203	127,465	128,740
Sewage Disposal (City of Miami Beach)	712,914	712,914	756,330	779,020	802,391
Total O&M Expenses	999,582	999,998	1,045,571	1,071,968	1,099,096
Net Operating Income	415,741	503,994	589,130	653,050	721,229
Debt Service					
Annual Debt Service (Estimated)	705,118	705,118	705,118	705,118	705,118
Total Debt Service	705,118	705,118	705,118	705,118	705,118
Calculated Debt Coverage Ratio	59%	71%	84%	93%	102%
Targeted Debt Coverage Ratio	115%	115%	115%	115%	115%
Non-Operating Revenue					
Interest Income	5,490	5,490	5,490	5,490	5,490
Transfer from Water Revenues	200,000	200,000	100,000	100,000	100,000
Total Non-Operating Revenue	205,490	205,490	105,490	105,490	105,490
Non-Operating Expenses					
Capital Outlay (excl Improvements)	-	-	-	-	-
Regions Bank Prepayment Penalty	14,700	-	-	-	-
Rate Funded Capital Projects	-	-	-	-	-
Total Non-Operating Expenses	14,700	-	-	-	-
Net Income (Loss) ¹	\$ (98,588)	\$ 4,366	\$ (10,498)	\$ 53,421	\$ 121,601

1. Positive net income to be applied to fund balances.

Source: Town of Surfside; Black & Veatch.

Table 15 presents the fund balance information for the sewer utility system. Note that the water utility and sewer utility are part of the same enterprise fund. Based on assumptions and data provided for this analysis, reserve fund targets are projected to be met or exceeded by FY 15/16. As mentioned earlier in this report, because Rate Stabilization and Operating Reserve funds exceed target, these funds could be used to absorb the rate increases presented in this report.

Table 15. Sewer Utility Reserve Fund Analysis

Description	Estimated FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Total Fund Equity - Sewer Only					
Beginning FY 11/12 Balance ¹	\$ 1,486,963	See below for fund balance allocation (dependent on Town approval)			
Restricted Net Assets - Renewal & Replacement Reserves					
Beginning Balance	\$ 574,140	\$ 574,140	\$ 578,506	\$ 579,006	\$ 633,677
Restricted Net Assets to Fund Sewer CIP Projects	-	-	-	-	-
Surplus from CIP Program (after bond issue)	-	-	500	1,250	2,000
Deposit from Positive Net Income	-	4,366	-	53,421	121,601
Ending Balance	\$ 574,140	\$ 578,506	\$ 579,006	\$ 633,677	\$ 757,279
Target Balance: 50% of 5-Year Annualized CIP	987,855	987,855	987,855	987,855	987,855
Restricted Net Assets - Rate Stabilization Reserves					
Beginning Balance	\$ 319,061	\$ 319,061	\$ 319,061	\$ 319,061	\$ 319,061
Transfer to Operating Reserves	-	-	-	-	-
Ending Balance	\$ 319,061	\$ 319,061	\$ 319,061	\$ 319,061	\$ 319,061
Target Balance: Up to 10% of Rate Revenues	141,532	150,399	163,470	172,502	182,033
Unrestricted Net Assets - Operating Reserves					
Beginning Balance	\$ 593,763	\$ 495,175	\$ 495,175	\$ 484,677	\$ 484,677
Unrestricted Net Assets to Fund Negative Net Income	(98,588)	-	(10,498)	-	-
Transfer from Rate Stabilization Reserves	-	-	-	-	-
Ending Balance	\$ 495,175	\$ 495,175	\$ 484,677	\$ 484,677	\$ 484,677
Target Balance: Up to 25% of Current Year O&M	249,896	250,000	261,393	267,992	274,774

1. The Sewer Utility's share of total fund equity balance is equal to 49 percent. This figure is based on the Sewer Utility's proportion of capital projects to all utility capital projects.

Source: Town of Surfside; Black & Veatch.

To conclude the analysis for the sewer utility, the following tables illustrate the uniform flow rate and bi-monthly base charge for all sewer customers. For a comparative analysis, we list tables for each component of a customer's sewer bill: 1) the proposed rates incorporating the lower interest rate analysis, and 2) the sewer rates derived from the original and revised rate analyses conducted in 2010 and 2011, respectively. Similar to the results for the water utility, proposed sewer rates in the Lower Interest Rate Analysis approach are lower than those projected in the original and revised analyses in each corresponding year.

Table 16. All Customers – Sewer Uniform Flow Rate and Bi-Monthly Base Charge (Lower Interest Rate Analysis)

Description	Adopted FY		Forecast FY		Forecast FY		Forecast FY	
	11/12	12/13	13/14	14/15	15/16			
	Rate per 1,000 gal							
Uniform Flow Rate	\$ 5.41	\$ 5.82	\$ 6.29	\$ 6.61	\$ 6.94			
	Rate per 1,000 gal							
Bi-Monthly Fixed Charge	\$ 6.88	\$ 7.16	\$ 7.75	\$ 8.14	\$ 8.54			

Sources: Town of Surfside; Black & Veatch.

Table 17. All Customers – Sewer Uniform Flow Rate and Bi-Monthly Base Charge [Original (2010) and Revised (2011) Rate Analyses]

Description	Adopted FY		Forecast FY		Forecast FY	
	11/12	12/13	13/14	14/15 ¹		
	Rate per 1,000 gal					
Uniform Flow Rate	\$ 5.41	\$ 6.31	\$ 6.62	\$ 6.95		
	Rate per 1,000 gal					
Bi-Monthly Fixed Charge	\$ 6.88	\$ 8.01	\$ 8.41	\$ 8.83		

1. Rates for FY 15/16 were not covered in the original and revised analyses.

Sources: Town of Surfside; Black & Veatch.

Storm Water System Analysis

Based on input from the Town's utility engineering consultant Calvin, Giordano & Associates, Inc., the following table (Table 18) displays the Storm Water Utility Capital Improvement Program and related funding sources. The CIP costs include an estimate to cover the cost of projected claims, change orders and general condition expenses. Each utility is allocated its share of utility bond proceeds. The rate levels found in this report are designed to replenish reserve funds at the end of the study period (FY 15/16). The bottom line of this table shows the remaining amount of CIP costs to be met by increased customer rates. In this case, the storm water project is fully funded from existing rates.

Table 18. Storm Water CIP, Sources and Uses of Funds

Project	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
General Items - Stormwater Portion	\$ 359,698	\$ 100,000	\$ -	\$ -	\$ -
Drainage Improvements	1,947,135	200,000	-	-	-
Contingency - Stormwater Portion	68,466	100,000	-	-	-
Allowances - Stormwater Portion	105,000	-	-	-	-
Additional Quantities Items - Stormwater Portion	50,000	-	-	-	-
Design/Studies/Permitting/Soft Costs - Stormwater Portion	933,840	-	-	-	-
Change Orders - Drainage System	-	69,876	-	-	-
Change Orders - General Conditions - Stormwater Portion	100,000	198,905	-	-	-
Total Stormwater Capital Projects	\$ 3,564,139	\$ 668,781	\$ -	\$ -	\$ -
Less: Outside Funding Sources					
Restricted Net Assets - R&R	-	-	-	-	-
Unrestricted Assets	-	-	-	-	-
FDEP Grants	986,000	-	-	-	-
Bonds & Loans Proceeds	2,578,139	668,781	-	-	-
Carry-over from Prior FY	-	0	0	0	0
Total Outside Funding	\$ 3,564,139	\$ 668,781	\$ 0	\$ 0	\$ 0
Balance to Carry Over to Next FY or Amount to be Funded by Rates	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net CIP Projects Funded from Rates	\$ -	\$ -	\$ -	\$ -	\$ -

Source: Town of Surfside; Black & Veatch.

The table on the next page (Table 19) illustrates the revenue requirements or pro forma of the storm water utility based on budgeted and anticipated revenues and expenditures of the utility. This pro forma analysis assumes modest rate increases in FY 2012/13 and FY 2013/14. Should the Town Commission desire, the amount of these rate increases could be absorbed from the Rate Stabilization Fund, which at the end of FY 10/11 consisted of a balance of \$104,183.

Table 19. Storm Water Utility Revenue Requirements

Description	Estimated FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Operating Revenue					
Stormwater Revenue	\$ 487,000	\$ 488,218	\$ 490,659	\$ 493,112	\$ 495,577
Total Operating Revenue	487,000	488,218	490,659	493,112	495,577
Additional Rate Revenue Required					
	<i>Revenue Increase</i>	<i>Months Effective</i>			
Year					
2011/12	0.00%	6	-	-	-
2012/13	2.00%	12	-	9,764	9,912
2013/14	2.00%	12	-	10,009	10,110
2014/15	0.00%	12	-	-	-
2015/16	0.00%	12	-	-	-
Total Additional Stormwater Rate Revenue			-	9,764	19,823
				19,922	20,021
Total Required Revenue	487,000	497,982	510,481	513,034	515,599
O&M Expenses					
Personnel	72,241	73,325	74,424	75,541	76,674
Operations	102,327	103,350	104,384	105,428	106,482
Total O&M Expenses	174,568	176,675	178,808	180,968	183,156
Net Operating Income	312,432	321,307	331,673	332,065	332,443
Debt Service					
Annual Debt Service (Estimated)	230,243	230,243	230,243	230,243	230,243
Total Debt Service	230,243	230,243	230,243	230,243	230,243
Calculated Debt Coverage Ratio	136%	140%	144%	144%	144%
Targeted Debt Coverage Ratio	115%	115%	115%	115%	115%
Non-Operating Expenses					
Capital Outlay (excl Improvements)	-	-	-	-	-
Regions Bank Prepayment Penalty	4,800	-	-	-	-
Rate Funded Capital Projects	-	-	-	-	-
Total Non-Operating Expenses	4,800	-	-	-	-
Net Income (Loss) ¹	\$ 77,389	\$ 91,064	\$ 101,430	\$ 101,823	\$ 102,200

1. Positive net income to be applied to fund balances.

Source: Town of Surfside; Black & Veatch.

Table 20 presents the fund balance information for the storm water utility system. Based on assumptions and data provided for this analysis, reserve fund levels are projected to be above target by FY 15/16. As mentioned earlier in this report, because Rate Stabilization funds exceed target, these funds could be used to absorb the rate increases presented in this report.

Table 20. Storm Water Utility Reserve Fund Analysis

Description	Estimated FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Total Fund Equity					
Beginning FY 11/12 Balance ¹	\$ 485,539	See below for fund balance allocation (dependent on Town approval)			
Restricted Net Assets - Renewal & Replacement Reserves					
Beginning Balance	\$ 187,474	\$ 187,474	\$ 278,539	\$ 379,969	\$ 481,791
Restricted Net Assets to Fund Storm Water CIP Projects	-	-	-	-	-
Transfer from W/S Fund	-	-	-	-	-
Surplus from CIP Program (after bond issue)	-	-	-	-	-
Deposit from Positive Net Income	-	91,064	101,430	101,823	102,200
Ending Balance	\$ 187,474	\$ 278,539	\$ 379,969	\$ 481,791	\$ 583,992
Target Balance: 50% of 5-Year Annualized CIP	423,292	423,292	423,292	423,292	423,292
Restricted Net Assets - Rate Stabilization Reserves					
Beginning Balance	\$ 104,183	\$ 104,183	\$ 104,183	\$ 104,183	\$ 104,183
Deposit from Positive Net Income	-	-	-	-	-
Ending Balance	\$ 104,183	\$ 104,183	\$ 104,183	\$ 104,183	\$ 104,183
Target Balance: Up to 10% of Rate Revenues	48,700	49,798	51,048	51,303	51,560
Unrestricted Net Assets - Operating Reserves					
Beginning Balance	\$ 193,882	\$ 193,882	\$ 193,882	\$ 193,882	\$ 193,882
Unrestricted Net Assets to Fund Storm Water CIP Projects	-	-	-	-	-
Deposit from Positive Net Income	-	-	-	-	-
Ending Balance	\$ 193,882	\$ 193,882	\$ 193,882	\$ 193,882	\$ 193,882
Target Balance: Up to 25% of Current Year O&M	43,642	44,169	44,702	45,242	45,789

1. The Storm Water Utility's share of total fund equity balance is equal to 16 percent. This figure is based on the Storm Water Utility's proportion of capital projects to all utility capital projects.

Source: Town of Surfside; Black & Veatch.

The table below (Table 21) presents the FY 2011/12 adopted monthly storm water rates as well as projected rates for the remainder of the study period.

Table 21. Storm Water Utility Rates

Service Type	Adopted FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16
Single Family Residential (1.0 ERU)	\$ 10.70	\$ 10.91	\$ 11.13	\$ 11.13	\$ 11.13
Multi Family Residential (1.0 ERU per dwelling unit)	\$ 10.70	\$ 10.91	\$ 11.13	\$ 11.13	\$ 11.13
Place of Worship (0.5 ERU per 1,300 sq. ft. of impervious area)	\$ 5.35	\$ 5.46	\$ 5.57	\$ 5.57	\$ 5.57
Non Residential Developed Property excluding Places of Worship (1.25 ERU per 1,300 sq. ft. of impervious area)	\$ 13.38	\$ 13.65	\$ 13.92	\$ 13.92	\$ 13.92

Sources: Town of Surfside; Black & Veatch.