CITY OF HOLLY HILL, FLORIDA

CITY COMMISSION

MINUTES ● JULY 2, 2024

City Commission Chamber	Work Session	3:00 PM

CITY HALL
1065 RIDGEWOOD AVENUE
HOLLY HILL, FL 32117

City Clerk's office: (386) 248-9441 - Fax: (386) 248-9448

1. CALL TO ORDER

a. Roll Call

Attendee Name	Title	Status	Arrived
Chris Via	Mayor	Present	
John Penny	District 1 - Commissioner	Present	
Penny Currie	District 2 - Commissioner	Present	
John C. Danio	District 3 - Commissioner	Present	
Roy Johnson	District 4 - Commissioner	Present	

2. UTILITY RATE STUDY DISCUSSION

1.

Utility Rate Study by Raftelis

(Requested by Valerie Manning, City Clerk)
Shawn Ocasio, Manager with Raftelis Consulting Group and Henry Thomas, Vice-President with Raftelis Consulting Group went through the following PowerPoint presentation with the Mayor, City Commissioners and staff as it pertained to the Water and Wastewater Utility Revenue Sufficiency Study that was completed by Mr. Ocasio and Mr. Thomas.

Project Background

- The last rate study was in FY 2019
  › Rates adopted for FY's 2020 - 2024
- Following prior rate plan has placed the utility in a solid financial position
  › Very strong operating fund balance with almost 300 days of rate revenues
  › Projected positive cashflows for 2024 (inflows greater than outflows)
  › Projected debt service coverage for 2024 of almost 360% (Gen. Target 150%)
- System has been operating in a high inflationary environment
  › Consumer Price Index - 20% increase since 2019
  › Construction Materials Index - 41% increase since 2019
  › Industrial Chemicals Index - 25% increase since 2019
- City's pursuit of grant funding providing major benefit to rate payers

Study Tasks and Approach

- Develop financial forecast to project water and wastewater system operations for Fiscal Years 2024 through 2029
- Project revenues and revenue requirements

- Develop funding strategy for capital improvement plan
- Evaluate cash reserve targets and financial performance requirements
- Determine adequacy of revenues at existing rates

Study Goals and Considerations

- Maintain positive cashflow through the end of the forecast period (FY 2029)
› Inflows equal to outflows without the use of reserves
- Compliance with all debt service rate coverage covenants
› Senior lien (SunTrust Bonds) required coverage - 120%
› Subordinate lien (SRF Loans) required coverage - 115%
› All-In Coverage (all loans combined) target coverage - 150%
- Achieve adequate operating reserve balance levels
› 90 Days of rate revenues as required minimum balance
› 120+ Days of rate revenues as target minimum balance

System Customers, Growth, and Revenues

- Approximately 7,900 accounts in FY 2023
- Customer account growth of approx. 73 customers per year
› Approximately 1.1% per year
- Combined system rate revenues at existing rates approximating $7.9 million in FY 2024 increasing to $8.4 million by FY 2029
› Due to customer growth assumptions
- Other revenues of approximately $524,000 per year
› Misc. charges (service fees, penalty fees, etc.)
› Projected interest income
- Impact Fee Revenues of approximately $183,000 per year
› Based on projected customer growth

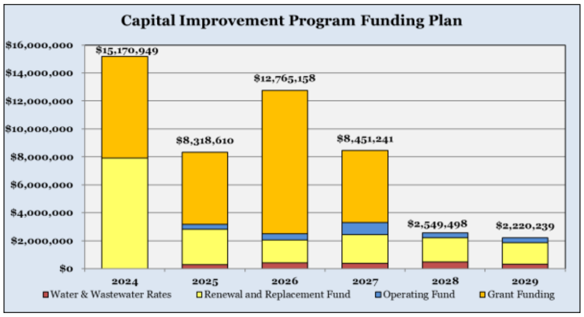
Revenue Requirements - Operating Expenses

- FY 2024 Operating budget of $8.4 million in total expenditures adjusted down to $6.1 million in recurring operating expenses
› Adjustments for capital and debt payments and interfund transfers
› Adjustments for contingency and bad debt of approx. $114,000 per year
- $6.1 Million increasing to $8.2 million by FY 2029
› Average annual increase of approximately 6.2% per year
› Major escalation factors include:
- Labor: 5.0% per year
- Health Insurance: 15.0% per year
- Chemicals / Fuel: 6.0% per year
- Repair: 3.5% per year
- General Inflation (CPI): 2.3% per year

Revenue Requirements - Capital Improvement Plan (CIP)

- Capital Improvement Plan (CIP) of $49.5 million from FY 2024 - 2029
› Water and wastewater plant improvements, asset renewals and replacements (R&R), and as other capital and equipment needs
- CIP to be funded through use of rates, reserves, and grants
› $27.8 Million in grant funded projects (56% of plan)
- ARPA and SAHFI programs
Avoided debt service costs of approximately $1.7 million per year
› $21.7 Million in rate and reserve funded projects (44% of plan)
- Use of operating reserves, R&R reserves, and annual user rates

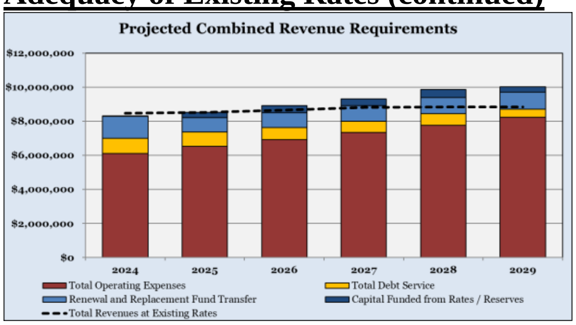
Revenue Requirements - Capital Improvement Plan (continued)



Revenue Requirements - Debt Service

- Existing debt service of approximately $884,000 in 2024
  - › Water and Sewer System Improvement Revenue Bonds, Series 2005 - $108,000
  - › Water and Sewer System Revenue Bonds, Series 2011 - $345,000
  - › SRF Loan #WW 709070 - $41,000
  - › SRF Loan #WW 709080 - $329,000
  - › 2019 Vacuum Truck Loan - $61,000
- Total existing payments decreasing to $487,000 by 2029 as debts are paid off
  - › Series 2005 Bonds final payment in 2025
  - › SRF Loan #WW 709070 final payment in 2027
  - › SRF Loan #WW 709080 final payment in 2029

Adequacy of Existing Rates (continued)



Proposed Rate Adjustments Identified in the Financial Forecast

	2025	2026	2027	2028	2029
Water System	2.0%	2.0%	2.0%	2.0%	2.0%
Wastewater System	4.0%	4.0%	4.0%	4.0%	4.0%
Effective Date	Oct. 1, 2024	Oct. 1, 2025	Oct. 1, 2026	Oct. 1, 2027	Oct. 1, 2028

Adequacy of Proposed Rates for the Projected Combined Revenue Requirements, Operating Reserves Ending Balance, Capital Reserves Ending Balance, All-In Debt Service Coverage

(file too large; please refer to agenda packet for graphs)

Rate Comparison

(file too large; please refer to agenda packet for graphs)

Observations and Recommendations

- Existing water and wastewater rates are not projected to be sufficient to recover revenue requirements through Fiscal Year 2029
- Adopt proposed monthly user rate adjustment plan
- Proposed rates are projected to:
› Maintain positive operating cashflow through end of forecast period
› Fulfill all coverage requirements and targets during forecast period
› Maintain adequate operating and capital reserves
- Revisit plan in 3-5 years
› Adjust for changes in operations, growth, capital costs, project timing, etc.

Mayor Via opened public participation.

Heidi Heller and David Kophf, Holly Hill.

Mayor Via closed public participation.

There was ***consensus*** to implement October 2024; public meeting notices will be added to the water utility bills for customers and newspaper for advertising purposes. The utility rates adoption will be at the September 9th City Commission meeting.

3. ADJOURNMENT

The workshop adjourned at approximately 4:05 PM.

Valerie Manning, City Clerk,CMC 7/2/2024

Chris Via, Mayor 7/2/2024