



June 3, 2024

City of Deltona Stormwater Rate Study

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What Do the City's Stormwater Rates Pay For?



- **Stormwater Utility Has Several Areas of Responsibility**
 - Construction of New or Replacement Stormwater-Handling Infrastructure
 - Cleaning of the Underground Stormwater Drainage System
 - Maintenance of Roadside Surface Drainage Network
 - Removal of Obstructive Vegetation from Ditches / Swales
 - Mowing and Litter Control on Deltona's Collector Roads and 31 Residential Sectors
 - Master Planning to Solve Local Flooding and Water Quality Problems, and to Provide Pollution Prevention Solutions
 - Emergency Stormwater Management Services Before, During, and After Major Storm Events



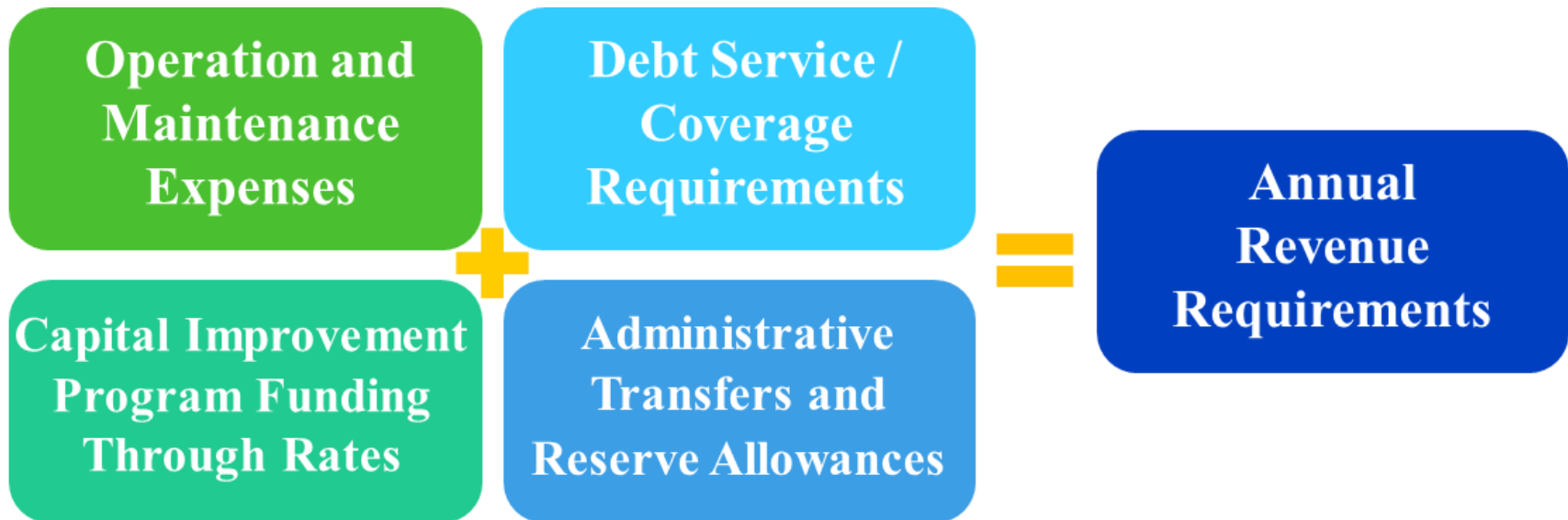
Stormwater Rates

- **Annual Charge Per Equivalent Residential Unit (ERU) to Fund Stormwater Operations**
 - Existing Charge or Assessment of \$128 Per Year Per ERU Has Remained Unchanged Since Fiscal Year 2019 (Five Years Ago)
 - Has Not Been "Right-Sized" Since Various Factors and Market Volatility Have Caused Substantial Inflation in Stormwater Utility Costs
 - Insufficient to Keep Stormwater System Operationally and Financially Sustainable
- **Accounting in Special Revenue Fund**
 - Current Funding Levels Require Transfers from General Fund to Pay for Stormwater Operating and Capital Needs



Revenue Requirements

■ Projected Through Fiscal Year 2029





Issue: Aging Infrastructure

- **Stormwater Infrastructure Is Often "Out of Sight, Out of Mind" Until There Is an Incident**
- **Deltona Is Predominately a Swale / Ditch Form of Stormwater Conveyance, Unlike New Developments Which Provide Curbing, Catch Basins, Retention Ponds, and Other Contemporary Design Standards**
- **Hurricanes Ian and Nicole Caused About 250 Homes to Be Flooded, Roadway Closures, and an Overwhelming Unprecedented Impact on Stormwater Infrastructure**
- **Deltona Has Infrastructure That in Some Areas Is Over 50 Years Old – Assets Have Reached or Exceeded Useful Service Lives**

Issue: Aging Infrastructure (cont.)



■ Flooding Impacts of Hurricanes Ian and Nicole



Issue: Aging Infrastructure (cont.)



■ Flooding Impacts of Hurricanes Ian and Nicole (cont.)





Issue: Aging Infrastructure (cont.)

■ **Consider Potential Impact of Floods**

- Physical Injury and Loss of Life
- Damage to Individual Properties and Housing Displacement
- Damage to Grocery Stores, Gas Stations, and Other Businesses Supplying Critical Needs for Daily Life
- Flooded Roads:
 - Can Leave Residents Trapped on Property
 - Negatively Affect Ability of Residents to Access Businesses and Healthcare Facilities (e.g., Hospitals)
 - Negatively Affect Ability of Suppliers to Restock Businesses (e.g., Empty Shelves)
- Power Outages (i.e., No Electricity) and Inability to Restore Power
- Health Risks Due to Water Contamination
- Increases in Property Insurance Premiums

Issue: Aging Infrastructure (cont.)

■ Sample Stormwater Pump Station Replacement Needs



Issue: Aging Infrastructure (cont.)

- **City Has Begun the Theresa Basin Study, Which Will Enhance the Stormwater Master Plan and Identify Priority Areas for Stormwater Improvements**
 - Need Funding for These Improvements as Well as for Other Projects Identified in Previous Master Plans



City Efforts to Secure Stormwater Grants



- **City Has Pursued and Continues to Pursue Grants and Other "Cost-Free" Options to Reduce Amounts That Must Be Funded Through Stormwater Rates, Including:**
 - State Appropriations
 - FEMA Mitigation Program
 - FDEP Programs
 - Hazard Mitigation Grant Program
 - Community Development Block Grants
 - Transform386
- **To Help Expedite the Grant Validation and Submittal Process, the City Has Prequalified Two Firms With Extensive Expertise in Grant Procurement**

Capital Program Through Fiscal Year 2029



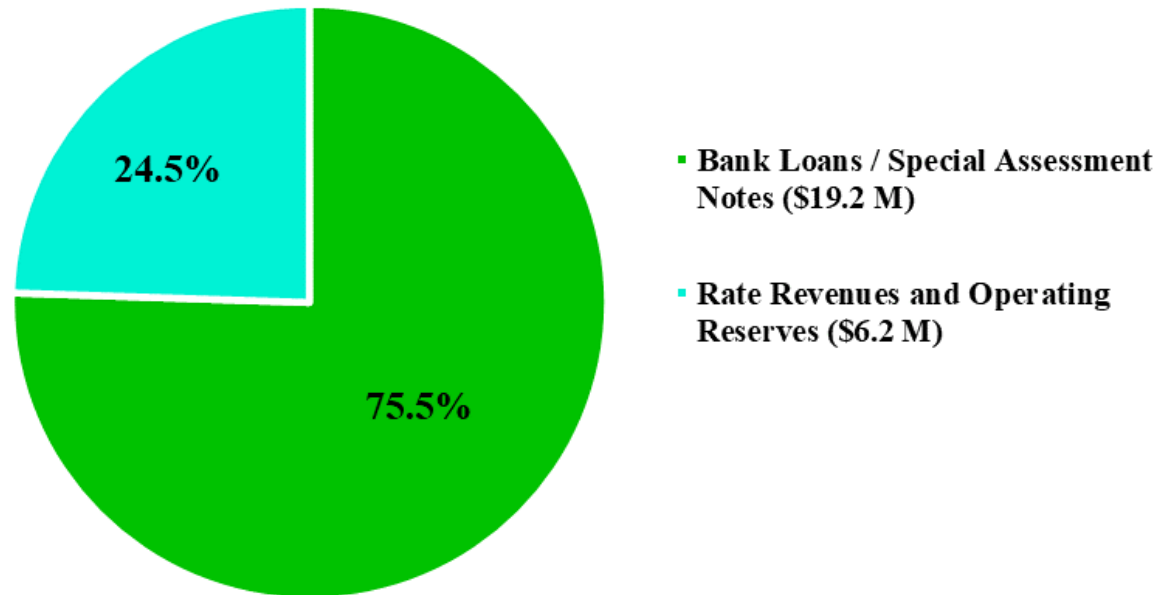
Summary of Estimated Stormwater Capital Improvements Through Fiscal Year 2029

Project	Amount
Theresa Basin Drainage Improvements	\$ 12,564,889
East Brook Drainage Improvements (Pump Station)	1,545,000
Lake Windsor Emergency Forcemain Relocate	1,545,000
Providence/Normandy	1,125,509
Water Quality Pond GC-7	1,038,091
Water Quality Pond GC-4	954,810
In-House Capital Projects (Unidentified)	706,993
J40 Service Area	571,500
New Menzi	546,364
Street Sweeper	521,673
Aqua Tech	450,204
Loader #0725 Replacement	405,746
Other	3,480,620
Total	<u><u>\$ 25,456,398</u></u>



Projected Capital Program Funding

Capital Improvement Program Funding (\$25.5 M)



- **Have Assumed Three Bank Loans Based on Recommendations from PFM, the City's Financial Advisor – One Secured in Fiscal Year 2025, One in Fiscal Year 2027, and One in Fiscal Year 2029**



Issue: Substantial Cost Increases

- **Since 2019 When Stormwater Rates Were Last Adjusted, Stormwater Operating Expenses Have Increased 70% from \$3.0 Million to \$5.1 Million Today**
- **Operating Expenses Are Projected to Continue Increasing**
 - Florida Inflation Is Now Exceeding National Trends
 - Substantial Increases in Stormwater Utility Supply Costs
 - Nationwide Issue With Filling Positions and Keeping Employees
 - Need to Perform More Repairs and Maintenance on System
- **Permanent Increases in Costs Must Ultimately Be Passed Through to Customers Through Rates**

Sample Cost Increases Since Stormwater Rates Were Last Adjusted



■ Northwest Drainage Improvements Project

- Engineering Estimated Construction Cost in 2019 = \$775,000
- Lowest Bid for Construction in 2022 = \$1,829,020
144% Higher

■ Fort Smith Pump Station Improvements

- Engineering Estimated Construction Cost in 2020 = \$275,000
- Lowest Bid for Construction in 2024 = \$641,000
133% Higher

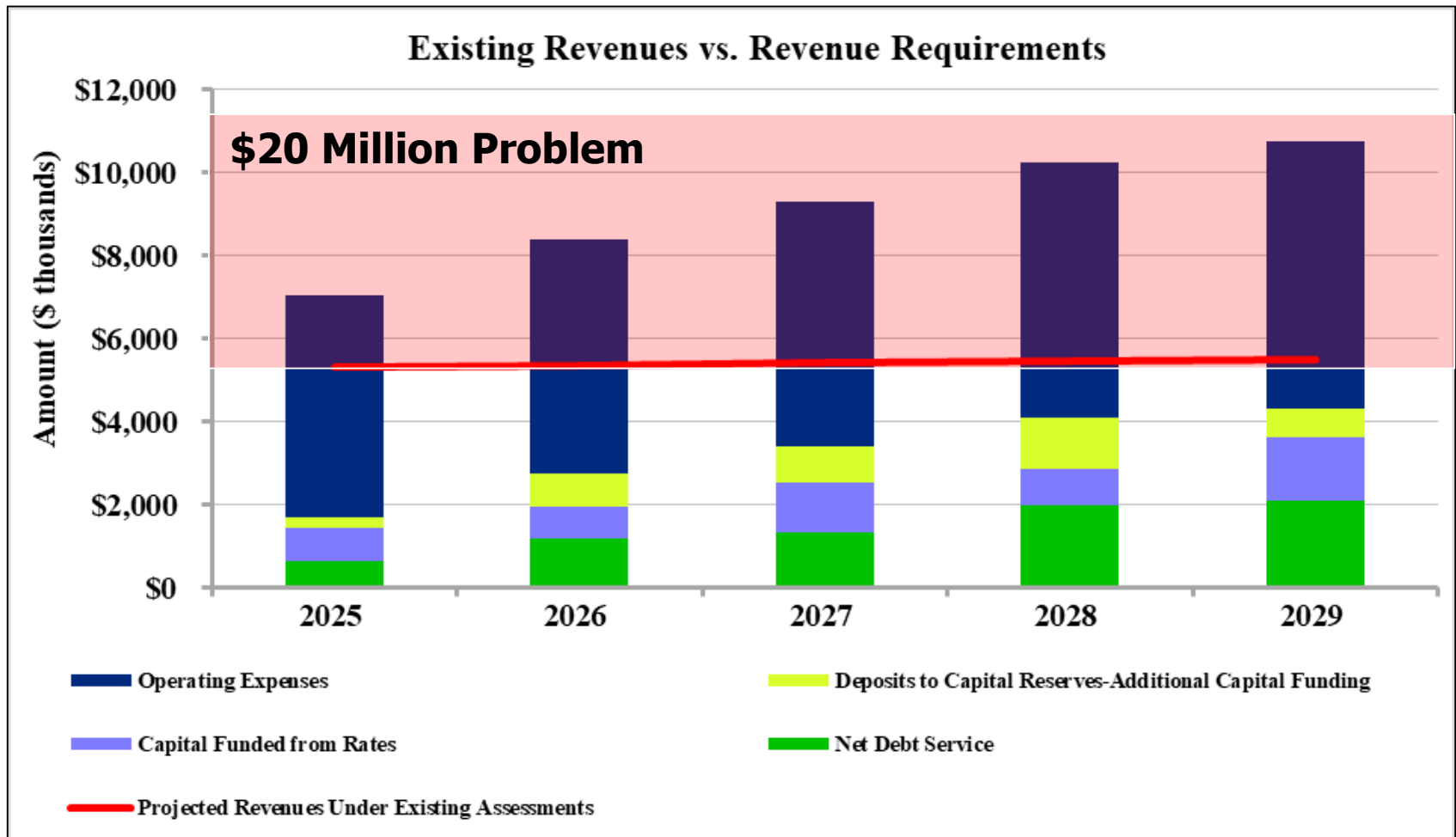
Issue:

Impact to General Fund



- **\$2.5 Million Transfer from General Fund to Stormwater Fund in Fiscal Year 2024**
- **Stormwater Fund Is Depleted**
- **Deferred Maintenance Is Growing**
- **Stormwater Cost Increases Are Paid From General Fund, Reducing Flexibility for City to Address Other Priorities**

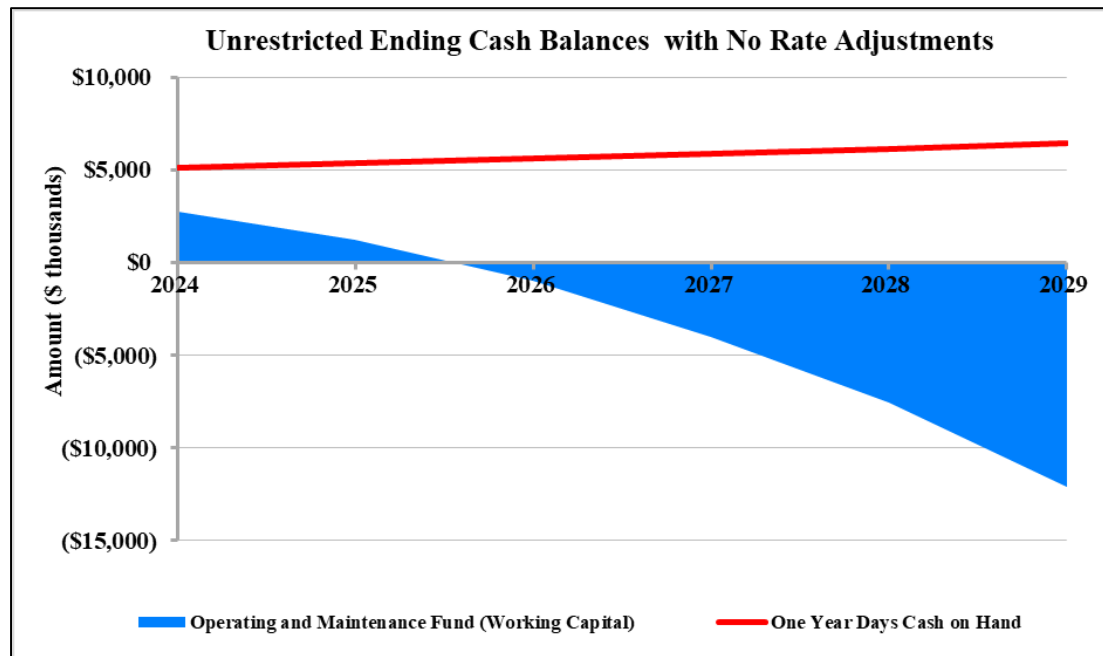
Revenues Under Existing Rates Are Insufficient to Address Utility System Needs



Financial Risks of Not Adjusting Stormwater Rates



- **Stormwater System Is Unsustainable**
- **Rates Will Increase Higher as Capital Needs Are Deferred**
 - Stormwater Utility Issues Will Not Go Away, and They Will Be More Expensive to Address in the Future



Projected Need for Stormwater Rate Adjustments



Summary of Proposed Annual Assessments Per Equivalent Residential Unit (ERU)

Fiscal Year	Effective Date	Annual Stormwater Assessment Per ERU	Effective Monthly Rate	Effective Monthly Change	% of Median Household Income (< 1% Considered Affordable By Bond Rating Agencies) [*]
	Existing	\$128.00	\$10.67		0.2%
2025	10/1/2024	170.00	14.17	\$3.50	0.2%
2026	10/1/2025	200.00	16.67	2.50	0.3%
2027	10/1/2026	220.00	18.33	1.67	0.3%
2028	10/1/2027	240.00	20.00	1.67	0.3%
2029	10/1/2028	250.00	20.83	0.83	0.3%

[*] Assumes annual 3% cost of living salary increases.

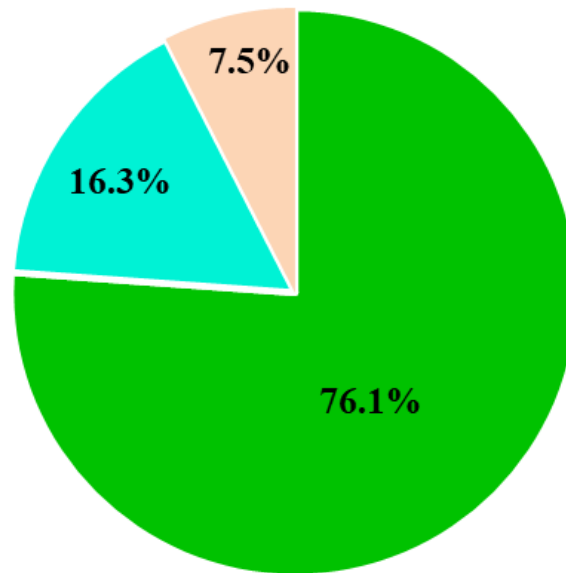
- **Assessments Are Adopted Annually – Only Fiscal Year 2025 Adjustment Needs to Be Adopted at This Time**

What Would the Proposed Fiscal Year 2025 Stormwater Rates Pay For?



- **Any Operating or Capital Costs Paid Through Assessment Must Provide System-Wide Benefit or Be Part of a Program That Provides System-Wide Benefit**

Estimated Fiscal Year 2025 Stormwater Revenue = \$7.1 M

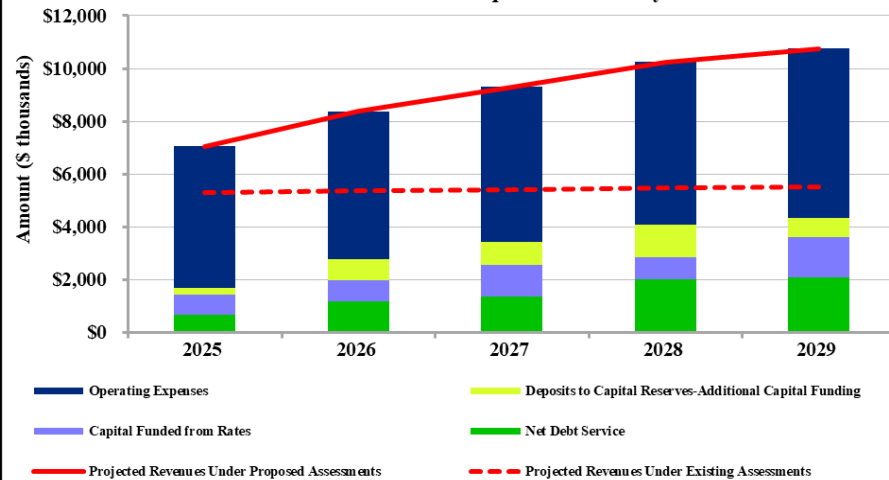


- Operating Expenses That Provide System-Wide Benefit, Including Needed System Repairs and Maintenance (\$5.4 M)
- Debt Financing and Pay-As-You-Go Funding of Capital Needs That Provide System-Wide Benefit (\$1.2 M)
- Existing Debt Service (\$0.5 M); Fully Paid After Fiscal Year 2029

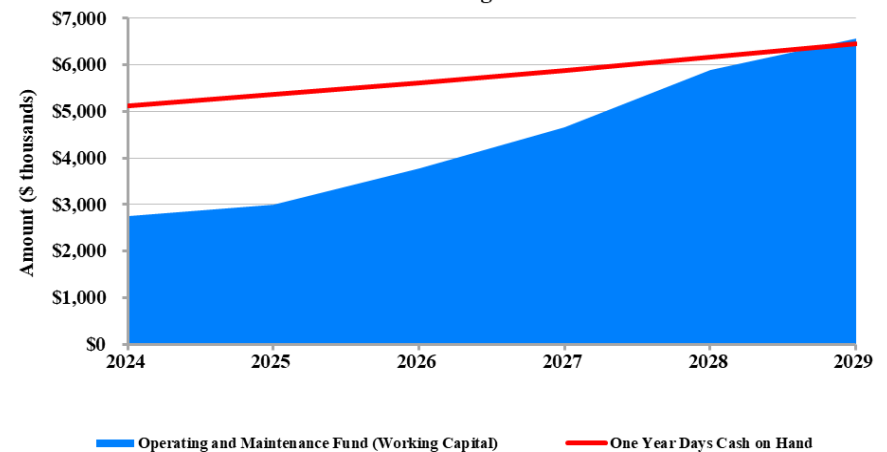
With Adjustments, Revenues Meet Revenue Requirements and Cash Balances Reach Targets By End of Forecast Period



Summarized Revenue Requirements Analysis



Unrestricted Ending Cash Balances

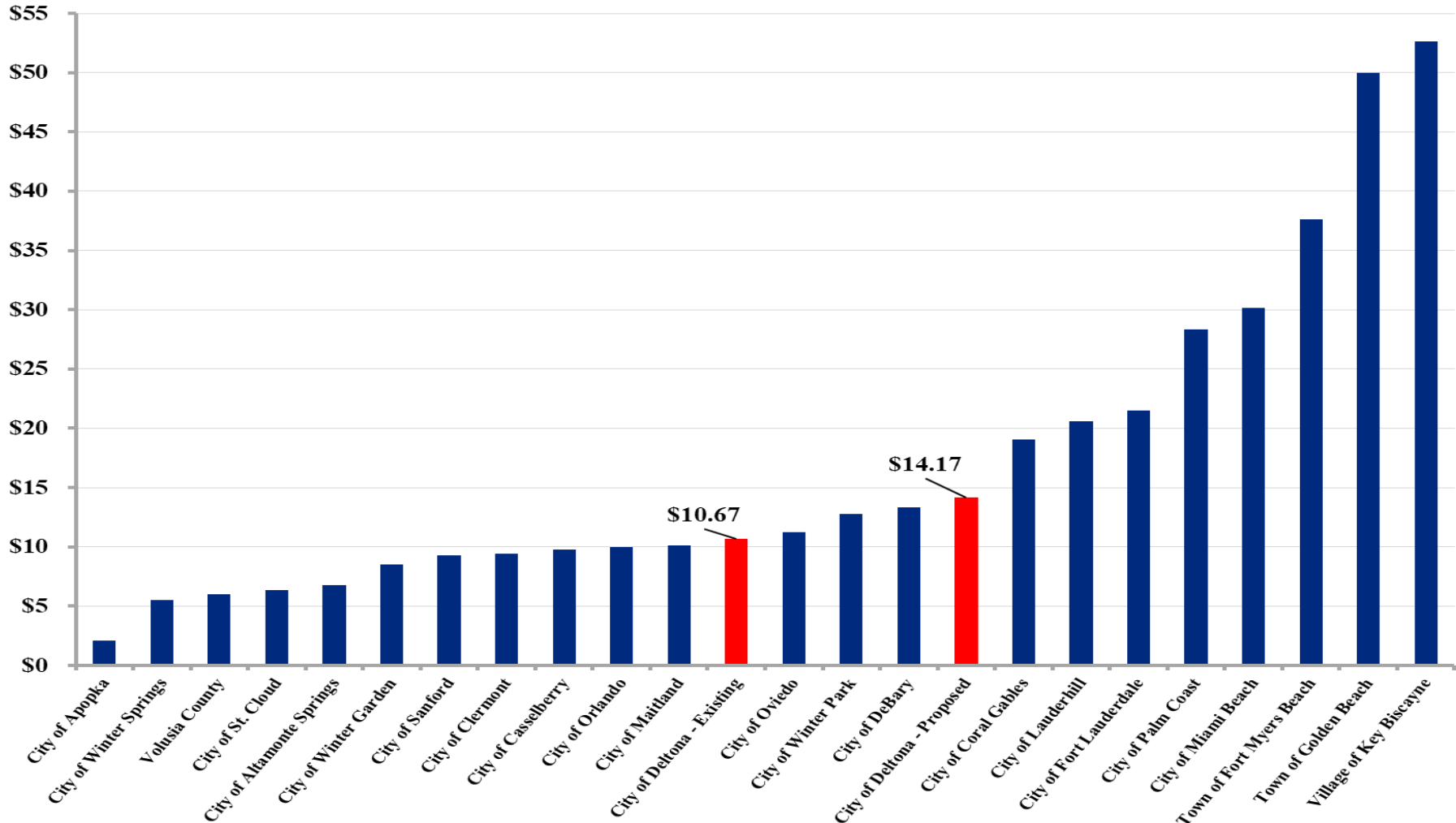


Effective Monthly Rate Comparison

(Some Utilities Bill Monthly While Others Have Annual Assessment)



Fees Effective April 2024



Rate/Bill Comparison Not a "Report Card" on How Well Utility Is Performing



■ Some Reasons Why Stormwater Rates Differ Among Utilities

- Services Provided Through Stormwater Fees (e.g., Street Sweeping)
- Amount of Lake and Canal Area to Be Maintained
- Size of Existing Customer Base / Available System Growth
- Demographics (e.g., Customers Spread Out vs. Close Together, Types of Customers Served)
- Level of Capital Improvements to Meet Service Area Growth
- Amount of Needed Renewals and Replacements / Remaining Service Life of Assets
- Differences in Rate Covenants Associated with Debt
- External Assistance in Funding Infrastructure (e.g., Grants)
- Amount of Subsidization from Other Funds (e.g., General Fund)
- Amount of General Fund and Administrative Fee Transfers
- Time of Last Rate Review



Recommendations

- **Adopt Proposed Fiscal Year 2025 Annual Charge of \$170 Per Equivalent Residential Unit (Effective \$14.17 Per Month; \$3.50 Per Month Increase)**
 - Considered Affordable and Competitive
 - Necessary to Provide Sufficient Revenue to Secure Financing for Portion of Capital Program
 - Does Not Exceed Stormwater Utility's Costs
 - Eliminates Subsidization from General Fund
 - 4% Early Payment Discount Is Applicable With This Assessment
 - Stormwater Rates Have Not Been Adjusted Since 2019 (Five Years Ago)
- **Monitor Progress and Evaluate Need for Additional Rate Adjustments Each Year**

QUESTIONS AND DISCUSSION

