



**May 13, 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



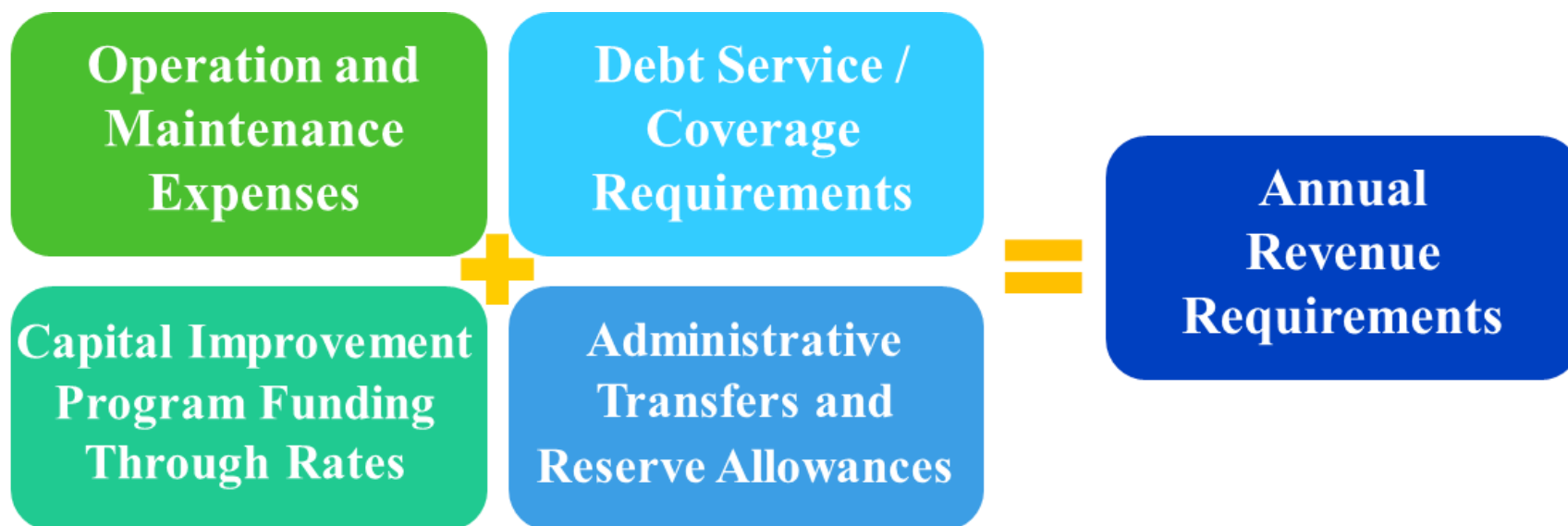
# Stormwater Rates

- **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.)

- **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



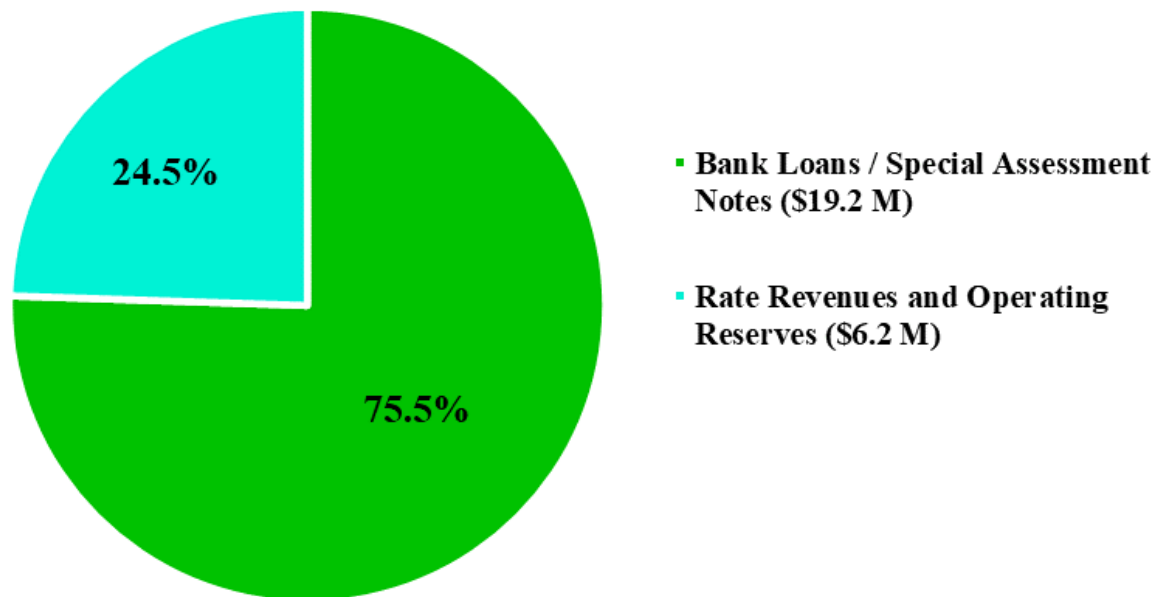
## Summary of Estimated Stormwater Capital Improvements Through Fiscal Year 2029

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**

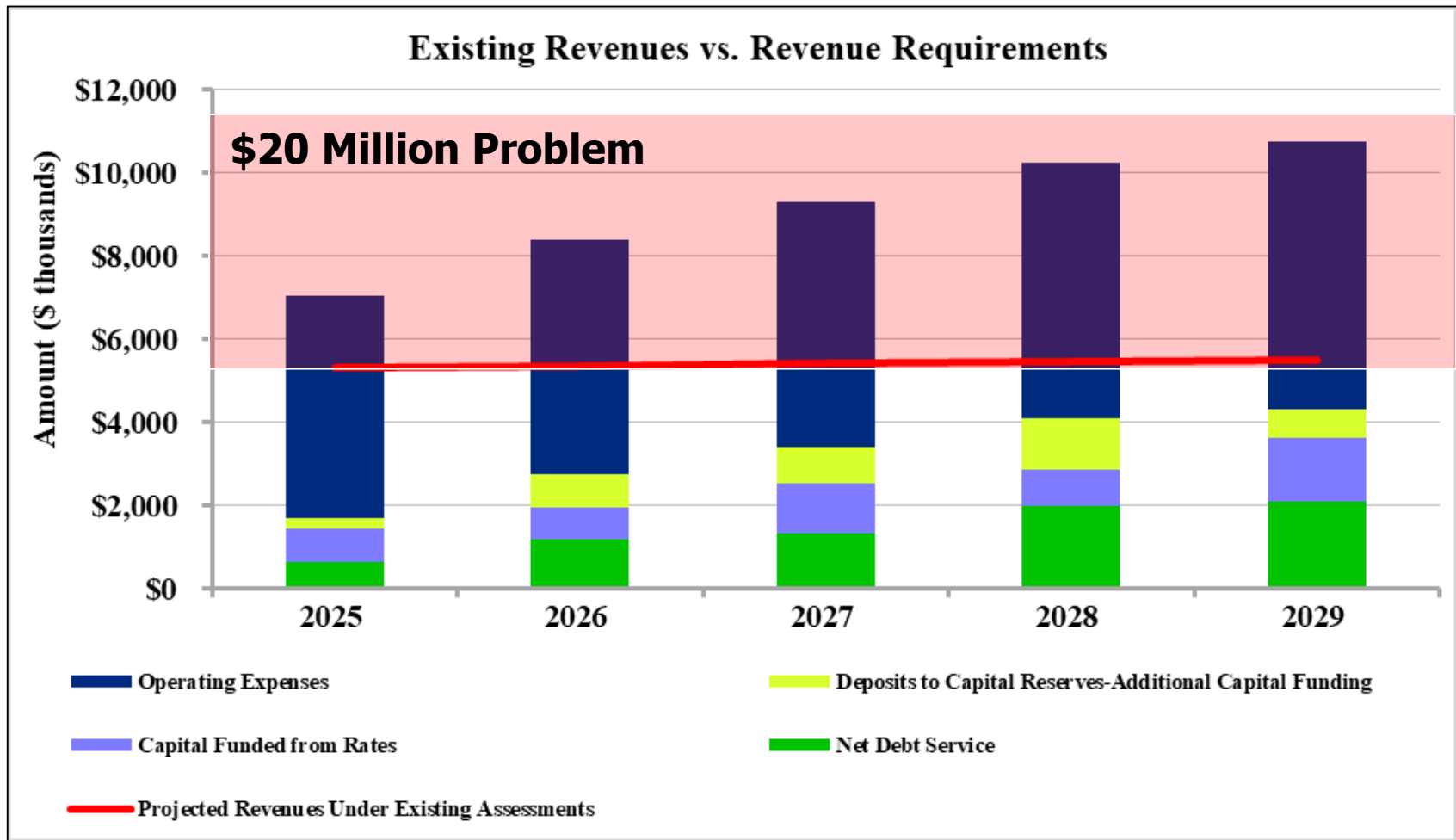
# Issue:

## 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

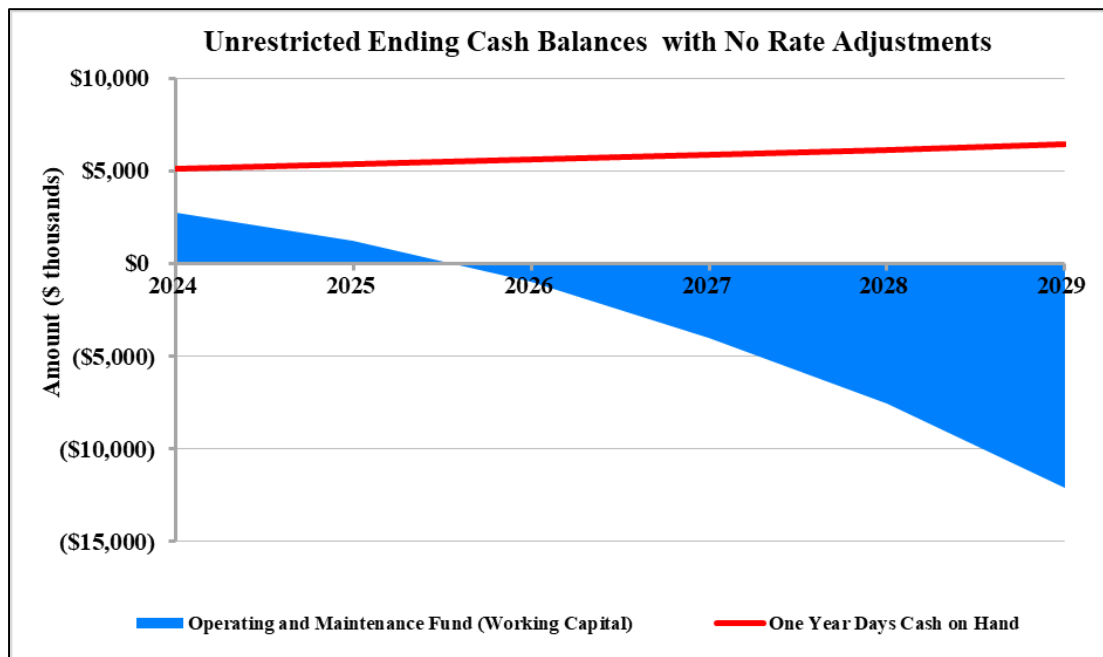




# Financial Risks of Not Adjusting Stormwater Rates



- **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%

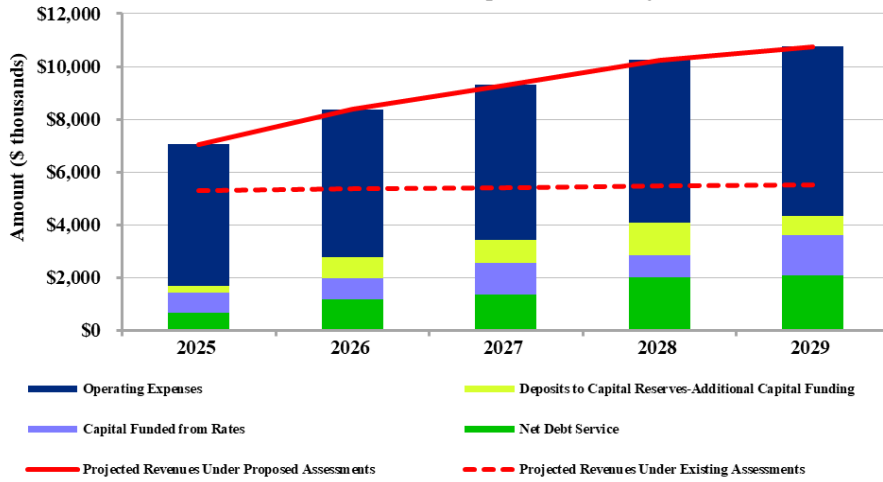
[\*] Assumes annual 3% cost of living salary increases.

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

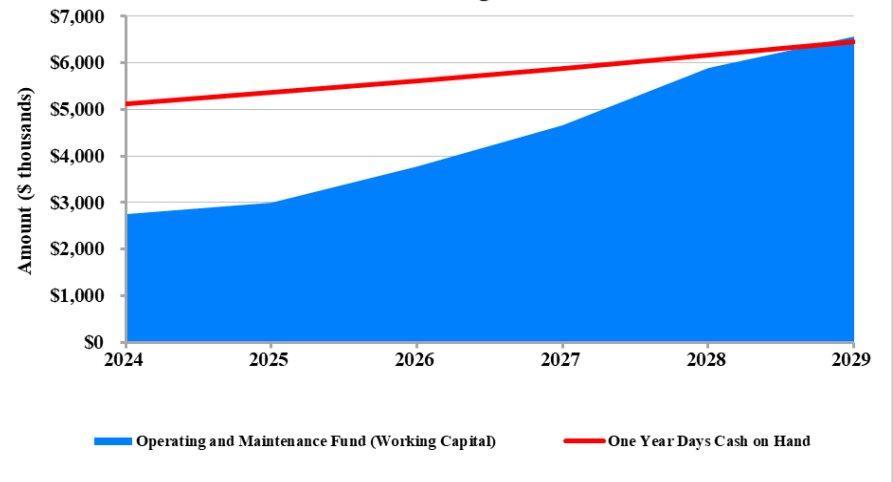
# With Adjustments, Revenues Meet Revenue Requirements and Cash Balances Reach Targets By End of Forecast Period



Summarized Revenue Requirements Analysis



Unrestricted Ending Cash Balances

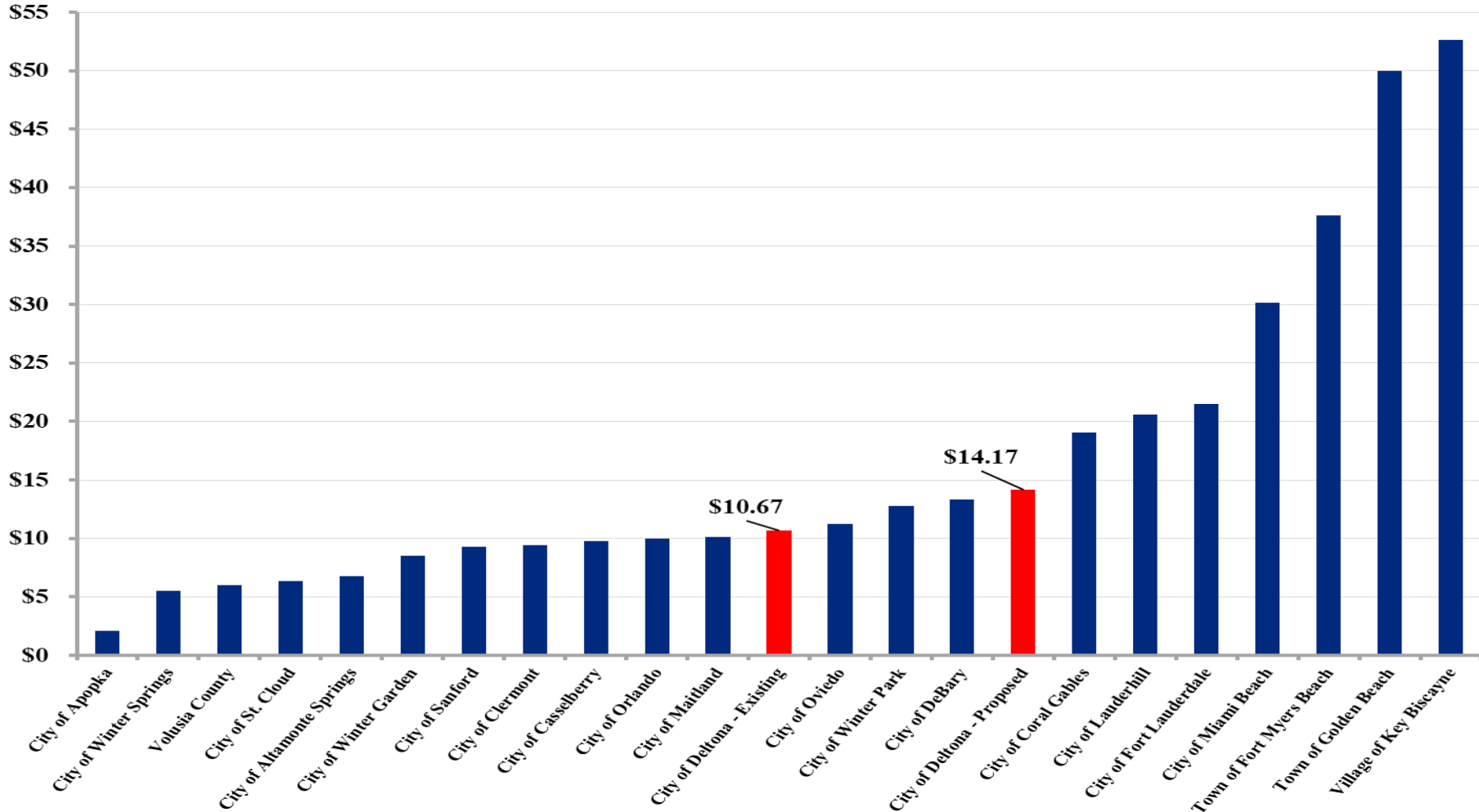


# Effective Monthly Rate Comparison

(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)
  
- **Evaluate Need for Additional Rate Adjustments Each Year**

# QUESTIONS AND DISCUSSION

