

MANAGERS UPDATE

June 2, 2021

LEGAL UPDATE: Bill will discuss at the Board meeting.

FISCAL YEAR 2022 BUDGET: Folders containing the data in your Board packets have been put together and are in your mailboxes at the office.

UTILITY PRESENTATION: Israel will conduct this tabled item from the May meeting.

PRIORITY PROJECTS: Clay will answer any questions on out of District rates and fees that were reviewed by staff and referenced with the FRWA studies and State Statutes. The FRWA 2021 rate study is in your Board packets.

OPERATIONAL UPDATE: All departments are in full service mode and there are no new updates from last month.

AQUATIC SPRAYING: In a continuing effort to be proactive with this program, SePro Corporation sent Aquatic Technical Specialist Wendi Nance to meet with staff on May 20th to review our program, and then toured our canals and water bodies to identify our targeted species. She will be sending us a plan of action and suggested chemicals. We will be sending two people to the Aquatics short course in Orlando, August 16 – 19, conducted by the University of Florida. We will then have four people certified for spraying: Randy; Lamar; Kyle; and Trey.

50TH ANNIVERSARY: The SLPA held a meeting on June 4th to finalize their plans for the 50th Anniversary Festival to be held on Saturday, October 23rd, 10 – 5, Pine Breeze Park. Please mark your calendars now so you can be in attendance.

PUBLICATIONS: The June issue of The Breeze will contain the annual water quality report required by FDEP. A September issue will highlight the Festival and the November 11 Anniversary event at the golf resort, and the 50th Anniversary special edition should be ready for distribution within the next few months.

TAYLOR OIL MOU: Rather than a year-to-year renewal of our fuel guarantee from Taylor Oil, it is now a permanent MOU that can be voided with 30-day notice.

TIME OFF REQUESTS: In making my annual review of personnel policies I noted that they require a 20-day notice from staff relevant to vacation requests of a week or more, and no specific notice requirement for lesser days. The form that we have been using says 30 days' notice, and that needed to change. Additionally, the vacation request form is to be signed by the District Manager. While I usually know who is going to be on vacation, I have not been signing the form prior to it going into the personnel files. I have now instructed our managers to make sure the request is given to me for signature. I am surprised our Auditors haven't caught this minor issue, but by being proactive we can say the changes have already been made.

RPAC FUNDING: While we do not have any projects pending, at our recent meeting it was noted that there is an Undesignated Balance of \$354,332 for potential allocation. The funds are now distributed with close to a 50% match, unless there are circumstances that prevent that level of match. As we go thru the budget process, if there is a capital item we want to put into any of the parks we can discuss going thru RPAC. The next meeting for new proposals will be in November.

FY '22 NOTES

Joe DeCerbo

June 9, 2021

To review our annual process, Diane and I go over basic operating costs that require little analysis i.e., garbage, pest control, electric, office supplies, etc. Randy reviews chemicals, fuel, shop tools and other standard Field costs, and Israel and Clay assisted with the Utility budgets.

The notes below reflect the impact on major budget items for FY '22 that you will be reviewing, as well as Repairs and Replacement, Capital Outlay, and Unreserved Funds.

As you review all this information, please know that there are a lot of notes and back-up data that were used to develop this first draft. If you have a question or concern, please let me or Diane know beforehand so that we can have the back-up information readily available at the Board meeting.

LOAN PAYMENTS:

STA	\$ 65,740
WWTP	122,660
15 Year First Southern	39,500
Drinking Water PER	58,324
Line of Credit Interest	TBD
Total	\$222,584

Please see the attached breakdown of all SRF loans and payment schedules

PERSONNEL:

I met with staff April 20 – 22 to review job functions. Allocations to various funds were analyzed and revised. Costs were divided between: Drainage; Water; Wastewater; Lot Mowing; Parks; Mosquito; and General Maintenance. Utilities will outpace other personnel costs in the other areas as we move forward.

EQUIPMENT:

For years we could have needed a Bucket for trimming trees, cleaning roofs, changing lights, etc. We are currently looking at a piece of equipment that is towed behind a pickup truck. Utilities may have to purchase another Vactron. Existing Reserves can be used for this equipment by Board action if we proceed in purchasing either or both items.

LOT MOWING: I recommend taking \$15,913 from operating reserves to keep fees the same as this year.

WATER FUND: What you see as total expenses is deceiving because this fiscal year, we must establish the SRF water construction account for \$156,028 with the first payment due in August 2022. It is likely that income will be higher, and we may be under budget by year end to substantially close the gap. Up to \$100,000 could be coming from Village X for the recently installed water lines. Surplus funds forward of \$150,934 is a paper move. A briefing of on-call personnel is attached for your review, as well as the FRWA 2021 Rate Study.

INSURANCE:

Our General policy increases this year because of water plant #2, the new WWTP, and increased values from the Asset Management Study. Since we were on a two-year contract, we did not see any of those increases last year. We have been told that general increases across the board are in the 15% - 20% range.

HEALTH INSURANCE:

This budget item is always a moving target and is very difficult to project, especially since our policy anniversary date is August 1st and we have two months each fiscal year with a new cost (August and September). We take this into consideration when putting this line item together. See the attached chart.

STREETLIGHTS:

LED lights are now installed throughout the District.

ENGINEERING:

A review of costs indicates that nearly all expenses will be charged to funded projects from FDEP. The retainer will cover all other items.

TRAINING AND CONFERENCES:

While still below the standard of 2% of total budget we do not anticipate any problems in this category, even with our personnel continuing to work on licensing and certification programs. With the District not participating in the FASD Conference, there will be a substantial carryover.

TRAVEL:

Out of town travel continues to decrease from the days of having to attend meetings and events that led to our ability to apply for, and receive, funding.

RENEWAL AND REPLACEMENT

CAPITAL OUTLAY

**(These items fluctuate each year
and are at the Board's discretion)**

UNRESERVED FUNDS

CARRY OVER FUNDS

SUMMARY:

General Government	\$27, 445	Decrease
Drainage	4,803	Increase
Parks	36,716	Increase (ECO Park expenses)
Street Lights	n/a	No change
Mosquito	2,389	Increase
Lot Mowing	11,238	Increase
General Fund Combined	56,969	Decrease
Water	2,533	Increase
Wastewater	14,062	Decrease

SRF-State Revolving Fund Loans

Year	Loan #	Description	Semi-Annual Dates (15th)	Semi-Annual Amount	Annual Amount	Total Loan	1st Payment	# of Years Interest Rate
2017	SW280500	STA-Stormwater Treatment	October/April	\$32,870.00	\$65,740.00	\$1,938,444.00	Oct-17	20-Years 0%
2018	WW280510	Wastewater Design	October/April	\$5,508.00	\$11,016.00	\$216,000.00	Apr-19	20-Years 0%
2018	WW280511	Wastewater Construction	October/April	\$55,821.30	\$111,642.60	\$3,283,606.00	Oct-20	30-Years 0%
2019	DW280530	Drinking Water Design	June/December	\$29,162.00	\$58,324.00	\$512,000.00	Dec-21	20-Years 1.88%
2021	DW280531	Drinking Water Construction	February/August	\$156,028.00	\$312,056.00	\$5,964,258.00	Aug-22	20-Years 0.24%

Total Loan will change based on bids received

HEALTH INSURANCE HISTORY

<u>FY</u>	<u>General Fund</u>	<u>Utility Fund</u>	<u>Lot Mowing</u>	<u>Total</u>
2006	\$42,638.44	\$19,229.54	\$12,830.34	\$74,698.32
2007	41,984.98	18,671.40	13,758.71	74,415.09
2008	52,189.71	23,174.18	9,555.39	84,919.28
2009	45,925.19	23,781.49	8,967.54	78,674.22
2010	40,980.62	23,806.56	7,070.83	71,858.01
2011	53,017.56	32,464.28	6,229.08	91,710.92
2012	36,072.21	24,918.92	9,470.73	70,461.86
2013	44,351.00	25,414.00	10,906.00	80,671.00
2014	50,278.00	28,502.00	12,642.00	91,422.00
2015	65,539.00	33,262.00	22,343.00	121,144.00
2016	63,327.00	48,508.00	11,753.00	123,588.00
2017	60,014.00	51,030.00	13,725.00	124,766.00
2018	74,299.00	58,538.00	14,465.00	147,302.00
2019	79,520.00	52,433.00	12,457.00	145,411.00
2020	69,479.00	62,656.00	10,790.00	157,350.00
2021	63,542.00	84,113.00	17,646.00	165,300.00*

*(projected)

It is no surprise that our costs have doubled in the last 16 years; we are in the same position as many other governmental units, corporations, and businesses.

Since 2015 we have been averaging 15% of our personnel costs to health insurance. This percentage would have been closer to 25% if we did not choose a Health Savings Plan beginning in 2009.

The Public Risk Insurance Company (PRIA) has been good to work with, and they serve many other Districts thru their involvement in FASD. They have been our Agent of Record for 15 years and have given us numerous options each year.

This is a difficult benefit to manage costs, and there is no easy solution.

FLORIDA RURAL WATER ASSOCIATION

2970 WELLINGTON CIRCLE • TALLAHASSEE, FL 32309-7813
(850) 668-2746

05-26-2021

BOARD of DIRECTORS

TOM JACKSON
Punta Gorda
President

PATRICIA CICHON
Monticello
Vice President

WILLIAM G. GRUBBS
Tallahassee
Secretary/Treasurer

ROBERT MUNRO
Orlando
National Director

SCOTT KELLY
West Palm Beach

BRUCE MORRISON
Destin

BONNIE PRINGLE
Rotonda

EXECUTIVE
DIRECTOR

GARY WILLIAMS
Tallahassee



EMAIL
frwa@frwa.net

WEBSITE
www.frwa.net

Spring Lake Improvement District
Clay Shrum
115 Spring Lake Blvd.
Sebring, FL 33875

Re: **Rate Study Findings and Recommendations**

Dear: Clay

Florida Rural Water Association is pleased to provide this rate study and recommendations to Spring Lake Improvement District (SLID) as a free membership benefit and through USDA Rural Development support. FRWA is dedicated to assisting water and wastewater systems provide Floridians with an ample affordable supply of high quality water and wastewater services, while protecting natural systems.

You should be congratulated for your water and wastewater system and operations staff. With unfunded mandates continuing to roll down from state and federal governments along with the aging of pipes, pumps and plants, you have risen to the challenge and continue to operate the system providing safe drinking water services. To make a very difficult job, more difficult, revenues have lagged behind expenses. Utility operators have done more with less each year, as measured in real dollars. They have shouldered the responsibility of running the system in a responsible manner and in compliance with state rules and regulations.

Executive Summary. Utility revenues (rates) are adequate to meet the projected expenditure requirements for the Utilities' system in order to maintain a financially sound utility and fund its anticipated needs.

1. **Finding** – No increase in water/wastewater system revenues (rates) is needed at this time. In 2023 budget process another rate study should be taken into consideration to meet debt obligations and reserve needs. The first full payment to the State Revolving Fund loan takes affect during that time and SLID will need additional revenue to cover that expense.

Recommendation – revisit the revenue/expense predictions, current financial position and, other indicators during the annual budget approval process, adjusting the rates as needed.

Recommendation – the utility should continue to update its financial plan annually in order to assess the actual level of future rate adjustments necessary.

Cost Savings. Rate consultants charge anywhere from \$15,000 to \$50,000 for this type of report, and by using FRWA you have been prudent with ratepayer money. Consultant reports are much thicker in part to justify the fees, explain the results, and build a case for additional services, which means more consulting fees.

Accuracy of Revenue Predictions. We have relied upon all information provided by staff to be accurate. Projected revenue precision is limited by the accuracy of the financial information provided – good information “in” equals good information “out”, and *vice versa*. Should you find that these recommended rates are not in-line with your needs, we suggest that you go back carefully review and update your financial records. We are always happy to return, revisit your rates, and adjust the analyses as necessary, please call me anytime.

Rate Study Objectives. Ideally utility rate setting should meet a number of goals and objectives. *The single most important goal of the study is to develop proposed utility rates that meet the projected expenditure requirements of the utility system in order to maintain sound financial operations and to fund the anticipated capital needs of the system.* The other goals and objectives considered in the study include the following:

- ✓ Proposed rates should be equitable among customer classes;
- ✓ Proposed rates should minimize “rate shock” to customers if possible;
- ✓ Proposed rates should promote the conservation of utility resources; and
- ✓ Proposed rates should maintain adequate reserves for emergencies and unforeseen capital.

The original mission for creation and ownership public water and wastewater utilities include many compelling objectives: (1) health and safety of citizens; (2) protect most vulnerable residents (aged, young, poor health, economically disadvantaged, etc.); (3) ability to return the profit ordinarily collected by a private entity to the customer in the form of lower rates; (4) provide fire protection; (5) tool to expand the tax base; (6) ability to shape, facilitate or control growth; and (7) promotes home rule and self-determination.

Rate Study Standards. FRWA uses contemporary industry standards for recommending and establishing utility rates, these include: American Water Works Association (AWWA) Manuals of Practice, Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB), and Florida Public Service Commission guidelines.

Results of Rate Study. EPA recommends that water and wastewater systems set rates to ensure that there are sufficient revenues in place to support the costs of doing business. The full-cost pricing for rates shall include the costs for operating, maintaining, repairing, rehabilitating and replacing infrastructure.

FRWA recommends an adjusted rate structure that is both fair and equitable and increases classifications to better fit your system’s needs. We recommend that the rates classification be expanded into two categories: 1) Residential, 2) Non-Residential or Commercial.

We also recommend a water conservation rate structure, known as an increasing block rate. As more water is used by customers the cost per thousand gallons increases. This tiered price-to-consumption ratio promotes conservation, customer responsiveness to usage, and better equity between customers. This is strongly recommended by all five Water Management Districts and will likely be required by the Southwest Florida Water Management District during your next consumptive use permit renewal. In the future Water Management Districts will be paying much more attention to per capita water use. This pricing of water is designed to:

- Reduce water consumption without negative impacts on utility revenues;

- Reward customers for making cost-effective changes in water appliances and behavior through greater savings;
- Target inefficiency in discretionary water uses such as landscape irrigation;
- Delay costly water supply expansion projects; and
- Avoid financial hardships on low-income customers.

We also recommend the new rate schedule be evaluated annually to ensure it supports the current year budget and annual rate adjustments also include the Engineering News Record (ENR) Construction Consumer Index or the Florida Public Service Commission 2020 Price Index.

Adjusting your own Rates in the Future. It is our goal to provide enough documentation and rate study tools (spreadsheets) so you can review your budget for water and wastewater and adjust the rates for yourself in the future.

We have enjoyed serving you and wish your water and wastewater system the best. Please feel free to contact me if you have any further questions at 352-267-5108 or David.Hanna@frwa.net

Sincerely,

David Hanna Financial / Management Circuit Rider
Florida Rural Water Association

FY '22 draft budget, Utility Dept. ON CALL costs:

There has been a financial issue with this job function because of only paying \$100 per week to the individual on call. Since this is a 7-day responsibility, it was felt an increase to \$250 was appropriate. While there were enough personnel reserves to begin the increase in early May, thru Sept. 30th, the Board will have to authorize an increase from \$5,200 per year to \$13,000 for this line item.

The individual for a particular week is basically on call 24/7. During normal working hours utility personnel handle turn on's and turn offs. If they are not available in a timely manner the on-call person handles it. After hours and weekends are also handled by the on-call person.

If an emergency is encountered the on-call person contacts Israel, and he provides direction. If he is not available, Clay is contacted. As more of our staff become certified and licensed, they will be able to handle situations without having Israel or Clay on site to supervise.

It should also be noted that this position is also notified of any after hour issues dealing with the pump station, parks, or any property emergencies.

Given the 24/7 responsibilities of this assignment, I support the increase to be continued in the water department personnel budget for FY '22.

DEVELOPER UPDATE

Joe DeCerbo

June 1, 2021

SIGNATURE: Focus has been on the remodeling of the clubhouse and the closing of 9 holes for complete renovation. Several drainage projects will be beneficial to the district, and Gene has reviewed the additional storage to be gained as well as improved drainage that impacts parts of Duane Palmer and our Shop area. With the completion of the Lift Station on Duane Palmer, the design phase of the apartments and Senior Living Facility are being completed. The cabins have already gone thru County Planning, and the other site plans should be done soon. I attended a meeting a few weeks ago with County officials who are assisting the project, and an August/September start date on the first 100 apartments is what they are working on. Because they are using insulated panels for construction instead of wood, supply lines will not be impacted as much. As soon as all the site plans are received, staff will be able to project future utility connections, rates and fees, and assessments.

ZEPHYR HOMES: Frank Mooney is the most active builder we have in Spring Lake currently, and in speaking to him recently he is continuing to purchase lots throughout the district for both single family homes and duplexes. He is caught in the supply line delay like many others.

GREEN ENTERPRISES: Gary Green is hoping to close on all the land along Rt. 98 from the current condos next to the Baptist Church, west towards Floral. The group wanted to start building in February, but they could not close on the land because one of the Trust members died and it had to go to probate. Meanwhile, they have purchased a dozen other lots in Spring Lake for single family homes. The Rt. 98 project is for 86 duplexes (43 pads). They are working closely with the County relative to their site plans and permits.

VILLAGE 10: The developers are still waiting for DOT approvals so they can move forward with their permitting. Once all the invoices for the water line project are submitted, we will be receiving a substantial portion of the total cost.

ECO VILLAGE: Very interesting project to say the least. While they are working closely with the County, all the permits have not been secured, nor has a site plan been developed. They had an introductory opening for their guests and families on May 22nd and hope to start renting cabins by the Fall. There is a person completing the site plan and working with the County, so stay tuned. They should be closing on our surplus land by the Board meeting, and they have committed to installing our water and sewer. When complete, they hope to have 35-40 cabins.