

Task Order 19-03

Reserve Capacity Charge / Sewer Expansion Funding Study

Contract Authorization

Work proposed under this Task Order falls under the existing contract for rate consulting services between Lighthouse Utility Consulting, Inc. (Lighthouse) and the City of Hollywood, FL (City) authorized by Resolution R-2015-250.

Proposed Project Plan – In Brief

Task 1 - Water and Sewer Reserve Capacity Charge Study

There are specific rules that govern which capital projects are eligible to be funded with Reserve Capacity Charges. In order to update the Reserve Capacity Charges it will be necessary to understand which projects in the Capital Plan are eligible to be funded with Reserve Capacity Charges, and which projects will need to be funded with other sources of funds. Other funding sources could include some combination of utility revenue, debt backed by utility revenue, grants, debt backed by utility assessments, user surcharges and general funds of the City. The primary focus of this project will be to determine which projects can be funded with Reserve Capacity Charges and the determination of the appropriate Water and Sewer Reserve Capacity Charge for the City of Hollywood.

Task 2 - Sewer Expansion Funding Study

As the City continues investing in sewer collection system infrastructure, a funding plan must be prepared to ensure the most efficient and effective methodology is employed. The likely funding methodology will be some mix of reserve capacity charges, user fees, revenue bond debt, State Revolving Fund (SRF) loans and grants, if available.

In order to evaluate the strengths and weaknesses of the best mix of funding sources available to meet the City's objectives, a revenue sufficiency analysis and capital funding plan will be conducted which will result in a proposed blueprint for funding capital projects – including sewer expansion projects.

A more detailed project plan, by task, is presented below.

Task 1 - Water and Sewer Reserve Capacity Charge Study

Project Understanding

It is our understanding that the City requires a Reserve Capacity Charge Study to update the current Reserve Capacity Charges which were developed approximately 10 years ago. The Study will include an evaluation of the existing and future water and sewer assets placed into service to provide service capacity to those customers which require water and/or sewer service from the City. The Study will result in an updated schedule of Reserve Capacity Charges.

Purpose

In order to recover certain capital costs associated with the need to expand capacity for new customers, a system of Reserve Capacity Charges is typically developed. This system of charges is designed to recover the pro-rata share of certain transmission/collection and treatment capital costs required to provide a unit of capacity to a new customer. As capital plans versus actually implemented capital assets tend to differ over time it is important to continually update the Reserve Capacity Charges such that connection between actual assets (versus planned assets) put into service is reflected in the Reserve Capacity Charges.

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Approach

The calculation of Reserve Capacity Charges, sometimes called Impact Fees, System Development Charges, Connection Fees or other names, has far-reaching effects on the utility and the community in which the utility provides service. This is because Reserve Capacity Charges are paid by new customers and are often a point of contention between the development community and the utilities which charge them.

Florida Statutes provides guidelines with regard to these types of charges. Among other things, Section 163.31801 of the Florida Statutes sets forth the requirement that current costs of eligible facilities be used in the calculation of Reserve Capacity Charges as opposed to the prior accepted method of using the average costs of eligible facilities. Our approach to the development of Reserve Capacity Charges utilizes the power of our interactive Rate Model which has a Reserve Capacity Charge module which calculates Reserve Capacity Charges in accordance with the Florida Statutes requirements.

Tasks

Tasks included in the Reserve Capacity Charge Analysis will consist of:

- ✓ Discussion of proposed Reserve Capacity Charge methodology
- ✓ Compilation of historical facility cost and capacity data
- ✓ Compilation of project costs associated with the provision of new capacity, including projected funding sources
- ✓ Review of historical expansion-related capital project funding
- ✓ Development of initial Reserve Capacity Charges
- ✓ Interactive team meeting to discuss initial Reserve Capacity Charge assumptions, data and analysis
- ✓ Additional refinements and meetings as needed (up to 2 additional meetings)
- ✓ Development of a Guidance Document for the City with regard to the determination of types and portions of projects eligible for funding with Reserve Capacity Charges

Deliverables

- ✓ Reserve Capacity Charge Report
- ✓ A guidance document which will provide guidance to City staff in the determination of project eligibility with regard to use of Reserve Capacity Charges for funding
- ✓ Reserve Capacity Charge Model

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Task 2 - Sewer Expansion Funding Study

Project Understanding

As the City continues investing in sewer collection system infrastructure, a funding plan must be prepared to ensure the most efficient and effective methodology is employed. The likely funding methodology will be some mix of reserve capacity charges, user fees, revenue bond debt, State Revolving Fund (SRF) loans and grants, if available. This project will evaluate several alternative funding option mixes to determine which mix is the best fit for the City's objectives of full funding and minimal customer impact.

Purpose

In order to evaluate the strengths and weaknesses of the best mix of funding sources available to meet the City's objectives, a revenue sufficiency analysis and capital funding plan will be conducted which will result in a proposed blueprint for funding capital projects – including sewer expansion projects.

Approach

A revenue sufficiency analysis and capital funding plan, inclusive of the updated reserve capacity charges outlined in Task 1, will be developed. As part of this analysis, we will evaluate data such as the City's latest audited financials, approved operating budget, outstanding debt and associated debt service, alternative capital plans provided by the City for incorporation into the alternatives analysis.

A series of interactive meetings will be held with the City with the live, interactive revenue sufficiency model – connected to a live interactive reserve capacity model developed as part of Task 1 - projected on a large screen so the team can test ideas and assumptions on the overall funding plan and customer impact.

A key part of this task is that the funding plan will be integrated with the updated Reserve Capacity Charge Model in a way which allows for the evaluation of a holistic funding plan.

Tasks

Tasks included in the Sewer Expansion Funding Study will consist of:

- ✓ Compilation of sewer expansion cost
- ✓ Development of initial revenue sufficiency analysis and funding plan
- ✓ Interactive team meeting to discuss initial Sewer Expansion Funding assumptions, data and analysis
- ✓ Refinement of Sewer Expansion Funding analysis based on team meeting
- ✓ Additional refinement and meetings as needed (up to 2 additional meetings)

Deliverables

- ✓ Sewer Expansion Funding Study Report
- ✓ Sewer Expansion Funding Study Model

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Project Timeline

Task 1

Upon receipt of notice to proceed and all data necessary to complete Task 1, Lighthouse will complete Task 1 within 180 days.

Task 2

Upon receipt of notice to proceed and all data necessary to complete Task 2, Lighthouse will complete Task 2 within 180 days.

Project Compensation

The proposed compensation for this project is \$154,462. Consistent with our contract with the City, work conducted for this Task Order will be on an hourly rate basis. Our hourly rate for this project is \$187. Our estimated project cost for this Task Order is presented in the table below, by Task. As always, our proposed fee is inclusive of any administrative/travel costs associated with the scope presented herein. Additional scope beyond that specifically identified in this Task Order can be completed at our standard hourly rates.

Task	Hours	Rate	Cost
Task 1 - Reserve Capacity Charge Study	600	\$187	\$ 112,200
Task 2 - Sewer Expansion Funding Study	226	\$187	42,262
Total	826		\$ 154,462