

# City of **Fort Walton Beach**

2020 Water, Wastewater, Stormwater and  
Sanitation Rate Study

August 11, 2020

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Mr. Daniel Payne  
Public Works & Utility Services Director  
City of Fort Walton Beach  
107 Miracle Strip Pkwy SW  
Fort Walton Beach, FL 32548

Subject: 2020 Water, Wastewater, Stormwater, and Sanitation Rate Study Report

Dear Mr. Payne:

Pursuant to our agreement, Raftelis Financial Consultants, Inc. (Raftelis) has conducted a water, wastewater, stormwater, and sanitation revenue sufficiency analysis that is documented in this report ("Report"). This Report provides the analysis, findings, conclusions and recommendation of the study together with discussions, tables and exhibits supporting and documenting the study process. Professional care was used in identifying and utilizing data, assumptions and estimates such that the rate structure and rates reasonably represent the costs of providing services to customers within the City's service areas.

Thanks, and appreciation is extended to the City of Fort Walton Beach for providing Raftelis this opportunity and to you and the City's fine staff that provided data and assisted in the understanding and development of critical data.

Very truly yours,  
**Raftelis Financial Consultants, Inc.**



**Joe Williams**  
*Manager*

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# Executive Summary

## Foreword

Due to the ongoing worldwide pandemic stemming from the emergence of COVID-19, there is a much higher degree of unknowns and uncertainties impacting the ability to forecast customer growth and demands, along with the ability to generate the necessary revenues to recover all the costs associated with operating a utility system, stormwater system, or sanitation system. This study and forecast had been significantly completed prior to the emergence of the COVID-19 virus that has caused widespread changes in personal habits and business operations in the United States beginning in March 2020. To better understand probable impacts on revenues, Raftelis has run several sensitivity analyses, on the forecast developed for this Report, which have been communicated to Utility staff. Sensitivity results for Fiscal Year (FY) 2020, based on four to six months reduction on non-residential flows, suggests that the anticipated revenues, although reduced, should remain sufficient for required operations. However, if the effects of the COVID-19 virus extend beyond a six-month period the Utility and other enterprise funds will likely have to begin prioritizing capital projects and relying more heavily on debt to fund these projects. To date, the overall revenues have not been significantly impacted with residential water and sewer revenues trending slightly higher, while the non-residential have been lower, largely offsetting each other. Longer term COVID-19 impacts may have implications, especially job losses, that will negatively influence the ability for all utilities to collect revenues. This situation should be closely monitored, and appropriate measures should be taken for the health, safety and welfare of customers and to protect the financial health of the enterprise funds. In light of these challenges and the many unknowns, the forecast below has been developed under the assumptions of normal operating conditions. As stated previously, short term impacts to the financial position of the enterprise funds can likely be absorbed and managed, but this is something that needs to be monitored closely.

## Background

The City of Fort Walton Beach (City) engaged Raftelis to conduct a water, wastewater, stormwater, and sanitation rate study. The results of the study are presented in this Report, which documents the methodology and approach related to the allocation and recovery of fiscal requirements. This executive summary provides an overview of the study and includes findings and recommendations pertaining to the existing rate levels, funding of the capital improvement program, and certain rate structure components.

The existing rate structure and rates were designed to recover fiscal requirements on a just and equitable basis pursuant to a modified cost of service methodology with consideration of community standards. This rate study uses an approach that assesses existing, updated, new and projected customer, operating and fiscal data along with the original methodology to identify user rates, charges and fees that will address revenue sufficiency, debt covenants and statutory requirements applicable to each enterprise fund.

## Revenue Sufficiency

### *Water and Wastewater*

The water and wastewater enterprise fund (Utility) is required to recover costs of providing high quality water and wastewater utility services through monthly user rates, miscellaneous fees and impact fees. Utility cash revenue requirements is the term that defines the various components of cost associated with operating and maintaining a utility system. The sum of these cost components, less other income and miscellaneous Utility revenues, represents

the net revenue requirements to be funded from the utility rates. The revenues generated from monthly user rates and the revenue requirements are presented in detail in the body of the report. The tables and discussion below are provided to illustrate the overall revenue sufficiency of the currently adopted monthly user rates.

**Table ES- 1: Water Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates [1]	\$3,791,900	\$3,810,100	\$3,827,900	\$3,846,500	\$3,865,400
Net Rate Requirements [2]	3,702,200	3,823,000	3,949,900	4,082,600	4,220,900
Water Surplus/(Deficiency)	\$89,700	(\$12,900)	(\$122,000)	(\$236,100)	(\$355,500)

[1] Obtained from Table 9.

[2] Obtained from Table 14.

As shown above, revenues generated by existing rates are expected to be deficient beginning in FY 2021, primarily due to inflationary impacts on the O&M expenses. The level of deficiency increases gradually each year that rates are held at current levels, indicating the need for rate adjustments.

As with the water system, the first revenue test performed and shown on the table below is the projected wastewater revenue sufficiency from revenues at existing rate levels.

**Table ES- 2: Wastewater Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates [1]	\$7,014,000	\$7,049,300	\$7,084,200	\$7,119,600	\$7,155,400
Net Rate Requirements [2]	6,963,200	7,096,200	7,299,600	7,591,900	7,809,000
Wastewater Surplus/(Deficiency)	\$50,800	(\$46,900)	(\$215,400)	(\$472,300)	(\$653,600)

[1] Obtained from Table 10.

[2] Obtained from Table 15.

As shown above, wastewater revenues generated by existing rates are also expected to be deficient beginning in FY 2021. The deficiency of the wastewater revenues is accelerated by the forecasted additional debt payments due beginning in FY 2023 in addition to the inflationary impacts on the O&M expenses. The forecast of revenues at existing rates illustrates a need for rate adjustments.

### **Stormwater**

The stormwater enterprise fund recovers the costs of service through a fixed monthly fee collected on the monthly utility bill. Based on the budgeted O&M expenses, along with the allocated annual transfers, the current monthly fee of \$5.00 per equivalent residential unit (ERU) is forecast to be sufficient through FY 2024.

**Table ES- 3: Stormwater Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates [1]	\$1,104,700	\$1,108,600	\$1,112,700	\$1,116,700	\$1,120,800
Net Rate Requirements [2]	919,700	948,800	979,400	1,010,900	1,043,900
Stormwater Surplus/(Deficiency)	\$185,000	\$159,800	\$133,300	\$105,800	\$76,900

[1] Obtained from Table 11.

[2] Obtained from Table 16.

As shown above, the revenue forecast from existing rates will be sufficient for the Forecast Period (FY 2020 through FY 2024). It can be seen that there is an anticipated impact to the level of sufficiency resulting from increased O&M expenses over time due to inflation and other cost increases.

### ***Sanitation***

The sanitation enterprise fund also collects revenue by charging a fixed monthly fee collected on the monthly utility bill. For sanitation, there are two rate components including the garbage fee and the tipping fee. The amount charged on a monthly basis is determined by the level of service each customer is receiving, which can vary based on the number of containers, frequency of pickup, and the size of containers. Based on the budgeted O&M expenses, along with the allocated annual transfers, the forecast of revenues from existing rates is forecast to be severely deficient. The current monthly fee for a typical single family home with one container consists of a \$10.60 garbage fee and a \$7.03 tipping fee, for a total monthly Sanitation bill of \$17.63.

**Table ES- 4: Sanitation Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates [1]	\$3,877,080	\$3,889,490	\$3,901,940	\$3,914,400	\$3,926,890
Net Rate Requirements [2]	4,207,500	4,348,300	4,744,800	4,662,200	4,821,000
Sanitation Surplus/(Deficiency)	(\$330,420)	(\$458,810)	(\$842,860)	(\$747,800)	(\$894,110)

[1] Obtained from Table 12.

[2] Obtained from Table 17.

As shown above, the revenue forecast from existing rates will be deficient throughout the Forecast Period. The rates for garbage service have not been adjusted since October 2007, while there have been numerous changes to the operations and the level of service provided to customers that have not been reflected in the fees charged in addition to the impacts of inflation to salaries, tipping fees, and the cost of vehicles. Therefore, fee adjustments will be necessary over the next several years in order to provide adequate funding for O&M expenses and to ensure the fleet of trucks is properly maintained and replaced on a normal schedule.

## **Rate Adjustments**

As demonstrated in the Revenue Sufficiency section above, there is a need for rate adjustments to the water, wastewater, and sanitation rates and fees. In the past, the City has adopted resolutions that establish rates over a four or five-year period. After that period the City will then revisit the rates, through an updated study, to determine the rate adjustments required for the next period. This section will identify the rate adjustments necessary over the Forecast Period that ends in FY 2024. As stated in the Foreword to this Executive Summary, COVID-19 has created an additional and significant layer of uncertainty to this forecast. However, unless the COVID-19 impacts are extended and/or more significant than anticipated the water, wastewater, stormwater, and sanitation funds should remain in strong financial positions with the implementation of the rate adjustments identified below. That being said, the financial picture should be reviewed from time to time to determine if any adjustments to the forecasts outlined in this report are necessary. Additionally, in light of COVID-19 and the hardships presented to many of the families in the City that are also rate payers to the various enterprise funds, the rate recommendations have been adjusted in an attempt to defer as much of the required increases to future years as possible, without sacrificing the ability to meet bond covenants and continue fiscally sound operations.

### ***Wastewater Diminishing Charge***

In the 2014 rate study completed for the City, a diminishing charge component was added to the wastewater rate structure and utilized the existing base charge and gallonage rate structures. The purpose of the diminishing charge

was to provide a revenue source for the wastewater division to collect funds that would be deployed to complete capital projects with the intent of reducing inflow and infiltration (I&I). I&I is especially important to the City due to the arrangement for wholesale wastewater treatment it has with Okaloosa County (County), where every gallon that enters through the wastewater system directly contributed to higher charges from the County. As the City collected funds from this charge and completed projects that resulted in lower I&I, the intent was for the diminishing charge to be reduced each year until it reached \$0.00. However, after review approximately one year after the initial implementation, there had not been a significant change in I&I levels so it was recommended the diminishing charge not be immediately reduced. The appropriate level of the diminishing charge was reviewed each year until FY 2017, but there was not significant evidence of reduced I&I at the time, as wastewater flows sent to the County continued to rise and fall from year to year. However, over the past three years the wastewater flows sent to the County have been much more consistent, as shown on the table below.

**Table ES- 5: Wastewater Purchases from Okaloosa County**

Description	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Wastewater Flows	1,046,980,000	743,860,000	987,940,000	820,379,000	792,140,000	833,390,000

The diminishing charge was established at \$0.38 per unit as a fixed component plus \$0.38 per 1,000 gallons of consumption on the monthly wastewater bill. Since the Utility has gotten the I&I flows under control over the past few years, it is recommended that the diminishing charge be eliminated from the rate structure in October 2020, in accordance with the implementation of rate adjustments identified on Table ES-6.

### ***Proposed Adjustments***

The rate adjustments identified over the Forecast Period are provided on the table below and are presented in percentages for the water and sewer rates and in dollars for the stormwater and sanitation rates. The FY 2021 rate adjustments that will be effective in October 2020, represent inflationary increases since the last rate adjustment in October 2018. From January to December 2019, inflation<sup>1</sup> was 1.8%. For January through May 2020 inflation has averaged 0.7%, which brings the total inflationary impacts from the last rate adjustment to approximately 2.5%. The schedule of rates that will be adopted, pursuant to these rate adjustments is provided on Table ES-7.

**Table ES- 6: Proposed Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	0.00%	2.50%	2.50%	2.50%	2.50%
Wastewater [1]	0.00%	2.50%	4.50%	4.50%	2.50%
Stormwater per ERU	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sanitation [2] [3]	\$0.00	\$2.50	\$2.50	\$1.50	\$1.00
Sanitation – Non-residential [3]	0.00%	5.00%	5.00%	5.00%	5.00%

[1] The diminishing charge will be eliminated in FY 2021 and is not reflected on this table.

[2] Represents the monthly bill impact to a residential account with a single container. This tipping fees were increased in FY 2020 pursuant to a pass-through from the hauler contract.

[3] The rate adjustments identified for FY 2023 and FY 2024 for Sanitation are preliminary and subject to review as new agreements are established for recycling and hauling services.

The recommendation for the water and wastewater systems are to implement rate adjustments beginning October 2020. The City did not implement rate adjustments in October 2019 and can minimize any single year adjustments

<sup>1</sup> Based on the Consumer Price Index for all urban consumers (CPI-U), as published by the Bureau of Labor Statistics.

by phasing in the adjustments beginning in October 2020. As discussed at the end of this Executive Summary, an alternative rate adjustment schedule is provided that illustrates the rate adjustment needs if water and wastewater adjustments are delayed until October 2021.

The Stormwater system is currently operating at a surplus and does not require rate adjustments over the Forecast Period.

The Sanitation system, which has not had a rate adjustment in many years, does require rate adjustments beginning in October 2020 (start of FY 2021). In recent years the level of service has increased, with service for recycling being added with no corresponding rate adjustment. Additionally, the economics of recycling have changed significantly resulting in less favorable financial outcomes resulting in increased costs to the City. Finally, due to the changes in economics of the recycling program and inflationary impacts to the operating budget, the Sanitation system is not generating sufficient funds each year in order to fund the necessary vehicle replacements. That being said, the Sanitation system currently has a sufficient reserve balance such that the full extent of the required rate adjustments does not need to be implemented all at once and can instead be phased in over several years. By phasing in the adjustment over several years the impact to customers can be minimized.

**Table ES- 7: Existing and Modified Rates, Charges and Fees**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water</b>					
Monthly Base Charge	\$11.21	\$11.49	\$11.78	\$12.07	\$12.37
Gallonage Rate per 1,000 gal					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 4,000)	\$3.34	\$3.42	\$3.51	\$3.60	\$3.69
Block 3 (4,001 - 8,000)	\$4.09	\$4.19	\$4.29	\$4.40	\$4.51
Block 4 (8,001+)	\$6.13	\$6.28	\$6.44	\$6.60	\$6.77
<b>Wastewater</b>					
Monthly Base Charge					
Residential	\$24.57	\$25.18	\$26.31	\$27.49	\$28.18
Commercial	\$29.49	\$30.23	\$31.59	\$33.01	\$33.84
Gallonage Rate per 1,000 gal					
Residential (capped at 16k/unit)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 1 (0-2,000)	\$7.72	\$7.91	\$8.27	\$8.64	\$8.86
Block 2 (2,001 - 16,000)					
Commercial					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001+)	\$9.27	\$9.50	\$9.93	\$10.38	\$10.64
Diminishing Charge					
Monthly Base Charge per Unit	\$0.38				
Rate (per 1,000 gal)	\$0.38				
<b>Stormwater</b>					
Monthly Fee per ERU	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
<b>Sanitation (One Container) [1]</b>					
Garbage Fee	\$10.60	\$13.10	\$15.60	\$17.10	\$18.10
Tipping Fee	7.03	7.03	7.03	7.03	7.03
Total	\$17.63	\$20.13	\$22.63	\$24.13	\$25.13

[1] Sanitation rates reflect residential one container customers. The commercial/non-residential rates are recommended to increase by 5%, which is further discussed in Revenue Sufficiency section.

Typical monthly bills for a single family connection using 4,000 gallons along with the stormwater fees and sanitation fees for FY 2020 through 2024 are shown on Table ES-8.

**Table ES- 8: Typical Residential Monthly Bills**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	\$17.89	\$18.33	\$18.80	\$19.27	\$19.75
Wastewater	41.15	41.00	42.85	44.77	45.90
Total @ 4,000 Gallons	\$59.04	\$59.33	\$61.65	\$64.04	\$65.65
Stormwater (1 ERU)	5.00	5.00	5.00	5.00	5.00
Sanitation	17.63	20.13	22.63	24.13	25.13
<b>Total Monthly Utility Bill [1]</b>	<b>\$81.67</b>	<b>\$84.46</b>	<b>\$89.28</b>	<b>\$93.17</b>	<b>\$95.78</b>
Difference		\$2.79	\$4.82	\$3.89	\$2.61

[1] Amount does not include the monthly fire assessment, water utility tax, or other items on the monthly utility bill.

As shown on the table above the monthly bill impacts range from \$2.60 to around \$4.80 each year, representing annual increases of 2.7% to 5.4%.

## Revenue Sufficiency with Rate Adjustments

The ability of the rate adjustments to meet revenue sufficiency for each functional service is illustrated on the following tables and graphs. Importantly, the rate adjustments demonstrate the ability to provide adequate operating surpluses to maintain reserves, meet bond covenants, and allow such reserve funds to be utilized as a source for the proposed pay-as-you-go capital improvement funding.

### Water and Wastewater

As presented on Table ES-6, the water rates are proposed to be increased by 2.5% each year for FY 2021 through FY 2024. The water utility is projected to be in a positive revenue position throughout the forecast with the implementation of the proposed rate adjustments.

**Table ES- 9: Water Sufficiency Forecast with Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Proposed Rates [1]	\$3,791,900	\$3,909,800	\$4,025,100	\$4,146,300	\$4,269,300
Net Rate Requirements [2]	3,702,200	3,823,000	3,949,900	4,082,600	4,220,900
Water Surplus/(Deficiency)	\$89,700	\$86,800	\$75,200	\$63,700	\$48,400

[1] Obtained from Table 27.

[2] Obtained from Table 14.

The wastewater system will be in a positive revenue position throughout a majority of the forecast, with implementation of the recommended rate adjustments only yielding a negative cash flow in FY 2021 as rates are phased in as opposed to increased more quickly. This will allow for funding of necessary capital improvement projects and to maintain adequate reserve funds. The forecast with the proposed rate adjustments is provided on Table ES-10.

**Table ES- 10: Wastewater Sufficiency Forecast with Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Proposed Rates [1]	\$7,014,000	\$7,021,000	\$7,370,200	\$7,743,400	\$7,974,400
Net Rate Requirements [2]	6,963,200	7,096,200	7,299,600	7,591,900	7,809,000
Wastewater Surplus/(Deficiency)	\$50,800	(\$75,200)	\$70,600	\$151,500	\$165,400

[1] Obtained from Table 28.

[2] Obtained from Table 15.

### **Sanitation**

With the implementation of the proposed rate adjustments in FY 2021, the Sanitation department will begin trending back towards a positive cash flow position, without making a large rate jump to get there all at once. The Sanitation department has a sufficient reserve fund to sustain the slightly negative operating position for several years while the rates are being increased to a point where they are sufficient.

The Sanitation department has historically budgeted to replace one truck each year but has recently scaled those efforts back due to the diminishing financial situation stemming from increasing costs and the same rate levels for many years. In FY 2021 one truck is budgeted for replacement, while in FY 2022 two trucks are budgeted for replacement, making up for recent years where truck purchases were not feasible. Then in FY 2023 and FY 2024 one truck is budgeted each year for replacement. It is anticipated that since truck replacements have been slowed in recent years, the Sanitation department will need to catch up with replacements in future years as well.

**Table ES- 11: Sanitation Sufficiency Forecast with Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Proposed Rates [1]	\$3,877,080	\$4,203,050	\$4,534,020	\$4,761,030	\$4,937,590
Net Rate Requirements [2]	4,207,500	4,348,300	4,744,800	4,662,200	4,821,000
Sanitation Surplus/(Deficiency)	(\$330,420)	(\$145,250)	(\$210,780)	\$98,830	\$116,590

[1] Obtained from Table 29.

[2] Obtained from Table 17.

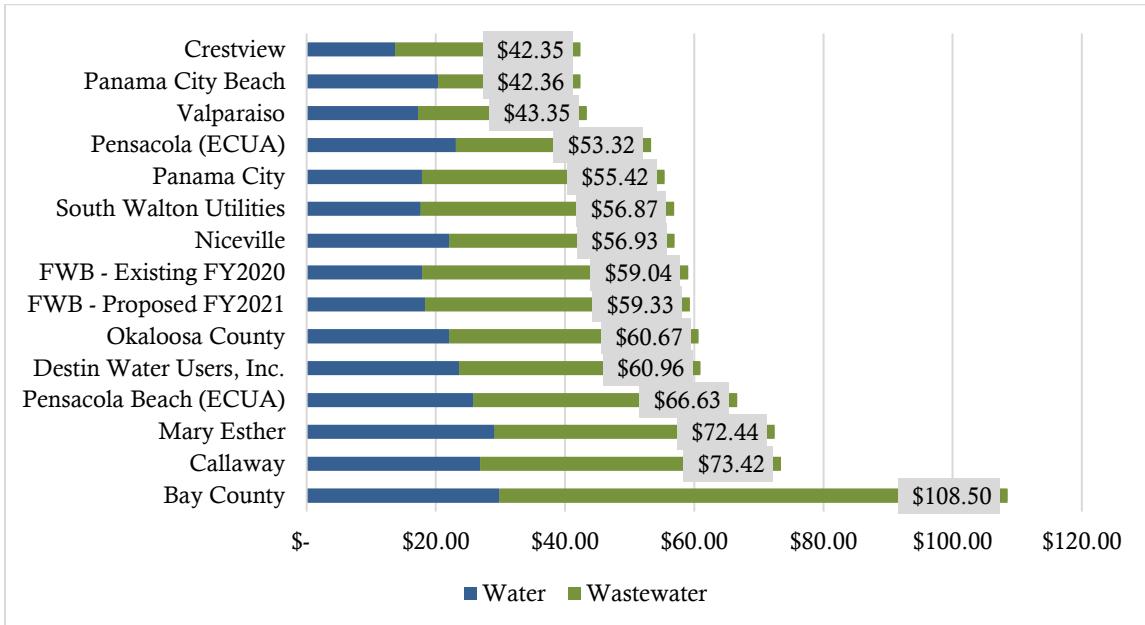
## **Rate and Fee Comparisons to Other Communities**

A common activity used by policymakers, administrators, and management during a rate setting process is a comparison of a utility's rates to those of other nearby communities/utilities. Although this activity provides a level of comparison, it generally is misinterpreted, misused and utilized incorrectly. Cost recovery through user rates, charges and fees is a complicated function that, for the most part, uses common or similar names for charge, rate and fee components. However, the commonality or similarity generally ends at the name. The derivation, cost allocations and formulation of determinants for each rate, charge or fee can and generally does vary significantly. When comparing rates between different utilities, several factors that influence the rate levels being charged should be considered, and include but are not limited to:

- Size of customer base or overall economies of scale with other utility services;
- Level of treatment and effluent disposal methods;
- Wholesale purchase arrangements;
- Plant age, capacity utilization, grant and other outside funding;
- General fund and administrative fee transfers to municipal or County governments;

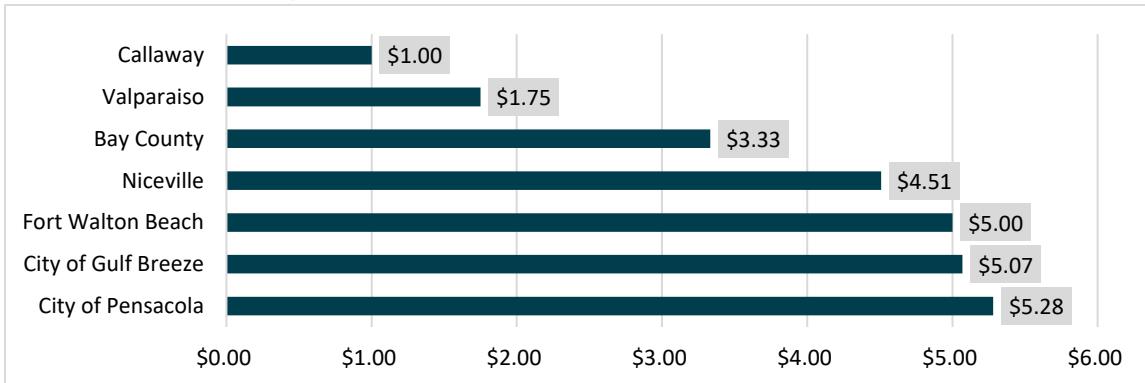
- Bond covenants and funding requirements or the rates;
- Type and frequency of solid waste pickup; and
- Specific rate structure attributes for each customer class and usage level.

**Figure ES- 1: Local Water and Sewer Rate Comparison (4,000 Gallons)**



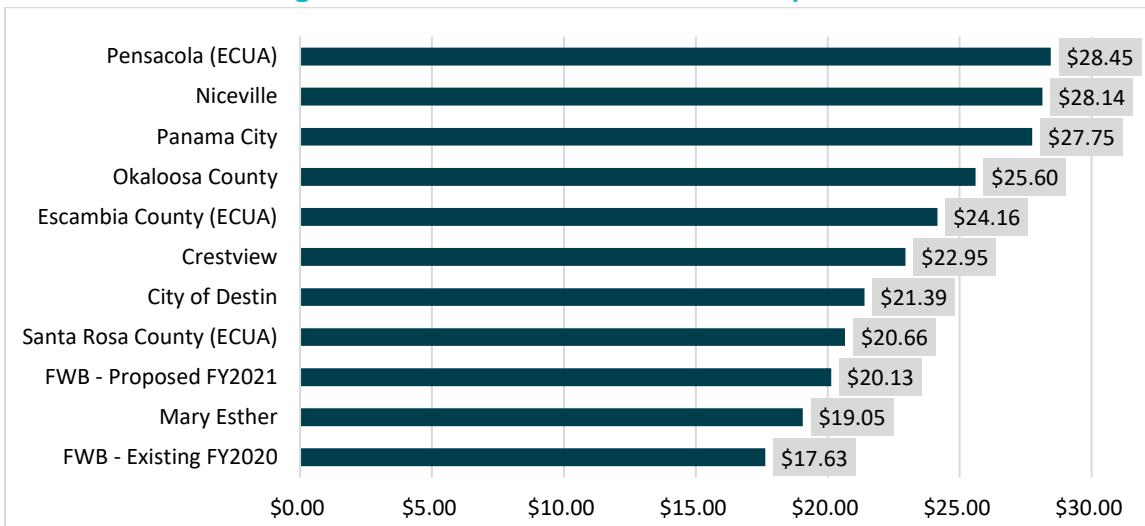
As shown on Graph ES-1, at the typical City customer usage level of 4,000 gallons, the monthly water and sewer bill is comparable to what is charged by other local utilities and municipalities. In the Revenue Sufficiency section later in this report, additional usage levels for the water and sewer bill comparisons with others are provided.

**Figure ES- 2: Local Stormwater Fee Comparison**



The City charges comparable monthly stormwater fees to the other nearby cities surveyed, with a majority charging in the \$4 to \$5 per month range.

**Figure ES- 3: Local Sanitation Fee Comparison**



Note: Niceville, Mary Esther, Fort Walton Beach and ECUA pick on once per week for each of garbage, recycling and yard waste.

Since the City has not increased the monthly garbage fee in many years, the fee is currently the lowest amongst the other cities surveyed. As can be seen, with the implementation of the proposed rate adjustment for FY 2021, the City will move up slightly in the comparison without accounting for any planned adjustments to the monthly fee by other communities.

## Findings, Conclusions and Recommendations

### *Findings*

The water and wastewater rates, stormwater fee, and sanitation fee presented herein are developed in consideration of the City's/Utility's goal of just and equitable full cost recovery. Additionally, appropriate ratemaking practice requires that in a combined enterprise, cost recovery of each functional service is treated independently to avoid subsidizing shortfalls among the functional services. For many years the City has followed the recommendations of Raftelis, which have typically included annual adjustments to keep pace with inflation and provide sufficient funding to complete the necessary capital projects. Review and analysis together with an array of projections resulted in the following findings:

- Existing water and wastewater rates, charges and fees provide adequate revenues for FY 2020.
- Revenues generated from the existing stormwater fee are adequate to address the forecasted needs including minor capital improvements.
- Existing sanitation fees do not provide adequate revenues for any year in the Forecast Period.
- The Utility has effectively reduced significant I&I flows for wholesale sewer purchases since the implementation of the diminishing charge.
- Sanitation fiscal requirements have changed significantly over the past several years, especially with the services provided to residential customers.

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## **Conclusions**

Pursuant to the review, analyses and findings of the study as contained in this Report it can be concluded that:

- The existing water, wastewater stormwater, and sanitation rate and fee structures are equitable and consistent with the ratemaking criteria and the City's goals and objectives.
- The City does not need to retain the diminishing charge component of the wastewater rate structure.
- Water, wastewater and sanitation rates and fees need to be adjusted to provide a reasonable relationship between requirements and revenues for each functional service.
- The cost of services for sanitation and the revenue generated by each customer class need to be brought into better alignment through the rate adjustments.
- The stormwater fee does not need to be increased unless there are future material increases due to inflation or other needs.

## **Recommendations**

Pursuant to the findings of the study, generally accepted principles of ratemaking, requirements of Florida Statutes and with consideration of community standards, it is recommended that the City should proceed to:

1. Adopt the following rate adjustments effective the first full billing period after September 30, of each fiscal year.

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	0.00%	2.50%	2.50%	2.50%	2.50%
Wastewater	0.00%	2.50%	4.50%	4.50%	2.50%
Stormwater per ERU	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sanitation – Residential [1]	\$0.00	\$2.50	\$2.50	\$1.50	\$1.00
Sanitation – Non-residential [1]	0.00%	5.00%	5.00%	5.00%	5.00%

[1] The rate adjustments identified for FY 2023 and FY 2024 for Sanitation are preliminary and subject to review as new agreements are established for recycling and hauling services.

2. Eliminate the wastewater diminishing charge component effective as of October 1, 2020 to align with the next scheduled change to the wastewater rates.
3. Reevaluate the water, wastewater, stormwater, and sanitation rate and fee structures periodically or whenever significant changes occur in the cost, debt service or method of delivery of services.

The expenses, costs, and criteria associated with ratemaking are representative of averages that are developed primarily from historic data or projections based on opinions and assumptions. Significant amounts of historical review and analysis, together with the development of assumptions based on prudent engineering, financial, and ratemaking relationships were utilized in the development of the customers, operating activity, costs and modified rates and charges. Some of the assumptions will inevitably change or not materialize, and unanticipated events may occur which could significantly change the results presented herein.

## **Alternative Water and Wastewater Rate Adjustments**

As previously discussed, COVID-19 has caused a high level of uncertainty for the City and many of its constituents. Should the City desire to postpone rate adjustments from October 2020 to October 2021, the following adjustments and resulting rates would place the water and wastewater departments in a similar operating position by the end of the forecast, taking into consideration fund balances and debt service coverage levels.

**Table ES- 12: Alternative Water and Wastewater Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	0.00%	0.00%	4.50%	4.50%	2.50%
Wastewater	0.00%	0.00%	5.50%	5.50%	2.50%

**Table ES- 13: Existing and Alternative Modified Rates, Charges and Fees**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water</b>					
Monthly Base Charge	\$11.21	\$11.21	\$11.71	\$12.24	\$12.55
Gallonage Rate per 1,000 gal					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 4,000)	\$3.34	\$3.34	\$3.49	\$3.65	\$3.74
Block 3 (4,001 - 8,000)	\$4.09	\$4.09	\$4.27	\$4.46	\$4.57
Block 4 (8,001+)	\$6.13	\$6.13	\$6.41	\$6.70	\$6.87
<b>Wastewater</b>					
Monthly Base Charge					
Residential	\$24.57	\$24.57	\$25.92	\$27.35	\$28.03
Commercial	\$29.49	\$29.49	\$31.11	\$32.82	\$33.64
Gallonage Rate per 1,000 gal					
Residential (capped at 16k/unit)					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 16,000)	\$7.72	\$7.72	\$8.14	\$8.59	\$8.80
Commercial					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001+)	\$9.27	\$9.27	\$9.78	\$10.32	\$10.58
Diminishing Charge [1]					
Monthly Base Charge per Unit	\$0.38	\$0.38			
Rate (per 1,000 gal)	\$0.38	\$0.38			

[1] It is recommended that the Diminishing Charge be eliminated in conjunction with the first sewer rate adjustment in order to not adversely impact the financial position of the utility.

# Introduction

## Background

The City of Fort Walton Beach, Florida (the “City”) is located in the northwestern part of the state and provides utility service to approximately 9,800 potable water customers and 9,300 wastewater customers throughout the service area, which are largely within City limits. There are a limited number of water customers located outside of City limits. Additionally, the City provides stormwater and sanitation services. There are approximately 9,500 accounts for stormwater and sanitation services, which are billed monthly on the utility bill. Currently the City operates three separate enterprise funds consisting of 1) water and wastewater; 2) stormwater; and 3) sanitation. The purpose of establishing an Enterprise Fund is to operate certain funds as a business-type unit and ensure they generate the necessary revenues to cover all costs related to providing service. To generate the appropriate revenues, it is necessary to review the fixed and consumption-based user rates of the water and wastewater utility and the monthly service fees for stormwater and sanitation.

## Goals and Objectives

The primary goals and objectives of this rate study, discussed with City staff prior to commencement of the study are:

- Identify appropriate rates, charges and fees pursuant to the existing rate structures that will: (i) have the minimum impact on customers; and (ii) generate revenues, which together with other available funds, will be collectively sufficient to provide: a) for 100 percent of Operating and Maintenance (O&M) Expense; b) debt service payments and coverage requirements; c) transfers to the Renewal and Replacement (R&R) Fund and City; d) for minimum levels operating reserves; and e) address the five year capital improvement program (CIP).
- Review the appropriateness of maintaining the diminishing charge.

## Computer Rate Model

In addressing the rate study needs, a Microsoft Excel-based comprehensive rate model, which was previously modified to include the stormwater system has been updated to reflect current operating and customer activities. The necessary revisions and modifications were made to include the sanitation system in the financial forecast. The computer rate model has the capability to project the salient attributes associated with the financial operations of each system, including but not limited to customer statistics, budgets, fiscal requirements, existing user rates and charges, proforma statements, sources and uses of the capital funding program and utility fund balances. The computer model is a dynamic tool that assists with identifying the outcome of various alternatives with respect to changes in fiscal requirements, customers, rate structures, rates and operations.

## Acknowledgements

This study was completed with the commendable cooperation and assistance provided by Mr. Daniel Payne and other City staff members.

## Summary of Report

In addition to Section 1, this report is subdivided into four (4) other sections. The following is a brief discussion of the remaining sections included in this report.

**Existing Rates and Customers** – This section summarizes the existing rate structures along with illustrating the historical and projected customers and sales. Projections are primarily based off recent historical trends and expected future growth with a conservative outlook. In addition, this section provides the future revenue forecast from existing rates based on the projected customers and sales.

**Revenue Requirements** – This section summarizes the forecast of revenue requirements, which serves as the basis for the revenue sufficiency analysis. Included in this section is a discussion of the assumptions utilized in the forecast of operating expenditures, capital improvement needs, and debt service requirements.

**Revenue Sufficiency** – The forecasted revenues are compared to the expenditure needs identified in the Revenue Requirements section to determine the level of rate adjustments needed. The projection of fund balances and debt service coverage is included in this section as well.

**Findings Conclusions and Recommendations** – This section summarizes the findings, conclusions and recommendations developed during the course of this study, resulting from various data review and analysis performed.

# Existing Rates and Customers

## General

A major component in the determination of sustained revenue sufficiency for water and wastewater service is the development of a forecast of customers and sales, to which existing rates are applied to calculate revenues. The customer and sales forecast are an essential component of this study that helps bring the timing of capital projects, anticipated increases to ongoing operations and the anticipated revenues into alignment. This section provides a discussion of the recent historical trends and the forecast of customers through FY 2024.

The revenue generation systems are comprised of user fees, ancillary charges for specifically requested services, penalties and related interest earnings. Additionally, the utility system recovers costs through impact fees and transfers from other sources. The primary source of revenues for the water and wastewater system is from user fees designed on a cost-of-service basis applied equitably pursuant to customer class, meter size and usage. Pursuant to Section 10.53.02 of the City Code of Ordinances, the existing water and wastewater rates, charges and fees were last adjusted with the passage of Resolution 2014-21, effective in October 2014, and each October 1<sup>st</sup> thereafter through 2019. The Stormwater Fee was last adjusted by Resolution 2014-21 as well. The Sanitation rates were last adjusted in January 2013, by Resolution 2013-2, which did not reflect an update to the garbage portion of the monthly rate but rather only adjusted the tipping fees pursuant to the agreed upon contract levels.

## Existing Rate Structure and Rates

### *Water and Wastewater*

The existing water and wastewater rate structures each utilize two components for the generation of monthly revenues: base charges and gallonage rates. The base charges are fixed monthly amounts assigned pursuant to service type, customer class, meter size and/or number of units. Individually metered customers in the single-family and commercial classes are billed one equivalent base charge. Multi-family and multi-commercial customers are billed a base charge per meter size and/or equivalent number of units. The monthly base charge for water customers is determined by meter size equivalency criteria originally developed in a 2001 rate study done for the City. The water gallonage rates are on an inclining block basis to encourage conservation. The initial Block 1 for both water and wastewater ranges from 0 gallons to 2,000 gallons per month per number of units assigned for base charge billing purposes and is considered part of the lifeline rate structure. Blocks 2, 3 and 4 have inclining allowances of 2,000, 4,000 and all gallonage above 8,000 gallons per month per equivalent unit respectively. Gallonage rates for wastewater are based on water meter readings with a cap of 16,000 gallons per month per unit for residential single-family and multi-family accounts. The water base charge and gallonage rate for outside city accounts are increased by 25 percent pursuant to 180.191 F.S.

In the 2014 rate study completed for the City, a diminishing charge component was added to the wastewater rate structure and utilized the existing base charge and gallonage rate structures. The purpose of the diminishing charge was to provide a revenue source for the wastewater division to collect funds that would be deployed to complete capital projects with the intent of reducing inflow and infiltration (I&I). I&I is especially important to the City due to the arrangement for wholesale wastewater treatment it has with Okaloosa County (County), where every gallon that enters through the wastewater system is directly connected to higher charges from the County. Wastewater can generally enter the system in a couple of different ways. The primary source of water entering the wastewater system is from homes or business through fixtures (sinks, toilets, showers, etc.) that use and collect water. The other primary way is either through illegal connections where stormwater collection (gutter systems or similar) are routed to the

wastewater system or through water infiltrating the underground pipes. As presented in the recommendations of this study, the diminishing charge for wastewater is no longer necessary is should be eliminated in October 2021 when the wastewater rates are adjusted. These user rates and charges together with the salient application criteria are summarized in Table 1 and Table 2.

**Table 1: Existing Water Rates**

Description	Equivalencies	Inside City [1]
Base Charge (includes 2,000 gallons)		
3/4"	1.00	\$11.21
1"	1.00	\$11.21
1.5"	1.36	\$15.23
2"	2.31	\$25.89
3"	3.52	\$39.45
4"	4.40	\$49.30
6"	6.99	\$78.43
8"	10.48	\$117.54
10"	10.48	\$117.54
Additional per Unit	0.74	\$8.30
Gallonage Rates [2]		
Block 1 (0 – 2,000)	0.00	\$0.00
Block 2 (2,001 – 4,000)	1.00	\$3.34
Block 3 (4,001 – 8,000)	1.22	\$4.09
Block 4 (above 8,000)	1.84	\$6.13

[1] Outside City accounts are increased by 25 percent pursuant to 180.191 F.S.

[2] Gallonage rates are increased per equivalent unit assigned for base charge purposes.

**Table 2: Existing Wastewater Rates**

Description	Equivalencies	Inside City [1]
Base Charge Per Unit (includes 2,000 gallons)		
Residential	1.00	\$24.57
Commercial	1.20	\$29.49
Gallonage Rates [2]		
Residential		
Block 1 (0-2,000)	0.00	\$0.00
Block 2 (2,001-16,000)	1.00	\$7.72
Commercial		
Block 1 (0-2,000)	0.00	\$0.00
Block 2 (Above 2,000)	1.20	\$9.27
Diminishing Charge		
Base Charge per Unit		\$0.38
Per 1,000 gallons		\$0.38

[1] Outside City accounts increased by 25 percent pursuant to 180.191 F.S.

[2] Gallonage rates are increased per equivalent unit assigned for base charge purposes.

## ***Stormwater***

The City's Stormwater fee is charged to all developed properties within the City that contribute stormwater runoff to the stormwater management system. These functions include, but are not limited to, maintenance, planning, design, construction, regulation, surveying and inspection as such relate to the City's stormwater management facilities. The monthly Stormwater fee is currently \$5.00 per Equivalent Residential Unit (ERU); Section 10.54.03 of the City's Code of Ordinance specifies the following:

- (a) Residential property. Each residential property or unit, including any single-family dwelling or unit, of any kind, within a multi-family development, shall be considered one (1) ERU for billing purposes. Monthly service charges for each residential property shall be identical and billed according to the water meter assigned to the unit.
- (b) Commercial properties. Commercial properties shall be charged a user fee equivalent to the following formula: Base ERU = Total impervious surface on property divided by the residential ERU of 3,200 or one (1) ERU, whichever is greater.

## ***Sanitation***

The garbage fee is charged to all utility accounts for residential, commercial and multi-family land uses inside the City limits. Activating water service will automatically activate solid waste charges. The monthly Sanitation fee is made up of two components including the garbage fee and the tipping fee. The total monthly Sanitation fee for a residential customer is currently \$17.63, made up of a \$10.60 solid waste fee and a \$7.03 tipping fee. The full Sanitation Charge schedule is provided in Exhibit 17. Section 10.82.02 of the City's Code of Ordinance specifies the following relating to how units are defined:

- (a) Multi-family services. Multi-family residential units on individual water meters utilizing a City-supplied bulk container are charged per unit per month, or the fee for bulk containers, whichever is greater.
- (b) Single unit service. Single-family residential service, multifamily residential service, are charged per unit per month.
- (c) Bulk container service. These containers are provided at the request of the user and shall be billed on a monthly basis using the following formula: Monthly rate charge equals (=) the rate per cubic yard per pickup times (×) the cubic yards per container times (×) the number of pickups per week times (×) 52 weeks a year divided (/) by 12 months a year.
- (d) Compactor service. Accounts utilizing a compactor, which is used with a bulk container that is compatible with City equipment, shall be charged the commercial rate times (×) three (3) per bulk container.
- (e) Commercial sharing of containers. Businesses may combine and share the cost of commercial bulk containers, but each business shall pay the "sharing dumpster" fee as outlined in the City's current Comprehensive Fee Schedule. If access to a container is blocked when the solid waste employees arrive for a scheduled pickup, the pickup will not be made. Solid waste employees will not return until the next scheduled date unless arrangements are made otherwise.

## **Current and Projected Customers**

### ***Water and Wastewater Introduction***

The City provided one year of historical billing statistics including, by service type, the number of customers/ units by location, class and meter size, and metered monthly usage. A billing frequency analysis was performed on the customer data, where each bill sent out during the fiscal year (from October 1, 2017 through September 30, 2018) was accumulated pursuant to the service type, customer type and meter size. Once the statistics were accumulated for each group, the monthly flows were analyzed and grouped by rate block. The summarized historical FY 2018 water and wastewater customer statistics are provided on Table 3.

**Table 3: Historical FY 2018 Water and Sewer Customer Statistics**

Description	Water	Sewer
Accounts	9,758	9,306
Units/ERCs [1]	12,021	11,535
Consumption (1,000s)	701,900	629,953
Avg. Monthly Use per Unit	4.9	4.6

[1] A unit represents each unit served in a condo, multi-unit residential, hotel and motel building. An equivalent residential connection (ERC) represents the number of 3/4-inch meter equivalents.

As shown above, there are approximately 9,800 water customers and 9,300 wastewater customers connected to the System. A majority of the water accounts served also have wastewater service from the City, with only a few hundred still relying on alternative wastewater treatment systems. Since most of the water customers have central sewer service available, the average monthly usage per equivalency is very similar.

The City currently categorizes each customer into one of four primary classes for billing purposes consisting of Single Family, Multi-family, Commercial, and Commercial Multi-unit. The tables below provide the number of customers, units, metered consumption and average monthly consumption per unit by customer classification for FY 2018 for water and wastewater.

**Table 4: FY 2018 Water Customer Summary**

Description	Single Family	Multi-family	Commercial	Commercial Multi-unit	Total
Accounts	8,447	106	1,083	122	9,758
Units	8,447	1,576	1,094	904	12,021
Consumption (1,000s)	395,802	66,722	172,723	66,653	701,900
Avg. Monthly Use per Unit	3.9	3.5	13.2	6.1	4.9

As provided on the table above, the water system provides service to an average of 9,758 accounts representing 12,021 units each month. The single family residential customers represent 87% of the individual water customer accounts. However, they only represent 70% of the total units. A small number of the accounts the City serves are outside the City limits and receive a 25% rate surcharge, pursuant to the adopted rates and allowable by F.S. 180.191. There was a total of 140 outside City accounts in FY 2018, of which 125 were single family customers.

The wastewater customer statistics are provided on the following table:

**Table 5: FY 2018 Wastewater Customer Summary**

Description	Single Family	Multi-family	Commercial	Commercial Multi-unit	Total
Accounts	8,152	98	946	110	9,306
Units	8,152	1,567	955	861	11,535
Consumption (1,000s)	376,302	65,944	129,025	58,682	629,953
Avg. Monthly Use per Unit	3.8	3.5	11.3	5.7	4.6

As shown on the table above, the wastewater system provides service to an average of 9,306 accounts representing 11,535 units each month. The customer base is very similar to that of water since a majority of the water customers also have wastewater service from the City.

The next few sub-sections provide summarized and detailed information aimed toward providing an in-depth understanding of the customer base.

### ***Water and Wastewater Customer Forecast***

The initial number of accounts, equivalencies and billable flows for FY 2018 were derived from the billing frequency analysis summarized in Exhibits 1 and 2. Conversations with City staff together with an understanding of recent construction trends suggest that new customer absorption for the analysis period should be very low and similar to amounts experienced in the recent past. The growth assumptions presented in Table 6 reflect such modest annual increases for the five-year study period.

**Table 6: Water and Wastewater Customer Forecast**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water</b>					
Accounts	9,854	9,902	9,950	9,998	10,047
Units	12,141	12,201	12,261	12,321	12,383
Consumption (1,000s)					
Block 1	248,330	249,560	250,790	252,019	253,297
Block 2	153,913	154,678	155,444	156,208	156,994
Block 3	109,756	110,292	110,831	111,368	111,935
Block 4	197,002	197,912	198,821	199,730	200,684
Total	709,001	712,442	715,886	719,325	722,910
<b>Wastewater</b>					
Accounts	9,400	9,447	9,494	9,542	9,590
Units	11,651	11,709	11,767	11,826	11,885
Consumption (1,000s)					
Block 1	244,346	245,563	246,780	248,018	249,255
Block 2	391,934	393,899	395,863	397,853	399,842
Total	636,280	639,462	642,643	645,871	649,097

### ***Stormwater***

The stormwater accounts and corresponding ERUs for fiscal year 2018 were obtained from City records. Forecasts of accounts and ERUs are based on similar low growth factors used for water and wastewater growth projections. Current and projected stormwater accounts and ERUs are shown on Table 7, as summarized from Exhibit 3.

**Table 7: Stormwater Account and ERU Forecast**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Accounts</b>					
Residential	8,285	8,315	8,345	8,375	8,405
Multi-residential	96	96	96	96	96
Commercial	1,053	1,057	1,061	1,065	1,069
Multi-commercial	113	113	113	113	113
Total	9,547	9,581	9,615	9,649	9,683
<b>ERUs</b>					
Residential	8,602	8,633	8,664	8,695	8,726
Multi-residential	1,586	1,592	1,598	1,604	1,610
Commercial	7,148	7,174	7,200	7,226	7,252
Multi-commercial	1,075	1,079	1,083	1,087	1,091
Total	18,411	18,478	18,545	18,612	18,679

### ***Sanitation***

The sanitation accounts and associated billing components for FY 2018 were obtained from City records. Forecasts of accounts and billing components are based on similar low growth factors used for water, wastewater and stormwater growth projections. Current and projected sanitation accounts and billing components are shown on Table 8 by customer classification, as summarized from Exhibit 4.

**Table 8: Sanitation Account and Component Forecast**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Accounts</b>					
Residential	8,186	8,227	8,268	8,309	8,350
Multi-residential	103	103	103	103	103
Commercial	1,094	1,098	1,102	1,106	1,110
Multi-commercial	126	126	126	126	126
Total	9,509	9,554	9,599	9,644	9,689
<b>Billing Components</b>					
Residential	8,150	8,191	8,232	8,273	8,314
Multi-residential	297	298	299	300	301
Commercial	1,002	1,006	1,010	1,014	1,018
Multi-commercial	117	117	117	117	117
Total	9,566	9,612	9,658	9,704	9,750

## **System Revenues at Existing Rates**

### ***Water and Wastewater Revenue Forecast***

The projection of water and wastewater customers, units and metered consumption discussed in this section serves as the basis for the revenue forecast. By applying the adopted user rates to the appropriate customer statistics, the expected rate revenue for each fiscal year can be calculated. The table below distinguishes between the base charge revenue and gallonage rate revenue over the Forecast Period for the water department.

**Table 9: Water Revenue Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Base Charge	\$1,615,600	\$1,623,400	\$1,631,200	\$1,639,200	\$1,647,200
Gallonage Rate	2,176,300	2,186,700	2,196,700	2,207,300	2,218,200
Total	\$3,791,900	\$3,810,100	\$3,827,900	\$3,846,500	\$3,865,400

As derived from the table above, the City currently generates approximately 43% of the annual water revenues from the fixed monthly base charge. This is slightly above industry standards, which typically range from 20% to 30% on water utilities. However, the higher fixed revenue recovery is similar to that of other Okaloosa and Walton County coastal utilities that have fluctuating seasonal populations.

Based on the wastewater customer projections, the table below illustrates the forecast of rate revenue generated by the existing wastewater rates annually.

**Table 10: Wastewater Revenue Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Base Charge	\$3,596,500	\$3,614,500	\$3,632,400	\$3,650,500	\$3,668,900
Gallonage Rate	3,417,500	3,434,800	3,451,800	3,469,100	3,486,500
Total	\$7,014,000	\$7,049,300	\$7,084,200	\$7,119,600	\$7,155,400

As derived from the table above, the City currently generates approximately 51% of the annual wastewater revenues from the fixed monthly base charge. This is slightly above industry standards, which typically range from 30% to 40% on wastewater utilities. Again, the City's revenue collection trends are similar to other coastal utilities in the region.

### **Stormwater Revenue Forecast**

Relying on the forecast of ERUs for the stormwater department and the existing rate of \$5.00 per ERU per month, the following revenue forecast is developed:

**Table 11: Stormwater Revenue Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$1,104,700	\$1,108,600	\$1,112,700	\$1,116,700	\$1,120,800

### **Sanitation Revenue Forecast**

Relying on the forecast of accounts and billing components for the sanitation department and the existing rates based on the level of services received each month, the following revenue forecast is developed:

**Table 12: Sanitation Revenue Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$3,877,080	\$3,889,490	\$3,901,940	\$3,914,400	\$3,926,890

# Revenue Requirements

## General

The City recovers the cost of providing water, wastewater, stormwater and sanitation services through monthly user rates, fees, miscellaneous fees and utility impact fees. Cash revenue requirements is the term that defines the various components of cost associated with operating and maintaining each service. The sum of these cost components, less other income and miscellaneous revenues, represents the net revenue requirements that are funded from the monthly user rates and/or fees. The projected revenue requirements over the Forecast Period include the various generalized cost components described below:

- Operating Expenses: These expenses include the cost of labor, insurance, electricity, chemicals, materials, tipping and landfill fees, supplies, wholesale wastewater purchases, administration and other items necessary for the operation and maintenance related to providing services.
- Debt Service: Debt service includes the principal and interest on outstanding debt obligations payable from the net operating revenues of each service. As discussed further below, the projected revenue requirements also include the assumption that there will be additional debt during the five-year period to fund certain wastewater capital improvements.
- Other Revenue Requirements: This component of cost includes, in general, any ongoing capital improvements to be financed from revenues, transfers to reserves for future infrastructure rehabilitation, payment of debt obligations for the public works complex, and funding of certain capital projects on a pay-as-you-go basis.

### Utility Projected Rate Requirements

The rate requirements to be recovered through monthly user rates, fees and charges were identified using the adopted budget for FY 2020. Non-departmental overhead, and other non-functional costs were allocated to the primary (functional) categories of water and wastewater. The adjusted FY 2020 rate requirements are shown in Table 13. Other Needs and Transfers, as shown below, include annual debt service payments for the public works complex and transfers to the City's General Fund in the form of a franchise fee.

**Table 13: Budgeted FY 2020 Net Rate Requirements**

Description	Water	Wastewater	Stormwater	Sanitation	Total
O&M Expenses					
Personnel	\$1,442,200	\$1,283,700	\$383,300	\$1,361,000	\$4,470,200
Operating	1,498,600	3,905,500	339,600	2,491,400	8,235,100
Total O&M Expenses	\$2,940,800	\$5,189,200	\$722,900	\$3,852,400	\$12,705,300
Debt Service	297,400	1,310,100	0	0	1,607,500
Other Needs and Transfers	605,700	605,600	196,800	572,600	1,980,700
Total Operating Requirement	\$3,843,900	\$7,104,900	\$919,700	\$4,425,000	\$16,293,500
Less Other Sources	141,700	141,700	0	217,500	500,900
Net Operating Rate Requirement	\$3,702,200	\$6,963,200	\$919,700	\$4,207,500	\$15,792,600

Projections of the rate requirements, for FY 2021 through FY 2024, reflect the anticipated impacts of inflation, increases in customers and associated usage. To address these items subject to changes, escalation factors were

developed and applied for each budget line item. This process results in fiscal requirements that reasonably reflect probable future needs.

The primary assumptions utilized in the projection of rate requirements for the four years subsequent to FY 2020 are:

- Expenditures anticipated to be impacted by general inflation at 2.5 percent annually.
- Personnel salaries, merit and associated benefits increase 4.0 percent annually.
- Insurance expenditures such as Medicare, dental, life, and health insurance increase 7.0 percent annually.
- Expenditures associated with maintenance increase 7.0 percent annually.
- Contractual services related to the wholesale wastewater purchases from the County are based on projected wastewater sales times the projected user fee per 1,000 gallons. The \$3.31 user fee per 1,000 gallons along with the monthly fixed charge of \$5,039.69 in FY 2020 are projected to increase 3.0 percent annually on March 1.
- Proposed debt service is assumed to be from a state revolving fund loan and in addition to the costs of issuance include allowances for capitalized interest during construction. Debt service coverage for the projected SRF loans are based on the net revenues less the senior debt service and coverage amounts.

Based on the primary assumptions mentioned above, a summary of the projected amounts by major category for each utility are provided on the tables below, and are detailed in Exhibits 12, 13, 14, and 15. It should be noted that projections are based on anticipated events and assumptions that are subject to change; therefore, no assurance can be given with respect to the accuracy of such projections.

**Table 14: Water Projected Net Rate Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
O&M Expenses					
Personnel	\$1,442,200	\$1,506,400	\$1,573,700	\$1,644,200	\$1,717,900
Operating	1,498,600	1,549,600	1,602,800	1,658,500	1,716,700
Total O&M Expenses	\$2,940,800	\$3,056,000	\$3,176,500	\$3,302,700	\$3,434,600
Debt Service	297,400	296,900	297,200	297,400	297,300
Other Needs and Transfers	605,700	614,100	622,800	631,700	640,800
Total Operating Requirement	\$3,843,900	\$3,967,000	\$4,096,500	\$4,231,800	\$4,372,700
Less Other Sources	141,700	144,000	146,600	149,200	151,800
Net Operating Rate Requirement	\$3,702,200	\$3,823,000	\$3,949,900	\$4,082,600	\$4,220,900

As can be seen on the table above, the water net rate requirements are increasing each year primarily due to estimated budget increases from inflationary pressures. Other needs and transfers such as the transfer to the General Fund are also projected to experience inflationary increases.

The projected net rate requirements for the wastewater system, net of income other than rate revenue sources, estimated to be needed from the user rates and charges are summarized below:

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**Table 15: Wastewater Projected Net Rate Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
O&M Expenses					
Personnel	\$1,283,700	\$1,340,300	\$1,399,600	\$1,461,500	\$1,526,500
Operating	3,905,500	3,976,300	4,113,900	4,257,300	4,402,900
Total O&M Expenses	\$5,189,200	\$5,316,600	\$5,513,500	\$5,718,800	\$5,929,400
Debt Service	1,310,100	1,309,700	1,310,100	1,390,800	1,390,800
Other Needs and Transfers	605,600	614,000	622,700	631,600	640,700
Total Operating Requirement	\$7,104,900	\$7,240,300	\$7,446,300	\$7,741,200	\$7,960,900
Less Other Sources	141,700	144,100	146,700	149,300	151,900
Net Operating Rate Requirement	\$6,963,200	\$7,096,200	\$7,299,600	\$7,591,900	\$7,809,000

In similar context to the operating and maintenance expenses for the water system, the wastewater system is also anticipated to experience cost escalations due to being in a growing environment and inflationary pressures. The annual debt service is approximately \$1.3 million in FY 2020, FY 2021 and FY 2022, and then higher during the last two years of the Forecast Period when the payback on the proposed State Revolving Fund (SRF) loan begins.

The projected net rate requirement on the stormwater and sanitation systems are summarized in the tables below. As shown, both the operating expenses and transfer to the General Fund are projected to experience inflationary increases each year. On the sanitation system, vehicle funding averages approximately \$316,000 per year (included in the Other Needs and Transfers line item).

**Table 16: Stormwater Projected Net Rate Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
O&M Expenses					
Personnel	\$383,300	\$400,200	\$418,000	\$436,400	\$455,800
Operating	339,600	350,300	361,500	373,000	385,000
Total O&M Expenses	\$722,900	\$750,500	\$779,500	\$809,400	\$840,800
Debt Service	0	0	0	0	0
Other Needs and Transfers	196,800	198,300	199,900	201,500	203,100
Total Operating Requirement	\$919,700	\$948,800	\$979,400	\$1,010,900	\$1,043,900
Less Other Sources	0	0	0	0	0
Net Operating Rate Requirement	\$919,700	\$948,800	\$979,400	\$1,010,900	\$1,043,900

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**Table 17: Sanitation Projected Net Rate Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
O&M Expenses					
Personnel	\$1,361,000	\$1,422,200	\$1,486,300	\$1,553,200	\$1,623,500
Operating	2,491,400	2,566,100	2,643,500	2,723,800	2,807,000
Total O&M Expenses	\$3,852,400	\$3,988,300	\$4,129,800	\$4,277,000	\$4,430,500
Debt Service	0	0	0	0	0
Other Needs and Transfers	572,600	578,300	834,100	605,100	611,200
Total Operating Requirement	\$4,425,000	\$4,566,600	\$4,963,900	\$4,882,100	\$5,041,700
Less Other Sources	217,500	218,300	219,100	219,900	220,700
Net Operating Rate Requirement	\$4,207,500	\$4,348,300	\$4,744,800	\$4,662,200	\$4,821,000

## Capital Improvement Requirements and Funding

The capital expenditures planned over the next five-year period are based on the City's capital improvement program (CIP) provided by staff. The combined water, wastewater, stormwater, and sanitation five-year CIP demonstrates the need for approximately \$7.8 million in project expenditures. Funding for these improvements are projected to be from a variety of mechanisms including but not limited to unrestricted reserve funds and SRF loans. The proposed SRF loan has been identified at \$1.5 million of project funds and will be used to fund the Brooks Bridge Sewer Relocation project. Table 18 below illustrates the anticipated funding sources for the five-year CIP:

**Table 18: Five-Year Capital Improvement Program Funding**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Water & Wastewater Revenue Fund	\$197,000	\$1,115,000	\$1,384,650	\$650,000	\$547,000	\$3,893,650
Proposed SRF Loan	0	0	750,000	750,000	0	1,500,000
Stormwater Revenue Fund	119,000	300,000	200,000	100,000	60,000	779,000
Sanitation Revenues	260,000	260,000	510,000	275,000	275,000	1,580,000
Total Funding Sources	\$576,000	\$1,675,000	\$2,844,650	\$1,775,000	\$882,000	\$7,752,650

The capital projects, timing and funding sources for water and wastewater are provided on Exhibit 9, while the projects, timing and funding sources for stormwater and sanitation are provided on Exhibit 10 and Exhibit 11, respectively.

# Revenue Sufficiency

## General

Sufficient revenues are necessary to pay for the continuing operations of the Utility, Stormwater, and Sanitation systems that each provide for the health, safety and welfare of the community. The measure of revenue sufficiency is demonstrated not only by the ability of each enterprise to meet the annual operating requirements, but also to provide for ongoing renewals, upgrades and expansions. The initial task in determining revenue sufficiency is to identify the relative sufficiency of the revenues generated from existing rates, charges and fees to provide for: 1) projected operating budgets; 2) debt service coverage covenant requirements for both the senior debt and SRF loans; 3) transfers to maintain reserve funds at adequate levels; 4) meet required transfers and obligations to the General Fund; and 5) for certain capital improvement expenditures.

## Revenue Sufficiency Projections at Existing Rates

Operating revenues are projected based on 1) the existing rates, charges and fees; 2) forecasted customers and equivalencies; and 3) other revenue from miscellaneous charges, penalties, and interest earnings. The first revenue test performed and shown on the table below is the projected revenue sufficiency from revenues at existing rate levels.

**Table 19: Water Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates	\$3,791,900	\$3,810,100	\$3,827,900	\$3,846,500	\$3,865,400
Net Rate Requirements	3,702,200	3,823,000	3,949,900	4,082,600	4,220,900
Surplus/(Deficiency)	\$89,700	(\$12,900)	(\$122,000)	(\$236,100)	(\$355,500)

As shown above, revenues generated by existing rates are expected to not meet the projected net rate requirements beginning in FY 2021 and continuing through the end of the Forecast Period. The deficiency is anticipated to grow from approximately \$13,000 in FY 2021 to over \$350,000 by FY 2024. As a result of the growing deficiency, it will be necessary for the City to implement the water rate adjustments as shown later in this section.

Similar to the water system, the wastewater system is also anticipated to generate deficiencies beginning in FY 2021. The deficiency is anticipated to grow from approximately \$47,000 in FY 2021 to over \$650,000 by FY 2024. To meet the projected net rate requirements of the wastewater system, the City should implement the wastewater rate adjustments identified in Table 23 below.

**Table 20: Wastewater Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates	\$7,014,000	\$7,049,300	\$7,084,200	\$7,119,600	\$7,155,400
Net Rate Requirements	6,963,200	7,096,200	7,299,600	7,591,900	7,809,000
Surplus/(Deficiency)	\$50,800	(\$46,900)	(\$215,400)	(\$472,300)	(\$653,600)

The revenues from existing rates for the stormwater system are expected to meet the projected net rate requirements throughout the Forecast Period. The system is anticipated to generate a surplus of approximately \$75,000 - \$185,000

each year, which is then designated to the stormwater revenue fund and used for planning the timing of capital expenditures.

**Table 21: Stormwater Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates	\$1,104,700	\$1,108,600	\$1,112,700	\$1,116,700	\$1,120,800
Net Rate Requirements	919,700	948,800	979,400	1,010,900	1,043,900
Surplus/(Deficiency)	\$185,000	\$159,800	\$133,300	\$105,800	\$76,900

The sanitation system is projected to generate deficiencies during all five years of the Forecast Period. The deficiency is anticipated to grow from approximately \$270,000 in FY 2020 to over \$830,000 by FY 2024. As a result of the growing deficiency, it will be necessary for the City to implement the annual rate adjustments as shown later in this section.

**Table 22: Sanitation Sufficiency Forecast at Existing Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates	\$3,877,080	\$3,889,490	\$3,901,940	\$3,914,400	\$3,926,890
Net Rate Requirements	4,207,500	4,348,300	4,744,800	4,662,200	4,821,000
Surplus/(Deficiency)	(\$330,420)	(\$458,810)	(\$842,860)	(\$747,800)	(\$894,110)

A further breakdown of the Sanitation revenue sufficiency, after performing a cost allocation between the residential and non-residential customers, results in a significantly greater need of revenue adjustments for the residential customers based on the cost of services being provided. The following table provides an illustration of the cost of service breakdown, along with the appropriate footnotes for the analysis.

**Table 23: Sanitation Cost of Service**

Description	Budget FY 2020	Residential Allocation %	Non-res Allocation %	Residential Allocation	Non-res Allocation	Total
Solid Waste O&M						
Res. Landfill Fees	\$782,100	100.0%	0.0%	\$782,100	\$0	\$782,100
Non-res Landfill Fees	647,800	0.0%	100.0%	0	647,800	647,800
Other O&M Costs [1]	2,155,669	54.7%	45.3%	1,179,068	976,601	2,155,669
Total Solid Waste O&M	\$3,585,569			\$1,961,168	\$1,624,401	\$3,585,569
Recycling O&M	266,848	90.0%	10.0%	240,163	26,685	266,848
Vehicles and Transfers [1]	355,100	54.7%	45.3%	194,226	160,874	355,100
Net Rate Requirements	\$4,207,517			\$2,395,557	\$1,811,960	\$4,207,517
Projected Revenue				1,965,440	1,911,640	3,877,080
Surplus/(Deficiency) [2]				(\$430,117)	\$99,680	(\$330,420)

[1] Allocation based on budgeted residential and non-residential landfill fees.

[2] Difference due to rounding.

## Sufficiency of Projected Utility Rate Revenues

As previously discussed, the existing rates for the water, wastewater, and sanitation system are not projected to be sufficient to support the net revenue requirements forecast. Additionally, if the rates are not sufficient to support the net rate requirements, then the fund balances and funding available to complete the CIP will not be sufficient. Table

24 below illustrates the rate adjustments necessary (using the growth assumptions outlined in the Existing Rates and Customers section) to meet operating requirements, debt service coverage requirements, capital requirements and the minimum targets for the reserve funds. The full schedule of proposed rates is provided on Exhibit 17.

**Table 24: Proposed Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	0.00%	2.50%	2.50%	2.50%	2.50%
Wastewater [1]	0.00%	2.50%	4.50%	4.50%	2.50%
Stormwater per ERU	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sanitation – Residential [2] [3]	\$0.00	\$2.50	\$2.50	\$1.50	\$1.00
Sanitation – Non-residential [3]	0.00%	5.00%	5.00%	5.00%	5.00%

[1] Percentage shown in FY 2021 does not represent the bill reduction achieved by eliminating the diminishing charge.

[2] Represents the monthly bill impact to a residential account with a single container.

[3] The rate adjustments identified for FY 2023 and FY 2024 for Sanitation are preliminary and subject to review as new agreements are established for recycling and hauling services.

As presented in the Executive Summary, the recommendation for the water, wastewater, and sanitation systems are to implement adjustments in October 2020 to begin a rate phasing program that will achieve revenue sufficiency over the next few years. The FY 2021 rate adjustments that will be effective in October 2020, represent inflationary increases, pursuant to the CPI-U, since the last rate adjustment in October 2018. From January to December 2019, inflation was 1.8%. For January through May 2020 inflation has averaged 0.7%, which brings the total from the last rate adjustment to approximately 2.5%. The wastewater diminishing charge is proposed to be eliminated from the rate structure beginning October 2020 (beginning of FY 2021).

The Stormwater system is currently operating at a surplus and does not require adjustments over the Forecast Period.

The Sanitation system, which has not had a rate adjustment since October 2007, does require rate adjustments beginning in October 2020 (start of FY 2021). In recent years the level of service has increased, with service for recycling being added with no corresponding rate adjustment. Additionally, the economics of recycling have changed significantly resulting in less favorable financial outcomes resulting in increased costs to the City. Finally, due to the changes in economics of the recycling program and inflationary impacts to the operating budget, the Sanitation system is not generating sufficient funds each year in order to fund the necessary vehicle replacements. In accordance with the cost of service analysis developed on Table 23, it is apparent that the residential users need rate adjustments more so than the non-residential due to the services being consumed. That being said, the Sanitation system currently has a sufficient reserve balance such that the full extent of the required rate adjustments does not need to be implemented all at once and can instead be phased in over several years. By phasing in the adjustment over several years the impact to customers can be minimized.

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**Table 25: Existing and Projected Rates, Charges and Fees**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water</b>					
Monthly Base Charge	\$11.21	\$11.49	\$11.78	\$12.07	\$12.37
Gallonage Rate per 1,000 gal <sup>1</sup>					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 4,000)	\$3.34	\$3.42	\$3.51	\$3.60	\$3.69
Block 3 (4,001 - 8,000)	\$4.09	\$4.19	\$4.29	\$4.40	\$4.51
Block 4 (8,001+)	\$6.13	\$6.28	\$6.44	\$6.60	\$6.77
<b>Wastewater</b>					
Monthly Base Charge					
Residential	\$24.57	\$25.18	\$26.31	\$27.49	\$28.18
Commercial	\$29.49	\$30.23	\$31.59	\$33.01	\$33.84
Gallonage Rate per 1,000 gal <sup>1</sup>					
Residential (capped at 16k/unit)					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 16,000)	\$7.72	\$7.91	\$8.27	\$8.64	\$8.86
Commercial					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001+)	\$9.27	\$9.50	\$9.93	\$10.38	\$10.64
Diminishing Charge					
Monthly Base Charge per Unit	\$0.38				
Rate (per 1,000 gal)	\$0.38				
<b>Stormwater</b>					
Monthly Fee per ERU	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
<b>Sanitation (One Container)</b>					
Garbage Fee	\$10.60	\$13.10	\$15.60	\$17.10	\$18.10
Tipping Fee	7.03	7.03	7.03	7.03	7.03
Total	\$17.63	\$20.13	\$22.63	\$24.13	\$25.13

Note: Full proposed rate schedule provided on Exhibit 17.

Typical monthly bills for a single-family connection using 4,000 gallons along with the stormwater fees and sanitation fees for FY 2020 through 2024 are show on Table 26.

**Table 26: Typical Monthly Residential Bills**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	\$17.89	\$18.33	\$18.80	\$19.27	\$19.75
Wastewater	41.15	41.00	42.85	44.77	45.90
Total @ 4,000 Gallons	\$59.04	\$59.33	\$61.65	\$64.04	\$65.65
Stormwater (1 ERU)	5.00	5.00	5.00	5.00	5.00
Sanitation	17.63	20.13	22.63	24.13	25.13
<b>Total Monthly Utility Bill [1]</b>	\$81.67	\$84.46	\$89.28	\$93.17	\$95.78
Difference		\$2.79	\$4.82	\$3.89	\$2.61

[1] Amount does not include the monthly fire assessment, water utility tax, or other items on the monthly utility bill.

As shown on the table above the monthly bill impacts range from \$2.60 to around \$4.80 each year, representing annual increases of 2.7% to 5.4%.

Assuming the rate adjustments shown on Table 24 are implemented beginning October 1, 2020 for the water, wastewater and sanitation systems the following tables provide an illustration of the projected revenue sufficiency for each of the utility systems.

### ***Water and Wastewater***

As presented on Table 24, the water rates are proposed to be increased by 2.5% each year for FY 2021 through FY 2024. The water utility is projected to be in a positive revenue position throughout the forecast with the implementation of the proposed rate adjustments.

**Table 27: Water Sufficiency Forecast with Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Proposed Rates	\$3,791,900	\$3,909,800	\$4,025,100	\$4,146,300	\$4,269,300
Net Rate Requirements [1]	3,702,200	3,823,000	3,949,900	4,082,600	4,220,900
Water Surplus/(Deficiency)	\$89,700	\$86,800	\$75,200	\$63,700	\$48,400

[1] Obtained from Table 14.

The wastewater system will be in a positive revenue position throughout a majority of the forecast, with implementation of the recommended rate adjustments only yielding a negative cash flow in FY 2021 as rates are phased in as opposed to increased more quickly. This will allow for funding of necessary capital improvement projects and to maintain adequate reserve funds. The forecast with the proposed rate adjustments is provided on Table 28.

**Table 28: Wastewater Sufficiency Forecast with Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Proposed Rates	\$7,014,000	\$7,021,000	\$7,370,200	\$7,743,400	\$7,974,400
Net Rate Requirements [1]	6,963,200	7,096,200	7,299,600	7,591,900	7,809,000
Wastewater Surplus/(Deficiency)	\$50,800	(\$75,200)	\$70,600	\$151,500	\$165,400

[1] Obtained from Table 15.

### ***Sanitation***

With the implementation of the proposed rate adjustments in FY 2021, the Sanitation department will begin trending back towards a positive cash flow position, without shocking users to get there all at once. The Sanitation department has a sufficient reserve fund to sustain the slightly negative operating position for several years while the rates are being increased to a point where they are sufficient.

The Sanitation department has historically budgeted to replace one truck each year but has recently scaled those efforts back due to the diminishing financial situation stemming from increasing costs and the same rate levels for many years. In FY 2021 one truck is budgeted for replacement, while in FY 2022 two trucks are budgeted for replacement, making up for recent years where truck purchases were not feasible. Then in FY 2023 and FY 2024 one truck is budgeted each year for replacement. It is anticipated that since truck replacements have been slowed in recent years, the Sanitation department will need to catch up with replacements in future years as well.

**Table 29: Sanitation Sufficiency Forecast with Rate Adjustments**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Existing Rates	\$3,877,080	\$4,203,050	\$4,534,020	\$4,761,030	\$4,937,590
Net Rate Requirements [1]	4,207,500	4,348,300	4,744,800	4,662,200	4,821,000
Sanitation Surplus/(Deficiency)	(\$330,420)	(\$145,250)	(\$210,780)	\$98,830	\$116,590

[1] Obtained from Table 17.

## Debt Service Coverage

An important financial metric is debt service coverage, which is one of the most talked about and utilized financial indicators in the utility industry because of the nature of funding capital assets. Most utilities and cities have some form of borrowed money they are required to repay at an agreed upon interest rate. To ensure that a system can handle the repayment amount with interest and continue to operate normally, a loan issuer will establish a coverage ratio whereby net revenue divided by annual debt service requirements will yield a number higher than 1.00 (usually ranging from 1.15 to 1.25).

$$\frac{\text{Net Revenue}}{\text{Debt Service}} = \text{Coverage Ratio}$$

Standard & Poor's published a report, *U.S. Public Finance Waterworks, Sanitary Sewer, and Drainage Utility Systems: Rating Methodology and Assumptions* (January 2016) that speaks to the current rating methodology used when evaluating municipal debt. Standard and Poor's methodology applies a 40% weighting factor (of the Financial Risk Profile) on All-in coverage of the system. Fitch published the 2020 Water and Sewer Medians report on November 11, 2019 that indicates that AA rated utilities maintained a 270% all-in coverage ratio and AAA rated utilities maintained a 320% all-in coverage ratio. The required coverage ratio established by a loan issuer is intended to allow for the utility to have cash available to reinvest in the system through renewal and replacement and other capital programs. If loan issuers did not require any coverage gap then the assets they were initially funding would potentially be at risk if the rest of the system began to deteriorate. The coverage ratio mandated in the loan agreement is generally only a minimum required coverage level. However, prudent utility rate setting provides for coverage ratios significantly greater than the minimum requirement.

It is recommended that the Utility strive to maintain coverage of at least 175% of all-in debt service coverage in order to maintain cash flows after payment of annual debt requirements that will be sufficient to pay the General Fund franchise fee and make the other required transfers. Table 30 below provides the debt service calculation for the Utility:

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**Table 30: Debt Service Coverage Forecast**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Net Revenues	\$2,959,300	\$2,846,300	\$2,998,600	\$3,166,700	\$3,183,400
Senior Debt Service	\$664,100	\$663,200	\$663,900	\$664,100	\$664,000
Subordinate Debt Service	\$943,400	\$943,400	\$943,400	\$1,024,100	\$1,024,100
<b>Senior Debt Coverage Test</b>					
Calculated	4.46	4.29	4.52	4.77	4.79
Required Minimum	1.25	1.25	1.25	1.25	1.25
<b>Subordinate Debt Coverage Test</b>					
Calculated	2.26	2.14	2.30	2.28	2.30
Required Minimum	1.15	1.15	1.15	1.15	1.15
<b>All-in Debt Coverage Test</b>					
Calculated	1.84	1.77	1.87	1.88	1.89
Target Minimum	1.75	1.75	1.75	1.75	1.75

Note: Table summarized from Exhibit 18.

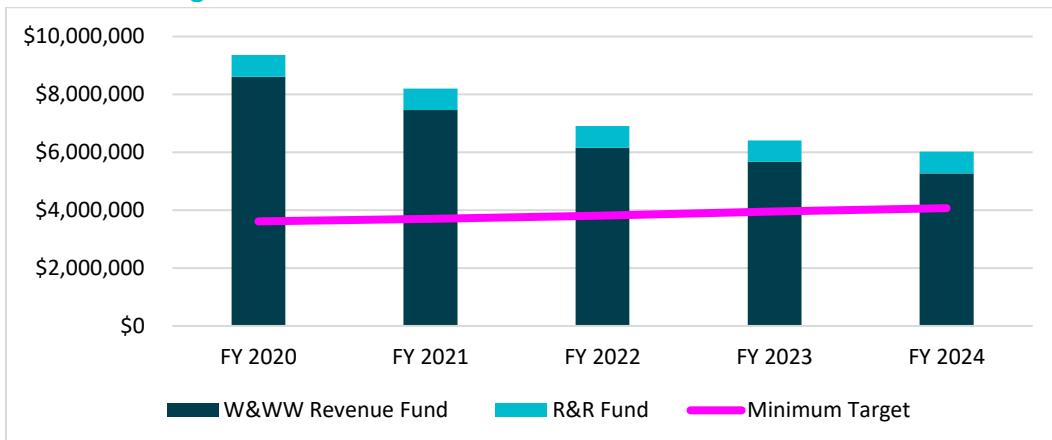
## Projected Reserve Fund Balances

The primary reserve funds for the objectives in this study consist of the Water and Wastewater Reserve Fund, Water and Wastewater R&R Fund, Impact Fee Fund, Stormwater Revenue Fund, and the Sanitation Revenue Fund. The Water and Wastewater Revenue fund provides for the accumulation and expenditure of unrestricted earnings of the Utility and is generally considered as the backbone for financial stability. The same goes for the Stormwater and Sanitation Revenue Funds. The Impact Fee reserve funds are limited by Florida Statutes, City ordinance and common law to expenditures for improvements and debt service directly associated with capacity expansion of the systems. Although funds in R&R are not restricted, such funds are generally limited to projects that extend the life of existing system facilities. As previously mentioned, a key financial measure of the financial stability, health and creditworthiness of a utility and enterprise fund is the ability to maintain adequate levels of unrestricted funds. General practice is for the operating reserve fund to maintain approximately three to four months of operating cash requirements. The City has an adopted policy that targets 33% of total expenses for the Water and Wastewater Revenue Fund, which is equal to four months.

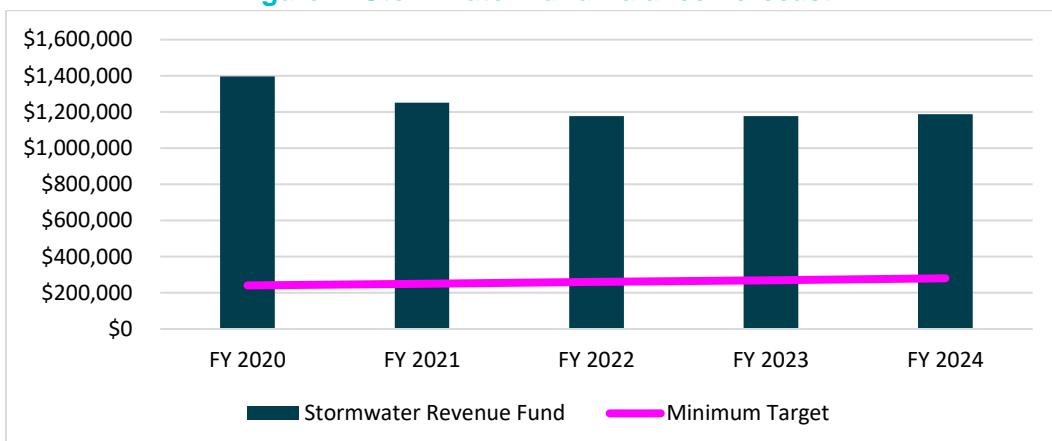
The projected reserve fund balances resulting from inflows based on the rate adjustments and projected outflows in support of the O&M expenses, debt service and capital improvements are illustrated in Figures 1, 2, and 3 below as summarized from Exhibit 16. These projections illustrate the relative activities in each reserve fund and demonstrate the levels of funds available for discretionary (amounts above minimum fund balances) capital expenditures, which should be reviewed each fiscal year and adjusted pursuant to the then current financial conditions.

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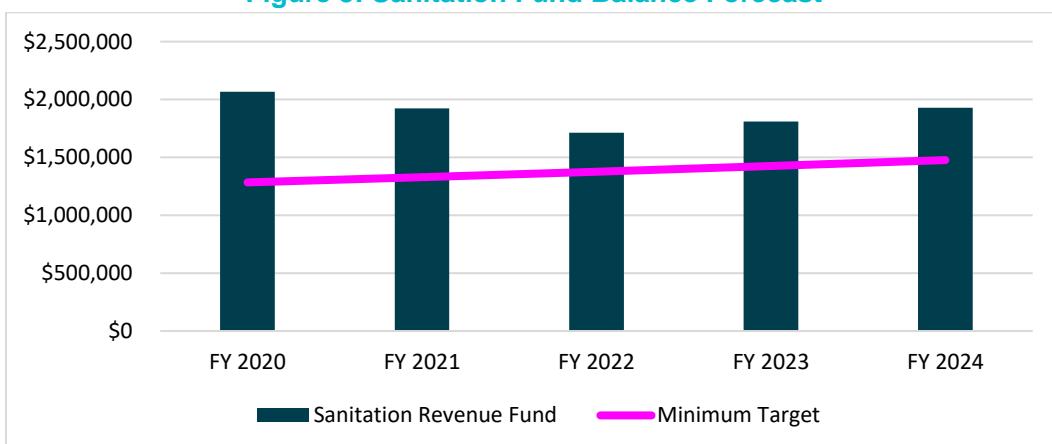
**Figure 1: Water and Wastewater Fund Balance Forecast**



**Figure 2: Stormwater Fund Balance Forecast**



**Figure 3: Sanitation Fund Balance Forecast**



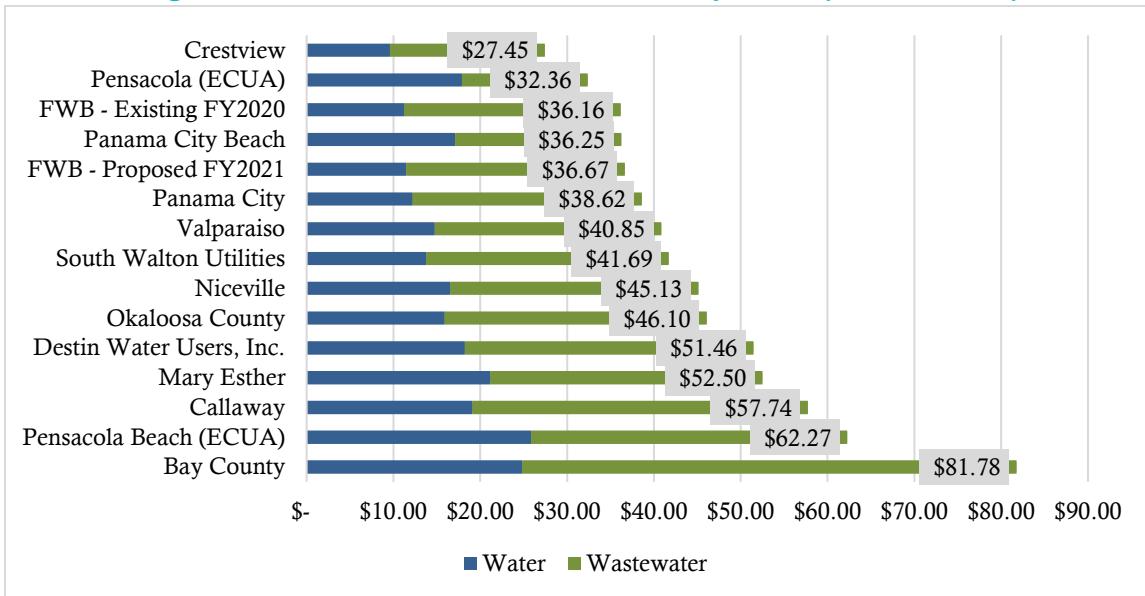
## Rate and Fee Comparisons to Other Communities

A common activity used by policymakers, administrators, and management during a rate setting process is a comparison of a utility's rates to those of other nearby communities/utilities. Although this activity provides a level of comparison, it generally is misinterpreted, misused and utilized incorrectly. Cost recovery through user rates, charges and fees is a complicated function that, for the most part, uses common or similar names for charge, rate and fee components. However, the commonality or similarity generally ends at the name. The derivation, cost allocations

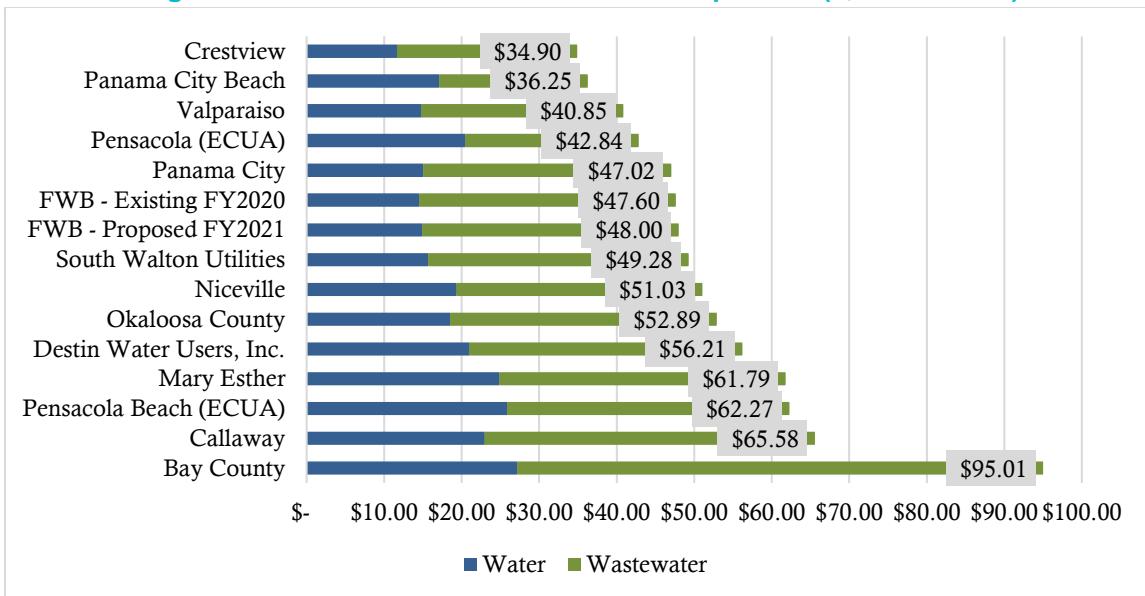
and formulation of determinants for each rate, charge or fee can and generally does vary significantly. When comparing rates between different utilities, several factors that influence the rate levels being charged should be considered, and include but are not limited to:

- Size of customer base or overall economies of scale with other utility services;
- Level of treatment and effluent disposal methods;
- Wholesale purchase arrangements;
- Plant age, capacity utilization, grant and other outside funding;
- General fund and administrative fee transfers to municipal or County governments;
- Bond covenants and funding requirements or the rates;
- Type and frequency of solid waste pickup; and
- Specific rate structure attributes for each customer class and usage level.

**Figure 4: Local Water and Sewer Rate Comparison (2,000 Gallons)**



**Figure 5: Local Water and Sewer Rate Comparison (3,000 Gallons)**



**Figure 6: Local Water and Sewer Rate Comparison (4,000 Gallons)**



As shown on Graphs 4 through 6, at the typical City customer usage levels of 2,000 gallons to 4,000 gallons, the monthly water and sewer bill is comparable to what is charged by other local utilities and municipalities.

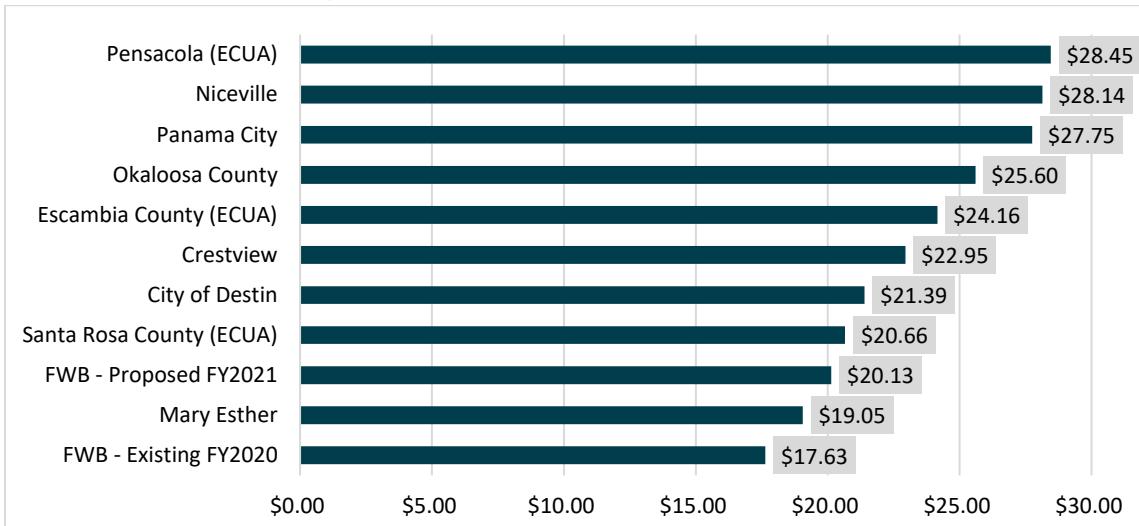
**Figure 7: Local Stormwater Fee Comparison**



The City charges comparable monthly stormwater fees to the other nearby cities surveyed, with a majority charging in the \$4 to \$5 per month range.

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**Figure 8: Local Sanitation Fee Comparison**



Note: Niceville, Mary Esther, Fort Walton Beach and ECUA pick on once per week for each of garbage, recycling and yard waste.

Since the City has not increased the monthly garbage fee in many years, the fee is currently the lowest amongst the other cities surveyed. As can be seen, with the implementation of the recommended rate adjustment for FY 2021 the City will move up slightly in the comparison without accounting for any planned adjustments to the monthly fee by other communities.

Additionally, the City obtained data from other local providers for the non-residential dumpster rates. The following table illustrates the findings.

Service	FWB	Republic Services
2YD/2WK	\$117.43	\$129.45
4YD/2WK	\$198.91	\$178.57
6YD/2WK	\$382.29	\$148.87
8YD/2WK	\$362.07	\$297.35

Note: The City also contacted Waste Management for pricing but was politely declined.

# Findings, Conclusions, and Recommendations

## Findings

The water and wastewater rates, stormwater fee, and sanitation fee presented herein are developed in consideration of the City's/Utility's goal of just and equitable full cost recovery. Additionally, appropriate ratemaking practice requires that in a combined enterprise, cost recovery of each functional service is treated independently to avoid subsidizing shortfalls among the functional services. For many years the City has followed the recommendations of Raftelis, which have typically included annual adjustments to keep pace with inflation and provide sufficient funding to complete the necessary capital projects. Review and analysis together with an array of projections resulted in the following findings:

- Existing water and wastewater rates, charges and fees provide adequate revenues for FY 2020.
- Revenues generated from the existing stormwater fee are adequate to address the forecasted needs including minor capital improvements.
- Existing sanitation fees do not provide adequate revenues for any year in the Forecast Period.
- The Utility has effectively reduced significant I&I flows for wholesale sewer purchases since the implementation of the diminishing charge.
- Sanitation fiscal requirements have changed significantly over the past several years, especially with the services provided to residential customers.

## Conclusions

Pursuant to the review, analyses and findings of the study as contained in this Report it can be concluded that:

- The existing water, wastewater stormwater, and sanitation rate and fee structures are equitable and consistent with the ratemaking criteria and the City's goals and objectives.
- The City does not need to retain the diminishing charge component of the wastewater rate structure.
- Water, wastewater and sanitation rates and fees need to be adjusted to provide a reasonable relationship between requirements and revenues for each functional service.
- The cost of services for sanitation and the revenue generated by each customer class need to be brought into better alignment through the rate adjustments.
- The stormwater fee does not need to be increased unless there are future material increases due to inflation or other needs.

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## Recommendations

Pursuant to the findings of the study, generally accepted principles of ratemaking, requirements of Florida Statutes and with consideration of community standards, it is recommended that the City should proceed to:

1. Adopt the following rate adjustments effective the first full billing period after September 30, of each fiscal year.

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	0.00%	2.50%	2.50%	2.50%	2.50%
Wastewater	0.00%	2.50%	4.00%	4.00%	2.50%
Stormwater per ERU	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sanitation - Residential	\$0.00	\$2.50	\$2.50	\$1.50	\$1.00
Sanitation – Non-residential	0.00%	5.00%	5.00%	5.00%	5.00%

2. Eliminate the wastewater diminishing charge component effective as of October 1, 2020 to align with the next scheduled change to the wastewater rates.
3. Reevaluate the water, wastewater, stormwater, and sanitation rate and fee structures periodically or whenever significant changes occur in the cost, debt service or method of delivery of services.

The expenses, costs, and criteria associated with ratemaking are representative of averages that are developed primarily from historic data or projections based on opinions and assumptions. Significant amounts of historical review and analysis, together with the development of assumptions based on prudent engineering, financial, and ratemaking relationships were utilized in the development of the customers, operating activity, costs and modified rates and charges. Some of the assumptions will inevitably change or not materialize, and unanticipated events may occur which could significantly change the results presented herein.

Exhibit 1:

# Water Customer Projections

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 1: Water Customer Projections**

Description	FY 2018	Escalation Factor	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Average Monthly Meters</b>								
Single Family Residential								
Inside	8,322	1	8,364	8,406	8,448	8,490	8,532	8,575
Outside	125	1	126	127	128	129	130	131
Single Family Subtotal	<u>8,447</u>		<u>8,490</u>	<u>8,533</u>	<u>8,576</u>	<u>8,619</u>	<u>8,662</u>	<u>8,706</u>
Multi-Family - Inside								
3/4"	37	2	37	37	37	37	37	37
1"	20	2	20	20	20	20	20	20
1.5"	5	2	5	5	5	5	5	5
2"	29	2	29	29	29	29	29	29
3"	4	2	4	4	4	4	4	4
4"	9	2	9	9	9	9	9	9
Multi-Family Inside Subtotal	<u>104</u>		<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>
Multi-Family - Outside								
3/4"	<u>2</u>	2	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Multi-Family Outside Subtotal	<u>2</u>		<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Commercial - Inside								
3/4"	665	3	668	671	674	677	680	683
1"	184	3	185	186	187	188	189	190
1.5"	70	3	70	70	70	70	70	70
2"	138	3	139	140	141	142	143	144
3"	7	3	7	7	7	7	7	7
4"	7	3	7	7	7	7	7	7
Commercial Inside Subtotal	<u>1,071</u>		<u>1,076</u>	<u>1,081</u>	<u>1,086</u>	<u>1,091</u>	<u>1,096</u>	<u>1,101</u>
Commercial - Outside								
3/4"	10	3	10	10	10	10	10	10
1"	1	3	1	1	1	1	1	1
10"	<u>1</u>	3	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Commercial Outside Subtotal	<u>12</u>		<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
Commercial Multi-Unit - Inside								
3/4"	55	4	55	55	55	55	55	55
1"	15	4	15	15	15	15	15	15
1.5"	16	4	16	16	16	16	16	16
2"	29	4	29	29	29	29	29	29
3"	2	4	2	2	2	2	2	2
4"	<u>4</u>	4	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Commercial Multi-Unit Inside Subtotal	<u>121</u>		<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>
Commercial Multi-Unit - Outside								
3/4"	<u>1</u>	4	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Commercial Multi-Unit Outside Subtotal	<u>1</u>		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Total Avg. Monthly Meters</b>	<b>9,758</b>		<b>9,806</b>	<b>9,854</b>	<b>9,902</b>	<b>9,950</b>	<b>9,998</b>	<b>10,047</b>

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 1: Water Customer Projections**

Description	FY 2018	Escalation Factor	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Average Monthly ERCs</b>								
Single Family Residential								
Inside	8,344	1	8,386	8,428	8,470	8,512	8,555	8,598
Outside	125	1	126	127	128	129	130	131
Single Family Subtotal	8,469		8,512	8,555	8,598	8,641	8,685	8,729
Multi-Family - Inside								
3/4"	37	2	37	37	37	37	37	37
1"	20	2	20	20	20	20	20	20
1.5"	7	2	7	7	7	7	7	7
2"	67	2	67	67	67	67	67	67
3"	14	2	14	14	14	14	14	14
4"	40	2	40	40	40	40	40	40
Multi-Family Inside Subtotal	185		185	185	185	185	185	185
Multi-Family - Outside								
3/4"	2	2	2	2	2	2	2	2
Multi-Family Outside Subtotal	2		2	2	2	2	2	2
Commercial - Inside								
3/4"	665	3	668	671	674	677	680	683
1"	184	3	185	186	187	188	189	190
1.5"	95	3	95	95	95	95	95	95
2"	319	3	321	323	325	327	329	331
3"	25	3	25	25	25	25	25	25
4"	31	3	31	31	31	31	31	31
Commercial Inside Subtotal	1,319		1,325	1,331	1,337	1,343	1,349	1,355
Commercial - Outside								
3/4"	10	3	10	10	10	10	10	10
1"	1	3	1	1	1	1	1	1
10"	10	3	10	10	10	10	10	10
Commercial Outside Subtotal	21		21	21	21	21	21	21
Commercial Multi-Unit - Inside								
3/4"	55	4	55	55	55	55	55	55
1"	15	4	15	15	15	15	15	15
1.5"	22	4	22	22	22	22	22	22
2"	67	4	67	67	67	67	67	67
3"	7	4	7	7	7	7	7	7
4"	18	4	18	18	18	18	18	18
Commercial Multi-Unit Inside Subtotal	184		184	184	184	184	184	184
Commercial Multi-Unit - Outside								
3/4"	1	4	1	1	1	1	1	1
Commercial Multi-Unit Outside Subtotal	1		1	1	1	1	1	1
<b>Total Avg. Monthly ERCs</b>	<b>10,181</b>		<b>10,230</b>	<b>10,279</b>	<b>10,328</b>	<b>10,377</b>	<b>10,427</b>	<b>10,477</b>

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 1: Water Customer Projections**

Description	FY 2018	Escalation Factor	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Average Monthly Units</b>								
Single Family Residential								
Inside	8,322	1	8,364	8,406	8,448	8,490	8,532	8,575
Outside	125	1	126	127	128	129	130	131
Single Family Subtotal	8,447		8,490	8,533	8,576	8,619	8,662	8,706
Multi-Family - Inside								
3/4"	107	2	108	109	110	111	112	113
1"	119	2	120	121	122	123	124	125
1.5"	46	2	46	46	46	46	46	46
2"	443	2	445	447	449	451	453	455
3"	245	2	246	247	248	249	250	251
4"	612	2	615	618	621	624	627	630
Multi-Family Inside Subtotal	1,572		1,580	1,588	1,596	1,604	1,612	1,620
Multi-Family - Outside								
3/4"	4	2	4	4	4	4	4	4
Multi-Family Outside Subtotal	4		4	4	4	4	4	4
Commercial - Inside								
3/4"	670	3	673	676	679	682	685	688
1"	185	3	186	187	188	189	190	191
1.5"	70	3	70	70	70	70	70	70
2"	143	3	144	145	146	147	148	149
3"	7	3	7	7	7	7	7	7
4"	7	3	7	7	7	7	7	7
Commercial Inside Subtotal	1,082		1,087	1,092	1,097	1,102	1,107	1,112
Commercial Outside								
3/4"	10	3	10	10	10	10	10	10
1"	1	3	1	1	1	1	1	1
10"	1	3	1	1	1	1	1	1
Commercial Outside Subtotal	12		12	12	12	12	12	12
Commercial Multi-Unit - Inside								
3/4"	213	4	214	215	216	217	218	219
1"	34	4	34	34	34	34	34	34
1.5"	118	4	119	120	121	122	123	124
2"	295	4	296	297	298	299	300	302
3"	30	4	30	30	30	30	30	30
4"	212	4	213	214	215	216	217	218
Commercial Multi-Unit Inside Subtotal	902		906	910	914	918	922	927
Commercial Multi-Unit Outside								
3/4"	2	4	2	2	2	2	2	2
Commercial Multi-Unit Outside Subtotal	2		2	2	2	2	2	2
<b>Total Avg. Monthly Units</b>	<b>12,021</b>		<b>12,081</b>	<b>12,141</b>	<b>12,201</b>	<b>12,261</b>	<b>12,321</b>	<b>12,383</b>

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 1: Water Customer Projections**

Description	FY 2018	Escalation Factors						FY 2024
		Factor	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
<b>Annual Volume</b>								
Single Family - Inside								
Block 1	174,332	1.75	175,640	176,530	177,410	178,290	179,170	180,080
Block 2	108,605	1.09	109,400	109,950	110,500	111,050	111,600	112,160
Block 3	73,852	0.74	74,270	74,650	75,020	75,390	75,760	76,150
Block 4	32,270	0.32	32,120	32,280	32,440	32,600	32,760	32,930
Single Family Inside Subtotal	389,059	3.90	391,430	393,410	395,370	397,330	399,290	401,320
Single Family - Outside								
Block 1	2,648	1.77	2,676	2,697	2,719	2,740	2,761	2,782
Block 2	1,824	1.22	1,845	1,859	1,874	1,889	1,903	1,918
Block 3	1,495	1.00	1,512	1,524	1,536	1,548	1,560	1,572
Block 4	776	0.52	786	792	799	805	811	817
Single Family Outside Subtotal	6,743	4.50	6,819	6,872	6,928	6,982	7,035	7,089
Multi-Family - Inside								
Block 1	34,970	1.85	35,076	35,254	35,431	35,609	35,786	35,964
Block 2	21,203	1.12	21,235	21,343	21,450	21,558	21,665	21,773
Block 3	8,033	0.43	8,153	8,194	8,235	8,277	8,318	8,359
Block 4	2,432	0.13	2,465	2,477	2,490	2,502	2,515	2,527
Multi-Family Inside Subtotal	66,638	3.53	66,929	67,268	67,606	67,946	68,284	68,623
Multi-Family - Outside								
Block 1	59	1.23	59	59	59	59	59	59
Block 2	22	0.46	22	22	22	22	22	22
Block 3	3	0.06	3	3	3	3	3	3
Block 4	0	0.00	0	0	0	0	0	0
Multi-Family Outside Subtotal	84	1.75	84	84	84	84	84	84
Commercial - Inside								
Block 1	17,331	1.33	17,349	17,428	17,508	17,588	17,668	17,748
Block 2	11,065	0.85	11,087	11,138	11,189	11,240	11,291	11,342
Block 3	15,757	1.21	15,783	15,856	15,928	16,001	16,074	16,146
Block 4	127,524	9.82	128,092	128,681	129,270	129,860	130,449	131,038
Commercial Inside Subtotal	171,677	13.22	172,311	173,103	173,895	174,689	175,482	176,274
Commercial - Outside								
Block 1	160	1.11	160	160	160	160	160	160
Block 2	88	0.61	88	88	88	88	88	88
Block 3	131	0.91	131	131	131	131	131	131
Block 4	667	4.63	667	667	667	667	667	667
Commercial Outside Subtotal	1,046	7.26	1,046	1,046	1,046	1,046	1,046	1,046
Commercial Multi-Unit - Inside								
Block 1	16,030	1.48	16,091	16,162	16,233	16,304	16,375	16,446
Block 2	9,382	0.87	9,459	9,500	9,542	9,584	9,626	9,678
Block 3	9,354	0.86	9,350	9,391	9,432	9,474	9,515	9,567
Block 4	31,827	2.94	31,964	32,105	32,246	32,387	32,528	32,705
Commercial Multi-Unit Inside Subtotal	66,593	6.15	66,864	67,158	67,453	67,749	68,044	68,414
Commercial Multi-Unit - Outside								
Block 1	40	1.67	40	40	40	40	40	40
Block 2	13	0.54	13	13	13	13	13	13
Block 3	7	0.29	7	7	7	7	7	7
Block 4	0	0.00	0	0	0	0	0	0
Commercial Multi-Unit Outside Subtotal	60	2.50	60	60	60	60	60	60
<b>Total Annual Volume</b>	<b>701,900</b>		<b>705,543</b>	<b>709,001</b>	<b>712,442</b>	<b>715,886</b>	<b>719,325</b>	<b>722,910</b>

Description	Factors	Escalation Factors						FY 2024
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
Single Family	1	1.005	1.005	1.005	1.005	1.005	1.005	1.005
Multi-Family	2	1.005	1.005	1.005	1.005	1.005	1.005	1.005
Commercial	3	1.005	1.005	1.005	1.005	1.005	1.005	1.005
Commercial Multi-Unit	4	1.005	1.005	1.005	1.005	1.005	1.005	1.005

Exhibit 2:

## **Wastewater Customer Projections**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 2: Wastewater Customer Projections**

Description	FY 2018	Escalation Factor	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>INSIDE CITY</b>								
<b>Average Monthly Meters</b>								
Residential								
Single Family	8,149	1	8,190	8,231	8,272	8,313	8,355	8,397
Multi-Family	98	2	98	98	98	98	98	98
Residential Subtotal	8,247		8,288	8,329	8,370	8,411	8,453	8,495
Non-Residential								
Commercial	941	3	946	951	956	961	966	971
Commercial Multi-Unit	110	4	111	112	113	114	115	116
Non-Residential Subtotal	1,051		1,057	1,063	1,069	1,075	1,081	1,087
<b>Total Avg. Monthly Meters</b>	<b>9,298</b>		<b>9,345</b>	<b>9,392</b>	<b>9,439</b>	<b>9,486</b>	<b>9,534</b>	<b>9,582</b>
<b>Average Monthly Units/ERUs</b>								
Residential								
Single Family	8,149	1	8,190	8,231	8,272	8,313	8,355	8,397
Multi-Family	1,567	2	1,575	1,583	1,591	1,599	1,607	1,615
Residential Subtotal	9,716		9,765	9,814	9,863	9,912	9,962	10,012
Non-Residential								
Commercial	950	3	955	960	965	970	975	980
Commercial Multi-Unit	861	4	865	869	873	877	881	885
Non-Residential Subtotal	1,811		1,820	1,829	1,838	1,847	1,856	1,865
<b>Total Avg. Monthly Units/ERUs</b>	<b>11,527</b>		<b>11,585</b>	<b>11,643</b>	<b>11,701</b>	<b>11,759</b>	<b>11,818</b>	<b>11,877</b>
<b>Annual Volume</b>								
Single Family								
Minimum Gallons	172,750	1.77	173,956	174,826	175,697	176,568	177,460	178,352
Revenue Gallons	203,104	2.08	204,422	205,446	206,469	207,492	208,541	209,589
Above Cap	281	0.0029	290	286	288	289	291	292
Single Family Subtotal	376,135		378,668	380,558	382,454	384,349	386,292	388,233
Multi-Family								
Minimum Gallons	35,805	1.9	35,910	36,092	36,275	36,457	36,640	36,822
Revenue Gallons	30,139	1.6	30,240	30,394	30,547	30,701	30,854	31,008
Multi-Family Subtotal	65,944		66,150	66,486	66,822	67,158	67,494	67,830
Commercial								
Minimum Gallons	15,851	1.39	15,929	16,013	16,096	16,180	16,263	16,346
Revenue Gallons	113,127	9.92	113,683	114,278	114,874	115,469	116,064	116,659
Commercial Subtotal	128,978		129,612	130,291	130,970	131,649	132,327	133,005
Commercial Multi-Unit								
Minimum Gallons	17,226	1.67	17,335	17,415	17,495	17,575	17,655	17,735
Revenue Gallons	41,456	4.01	41,624	41,816	42,009	42,201	42,394	42,586
Commercial Multi-Unit Subtotal	58,682		58,959	59,231	59,504	59,776	60,049	60,321
<b>Total Annual Volume</b>	<b>629,739</b>		<b>633,389</b>	<b>636,566</b>	<b>639,750</b>	<b>642,932</b>	<b>646,162</b>	<b>649,389</b>

**Fort Walton Beach**

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**Exhibit 2: Wastewater Customer Projections**

Description	FY 2018	Escalation Factor	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OUTSIDE CITY</b>								
<b>Average Monthly Meters</b>								
Residential								
Single Family	3	1	3	3	3	3	3	3
Multi-Family	0	2	0	0	0	0	0	0
Residential Subtotal	3		3	3	3	3	3	3
Non-Residential								
Commercial	5	3	5	5	5	5	5	5
Commercial Multi-Unit	0	4	0	0	0	0	0	0
Non-Residential Subtotal	5		5	5	5	5	5	5
<b>Total Avg. Monthly Meters</b>	<b>8</b>		<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Average Monthly Units/ERUs</b>								
Residential								
Single Family	3	1	3	3	3	3	3	3
Multi-Family	0	2	0	0	0	0	0	0
Residential Subtotal	3		3	3	3	3	3	3
Non-Residential								
Commercial	5	3	5	5	5	5	5	5
Commercial Multi-Unit	0	4	0	0	0	0	0	0
Non-Residential Subtotal	5		5	5	5	5	5	5
<b>Total Avg. Monthly Units/ERUs</b>	<b>8</b>		<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Annual Volume</b>								
Single Family								
Block 1	58	1.61	58	58	58	58	58	58
Block 2	109	3.03	109	109	109	109	109	109
Single Family Subtotal	167		167	167	167	167	167	167
Commercial								
Block 1	41	0.68	41	41	41	41	41	41
Block 2	6	0.10	6	6	6	6	6	6
Commercial Subtotal	47		47	47	47	47	47	47
<b>Total Annual Volume</b>	<b>214</b>	<b>0</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>

Description	Escalation Factors						
	Factors	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Single Family	1	1.005	1.005	1.005	1.005	1.005	1.005
Multi-Family	2	1.005	1.005	1.005	1.005	1.005	1.005
Commercial	3	1.005	1.005	1.005	1.005	1.005	1.005
Commercial Multi-Unit	4	1.005	1.005	1.005	1.005	1.005	1.005

Exhibit 3:

## **Stormwater Customer Projections**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 3: Stormwater Customer Projections**

Description	FY 2018	Escalation Factor	Escalation				
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Average Monthly Accounts</b>							
Residential							
Single Family	8,225	1	8,255	8,285	8,315	8,345	8,375
Multi-Family	96	2	96	96	96	96	96
Residential Subtotal	8,321		8,351	8,381	8,411	8,441	8,471
Non-Residential							
Commercial	1,045	3	1,049	1,053	1,057	1,061	1,065
Commercial Multi-Unit	113	4	113	113	113	113	113
Non-Residential Subtotal	1,158		1,162	1,166	1,170	1,174	1,182
<b>Total Avg. Monthly Accounts</b>	<b>9,479</b>		<b>9,513</b>	<b>9,547</b>	<b>9,581</b>	<b>9,615</b>	<b>9,649</b>
<b>Average Monthly ERUs</b>	<b>18,277</b>		<b>18,344</b>	<b>18,411</b>	<b>18,478</b>	<b>18,545</b>	<b>18,612</b>
			<b>Escalation Factors</b>				
Description	Factors	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Single Family	1	1.0036	1.0036	1.0036	1.0036	1.0036	1.0036
Multi-Family	2	1.0036	1.0036	1.0036	1.0036	1.0036	1.0036
Commercial	3	1.0036	1.0036	1.0036	1.0036	1.0036	1.0036
Commercial Multi-Unit	4	1.0036	1.0036	1.0036	1.0036	1.0036	1.0036

Exhibit 4:

## **Sanitation Customer Projections**

Fort Walton Beach

2019 Rate Study

Exhibit 4: Sanitation Customer Projections

Description	FY 2019	Escalation Factor	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Garbage Collection</b>								
<b>Average Monthly Accounts</b>								
<b>Residential</b>								
One Container	7,493	1.005	7,530	7,568	7,606	7,644	7,682	7,720
Two Containers	61	1.005	61	61	61	61	61	61
Sharing Dumpster (Min Charge)	1	1.005	1	1	1	1	1	1
2YD/2WK	6	1.005	6	6	6	6	6	6
4YD/2WK	7	1.005	7	7	7	7	7	7
6YD/2WK	1	1.005	1	1	1	1	1	1
Res Dumpster, Ind. Meters	577	1.005	580	583	586	589	592	595
<b>Subtotal</b>	<b>8,146</b>		<b>8,186</b>	<b>8,227</b>	<b>8,268</b>	<b>8,309</b>	<b>8,350</b>	<b>8,391</b>
<b>Multi-Family Residential</b>								
One Container	45	1.005	45	45	45	45	45	45
Two Containers	7	1.005	7	7	7	7	7	7
2YD/2WK	5	1.005	5	5	5	5	5	5
2YD/3WK	3	1.005	3	3	3	3	3	3
2YD/4WK	0	1.005	0	0	0	0	0	0
4YD/2WK	21	1.005	21	21	21	21	21	21
4YD/3WK	1	1.005	1	1	1	1	1	1
6YD/2WK	2	1.005	2	2	2	2	2	2
6YD/3WK	5	1.005	5	5	5	5	5	5
6YD/4WK	1	1.005	1	1	1	1	1	1
8YD/2WK	6	1.005	6	6	6	6	6	6
8YD/3WK	4	1.005	4	4	4	4	4	4
Res Dumpster, Ind. Meters	3	1.005	3	3	3	3	3	3
<b>Subtotal</b>	<b>103</b>		<b>103</b>	<b>103</b>	<b>103</b>	<b>103</b>	<b>103</b>	<b>103</b>
<b>Commercial</b>								
One Container	401	1.005	403	405	407	409	411	413
Two Containers	22	1.005	22	22	22	22	22	22
Sharing Dumpster (Min Charge)	4	1.005	4	4	4	4	4	4
2YD/2WK	189	1.005	190	191	192	193	194	195
2YD/3WK	13	1.005	13	13	13	13	13	13
4YD/2WK	166	1.005	167	168	169	170	171	172
4YD/3WK	28	1.005	28	28	28	28	28	28
4YD/6WK	2	1.005	2	2	2	2	2	2
6YD/2WK	64	1.005	64	64	64	64	64	64
6YD/3WK	11	1.005	11	11	11	11	11	11
6YD/4WK	1	1.005	1	1	1	1	1	1
6YD/5WK	2	1.005	2	2	2	2	2	2
8YD/2WK	80	1.005	80	80	80	80	80	80
8YD/3WK	70	1.005	70	70	70	70	70	70
8YD/4WK	18	1.005	18	18	18	18	18	18
8YD/5WK	13	1.005	13	13	13	13	13	13
8YD/6WK	4	1.005	4	4	4	4	4	4
2YD/2WK COMP	1	1.005	1	1	1	1	1	1
6YD/4WK COMP	1	1.005	1	1	1	1	1	1
<b>Subtotal</b>	<b>1,090</b>		<b>1,094</b>	<b>1,098</b>	<b>1,102</b>	<b>1,106</b>	<b>1,110</b>	<b>1,114</b>
<b>Commercial Multi-Unit</b>								
One Container	31	1.005	31	31	31	31	31	31
Two Containers	2	1.005	2	2	2	2	2	2
2YD/2WK	24	1.005	24	24	24	24	24	24
2YD/3WK	4	1.005	4	4	4	4	4	4
4YD/2WK	19	1.005	19	19	19	19	19	19
4YD/3WK	6	1.005	6	6	6	6	6	6
6YD/2WK	6	1.005	6	6	6	6	6	6
8YD/2WK	19	1.005	19	19	19	19	19	19
8YD/3WK	7	1.005	7	7	7	7	7	7
8YD/4WK	6	1.005	6	6	6	6	6	6
8YD/5WK	2	1.005	2	2	2	2	2	2
<b>Subtotal</b>	<b>126</b>		<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>
<b>Total Garbage Accounts</b>	<b>9,465</b>		<b>9,509</b>	<b>9,554</b>	<b>9,599</b>	<b>9,644</b>	<b>9,689</b>	<b>9,734</b>

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Exhibit 4: Sanitation Customer Projections

Description	FY 2019	Escalation Factor	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Average Monthly Components</b>								
Residential								
One Container	7,518	1.005	7,556	7,594	7,632	7,670	7,708	7,747
Two Containers	0	1.005	0	0	0	0	0	0
Sharing Dumpster (Min Charge)	1	1.005	1	1	1	1	1	1
2YD/2WK	6	1.005	6	6	6	6	6	6
4YD/2WK	6	1.005	6	6	6	6	6	6
6YD/2WK	1	1.005	1	1	1	1	1	1
Res Dumpster, Ind. Meters	577	1.005	580	583	586	589	592	595
<b>Subtotal</b>	<b>8,109</b>		<b>8,150</b>	<b>8,191</b>	<b>8,232</b>	<b>8,273</b>	<b>8,314</b>	<b>8,356</b>
Multi-Family Residential								
One Container	235	1.005	236	237	238	239	240	241
Two Containers	7	1.005	7	7	7	7	7	7
2YD/2WK	4	1.005	4	4	4	4	4	4
2YD/3WK	6	1.005	6	6	6	6	6	6
2YD/4WK	0	1.005	0	0	0	0	0	0
4YD/2WK	22	1.005	22	22	22	22	22	22
4YD/3WK	0	1.005	0	0	0	0	0	0
6YD/2WK	5	1.005	5	5	5	5	5	5
6YD/3WK	4	1.005	4	4	4	4	4	4
6YD/4WK	1	1.005	1	1	1	1	1	1
8YD/2WK	5	1.005	5	5	5	5	5	5
8YD/3WK	2	1.005	2	2	2	2	2	2
Res Dumpster, Ind. Meters	5	1.005	5	5	5	5	5	5
<b>Subtotal</b>	<b>296</b>		<b>297</b>	<b>298</b>	<b>299</b>	<b>300</b>	<b>301</b>	<b>302</b>
Commercial								
One Container	480	1.005	482	484	486	488	490	492
Two Containers	22	1.005	22	22	22	22	22	22
Sharing Dumpster (Min Charge)	4	1.005	4	4	4	4	4	4
2YD/2WK	153	1.005	154	155	156	157	158	159
2YD/3WK	13	1.005	13	13	13	13	13	13
4YD/2WK	126	1.005	127	128	129	130	131	132
4YD/3WK	15	1.005	15	15	15	15	15	15
4YD/6WK	2	1.005	2	2	2	2	2	2
6YD/2WK	41	1.005	41	41	41	41	41	41
6YD/3WK	13	1.005	13	13	13	13	13	13
6YD/4WK	1	1.005	1	1	1	1	1	1
6YD/5WK	2	1.005	2	2	2	2	2	2
8YD/2WK	57	1.005	58	58	58	58	58	58
8YD/3WK	44	1.005	44	44	44	44	44	44
8YD/4WK	10	1.005	10	10	10	10	10	10
8YD/5WK	8	1.005	8	8	8	8	8	8
8YD/6WK	4	1.005	4	4	4	4	4	4
2YD/2WK COMP	1	1.005	1	1	1	1	1	1
6YD/4WK COMP	1	1.005	1	1	1	1	1	1
<b>Subtotal</b>	<b>997</b>		<b>1,002</b>	<b>1,006</b>	<b>1,010</b>	<b>1,014</b>	<b>1,018</b>	<b>1,022</b>
Commercial Multi-Unit								
One Container	34	1.005	34	34	34	34	34	34
Two Containers	2	1.005	2	2	2	2	2	2
2YD/2WK	21	1.005	21	21	21	21	21	21
2YD/3WK	7	1.005	7	7	7	7	7	7
4YD/2WK	17	1.005	17	17	17	17	17	17
4YD/3WK	4	1.005	4	4	4	4	4	4
6YD/2WK	4	1.005	4	4	4	4	4	4
8YD/2WK	14	1.005	14	14	14	14	14	14
8YD/3WK	6	1.005	6	6	6	6	6	6
8YD/4WK	4	1.005	4	4	4	4	4	4
8YD/5WK	4	1.005	4	4	4	4	4	4
<b>Subtotal</b>	<b>117</b>		<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>117</b>
<b>Total Garbage Components</b>	<b>9,519</b>		<b>9,566</b>	<b>9,612</b>	<b>9,658</b>	<b>9,704</b>	<b>9,750</b>	<b>9,797</b>

Fort Walton Beach

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Exhibit 4: Sanitation Customer Projections

Description	FY 2019	Escalation Factor	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Tipping</b>								
<b>Average Monthly Accounts</b>								
Residential								
One Container	7,489	1.005	7,526	7,564	7,602	7,640	7,678	7,716
Two Containers	61	1.005	61	61	61	61	61	61
Sharing Dumpster (Min Charge)	578	1.005	581	584	587	590	593	596
2YD/2WK	0	1.005	0	0	0	0	0	0
4YD/2WK	7	1.005	7	7	7	7	7	7
6YD/2WK	1	1.005	1	1	1	1	1	1
Res Dumpster, Ind. Meters	0	1.005	0	0	0	0	0	0
<b>Subtotal</b>	<b>8,136</b>		<b>8,176</b>	<b>8,217</b>	<b>8,258</b>	<b>8,299</b>	<b>8,340</b>	<b>8,381</b>
Multi-Family Residential								
One Container	22	1.005	22	22	22	22	22	22
Two Containers	0	1.005	0	0	0	0	0	0
One Container - Com	24	1.005	24	24	24	24	24	24
Two Containers - Com	7	1.005	7	7	7	7	7	7
2YD/2WK	0	1.005	0	0	0	0	0	0
2YD/3WK	3	1.005	3	3	3	3	3	3
2YD/4WK	1	1.005	1	1	1	1	1	1
4YD/2WK	21	1.005	21	21	21	21	21	21
4YD/3WK	1	1.005	1	1	1	1	1	1
6YD/2WK	2	1.005	2	2	2	2	2	2
6YD/3WK	5	1.005	5	5	5	5	5	5
6YD/4WK	1	1.005	1	1	1	1	1	1
8YD/2WK	5	1.005	5	5	5	5	5	5
8YD/3WK	4	1.005	4	4	4	4	4	4
Res Dumpster, Ind. Meters	0	1.005	0	0	0	0	0	0
<b>Subtotal</b>	<b>96</b>		<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>
Commercial								
One Container	382	1.005	384	386	388	390	392	394
Two Containers	22	1.005	22	22	22	22	22	22
Sharing Dumpster (Min Charge)	0	1.005	0	0	0	0	0	0
2YD/2WK	0	1.005	0	0	0	0	0	0
2YD/3WK	13	1.005	13	13	13	13	13	13
4YD/2WK	166	1.005	167	168	169	170	171	172
4YD/3WK	27	1.005	27	27	27	27	27	27
4YD/6WK	2	1.005	2	2	2	2	2	2
6YD/2WK	64	1.005	64	64	64	64	64	64
6YD/3WK	11	1.005	11	11	11	11	11	11
6YD/4WK	1	1.005	1	1	1	1	1	1
6YD/5WK	2	1.005	2	2	2	2	2	2
8YD/2WK	80	1.005	80	80	80	80	80	80
8YD/3WK	70	1.005	70	70	70	70	70	70
8YD/4WK	18	1.005	18	18	18	18	18	18
8YD/5WK	13	1.005	13	13	13	13	13	13
8YD/6WK	4	1.005	4	4	4	4	4	4
2YD/2WK COMP	1	1.005	1	1	1	1	1	1
6YD/4WK COMP	1	1.005	1	1	1	1	1	1
<b>Subtotal</b>	<b>877</b>		<b>880</b>	<b>883</b>	<b>886</b>	<b>889</b>	<b>892</b>	<b>895</b>
Commercial Multi-Unit								
One Container	28	1.005	28	28	28	28	28	28
Two Containers	2	1.005	2	2	2	2	2	2
2YD/2WK	0	1.005	0	0	0	0	0	0
2YD/3WK	4	1.005	4	4	4	4	4	4
4YD/2WK	20	1.005	20	20	20	20	20	20
4YD/3WK	6	1.005	6	6	6	6	6	6
6YD/2WK	6	1.005	6	6	6	6	6	6
8YD/2WK	19	1.005	19	19	19	19	19	19
8YD/3WK	7	1.005	7	7	7	7	7	7
8YD/4WK	6	1.005	6	6	6	6	6	6
8YD/5WK	2	1.005	2	2	2	2	2	2
<b>Subtotal</b>	<b>100</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total Tipping Accounts</b>	<b>9,209</b>		<b>9,252</b>	<b>9,296</b>	<b>9,340</b>	<b>9,384</b>	<b>9,428</b>	<b>9,472</b>

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**Exhibit 4: Sanitation Customer Projections**

Description	FY 2019	Escalation Factor	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Average Monthly Components</b>								
<b>Residential</b>								
One Container	7,513	1.005	7,551	7,589	7,627	7,665	7,703	7,742
Two Containers	61	1.005	61	61	61	61	61	61
Sharing Dumpster (Min Charge)	580	1.005	583	586	589	592	595	598
2YD/2WK	0	1.005	0	0	0	0	0	0
4YD/2WK	6	1.005	6	6	6	6	6	6
6YD/2WK	1	1.005	1	1	1	1	1	1
Res Dumpster, Ind. Meters	0	1.005	0	0	0	0	0	0
<b>Subtotal</b>	<b>8,161</b>		<b>8,202</b>	<b>8,243</b>	<b>8,284</b>	<b>8,325</b>	<b>8,366</b>	<b>8,408</b>
<b>Multi-Family Residential</b>								
One Container	45	1.005	45	45	45	45	45	45
Two Containers	0	1.005	0	0	0	0	0	0
One Container - Com	191	1.005	192	193	194	195	196	197
Two Containers - Com	7	1.005	7	7	7	7	7	7
2YD/2WK	0	1.005	0	0	0	0	0	0
2YD/3WK	6	1.005	6	6	6	6	6	6
2YD/4WK	1	1.005	1	1	1	1	1	1
4YD/2WK	22	1.005	22	22	22	22	22	22
4YD/3WK	1	1.005	1	1	1	1	1	1
6YD/2WK	5	1.005	5	5	5	5	5	5
6YD/3WK	4	1.005	4	4	4	4	4	4
6YD/4WK	1	1.005	1	1	1	1	1	1
8YD/2WK	5	1.005	5	5	5	5	5	5
8YD/3WK	2	1.005	2	2	2	2	2	2
Res Dumpster, Ind. Meters	0	1.005	0	0	0	0	0	0
<b>Subtotal</b>	<b>289</b>		<b>291</b>	<b>292</b>	<b>293</b>	<b>294</b>	<b>295</b>	<b>296</b>
<b>Commercial</b>								
One Container	461	1.005	463	465	467	469	471	473
Two Containers	22	1.005	22	22	22	22	22	22
Sharing Dumpster (Min Charge)	0	1.005	0	0	0	0	0	0
2YD/2WK	0	1.005	0	0	0	0	0	0
2YD/3WK	13	1.005	13	13	13	13	13	13
4YD/2WK	120	1.005	121	122	123	124	125	126
4YD/3WK	14	1.005	14	14	14	14	14	14
4YD/6WK	2	1.005	2	2	2	2	2	2
6YD/2WK	38	1.005	38	38	38	38	38	38
6YD/3WK	13	1.005	13	13	13	13	13	13
6YD/4WK	1	1.005	1	1	1	1	1	1
6YD/5WK	2	1.005	2	2	2	2	2	2
8YD/2WK	55	1.005	55	55	55	55	55	55
8YD/3WK	42	1.005	42	42	42	42	42	42
8YD/4WK	10	1.005	10	10	10	10	10	10
8YD/5WK	8	1.005	8	8	8	8	8	8
8YD/6WK	4	1.005	4	4	4	4	4	4
2YD/2WK COMP	1	1.005	1	1	1	1	1	1
6YD/4WK COMP	1	1.005	1	1	1	1	1	1
<b>Subtotal</b>	<b>806</b>		<b>810</b>	<b>813</b>	<b>816</b>	<b>819</b>	<b>822</b>	<b>825</b>
<b>Commercial Multi-Unit</b>								
One Container	31	1.005	31	31	31	31	31	31
Two Containers	2	1.005	2	2	2	2	2	2
2YD/2WK	0	1.005	0	0	0	0	0	0
2YD/3WK	7	1.005	7	7	7	7	7	7
4YD/2WK	16	1.005	16	16	16	16	16	16
4YD/3WK	4	1.005	4	4	4	4	4	4
6YD/2WK	4	1.005	4	4	4	4	4	4
8YD/2WK	14	1.005	14	14	14	14	14	14
8YD/3WK	6	1.005	6	6	6	6	6	6
8YD/4WK	5	1.005	5	5	5	5	5	5
8YD/5WK	4	1.005	4	4	4	4	4	4
<b>Subtotal</b>	<b>93</b>		<b>93</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>93</b>
<b>Total Tipping Components</b>	<b>9,350</b>		<b>9,396</b>	<b>9,441</b>	<b>9,486</b>	<b>9,531</b>	<b>9,576</b>	<b>9,622</b>

Exhibit 5:

## **Water Budget Projections and Miscellaneous Revenues**

Fort Walton Beach

2019 Rate Study

Exhibit 5: Water Budget Projections & Miscellaneous Revenues

Account #	Description	Escalation Factor	FY 2020					
			Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023
<b>Personal Services:</b>								
1100 Executive Salaries	Labor	\$164,887	\$0	\$164,900	\$171,500	\$178,400	\$185,500	\$192,900
1200 Regular Salaries	Labor	657,713	62,450	720,200	749,000	779,000	810,200	842,600
1201 Service Awards	Labor	417	0	400	400	400	400	400
1202 Incentive/ Merit Pay	Labor	0	0	0	0	0	0	0
1216 Final Leave Pay	Labor	5,000	0	5,000	5,200	5,400	5,600	5,800
1300 Part-Time Wages	Labor	10,570	0	10,600	11,000	11,400	11,900	12,400
1400 Salaries - Overtime	Labor	34,950	0	35,000	36,400	37,900	39,400	41,000
1401 Salaries - Overtime Holiday	Labor	3,200	0	3,200	3,300	3,400	3,500	3,600
2100 FICA Taxes	Labor	47,234	4,500	51,700	53,800	56,000	58,200	60,500
2101 Medicare	Insurance	11,046	1,000	12,000	12,800	13,700	14,700	15,700
2200 Retirement Contributions	Labor	155,452	14,800	170,300	177,100	184,200	191,600	199,300
2204 Retirement Contributions - DC Plan	Labor	29,775	0	29,800	31,000	32,200	33,500	34,800
2300 Dental, Life & Health Insurance	Insurance	189,476	18,000	207,500	222,000	237,500	254,100	271,900
2400 Worker's Compensation	Labor	31,579	0	31,600	32,900	34,200	35,600	37,000
Subtotal			\$1,341,299	\$100,750	\$1,442,200	\$1,506,400	\$1,573,700	\$1,644,200
								\$1,717,900
<b>Operating Expenses:</b>								
3100 Professional Services	Inflation	\$190,608	\$0	\$190,600	\$195,400	\$200,300	\$205,300	\$210,400
3102 Employee Physicals & Immunizations	Inflation	590	0	600	600	600	600	600
3410 Delinquent Collections	Inflation	0	0	0	0	0	0	0
3400 Contractual Services	Inflation	14,750	0	14,800	15,200	15,600	16,000	16,400
3421 TIP/Contamination Fees	Inflation	0	0	0	0	0	0	0
4000 Travel / Training	Inflation	3,625	0	3,600	3,700	3,800	3,900	4,000
4001 Tuition Reimbursement	Inflation	978	0	1,000	1,000	1,000	1,000	1,000
4100 Communication Services	Inflation	9,355	0	9,400	9,600	9,800	10,000	10,300
4200 Postage & Freight	Inflation	41,208	0	41,200	42,200	43,300	44,400	45,500
4300 Utilities	Inflation	200,875	0	200,900	205,900	211,000	216,300	221,700
4400 Rentals and Leases	Inflation	1,172	0	1,200	1,200	1,200	1,200	1,200
4610 Maintenance Contracts	Maintenance	11,310	0	11,300	12,100	12,900	13,800	14,800
4620 Vehicle Repair - In House	Maintenance	9,775	0	9,800	10,500	11,200	12,000	12,800
4630 Equipment Repair - In House	Maintenance	7,678	0	7,700	8,200	8,800	9,400	10,100
4640 Building Maintenance - In House	Maintenance	1,625	0	1,600	1,700	1,800	1,900	2,000
4645 Heating/Cooling Repairs	Maintenance	1,375	0	1,400	1,500	1,600	1,700	1,800
4680 Plant and System Repair - In House	Maintenance	274,199	0	274,200	293,400	313,900	335,900	359,400
4700 Printing & Binding	Inflation	2,770	0	2,800	2,900	3,000	3,100	3,200
4905 Safety Programs/Supply	Inflation	0	0	0	0	0	0	0
4911 Holiday Gift Certificates	Inflation	475	0	500	500	500	500	500
4995 Contingencies 1% of Revenues	Inflation	56,324	0	56,300	57,700	59,100	60,600	62,100
5100 Office Supplies	Inflation	4,180	0	4,200	4,300	4,400	4,500	4,600
5200 Operating Supplies	Inflation	31,011	0	31,000	31,800	32,600	33,400	34,200
5202 Computer Supplies	Inflation	0	0	0	0	0	0	0
5204 Fuel & Oil	Inflation	17,911	0	17,900	18,300	18,800	19,300	19,800
5210 Uniform Expense	Inflation	2,604	0	2,600	2,700	2,800	2,900	3,000
5219 Landfill Fees - Commercial	Inflation	0	0	0	0	0	0	0
5220 Landfill Fees - Residential	Inflation	0	0	0	0	0	0	0
5222 Landfill Fees - Yard Waste	Inflation	0	0	0	0	0	0	0
5225 Sanitation Containers - Bulk	Inflation	0	0	0	0	0	0	0
5226 Sanitation Containers - Residential	Inflation	0	0	0	0	0	0	0
5230 ACH / Credit Card Fees	Inflation	0	0	0	0	0	0	0
5231 Computer Hardware/Software	Inflation	1,680	0	1,700	1,700	1,700	1,700	1,700
5233 Tools	Inflation	5,443	0	5,400	5,500	5,600	5,700	5,800
5234 Safety Supplies/Equipment	Inflation	4,148	0	4,100	4,200	4,300	4,400	4,500
5263 Operating Supplies >\$500<\$1000	Inflation	0	0	0	0	0	0	0
4915 Legal Advertising	Inflation	0	0	0	0	0	0	0
5501 Contingencies	Inflation	0	0	0	0	0	0	0
5900 Depreciation	Inflation	0	0	0	0	0	0	0
5300 Road Materials and Supplies	Inflation	4,886	0	4,900	5,000	5,100	5,200	5,300
5400 Books, Dues & Publications	Inflation	6,975	0	7,000	7,200	7,400	7,600	7,800
5500 Training	Inflation	13,175	0	13,200	13,500	13,800	14,100	14,500
9901 Cost Allocation Reimbursement to GF	Inflation	577,706	0	577,700	592,100	606,900	622,100	637,700
Subtotal			\$1,498,408	\$0	\$1,498,600	\$1,549,600	\$1,602,800	\$1,658,500
								\$1,716,700
<b>Total O&amp;M</b>			<b>\$2,839,707</b>	<b>\$100,750</b>	<b>\$2,940,800</b>	<b>\$3,056,000</b>	<b>\$3,176,500</b>	<b>\$3,302,700</b>
								<b>\$3,434,600</b>

Fort Walton Beach

2019 Rate Study

Exhibit 5: Water Budget Projections & Miscellaneous Revenues

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Other Expenses:</b>									
9102 Transfer to GF - Franchise Fee		Inflation	\$337,945	0	\$337,900	\$346,300	\$355,000	\$363,900	\$373,000
<b>Capital Outlay:</b>									
6300 Improvements Other Than Buildings	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6362 Water Well Improvements	Maintenance	20,000	0	20,000	21,400	22,900	24,500	26,200	
6402 Equipment	Inflation	101,809	(87,609)	14,200	14,600	15,000	15,400	15,800	
6406 Specialized Equipment	Inflation	0	0	0	0	0	0	0	0
6404 Trucks	Inflation	0	0	0	0	0	0	0	0
6405 Communication Equipment	Inflation	0	0	0	0	0	0	0	0
6420 Computer Hardware/Software	Inflation	2,260	0	2,300	2,400	2,500	2,600	2,700	
5032 Sewer System Grouting & Lining	Maintenance	0	0	0	0	0	0	0	0
5045 Water Tank Maintenance	Maintenance	0	0	0	0	0	0	0	0
5048 Lift Station Rehab	Maintenance	0	0	0	0	0	0	0	0
5327 Hooper Drive Improvement	Maintenance	0	0	0	0	0	0	0	0
5016 Storm Drainage Improvement	Maintenance	0	0	0	0	0	0	0	0
5056 Water Line Replacement	Maintenance	0	0	0	0	0	0	0	0
5367 Water Meter Replacement Program	Maintenance	0	0	0	0	0	0	0	0
Subtotal			\$124,069	(\$87,609)	\$36,500	\$38,400	\$40,400	\$42,500	\$44,700
<b>Total Water Budget</b>			<b>\$3,301,720</b>	<b>\$13,141</b>	<b>\$3,315,200</b>	<b>\$3,440,700</b>	<b>\$3,571,900</b>	<b>\$3,709,100</b>	<b>\$3,852,300</b>
<b>Miscellaneous Revenues</b>									
<b>Charges for Services:</b>									
Service Fees - Residential	Other	\$2,503,806	(\$2,503,806)	\$0	\$0	\$0	\$0	\$0	\$0
Service Fees - Commercial	Other	1,398,616	(1,398,616)	0	0	0	0	0	0
Connection Fees - Residential	Other	25,144	(25,144)	0	0	0	0	0	0
Connection Fees - Commercial	Other	49,767	(49,767)	0	0	0	0	0	0
Stormwater Management Fee - Residential	Other	0	0	0	0	0	0	0	0
Stormwater Management Fee - Commercial	Other	0	0	0	0	0	0	0	0
Extra Pick-Up Residential	Other	0	0	0	0	0	0	0	0
Extra Pick-Up Commercial	Other	0	0	0	0	0	0	0	0
Tipping Fees - Residential	Other	0	0	0	0	0	0	0	0
Tipping Fees - Commercial	Other	0	0	0	0	0	0	0	0
Hydrant Service	Inflation	25	0	0	0	0	0	0	0
Work Orders	Labor	0	0	0	0	0	0	0	0
Service Fees	Other	0	0	0	0	0	0	0	0
Service Fees - Commercial Recycling	Other	0	0	0	0	0	0	0	0
Admin Fee - Returned Checks	Constant	1,419	0	1,400	1,400	1,400	1,400	1,400	
Service Charges	Other	42,325	0	42,300	42,300	42,300	42,300	42,300	
Cinco Bayou	Other	0	0	0	0	0	0	0	0
Special Events - Dumpster Delivery/Pick Up	Other	0	0	0	0	0	0	0	0
State Grants	Other	0	0	0	0	0	0	0	0
Penalties	Inflation	53,732	0	53,700	55,000	56,400	57,800	59,200	
Subtotal			\$4,074,833	(\$3,977,333)	\$97,400	\$98,700	\$100,100	\$101,500	\$102,900
<b>Licenses &amp; Permits:</b>									
Solid Waste - 10% Roll Off	Inflation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal			\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Interest &amp; Other Revenue:</b>									
Interest Income	Inflation	\$33,240	\$0	\$33,200	\$34,000	\$34,900	\$35,800	\$36,700	
Rental and Lease Income	Inflation	9,786	0	9,800	10,000	10,300	10,600	10,900	
Sale of Surplus Assets	Inflation	250	0	300	300	300	300	300	
Recycling Scrap Metal Sales	Inflation	0	0	0	0	0	0	0	0
Miscellaneous Revenue	Inflation	1,000	0	1,000	1,000	1,000	1,000	1,000	
Subtotal			\$44,276	\$0	\$44,300	\$45,300	\$46,500	\$47,700	\$48,900
<b>Total</b>			<b>\$4,119,109</b>		<b>\$141,700</b>	<b>\$144,000</b>	<b>\$146,600</b>	<b>\$149,200</b>	<b>\$151,800</b>

Exhibit 6:

## **Wastewater Budget Projections and Miscellaneous Revenues**

Fort Walton Beach

2019 Rate Study

Exhibit 6: Wastewater Budget Projections & Miscellaneous Revenues

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Personal Services:</b>									
1100 Executive Salaries	Labor	\$90,504	\$0	\$90,500	\$94,100	\$97,900	\$101,800	\$105,900	
1200 Regular Salaries	Labor	653,173	62,019	715,200	743,800	773,600	804,500	836,700	
1201 Service Awards	Labor	720	0	700	700	700	700	700	
1202 Incentive/ Merit Pay	Labor	0	0	0	0	0	0	0	
1216 Final Leave Pay	Labor	5,000	0	5,000	5,200	5,400	5,600	5,800	
1300 Part-Time Wages	Labor	4,530	0	4,500	4,700	4,900	5,100	5,300	
1400 Salaries - Overtime	Labor	30,150	0	30,200	31,400	32,700	34,000	35,400	
1401 Salaries - Overtime Holiday	Labor	2,000	0	2,000	2,100	2,200	2,300	2,400	
2100 FICA Taxes	Labor	43,376	4,100	47,500	49,400	51,400	53,500	55,600	
2101 Medicare	Insurance	10,144	1,000	11,100	11,900	12,700	13,600	14,600	
2200 Retirement Contributions	Labor	159,958	15,200	175,200	182,200	189,500	197,100	205,000	
2204 Retirement Contributions - DC Plan	Labor	21,454	0	21,500	22,400	23,300	24,200	25,200	
2300 Dental, Life & Health Insurance	Insurance	149,219	14,200	163,400	174,800	187,000	200,100	214,100	
2400 Worker's Compensation	Labor	16,890	0	16,900	17,600	18,300	19,000	19,800	
Subtotal			\$1,187,118	\$96,519	\$1,283,700	\$1,340,300	\$1,399,600	\$1,461,500	\$1,526,500
<b>Operating Expenses:</b>									
3100 Professional Services	Inflation	\$98,830	\$0	\$98,800	\$101,300	\$103,800	\$106,400	\$109,100	
3102 Employee Physicals & Immunizations	Inflation	590	0	600	600	600	600	600	
3410 Delinquent Collections	Inflation	0	0	0	0	0	0	0	
3400 Contractual Services	Input	2,743,855	8,095	2,752,000	2,788,400	2,890,400	2,996,800	3,104,200	
3421 TIP/Contamination Fees	Inflation	0	0	0	0	0	0	0	
4000 Travel / Training	Inflation	4,355	0	4,400	4,500	4,600	4,700	4,800	
4001 Tuition Reimbursement	Inflation	419	0	400	400	400	400	400	
4100 Communication Services	Inflation	8,774	0	8,800	9,000	9,200	9,400	9,600	
4200 Postage & Freight	Inflation	17,693	0	17,700	18,100	18,600	19,100	19,600	
4300 Utilities	Inflation	175,945	0	175,900	180,300	184,800	189,400	194,100	
4400 Rentals and Leases	Inflation	12,959	0	13,000	13,300	13,600	13,900	14,200	
4610 Maintenance Contracts	Maintenance	39,126	0	39,100	41,800	44,700	47,800	51,100	
4620 Vehicle Repair - In House	Maintenance	18,225	0	18,200	19,500	20,900	22,400	24,000	
4630 Equipment Repair - In House	Maintenance	8,473	0	8,500	9,100	9,700	10,400	11,100	
4640 Building Maintenance - In House	Maintenance	1,075	0	1,100	1,200	1,300	1,400	1,500	
4645 Heating/Cooling Repairs	Maintenance	1,125	0	1,100	1,200	1,300	1,400	1,500	
4680 Plant and System Repair - In House	Maintenance	56,400	0	56,400	60,300	64,500	69,000	73,800	
4700 Printing & Binding	Inflation	930	0	900	900	900	900	900	
4905 Safety Programs/Supply	Inflation	0	0	0	0	0	0	0	
4911 Holiday Gift Certificates	Inflation	475	0	500	500	500	500	500	
4995 Contingencies 1% of Revenues	Inflation	56,324	0	56,300	57,700	59,100	60,600	62,100	
5100 Office Supplies	Inflation	3,420	0	3,400	3,500	3,600	3,700	3,800	
5200 Operating Supplies	Inflation	26,265	0	26,300	27,000	27,700	28,400	29,100	
5202 Computer Supplies	Inflation	0	0	0	0	0	0	0	
5204 Fuel & Oil	Inflation	17,993	0	18,000	18,500	19,000	19,500	20,000	
5210 Uniform Expense	Inflation	2,286	0	2,300	2,400	2,500	2,600	2,700	
5219 Landfill Fees - Commercial	Inflation	0	0	0	0	0	0	0	
5220 Landfill Fees - Residential	Inflation	0	0	0	0	0	0	0	
5222 Landfill Fees - Yard Waste	Inflation	0	0	0	0	0	0	0	
5225 Sanitation Containers - Bulk	Inflation	0	0	0	0	0	0	0	
5226 Sanitation Containers - Residential	Inflation	0	0	0	0	0	0	0	
5230 ACH / Credit Card Fees	Inflation	0	0	0	0	0	0	0	
5231 Computer Hardware/Software	Inflation	0	0	0	0	0	0	0	
5233 Tools	Inflation	3,068	0	3,100	3,200	3,300	3,400	3,500	
5234 Safety Supplies/Equipment	Inflation	4,383	0	4,400	4,500	4,600	4,700	4,800	
5263 Operating Supplies >\$500<\$1000	Inflation	0	0	0	0	0	0	0	
4915 Legal Advertising	Inflation	0	0	0	0	0	0	0	
5501 Contingencies	Inflation	0	0	0	0	0	0	0	
5900 Depreciation	Inflation	0	0	0	0	0	0	0	
5300 Road Materials and Supplies	Inflation	4,000	0	4,000	4,100	4,200	4,300	4,400	
5400 Books, Dues & Publications	Inflation	615	0	600	600	600	600	600	
5500 Training	Inflation	12,015	0	12,000	12,300	12,600	12,900	13,200	
9901 Cost Allocation Reimbursement to GF	Inflation	577,706	0	577,700	592,100	606,900	622,100	637,700	
Subtotal		\$3,897,321	\$8,095	\$3,905,500	\$3,976,300	\$4,113,900	\$4,257,300	\$4,402,900	
<b>Total O&amp;M</b>		<b>\$5,084,439</b>	<b>\$104,614</b>	<b>\$5,189,200</b>	<b>\$5,316,600</b>	<b>\$5,513,500</b>	<b>\$5,718,800</b>	<b>\$5,929,400</b>	

Fort Walton Beach

2019 Rate Study

Exhibit 6: Wastewater Budget Projections & Miscellaneous Revenues

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Other Expenses:</b>									
9102 Transfer to GF - Franchise Fee		Inflation	\$337,945	0	\$337,900	\$346,300	\$355,000	\$363,900	\$373,000
<b>Capital Outlay:</b>									
6300 Improvements Other Than Buildings	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6362 Water Well Improvements	Maintenance	0	0	0	0	0	0	0	0
6402 Equipment	Inflation	14,000	0	14,000	14,400	14,800	15,200	15,600	
6406 Specialized Equipment	Inflation	0	0	0	0	0	0	0	0
6404 Trucks	Inflation	186,000	(186,000)	0	0	0	0	0	0
6405 Communication Equipment	Inflation	0	0	0	0	0	0	0	0
6420 Computer Hardware/Software	Inflation	2,260	0	2,300	2,400	2,500	2,600	2,700	
5032 Sewer System Grouting & Lining	Maintenance	0	0	0	0	0	0	0	0
5045 Water Tank Maintenance	Maintenance	0	0	0	0	0	0	0	0
5048 Lift Station Rehab	Maintenance	0	0	0	0	0	0	0	0
5327 Hooper Drive Improvement	Maintenance	0	0	0	0	0	0	0	0
5016 Storm Drainage Improvement	Maintenance	0	0	0	0	0	0	0	0
5056 Water Line Replacement	Maintenance	0	0	0	0	0	0	0	0
5367 Water Meter Replacement Program	Maintenance	0	0	0	0	0	0	0	0
Subtotal			\$202,260	(\$186,000)	\$16,300	\$16,800	\$17,300	\$17,800	\$18,300
<b>Total Wastewater Budget</b>			<b>\$5,624,644</b>	<b>(\$81,386)</b>	<b>\$5,543,400</b>	<b>\$5,679,700</b>	<b>\$5,885,800</b>	<b>\$6,100,500</b>	<b>\$6,320,700</b>
<b>Miscellaneous Revenues</b>									
<b>Charges for Services:</b>									
Service Fees - Residential	Other	\$4,661,300	(\$4,661,300)	\$0	\$0	\$0	\$0	\$0	\$0
Service Fees - Commercial	Other	2,153,395	(2,153,395)	0	0	0	0	0	0
Connection Fees - Residential	Other	37,127	(37,127)	0	0	0	0	0	0
Connection Fees - Commercial	Other	152,138	(152,138)	0	0	0	0	0	0
Stormwater Management Fee - Residential	Other	0	0	0	0	0	0	0	0
Stormwater Management Fee - Commercial	Other	0	0	0	0	0	0	0	0
Extra Pick-Up Residential	Other	0	0	0	0	0	0	0	0
Extra Pick-Up Commercial	Other	0	0	0	0	0	0	0	0
Tipping Fees - Residential	Other	0	0	0	0	0	0	0	0
Tipping Fees - Commercial	Other	0	0	0	0	0	0	0	0
Hydrant Service	Inflation	0	0	0	0	0	0	0	0
Work Orders	Labor	0	0	0	0	0	0	0	0
Service Fees	Other	0	0	0	0	0	0	0	0
Service Fees - Commercial Recycling	Other	0	0	0	0	0	0	0	0
Admin Fee - Returned Checks	Constant	1,419	0	1,400	1,400	1,400	1,400	1,400	1,400
Service Charges	Other	42,325	0	42,300	42,300	42,300	42,300	42,300	42,300
Cinco Bayou	Other	0	0	0	0	0	0	0	0
Special Events - Dumpster Delivery/Pick Up	Other	0	0	0	0	0	0	0	0
State Grants	Other	0	0	0	0	0	0	0	0
Penalties	Inflation	53,732	0	53,700	55,000	56,400	57,800	59,200	
Subtotal			\$7,101,435	(\$7,003,960)	\$97,400	\$98,700	\$100,100	\$101,500	\$102,900
<b>Licenses &amp; Permits:</b>									
Solid Waste - 10% Roll Off	Inflation	\$0	\$0	0	0	0	0	0	0
Subtotal			\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Interest &amp; Other Revenue:</b>									
Interest Income	Inflation	\$33,240	\$0	\$33,240	\$34,100	\$35,000	\$35,900	\$36,800	
Rental and Lease Income	Inflation	9,786	0	9,786	10,000	10,300	10,600	10,900	
Sale of Surplus Assets	Inflation	250	0	250	300	300	300	300	
Recycling Scrap Metal Sales	Inflation	0	0	0	0	0	0	0	0
Miscellaneous Revenue	Inflation	1,000	0	1,000	1,000	1,000	1,000	1,000	
Subtotal			\$44,276	\$0	\$44,276	\$45,400	\$46,600	\$47,800	\$49,000
<b>Total</b>			<b>\$7,145,711</b>		<b>\$141,676</b>	<b>\$144,100</b>	<b>\$146,700</b>	<b>\$149,300</b>	<b>\$151,900</b>

Exhibit 7:

## **Stormwater Budget Projections and Miscellaneous Revenues**

Fort Walton Beach

2019 Rate Study

Exhibit 7: Stormwater Budget Projections & Miscellaneous Revenues

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Personal Services:</b>									
1100 Executive Salaries	Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1200 Regular Salaries	Labor	216,240	20,532	236,800	246,300	256,200	266,400	277,100	
1201 Service Awards	Labor	108	0	100	100	100	100	100	100
1202 Incentive/ Merit Pay	Labor	0	0	0	0	0	0	0	0
1216 Final Leave Pay	Labor	500	0	500	500	500	500	500	500
1300 Part-Time Wages	Labor	0	0	0	0	0	0	0	0
1400 Salaries - Overtime	Labor	1,000	0	1,000	1,000	1,000	1,000	1,000	1,000
1401 Salaries - Overtime Holiday	Labor	0	0	0	0	0	0	0	0
2100 FICA Taxes	Labor	12,442	1,200	13,600	14,100	14,700	15,300	15,900	
2101 Medicare	Insurance	2,910	300	3,200	3,400	3,600	3,900	4,200	
2200 Retirement Contributions	Labor	45,058	4,300	49,400	51,400	53,500	55,600	57,800	
2204 Retirement Contributions - DC Plan	Labor	5,198	0	5,200	5,400	5,600	5,800	6,000	
2300 Dental, Life & Health Insurance	Insurance	47,141	4,500	51,600	55,200	59,100	63,200	67,600	
2400 Worker's Compensation	Labor	21,887	0	21,900	22,800	23,700	24,600	25,600	
Subtotal		\$352,484	\$30,832	\$383,300	\$400,200	\$418,000	\$436,400	\$455,800	
<b>Operating Expenses:</b>									
3100 Professional Services	Inflation	\$4,590	\$0	\$4,600	\$4,700	\$4,800	\$4,900	\$5,000	
3102 Employee Physicals & Immunizations	Inflation	0	0	0	0	0	0	0	
3410 Delinquent Collections	Inflation	0	0	0	0	0	0	0	
3400 Contractual Services	Inflation	72,694	0	72,700	74,500	76,400	78,300	80,300	
3421 TIP/Contamination Fees	Inflation	0	0	0	0	0	0	0	
4000 Travel / Training	Inflation	602	0	600	600	600	600	600	
4001 Tuition Reimbursement	Inflation	0	0	0	0	0	0	0	
4100 Communication Services	Inflation	2,726	0	2,700	2,800	2,900	3,000	3,100	
4200 Postage & Freight	Inflation	10	0	0	0	0	0	0	
4300 Utilities	Inflation	1,344	0	1,300	1,300	1,300	1,300	1,300	
4400 Rentals and Leases	Inflation	3,970	0	4,000	4,100	4,200	4,300	4,400	
4610 Maintenance Contracts	Maintenance	0	0	0	0	0	0	0	
4620 Vehicle Repair - In House	Maintenance	10,475	0	10,500	11,200	12,000	12,800	13,700	
4630 Equipment Repair - In House	Maintenance	9,700	0	9,700	10,400	11,100	11,900	12,700	
4640 Building Maintenance - In House	Maintenance	0	0	0	0	0	0	0	
4645 Heating/Cooling Repairs	Maintenance	0	0	0	0	0	0	0	
4680 Plant and System Repair - In House	Maintenance	30,375	0	30,400	32,500	34,800	37,200	39,800	
4700 Printing & Binding	Inflation	0	0	0	0	0	0	0	
4905 Safety Programs/Supply	Inflation	0	0	0	0	0	0	0	
4911 Holiday Gift Certificates	Inflation	125	0	100	100	100	100	100	
4995 Contingencies 1% of Revenues	Inflation	10,136	0	10,100	10,400	10,700	11,000	11,300	
5100 Office Supplies	Inflation	300	0	300	300	300	300	300	
5200 Operating Supplies	Inflation	2,800	0	2,800	2,900	3,000	3,100	3,200	
5202 Computer Supplies	Inflation	0	0	0	0	0	0	0	
5204 Fuel & Oil	Inflation	3,216	0	3,200	3,300	3,400	3,500	3,600	
5210 Uniform Expense	Inflation	810	0	800	800	800	800	800	
5219 Landfill Fees - Commercial	Inflation	0	0	0	0	0	0	0	
5220 Landfill Fees - Residential	Inflation	0	0	0	0	0	0	0	
5222 Landfill Fees - Yard Waste	Inflation	0	0	0	0	0	0	0	
5225 Sanitation Containers - Bulk	Inflation	0	0	0	0	0	0	0	
5226 Sanitation Containers - Residential	Inflation	0	0	0	0	0	0	0	
5230 ACH / Credit Card Fees	Inflation	0	0	0	0	0	0	0	
5231 Computer Hardware/Software	Inflation	900	0	900	900	900	900	900	
5233 Tools	Inflation	2,790	0	2,800	2,900	3,000	3,100	3,200	
5234 Safety Supplies/Equipment	Inflation	1,980	0	2,000	2,100	2,200	2,300	2,400	
5263 Operating Supplies >\$500<\$1000	Inflation	0	0	0	0	0	0	0	
4915 Legal Advertising	Inflation	0	0	0	0	0	0	0	
5501 Contingencies	Inflation	0	0	0	0	0	0	0	
5900 Depreciation	Inflation	0	0	0	0	0	0	0	
5300 Road Materials and Supplies	Inflation	5,500	0	5,500	5,600	5,700	5,800	5,900	
5400 Books, Dues & Publications	Inflation	650	0	700	700	700	700	700	
5500 Training	Inflation	1,650	0	1,700	1,700	1,700	1,700	1,700	
9901 Cost Allocation Reimbursement to GF	Inflation	172,214	0	172,200	176,500	180,900	185,400	190,000	
Subtotal		\$339,557	\$0	\$339,600	\$350,300	\$361,500	\$373,000	\$385,000	
<b>Total O&amp;M</b>		<b>\$692,041</b>	<b>\$30,832</b>	<b>\$722,900</b>	<b>\$750,500</b>	<b>\$779,500</b>	<b>\$809,400</b>	<b>\$840,800</b>	

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 7: Stormwater Budget Projections & Miscellaneous Revenues**

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Other Expenses:</b>									
9102 Transfer to GF - Franchise Fee		Inflation	\$60,816	0	\$60,800	\$62,300	\$63,900	\$65,500	\$67,100
<b>Capital Outlay:</b>									
6300 Improvements Other Than Buildings	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6362 Water Well Improvements	Maintenance	0	0	0	0	0	0	0	0
6402 Equipment	Inflation	5,750	0	5,800	5,900	6,000	6,200	6,400	
6406 Specialized Equipment	Inflation	0	0	0	0	0	0	0	0
6404 Trucks	Inflation	119,000	(119,000)	0	0	0	0	0	0
6405 Communication Equipment	Inflation	0	0	0	0	0	0	0	0
6420 Computer Hardware/Software	Inflation	0	0	0	0	0	0	0	0
5032 Sewer System Grouting & Lining	Maintenance	0	0	0	0	0	0	0	0
5045 Water Tank Maintenance	Maintenance	0	0	0	0	0	0	0	0
5048 Lift Station Rehab	Maintenance	0	0	0	0	0	0	0	0
5327 Hooper Drive Improvement	Maintenance	0	0	0	0	0	0	0	0
5016 Storm Drainage Improvement	Maintenance	0	0	0	0	0	0	0	0
5056 Water Line Replacement	Maintenance	0	0	0	0	0	0	0	0
5367 Water Meter Replacement Program	Maintenance	0	0	0	0	0	0	0	0
Subtotal			\$124,750	(\$119,000)	\$5,800	\$5,900	\$6,000	\$6,200	\$6,400
<b>Total Stormwater Budget</b>			<b>\$877,607</b>	<b>(\$88,168)</b>	<b>\$789,500</b>	<b>\$818,700</b>	<b>\$849,400</b>	<b>\$881,100</b>	<b>\$914,300</b>
<b>Miscellaneous Revenues</b>									
<b>Charges for Services:</b>									
Service Fees - Residential	Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Service Fees - Commercial	Other	0	0	0	0	0	0	0	0
Connection Fees - Residential	Other	0	0	0	0	0	0	0	0
Connection Fees - Commercial	Other	0	0	0	0	0	0	0	0
Stormwater Management Fee - Residential	Other	576,949	(576,949)	0	0	0	0	0	0
Stormwater Management Fee - Commercial	Other	417,575	(417,575)	0	0	0	0	0	0
Extra Pick-Up Residential	Other	0	0	0	0	0	0	0	0
Extra Pick-Up Commercial	Other	0	0	0	0	0	0	0	0
Tipping Fees - Residential	Other	0	0	0	0	0	0	0	0
Tipping Fees - Commercial	Other	0	0	0	0	0	0	0	0
Hydrant Service	Inflation	0	0	0	0	0	0	0	0
Work Orders	Labor	0	0	0	0	0	0	0	0
Service Fees	Other	0	0	0	0	0	0	0	0
Service Fees - Commercial Recycling	Other	0	0	0	0	0	0	0	0
Admin Fee - Returned Checks	Constant	0	0	0	0	0	0	0	0
Service Charges	Other	0	0	0	0	0	0	0	0
Cinco Bayou	Other	0	0	0	0	0	0	0	0
Special Events - Dumpster Delivery/Pick Up	Other	0	0	0	0	0	0	0	0
State Grants	Other	0	0	0	0	0	0	0	0
Penalties	Inflation	0	0	0	0	0	0	0	0
Subtotal			\$994,524	(\$994,524)	\$0	\$0	\$0	\$0	\$0
<b>Licenses &amp; Permits:</b>									
Solid Waste - 10% Roll Off	Inflation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal			\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Interest &amp; Other Revenue:</b>									
Interest Income	Inflation	\$22,356	(\$22,356)	0	0	0	0	0	0
Rental and Lease Income	Inflation	0	0	0	0	0	0	0	0
Sale of Surplus Assets	Inflation	0	0	0	0	0	0	0	0
Recycling Scrap Metal Sales	Inflation	0	0	0	0	0	0	0	0
Miscellaneous Revenue	Inflation	0	0	0	0	0	0	0	0
Subtotal			\$22,356	(\$22,356)	\$0	\$0	\$0	\$0	\$0
<b>Total</b>			<b>\$1,016,880</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Exhibit 8:

## **Sanitation Budget Projections and Miscellaneous Revenues**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 8: Sanitation Budget Projections & Miscellaneous Revenues**

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Personal Services:</b>									
1100 Executive Salaries	Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1200 Regular Salaries	Labor	746,185	70,850	817,000	849,700	883,700	919,000	955,800	
1201 Service Awards	Labor	541	0	500	500	500	500	500	500
1202 Incentive/ Merit Pay	Labor	0	0	0	0	0	0	0	0
1216 Final Leave Pay	Labor	1,500	0	1,500	1,600	1,700	1,800	1,900	
1300 Part-Time Wages	Labor	0	0	0	0	0	0	0	0
1400 Salaries - Overtime	Labor	11,800	0	11,800	12,300	12,800	13,300	13,800	
1401 Salaries - Overtime Holiday	Labor	19,390	0	19,400	20,200	21,000	21,800	22,700	
2100 FICA Taxes	Labor	40,208	3,800	44,000	45,800	47,600	49,500	51,500	
2101 Medicare	Insurance	9,404	900	10,300	11,000	11,800	12,600	13,500	
2200 Retirement Contributions	Labor	157,704	15,000	172,700	179,600	186,800	194,300	202,100	
2204 Retirement Contributions - DC Plan	Labor	21,061	0	21,100	21,900	22,800	23,700	24,600	
2300 Dental, Life & Health Insurance	Insurance	192,596	18,300	210,900	225,700	241,500	258,400	276,500	
2400 Worker's Compensation	Labor	51,780	0	51,800	53,900	56,100	58,300	60,600	
Subtotal		\$1,252,169	\$108,850	\$1,361,000	\$1,422,200	\$1,486,300	\$1,553,200	\$1,623,500	
<b>Operating Expenses:</b>									
3100 Professional Services	Inflation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3102 Employee Physicals & Immunizations	Inflation	0	0	0	0	0	0	0	0
3410 Delinquent Collections	Inflation	0	0	0	0	0	0	0	0
3400 Contractual Services	Inflation	2,100	0	2,100	2,200	2,300	2,400	2,500	
3421 TIP/Contamination Fees	Inflation	130,000	0	130,000	133,300	136,600	140,000	143,500	
4000 Travel / Training	Inflation	1,000	0	1,000	1,000	1,000	1,000	1,000	
4001 Tuition Reimbursement	Inflation	0	0	0	0	0	0	0	0
4100 Communication Services	Inflation	3,007	0	3,000	3,100	3,200	3,300	3,400	
4200 Postage & Freight	Inflation	135	0	100	100	100	100	100	
4300 Utilities	Inflation	6,583	0	6,600	6,800	7,000	7,200	7,400	
4400 Rentals and Leases	Inflation	1,858	0	1,900	1,900	1,900	1,900	1,900	
4610 Maintenance Contracts	Maintenance	0	0	0	0	0	0	0	0
4620 Vehicle Repair - In House	Maintenance	274,500	0	274,500	293,700	314,300	336,300	359,800	
4630 Equipment Repair - In House	Maintenance	3,450	0	3,500	3,700	4,000	4,300	4,600	
4640 Building Maintenance - In House	Maintenance	0	0	0	0	0	0	0	
4645 Heating/Cooling Repairs	Maintenance	0	0	0	0	0	0	0	
4680 Plant and System Repair - In House	Maintenance	0	0	0	0	0	0	0	
4700 Printing & Binding	Inflation	1,400	0	1,400	1,400	1,400	1,400	1,400	
4905 Safety Programs/Supply	Inflation	0	0	0	0	0	0	0	
4911 Holiday Gift Certificates	Inflation	500	0	500	500	500	500	500	
4995 Contingencies 1% of Revenues	Inflation	38,745	0	38,700	39,700	40,700	41,700	42,700	
5100 Office Supplies	Inflation	440	0	400	400	400	400	400	
5200 Operating Supplies	Inflation	17,500	0	17,500	17,900	18,300	18,800	19,300	
5202 Computer Supplies	Inflation	0	0	0	0	0	0	0	
5204 Fuel & Oil	Inflation	101,871	0	101,900	104,400	107,000	109,700	112,400	
5210 Uniform Expense	Inflation	3,135	0	3,100	3,200	3,300	3,400	3,500	
5219 Landfill Fees - Commercial	Inflation	647,800	0	647,800	664,000	680,600	697,600	715,000	
5220 Landfill Fees - Residential	Inflation	485,100	0	485,100	497,200	509,600	522,300	535,400	
5222 Landfill Fees - Yard Waste	Inflation	296,985	0	297,000	304,400	312,000	319,800	327,800	
5225 Sanitation Containers - Bulk	Inflation	42,345	0	42,300	43,400	44,500	45,600	46,700	
5226 Sanitation Containers - Residential	Inflation	20,900	0	20,900	21,400	21,900	22,400	23,000	
5230 ACH / Credit Card Fees	Inflation	0	0	0	0	0	0	0	
5231 Computer Hardware/Software	Inflation	300	0	300	300	300	300	300	
5233 Tools	Inflation	800	0	800	800	800	800	800	
5234 Safety Supplies/Equipment	Inflation	3,895	0	3,900	4,000	4,100	4,200	4,300	
5263 Operating Supplies >\$500<\$1000	Inflation	0	0	0	0	0	0	0	
4915 Legal Advertising	Inflation	0	0	0	0	0	0	0	
5501 Contingencies	Inflation	0	0	0	0	0	0	0	
5900 Depreciation	Inflation	0	0	0	0	0	0	0	
5300 Road Materials and Supplies	Inflation	0	0	0	0	0	0	0	
5400 Books, Dues & Publications	Inflation	373	0	400	400	400	400	400	
5500 Training	Inflation	350	0	400	400	400	400	400	
9901 Cost Allocation Reimbursement to GF	Inflation	406,311	0	406,300	416,500	426,900	437,600	448,500	
Subtotal		\$2,491,383	\$0	\$2,491,400	\$2,566,100	\$2,643,500	\$2,723,800	\$2,807,000	
<b>Total O&amp;M</b>		<b>\$3,743,552</b>	<b>\$108,850</b>	<b>\$3,852,400</b>	<b>\$3,988,300</b>	<b>\$4,129,800</b>	<b>\$4,277,000</b>	<b>\$4,430,500</b>	

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 8: Sanitation Budget Projections & Miscellaneous Revenues**

Account #	Description	Escalation Factor	FY 2020 Budget	Adjustments	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Other Expenses:</b>									
9102 Transfer to GF - Franchise Fee		Inflation	\$227,619	0	\$227,600	\$233,300	\$239,100	\$245,100	\$251,200
<b>Capital Outlay:</b>									
6300 Improvements Other Than Buildings	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6362 Water Well Improvements	Maintenance	0	0	0	0	0	0	0	0
6402 Equipment	Inflation	0	0	0	0	0	0	0	0
6406 Specialized Equipment	Inflation	0	0	0	0	0	0	0	0
6404 Trucks	Inflation	260,000	(260,000)	0	0	0	0	0	0
6405 Communication Equipment	Inflation	0	0	0	0	0	0	0	0
6420 Computer Hardware/Software	Inflation	0	0	0	0	0	0	0	0
5032 Sewer System Grouting & Lining	Maintenance	0	0	0	0	0	0	0	0
5045 Water Tank Maintenance	Maintenance	0	0	0	0	0	0	0	0
5048 Lift Station Rehab	Maintenance	0	0	0	0	0	0	0	0
5327 Hooper Drive Improvement	Maintenance	0	0	0	0	0	0	0	0
5016 Storm Drainage Improvement	Maintenance	0	0	0	0	0	0	0	0
5056 Water Line Replacement	Maintenance	0	0	0	0	0	0	0	0
5367 Water Meter Replacement Program	Maintenance	0	0	0	0	0	0	0	0
Subtotal			\$260,000	(\$260,000)	\$0	\$0	\$0	\$0	\$0
<b>Total Stormwater Budget</b>			<b>\$4,231,171</b>	<b>(\$151,150)</b>	<b>\$4,080,000</b>	<b>\$4,221,600</b>	<b>\$4,368,900</b>	<b>\$4,522,100</b>	<b>\$4,681,700</b>
<b>Miscellaneous Revenues</b>									
<b>Charges for Services:</b>									
Service Fees - Residential	Other	\$1,370,026	(\$1,370,026)		\$0	\$0	\$0	\$0	\$0
Service Fees - Commercial	Other	1,088,224	(1,088,224)		0	0	0	0	0
Connection Fees - Residential	Other	0	0		0	0	0	0	0
Connection Fees - Commercial	Other	0	0		0	0	0	0	0
Stormwater Management Fee - Residential	Other	0	0		0	0	0	0	0
Stormwater Management Fee - Commercial	Other	0	0		0	0	0	0	0
Extra Pick-Up Residential	Other	500	(500)		0	0	0	0	0
Extra Pick-Up Commercial	Other	10,194	(10,194)		0	0	0	0	0
Tipping Fees - Residential	Other	682,993	(682,993)		0	0	0	0	0
Tipping Fees - Commercial	Other	1,002,495	(1,002,495)		0	0	0	0	0
Hydrant Service	Inflation	0	0		0	0	0	0	0
Work Orders	Labor	0	0		0	0	0	0	0
Service Fees	Other	0	0		0	0	0	0	0
Service Fees - Commercial Recycling	Other	132,154	0	132,200	132,200	132,200	132,200	132,200	132,200
Admin Fee - Returned Checks	Constant	0	0	0	0	0	0	0	0
Service Charges	Other	0	0	0	0	0	0	0	0
Cinco Bayou	Other	1,000	0	1,000	1,000	1,000	1,000	1,000	1,000
Special Events - Dumpster Delivery/Pick Up	Other	1,272	0	1,300	1,300	1,300	1,300	1,300	1,300
State Grants	Other	0	0	0	0	0	0	0	0
Penalties	Inflation	0	0	0	0	0	0	0	0
Subtotal			\$4,288,858	(\$4,154,432)	\$134,500	\$134,500	\$134,500	\$134,500	\$134,500
<b>Licenses &amp; Permits:</b>									
Solid Waste - 10% Roll Off	Inflation	\$10,037	\$0	\$10,000	\$10,300	\$10,600	\$10,900	\$11,200	
Subtotal		\$10,037	\$0	\$10,000	\$10,300	\$10,600	\$10,900	\$11,200	
<b>Interest &amp; Other Revenue:</b>									
Interest Income	Inflation	\$14,752	\$0	\$14,800	\$15,200	\$15,600	\$16,000	\$16,400	
Rental and Lease Income	Inflation	0	0	0	0	0	0	0	
Sale of Surplus Assets	Inflation	0	0	0	0	0	0	0	
Recycling Scrap Metal Sales	Inflation	2,500	0	2,500	2,600	2,700	2,800	2,900	
Loan Repayment from GF	Other	0	55,663	55,700	55,700	55,700	55,700	55,700	
Miscellaneous Revenue	Inflation	25	0	0	0	0	0	0	
Subtotal		\$17,277	\$55,663	\$73,000	\$73,500	\$74,000	\$74,500	\$75,000	
<b>Total</b>			<b>\$4,316,172</b>		<b>\$217,500</b>	<b>\$218,300</b>	<b>\$219,100</b>	<b>\$219,900</b>	<b>\$220,700</b>

Exhibit 9:

## **Water and Wastewater Capital Improvement Program**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 9: Water and Wastewater Capital Improvement Program**

<b>Description</b>	<b>Funding Source</b>						
		<b>Total</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Revenue Fund	Reserves	<b>\$3,893,650</b>	\$197,000	\$1,115,000	\$1,384,650	\$650,000	\$547,000
Impact Fees - Water	Water IF	<b>0</b>	0	0	0	0	0
Impact Fees - Sewer	Sewer IF	<b>0</b>	0	0	0	0	0
Renewal & Replacement	R&R	<b>0</b>	0	0	0	0	0
New Bonds	Bonds	<b>0</b>	0	0	0	0	0
New SRF Loan	SRF	<b>1,500,000</b>	0	0	750,000	750,000	0
<b>Total</b>		<b>\$5,393,650</b>	\$197,000	\$1,115,000	\$2,134,650	\$1,400,000	\$547,000
<b>Uses</b>							
Water Tank Asset Management	Reserves	<b>\$500,150</b>	\$127,000	\$44,500	\$274,650	\$29,000	\$25,000
Meter Replacement	Reserves	<b>1,500,000</b>	0	250,000	750,000	500,000	0
Water Line Replacement	Reserves	<b>193,500</b>	0	55,500	45,000	51,000	42,000
Brooks Bridge Water Relocations	Reserves	<b>250,000</b>	0	0	250,000	0	0
Sewer System Rehabilitation	Reserves	<b>150,000</b>	30,000	30,000	30,000	30,000	30,000
Lift Station Rehabilitation	Reserves	<b>500,000</b>	0	500,000	0	0	0
Pump Station Rehabilitation (from budget)	Reserves	<b>100,000</b>	0	100,000	0	0	0
Brooks Bridge Sewer Relocations	SRF	<b>1,500,000</b>	0	0	750,000	750,000	0
Vehicle Replacement	Reserves	<b>600,000</b>	40,000	35,000	35,000	40,000	450,000
Reuse System	Reserves	<b>100,000</b>	0	100,000	0	0	0
<b>Total</b>		<b>\$5,393,650</b>	\$197,000	\$1,115,000	\$2,134,650	\$1,400,000	\$547,000

Exhibit 10:

## **Stormwater Capital Improvement Program**

**Fort Walton Beach****2019 Rate Study****Exhibit 10: Stormwater Capital Improvement Program**

<b>Description</b>	<b>Funding Source</b>	<b>Total</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Revenue Fund	Reserves	\$779,000	\$119,000	\$300,000	\$200,000	\$100,000	\$60,000
Debt	Debt	0	0	0	0	0	0
SRF	SRF	0	0	0	0	0	0
<b>Total</b>		<b>\$779,000</b>	<b>\$119,000</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>\$100,000</b>	<b>\$60,000</b>

<b>Uses</b>							
Storm Drainage Improvements	Reserves	\$400,000	\$0	\$300,000	\$100,000	\$0	\$0
Storm Drainage Improvements	Reserves	160,000	0	0	0	100,000	60,000
Vehicle Replacement	Reserves	219,000	119,000	0	100,000	0	0
Project 3	Reserves	0	0	0	0	0	0
<b>Total</b>		<b>\$779,000</b>	<b>\$119,000</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>\$100,000</b>	<b>\$60,000</b>

Exhibit 11:

## **Sanitation Capital Improvement Program**

**Fort Walton Beach****2019 Rate Study****Exhibit 11: Sanitation Capital Improvement Program**

<b>Description</b>	<b>Funding Source</b>						
		Total	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue Fund	Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Revenues	Revenue	1,580,000	260,000	260,000	510,000	275,000	275,000
SRF	SRF	0	0	0	0	0	0
<b>Total</b>		<b>\$1,580,000</b>	<b>\$260,000</b>	<b>\$260,000</b>	<b>\$510,000</b>	<b>\$275,000</b>	<b>\$275,000</b>

<b>Uses</b>							
		\$1,580,000	\$260,000	\$260,000	\$510,000	\$275,000	\$275,000
Vehicle Replacement	Revenue	\$1,580,000	\$260,000	\$260,000	\$510,000	\$275,000	\$275,000
<b>Total</b>		<b>\$1,580,000</b>	<b>\$260,000</b>	<b>\$260,000</b>	<b>\$510,000</b>	<b>\$275,000</b>	<b>\$275,000</b>

Exhibit 12:

## **Projected Water Revenue Requirements**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 12 - Projected Water Revenue Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Operating Expenses</b>	\$2,940,800	\$3,056,000	\$3,176,500	\$3,302,700	\$3,434,600
<b>Water System Debt Service</b>					
Series 2015 ('05 Refunding)	\$297,400	\$296,900	\$297,200	\$297,400	\$297,300
SRF WW284100	0	0	0	0	0
Proposed Revenue Bonds	0	0	0	0	0
Proposed SRF Loans	0	0	0	0	0
Total Water Service Debt Service	\$297,400	\$296,900	\$297,200	\$297,400	\$297,300
<b>Other Expenses/Transfers</b>					
Transfer to R&R Fund	\$0	\$0	\$0	\$0	\$0
Series 2018	267,800	267,800	267,800	267,800	267,800
General Fund Franchise Fee	337,900	346,300	355,000	363,900	373,000
Total Other Expense/Transfers	\$605,700	\$614,100	\$622,800	\$631,700	\$640,800
Total Gross Water Revenue Requirements	\$3,843,900	\$3,967,000	\$4,096,500	\$4,231,800	\$4,372,700
<b>Less Revenues from Other Sources</b>					
Miscellaneous Revenues	\$141,700	\$144,000	\$146,600	\$149,200	\$151,800
Net Water Revenue Requirements	\$3,702,200	\$3,823,000	\$3,949,900	\$4,082,600	\$4,220,900
<b>Water Sales Revenue from Rates</b>					
Revenue Forecast	\$3,791,900	\$3,909,800	\$4,025,100	\$4,146,300	\$4,269,300
Current Year Rate Adjustments					
Current Year Rate Adjustments	0.00%	2.50%	2.50%	2.50%	2.50%
Effective Month	Oct.	Oct.	Oct.	Oct.	Oct.
% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Net Revenue Surplus/Deficiency</b>	<b>\$89,700</b>	<b>\$86,800</b>	<b>\$75,200</b>	<b>\$63,700</b>	<b>\$48,400</b>

Exhibit 13:

## **Projected Wastewater Revenue Requirements**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 13: Projected Wastewater Revenue Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Operating Expenses</b>	\$5,189,200	\$5,316,600	\$5,513,500	\$5,718,800	\$5,929,400
<b>Wastewater System Debt Service</b>					
Series 2015 ('05 Refunding)	\$366,700	\$366,300	\$366,700	\$366,700	\$366,700
SRF WW284100	943,400	943,400	943,400	943,400	943,400
Proposed Revenue Bonds	0	0	0	0	0
Proposed SRF Loans	0	0	0	80,700	80,700
Total Wastewater Service Debt Service	\$1,310,100	\$1,309,700	\$1,310,100	\$1,390,800	\$1,390,800
<b>Other Expenses/Transfers</b>					
Transfer to R&R Fund	\$0	\$0	\$0	\$0	\$0
Series 2018	267,700	267,700	267,700	267,700	267,700
General Fund Franchise Fee	337,900	346,300	355,000	363,900	373,000
Total Other Expense/Transfers	\$605,600	\$614,000	\$622,700	\$631,600	\$640,700
Total Gross Wastewater Revenue Requirements	\$7,104,900	\$7,240,300	\$7,446,300	\$7,741,200	\$7,960,900
<b>Less Revenues from Other Sources</b>					
Miscellaneous Revenues	\$141,700	\$144,100	\$146,700	\$149,300	\$151,900
Net Wastewater Revenue Requirements	\$6,963,200	\$7,096,200	\$7,299,600	\$7,591,900	\$7,809,000
<b>Wastewater Sales Revenue from Rates</b>					
Projected Revenue	\$7,014,000	\$7,021,000	\$7,370,200	\$7,743,400	\$7,974,400
<b>Current Year Rate Adjustments</b>					
Current Year Rate Adjustments	0.00%	2.50%	4.50%	4.50%	2.50%
Effective Month	Oct.	Oct.	Oct.	Oct.	Oct.
% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Net Revenue Surplus/Deficiency</b>	<b>\$50,800</b>	<b>(\$75,200)</b>	<b>\$70,600</b>	<b>\$151,500</b>	<b>\$165,400</b>

Exhibit 14:

## **Projected Stormwater Revenue Requirements**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 14: Projected Stormwater Revenue Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Operating Expenses</b>	\$722,900	\$750,500	\$779,500	\$809,400	\$840,800
<b>Stormwater System Debt Service</b>					
Future SRF Loans	\$0	\$0	\$0	\$0	\$0
Total Stormwater Service Debt Service	\$0	\$0	\$0	\$0	\$0
<b>Other Expenses/Transfers</b>					
General Fund Franchise Fee	\$60,800	\$62,300	\$63,900	\$65,500	\$67,100
Series 2018	136,000	136,000	136,000	136,000	136,000
Total Other Expense/Transfers	\$196,800	\$198,300	\$199,900	\$201,500	\$203,100
Total Gross Stormwater Revenue Requirements	\$919,700	\$948,800	\$979,400	\$1,010,900	\$1,043,900
<b>Less Revenues from Other Sources</b>					
Miscellaneous Revenues	\$0	\$0	\$0	\$0	\$0
Net Stormwater Revenue Requirements	\$919,700	\$948,800	\$979,400	\$1,010,900	\$1,043,900
<b>Stormwater Sales Revenue from Rates</b>					
Projected Revenue from Existing Rates	\$1,104,700	\$1,108,600	\$1,112,700	\$1,116,700	\$1,120,800
Current Year Rate Adjustments					
Current Year Rate Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Effective Month	May	Oct.	Oct.	Oct.	Oct.
% of Current Year Effective	41.67%	100.00%	100.00%	100.00%	100.00%
<b>Net Revenue Surplus/Deficiency</b>	<b>\$185,000</b>	<b>\$159,800</b>	<b>\$133,300</b>	<b>\$105,800</b>	<b>\$76,900</b>

Exhibit 15:

## **Projected Sanitation Revenue Requirements**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 15: Projected Sanitation Revenue Requirements**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Operating Expenses</b>	\$3,852,400	\$3,988,300	\$4,129,800	\$4,277,000	\$4,430,500
<b>Sanitation System Debt Service</b>					
Future Loan	\$0	\$0	\$0	\$0	\$0
Total Sanitation Service Debt Service	\$0	\$0	\$0	\$0	\$0
<b>Other Expenses/Transfers</b>					
General Fund Franchise Fee	\$227,600	\$233,300	\$239,100	\$245,100	\$251,200
Series 2018	85,000	85,000	85,000	85,000	85,000
Vehicle Funding	260,000	260,000	510,000	275,000	275,000
Total Other Expense/Transfers	\$572,600	\$578,300	\$834,100	\$605,100	\$611,200
Total Gross Sanitation Revenue Requirements	\$4,425,000	\$4,566,600	\$4,963,900	\$4,882,100	\$5,041,700
<b>Less Revenues from Other Sources</b>					
Miscellaneous Revenues	\$217,500	\$218,300	\$219,100	\$219,900	\$220,700
Net Sanitation Revenue Requirements	\$4,207,500	\$4,348,300	\$4,744,800	\$4,662,200	\$4,821,000
<b>Sanitation Sales Revenue from Rates</b>					
Projected Revenue	\$3,877,080	\$4,203,050	\$4,534,020	\$4,761,030	\$4,937,590
Current Year Rate Adjustments					
Residential	\$0.00	\$2.50	\$2.50	\$1.50	\$1.00
Effective Month	May	Oct.	Oct.	Oct.	Oct.
% of Current Year Effective	41.67%	100.00%	100.00%	100.00%	100.00%
Commercial	0.00%	5.00%	5.00%	5.00%	5.00%
Effective Month	May	Oct.	Oct.	Oct.	Oct.
% of Current Year Effective	41.67%	100.00%	100.00%	100.00%	100.00%
<b>Net Revenue Surplus/Deficiency</b>	<b>(\$330,420)</b>	<b>(\$145,250)</b>	<b>(\$210,780)</b>	<b>\$98,830</b>	<b>\$116,590</b>

Exhibit 16:

## Fund Balance Forecast

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 16: Fund Balance Forecast**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water &amp; Wastewater Revenue Fund</b>					
Beginning Balance	\$8,724,400	\$8,615,100	\$7,456,500	\$6,159,950	\$5,664,850
Annual Operating Surplus	140,500	11,600	145,800	215,200	213,800
Transfer for CIP Funding	(197,000)	(1,115,000)	(1,384,650)	(650,000)	(547,000)
Additional Transfer to R&R	0	0	0	0	0
Capital in Operating Budget	(52,800)	(55,200)	(57,700)	(60,300)	(63,000)
Reserves used to pay 2018 Bonds	0	0	0	0	0
Ending Balance	\$8,615,100	\$7,456,500	\$6,159,950	\$5,664,850	\$5,268,650
Min Fund Bal (33% Total Expenses)	\$3,613,100	\$3,698,400	\$3,809,100	\$3,951,100	\$4,070,100
<b>R&amp;R Fund</b>					
Beginning Balance	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Transfer In (From Operations)	0	0	0	0	0
R&R CIP Expenditures	0	0	0	0	0
Additional Transfer from Rev Fund	0	0	0	0	0
Ending Balance	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Minimum Fund Balance	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
<b>Combined Revenue and R&amp;R Funds</b>					
Beginning Balance	\$9,474,400	\$9,365,100	\$8,206,500	\$6,909,950	\$6,414,850
Transfer In (From Operations)	140,500	11,600	145,800	215,200	213,800
CIP Funding	(197,000)	(1,115,000)	(1,384,650)	(650,000)	(547,000)
Capital in Operating Budget	(52,800)	(55,200)	(57,700)	(60,300)	(63,000)
Reserves used to pay 2018 Bonds	0	0	0	0	0
Ending Balance	\$9,365,100	\$8,206,500	\$6,909,950	\$6,414,850	\$6,018,650
Min Fund Bal (33% Total Expenses)	\$3,613,100	\$3,698,400	\$3,809,100	\$3,951,100	\$4,070,100
<b>Impact Fee Fund</b>					
Beginning Balance	\$440,200	\$460,600	\$481,000	\$501,400	\$522,000
Increase from New Customers					
Water	8,600	8,600	8,600	8,600	8,800
Sewer	11,800	11,800	11,800	12,000	12,000
Transfer for CIP Funding	0	0	0	0	0
Ending Balance	\$460,600	\$481,000	\$501,400	\$522,000	\$542,800
Minimum Fund Balance	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 16: Fund Balance Forecast**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Stormwater Revenue Fund</b>					
Beginning Balance	\$1,336,300	\$1,396,500	\$1,250,400	\$1,177,700	\$1,177,300
Annual Operating Surplus	185,000	159,800	133,300	105,800	76,900
Transfer for CIP Funding	(119,000)	(300,000)	(200,000)	(100,000)	(60,000)
Capital in Operating Budget	(5,800)	(5,900)	(6,000)	(6,200)	(6,400)
Ending Balance	\$1,396,500	\$1,250,400	\$1,177,700	\$1,177,300	\$1,187,800
Min Fund Bal (4 Months of O&M)	\$241,000	\$250,200	\$259,800	\$269,800	\$280,300
<b>Sanitation Revenue Fund</b>					
Beginning Balance	\$2,398,600	2,068,180	1,922,930	1,712,150	1,810,980
Annual Operating Surplus	(330,420)	(145,250)	(210,780)	98,830	116,590
Transfer for CIP Funding	0	0	0	0	0
Capital in Operating Budget	0	0	0	0	0
Ending Balance	\$2,068,180	\$1,922,930	\$1,712,150	\$1,810,980	\$1,927,570
Min Fund Bal (4 Months of O&M)	\$1,284,133	\$1,329,433	\$1,376,600	\$1,425,667	\$1,476,833

Exhibit 17:

## Proposed Rates

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 17: Proposed Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Inside City Rates</b>					
<b>Water</b>					
Monthly Base Charge					
Meter Size					
3/4"	\$11.21	\$11.49	\$11.78	\$12.07	\$12.37
1"	11.21	11.49	11.78	12.07	12.37
1.5"	15.23	15.61	16.00	16.40	16.81
2"	25.89	26.54	27.20	27.88	28.58
3"	39.45	40.44	41.45	42.49	43.55
4"	49.30	50.53	51.79	53.08	54.41
6"	78.43	80.39	82.40	84.46	86.57
8"	117.54	120.48	123.49	126.58	129.74
10"	117.54	120.48	123.49	126.58	129.74
Multi-Residential/Multi-Commercial Additional per Unit	8.30	8.51	8.72	8.94	9.16
Gallonage Rate per 1,000 gal					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 4,000)	3.34	3.42	3.51	3.60	3.69
Block 3 (4,001 - 8,000)	4.09	4.19	4.29	4.40	4.51
Block 4 (8,001+)	6.13	6.28	6.44	6.60	6.77
<b>Wastewater</b>					
Monthly Base Charge per Unit					
Residential	\$24.57	\$25.18	\$26.31	\$27.49	\$28.18
Commercial	29.49	30.23	31.59	33.01	33.84
Gallonage Rate per 1,000 gal					
Residential (capped at 16k/unit)					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001 - 16,000)	7.72	7.91	8.27	8.64	8.86
Commercial					
Block 1 (0-2,000)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Block 2 (2,001+)	9.27	9.50	9.93	10.38	10.64
Diminishing Charge					
Monthly Base Charge per Unit	\$0.38	\$0.00			
Monthly Base Charge per Unit	0.38	0.00			
Rate (per 1,000 gal)	0.38	0.00			
<b>Stormwater</b>					
Fee per ERU per Month	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

**Fort Walton Beach**  
**2019 Rate Study**  
**Exhibit 17: Proposed Rates**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Solid Waste</b>					
<b>Garbage Fees</b>					
One Container	\$10.60	\$13.10	\$15.60	\$17.10	\$18.10
Two Containers	21.20	26.20	31.20	34.20	36.20
Res Dumpster, Ind. Meters	10.60	13.10	15.60	17.10	18.10
One Container - Com	28.60	30.03	31.53	33.11	34.77
Two Containers - Com	57.20	60.06	63.06	66.21	69.52
Sharing Dumpster (Min Charge)	28.60	30.03	31.53	33.11	34.77
2YD/2WK	60.70	63.74	66.93	70.28	73.79
2YD/3WK	91.05	95.60	100.38	105.40	110.67
2YD/4WK	121.45	127.52	133.90	140.60	147.63
2YD/5WK	151.75	159.34	167.31	175.68	184.46
2YD/6WK	182.10	191.21	200.77	210.81	221.35
4YD/2WK	85.70	89.99	94.49	99.21	104.17
4YD/3WK	128.55	134.98	141.73	148.82	156.26
4YD/4WK	171.40	179.97	188.97	198.42	208.34
4YD/5WK	214.25	224.96	236.21	248.02	260.42
4YD/6WK	257.10	269.96	283.46	297.63	312.51
6YD/2WK	112.50	118.13	124.04	130.24	136.75
6YD/3WK	168.75	177.19	186.05	195.35	205.12
6YD/4WK	224.95	236.20	248.01	260.41	273.43
6YD/5WK	281.20	295.26	310.02	325.52	341.80
6YD/6WK	337.45	354.32	372.04	390.64	410.17
8YD/2WK	135.70	142.49	149.61	157.09	164.94
8YD/3WK	203.55	213.73	224.42	235.64	247.42
8YD/4WK	271.40	284.97	299.22	314.18	329.89
8YD/5WK	339.25	356.21	374.02	392.72	412.36
8YD/6WK	407.10	427.46	448.83	471.27	494.83
Compactor: Commercial Rate x 3 x Bulk Containers					
<b>Tipping Fees</b>					
One Container	\$7.03	\$7.03	\$7.03	\$7.03	\$7.03
Two Containers	13.90	13.90	13.90	13.90	13.90
Res Dumpster, Ind. Meters	7.03	7.03	7.03	7.03	7.03
One Container - Com	7.86	7.86	7.86	7.86	7.86
Two Containers - Com	15.77	15.77	15.77	15.77	15.77
Sharing Dumpster (Min Charge)	7.86	7.86	7.86	7.86	7.86
2YD/2WK	56.73	56.73	56.73	56.73	56.73
2YD/3WK	85.00	85.00	85.00	85.00	85.00
2YD/4WK	113.21	113.21	113.21	113.21	113.21
2YD/5WK	141.52	141.52	141.52	141.52	141.52
2YD/6WK	169.79	169.79	169.79	169.79	169.79
4YD/2WK	113.21	113.21	113.21	113.21	113.21
4YD/3WK	169.79	169.79	169.79	169.79	169.79
4YD/4WK	226.37	226.37	226.37	226.37	226.37
4YD/5WK	282.89	282.89	282.89	282.89	282.89
4YD/6WK	339.47	339.47	339.47	339.47	339.47
6YD/2WK	269.79	269.79	269.79	269.79	269.79
6YD/3WK	254.68	254.68	254.68	254.68	254.68
6YD/4WK	339.47	339.47	339.47	339.47	339.47
6YD/5WK	424.31	424.31	424.31	424.31	424.31
6YD/6WK	509.26	509.26	509.26	509.26	509.26
8YD/2WK	226.37	226.37	226.37	226.37	226.37
8YD/3WK	339.47	339.47	339.47	339.47	339.47
8YD/4WK	542.63	542.63	542.63	542.63	542.63
8YD/5WK	565.79	565.79	565.79	565.79	565.79
8YD/6WK	675.89	675.89	675.89	675.89	675.89
Compactor: Commercial Rate x 3 x Bulk Containers					

Exhibit 18:

## **Debt Service Coverage Forecast**

**Fort Walton Beach**

**2019 Rate Study**

**Exhibit 18: Water and Wastewater Debt Service Coverage**

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
System Revenues	\$10,805,900	\$10,930,800	\$11,395,300	\$11,889,700	\$12,243,700
Misc. Revenues	283,400	288,100	293,300	298,500	303,700
Total System Revenues	\$11,089,300	\$11,218,900	\$11,688,600	\$12,188,200	\$12,547,400
Operating Expenses	8,130,000	8,372,600	8,690,000	9,021,500	9,364,000
<b>Net Operating Revenue:</b>	<b>\$2,959,300</b>	<b>\$2,846,300</b>	<b>\$2,998,600</b>	<b>\$3,166,700</b>	<b>\$3,183,400</b>
<b>Senior Debt Service:</b>					
Series 2015 ('05 Refunding)	\$664,100	\$663,200	\$663,900	\$664,100	\$664,000
Proposed Revenue Bonds	0	0	0	0	0
Total Senior Debt Service	\$664,100	\$663,200	\$663,900	\$664,100	\$664,000
<b>Subordinate SRF Loans:</b>					
SRF WW284100	\$943,400	\$943,400	\$943,400	\$943,400	\$943,400
Proposed	0	0	0	80,700	80,700
Total SRF	\$943,400	\$943,400	\$943,400	\$1,024,100	\$1,024,100
Total Debt Service	\$1,607,500	\$1,606,600	\$1,607,300	\$1,688,200	\$1,688,100
<b>Net Revenues Less Debt Service</b>	<b>\$1,351,800</b>	<b>\$1,239,700</b>	<b>\$1,391,300</b>	<b>\$1,478,500</b>	<b>\$1,495,300</b>
<b>Senior Coverage Test</b>					
Calculated	4.46	4.29	4.52	4.77	4.79
Required Minimum	1.25	1.25	1.25	1.25	1.25
<b>Subordinate Coverage Test</b>					
Calculated	2.26	2.14	2.30	2.28	2.30
Required Minimum	1.15	1.15	1.15	1.15	1.15
<b>All-In Coverage</b>					
Calculated	1.84	1.77	1.87	1.88	1.89
Target	1.75	1.75	1.75	1.75	1.75
<b>Other Expenses/Transfers:</b>					
General Fund Franchise Fee	\$675,800	\$692,600	\$710,000	\$727,800	\$746,000
Series 2018	535,500	535,500	535,500	535,500	535,500
Transfer to R&R	0	0	0	0	0
Total Other Expenses/Transfers	\$1,211,300	\$1,228,100	\$1,245,500	\$1,263,300	\$1,281,500
<b>Net Surplus/Deficit</b>	<b>\$140,500</b>	<b>\$11,600</b>	<b>\$145,800</b>	<b>\$215,200</b>	<b>\$213,800</b>