

Columbia County / Ellisville Water System  
Proposed Water Rates

Revised: March 22, 2010

**Scenario 1:- Sales Revenue & Expenses Only, No Debt or Connection Costs Considered, Rates Cover Operating Costs**

Type of Charge	Units	Proposed Rate
<b>Customer Charge</b>		
Customer Charge	\$ / month	\$ 10.50
<b>Water Consumption Charge(s)</b>		
<i>Residential</i>		
Tier 1 (0 - 4,000 gallons)	\$ / 1,000 gallon	\$ 2.75
Tier 2 (4,001 - 8,000 gallons)	\$ / 1,000 gallon	\$ 3.66
Tier 3 (8,001 gallons and above)	\$ / 1,000 gallon	\$ 5.49
<i>Non-Residential (Commercial, Industrial, &amp; Fire Line Service)</i>		
Tier 1 (all consumption)	\$ / 1,000 gallon	\$ 3.66
<i>Irrigation Service</i>		
Tier 1 (all consumption)	\$ / 1,000 gallon	\$ 5.49

**Assumptions & Notes:**

**Customer Charge** is calculated to offset transfer to Internal Service Fund to capture cost of meter reading and billing services.

**Consumption Charges:**

Residential Tier 1 (0 - 4,000 gallons per month) targets ensuring that all residential customers have access to lowest cost water to meet basic needs.

Residential Tier 2 (4,001 - 8,000 gallons per month) targets water demands that are above those considered to be basic essential water demands.

Residential Tier 2 is calculated at 33% more than Tier 1

Residential Tier 3 (8,001 and above gallons per month) targets water demands that are considered to be discretionary.

Residential Tier 3 is calculated at 50% more than Tier 2

Non-Residential Service Tier 1 equals Residential Tier 2

Irrigation Tier 1 is considered discretionary and equals Residential Tier 3.

# Water Customer Projections

Revised:

March 22, 2010

**Scenario 1:- Sales Revenue & Expenses Only, No Debt or Connections Costs Considered, Rates Cover Operating Costs**

Residential Water Use: 275 gpd per ERU

Class	Meter Size	Number of Customers	Annual Water Consumption
Residential	75	97	9,736,375
	100	-	-
	150	-	-
	200	-	-
		97	9,736,375
			26,675 gpd

Wastewater / Water Ratio: 90%

Customer	Meter Size	Wastewater ADF (gpd)	Annual Water Consumption	Type of Use
SW4 - Buggy Bag Inc	75	800	324,444	Retail / Flea Market
SW3 - Webbs Mall	75	2,000	811,111	Retail / Flea Market
SW2 - Armando Alonso	75	1,200	486,667	Retail
SE2 - Amparo	75	500	202,778	Service Station
SE1 - Amparo	75	1,000	405,556	Service Station
NE6 - Dollar General	75	400	162,222	Retail
SE3 - Ellsville Investments	75	1,250	506,944	Retail
Unknown Commercial 1	75	800	324,444	Retail
Unknown Commercial 2	75	1,000	405,556	Retail
SW7 - Kinjac Corp	100	2,000	811,111	Convenience Store
NE2 - Jim Hinton Oil Co.	100	1,200	486,667	Convenience Store
NE3 - Ganeshai Food Mart	100	1,200	486,667	Convenience Store
NE4 - Mrudula Patel	100	1,200	486,667	Convenience Store
NW1 - GW Hunter	100	1,200	486,667	Convenience Store
SW6 - S&S Convenience Store	100	3,245	1,316,028	Convenience Store
Unknown Commercial 3	100	2,500	1,013,889	Convenience Store
SW1 - Huddle House Inc	150	2,000	811,111	Restaurant
SW6 - Cecil Shaw	300	1,800	730,000	RV Park
SW9 - Patel, Rash	200	1,000	405,556	Hotel
NE1 - Ramadev	200	2,500	1,013,889	Hotel
NE5 - Mrudula Patel	200	2,000	811,111	Hotel
SE4 - NKRM Inc, Sahara Inn	200	2,000	811,111	Hotel

Total Wastewater Flow (gpd): 32,795

13,300,195

Total Water Flow (gpd): 36,439

## Water Meter Count

Count 75 water meters:	9
Count 100 water meters:	7
Count 150 water meters:	1
Count 200 water meters:	5
Count 300 water meters:	0

22

Total Projected ADF:

63,114

# Water System Expenses Forecast

**Scenario 1: Sales Revenue & Expense Only, No Debt or Connection Costs Considered, Basin Cover Operating Costs**

Budget Category	Budgeted Expenses					Comments
	Year 1	Year 2	Year 3	Year 4	Year 5	
Personal Services	\$ 29,751	\$ 31,239	\$ 32,801	\$ 34,441	\$ 36,163	5% annual increase
Operating Expenses	\$ 44,374	\$ 46,393	\$ 48,922	\$ 51,368	\$ 53,937	5% annual increase
Capital Outlay	\$ 75,400	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	Yr 1, 94 taps, \$ annually after
Debt Service	\$ 86,140	\$ 86,140	\$ 86,140	\$ 86,140	\$ 86,140	FDEP SER loan
Transfer Internal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	Meter reading, billing, admin costs
Overhead Allocation & Transfer General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
Contingency	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	Flat rate
<b>Total Expenses</b>	<b>\$ 245,665</b>	<b>\$ 193,971</b>	<b>\$ 197,863</b>	<b>\$ 201,949</b>	<b>\$ 206,239</b>	
<b>Percent Change</b>	<b>---</b>	<b>-21.0%</b>	<b>2.0%</b>	<b>2.1%</b>	<b>2.1%</b>	
<b>Total Expenses - w/out Debt</b>	<b>\$ 159,525</b>	<b>\$ 107,831</b>	<b>\$ 111,723</b>	<b>\$ 115,809</b>	<b>\$ 120,099</b>	Capital Facility Charge Pay Debt
<b>Total Expenses - w/out New Service Connections</b>	<b>\$ 189,565</b>	<b>\$ 137,871</b>	<b>\$ 141,763</b>	<b>\$ 145,849</b>	<b>\$ 150,139</b>	Installation / Connection Charges Pay Costs
<b>Total Expenses - w/out Debt &amp; New Service Connections</b>	<b>\$ 101,425</b>	<b>\$ 107,831</b>	<b>\$ 111,723</b>	<b>\$ 115,809</b>	<b>\$ 120,099</b>	

# Water System Revenues Forecast - Year 1 Operations

March 22, 2010

Scenario 1:- Sales Revenue & Expenses Only, No Debt or Connections Costs Considered, Rates Cover Operating Costs

Rate Class / Category	Billing Units Calculated	Billing Units Used	UOM	Proposed Rate	Projected Revenue
<b>Residential Revenues</b>					
Customer Count	97	97	per mo	\$ 10.50	\$ 12,222
Tier 1 Sales (< 4,000 gal)	1,753	1,753	k gal / yr	\$ 2.75	\$ 4,820
Tier 2 Sales (> 4,000 and < 8,000 gal)	5,063	5,063	k gal / yr	\$ 3.66	\$ 18,518
Tier 3 Sales (> 8,000 gal)	2,921	2,921	k gal / yr	\$ 5.49	\$ 16,025
<b>Commercial Revenues</b>					
Customer Count	22	22	per mo	\$ 10.50	\$ 2,772
Sales	13,300	13,300	k gal / yr	\$ 3.66	\$ 48,645
<b>Irrigation Revenues (Future)</b>					
Customer Count	-	-	per mo	\$ 10.50	\$ -
Sales	-	-	k gal / mo	\$ 5.49	\$ -
<b>Other Revenues</b>					
Capital Facility Charges- Treatment Facility	-	-	per yr	\$ 1,500.00	\$ -
Capital Facility Charges- Distribution System	-	-	per yr	\$ 450.00	\$ -
Miscellaneous Service Fees	1	1	ls	\$ 500.00	\$ 500
					\$ -
					\$ -
<b>Total Water Sales Revenues</b>					\$ 103,501
<b>Revenue Requirements (from RevRequirements worksheet)</b>					\$ 103,425
<b>Surplus / Deficit</b>					\$ 76

# Water Rate Comparison for Communities in North Central Florida

March 22, 2010

## Scenario 1: Sales Revenue & Expenses Only, No Debt or Collections Costs Considered, Rates Cover Operating Costs

WTP Design Daily Flow Rate (gpd)	160,000	9,000,000	9,000,000	452,000	366,000	1,369,000	453,000	2,971,429
WTP Average Daily Flow Rate (gpd)	56,000	3,589,000	3,589,000	102,000	78,350	343,000	65,300	1,117,521
<b>Residential Service</b>								
Number of Residential Customers	72			278	220	660	343	315
Customer Charge	\$ 10.50	\$ 16.81	\$ 21.01	\$ 0.55	\$ 12.75	\$ 5.80	\$ 12.02	\$ 11.28
Consumption Charge(s)								
Tier 1	\$ 2.75	\$ 2.35	\$ 2.94	\$ 2.15	\$ 3.10	\$ 1.90	\$ 1.50	\$ 2.38
Tier 2	\$ 3.66				\$ 3.26			\$ 3.46
Tier 3	\$ 5.49				\$ 3.42			\$ 4.45
Tier 4					\$ 3.59			
Tier 5					\$ 3.70			
Total Monthly Charge (7,000 gallons)	\$ 32.47	\$ 33.26	\$ 41.59	\$ 15.60	\$ 34.75	\$ 19.10	\$ 22.52	\$ 28.47
Percent of Peer Average	114.1%	116.4%	146.1%	54.8%	122.1%	67.1%	79.1%	100.0%
<b>Non-Residential (Commercial, Industrial, &amp; Fire Pump/Fire Line) Service</b>								
Number of Commercial Customers	22			80	34	60	53	50
Customer Charge	\$ 10.50	varies	varies	\$ 0.55	\$ 36.75	\$ 7.25	\$ 26.60	\$ 6.55
Consumption Charge(s)								
Tier 1	\$ 3.66	\$ 2.35	\$ 2.94	\$ 2.15	\$ 3.10	\$ 2.38	\$ 2.00	\$ 2.65
Tier 2					\$ 3.26			\$ 3.26
Tier 3					\$ 3.42			\$ 3.42
Tier 4					\$ 3.59			
Tier 5					\$ 3.70			
Total Monthly Charge (20,000 gallons)	\$ 83.65	\$ 80.42	\$ 100.58	\$ 43.55	\$ 99.28	\$ 54.75	\$ 66.00	\$ 75.55
Percent of Peer Average	110.7%	106.5%	133.1%	57.6%	131.4%	72.5%	88.2%	100.0%

Customer Charge is calculated to offset transfer to Internal Service Fund to capture cost of meter reading, billing, and administrative services.

Availability Charge is developed for additional expenses incurred ensuring that water is available at the meter. Charge varies proportional to the flow rate (gallons per minute) available for use.

Consumption Charges:

Residential Tier 1 (0 - 4,000 gallons per month) targets ensuring that all residential customers have access to lowest cost water to meet basic needs.

Residential Tier 2 (4,001 - 8,000 gallons per month) targets water demands that are above those considered to be basic essential water demands.

Residential Tier 2 is 33% higher than Tier 1.

Residential Tier 3 (8,001 and above gallons per month) targets water demands that are considered to be discretionary.

Residential Tier 3 is 50% higher than Tier 2.

Commercial, Industrial, & Fire Line Service: Tier 1 equals Residential Tier 2.

Irrigation Tier 1 is considered discretionary and equals Residential Tier 3.

# FLORIDA RURAL WATER ASSOCIATION

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March 23, 2010

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Re: **Water Rate Study Findings and Recommendations**  
**Columbia County Water System**

Dear Mr. Williams:

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

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

**Executive Summary:** Florida Rural Water Association (FRWA) believes your customers are best served by self-sustained enterprises adequately financed with rates based on sound engineering and economic principles. The analysis should identify the true costs of providing services in the long-term. Rates and fees collected must be sufficient to maintain level of service, cover expenses, fund capital outlays, retire debt, and support reserves (debt-service, repair and replacement, minor capital projects, infrastructure reinvestment, and emergencies).

Florida Rural Water Association has included comments and recommendations in this report to allow your system to be financially sound if followed. The recommendations are based on the systems own data and is only as good as the data provided.



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The revenues are made up of (4) four categories and if anyone of these categories has a problem it can make rates escalate and add a burden to existing ratepayers. The categories are 1) Rates, 2) Capacity Fees, 3) Connection Fees, and 4) Other Fees.

**Finding** – A Capital Facility charge was created and recommended by Eutaw Utilities and presented in the 2007 Facilities Plan. In Florid Rural Water Associations opinion the Capital Facilities Charges per Equivalent Residential Unit are standard, customary, justifiable and reasonable.

Water Meter		Maximum Continuous Flow Rate (gpm)	Equivalent Residential Connection (ERC)	System Charge		
Size	Type			Treatment Facilities	Distribution Facilities	Total
5/8" x 3/4"	Positive Displacement	10	1.0	\$1,300	\$600	\$1,900
1"	Positive Displacement	25	2.5	\$3,700	\$1,800	\$5,500
1-1/2"	Positive Displacement	50	5.0	\$7,400	\$3,600	\$11,000
2"	Positive Displacement	80	8.0	\$11,840	\$5,760	\$17,600
3"	Compound	160	16.0	\$23,680	\$11,520	\$35,000

**Capacity Fees:** Capacity Fees are one-time charges assessed to the new connection or reimburse your utility for capital infrastructure investments – install pipelines, construct lift stations, build plants, purchase property, and so forth paid for by existing ratepayers. Capacity charges are a new customer "buy-in" charge-- proportional to the capacity set aside for the new development or connection. This fee allows new growth to pay for growth. In some systems these charges are called Impact Fees while others may be called Benefit Assessments, User Fees, Contributions In Aid of Construction (CIAC) or Connection Charges.

**Recommendation** – Florida Rural Water Association recommends that a Capacity Fee study is performed every (5) five years from the completion date. Florida Rural Water Association can perform this study for you and is covered under your membership.

**Recommendation** – Florida Rural Water Association recommends that all meter requests larger than a 3" should be calculated by the systems engineer or utility professional. Commercial meter request should always be calculated by the systems engineer or utility professional.

**Connection Fees:** Charges for hooking up to the Counties water system and shall be sufficient to cover the operational cost of labor, travel and/or materials. Including, but not limited to the cost of the original, or future replacement meter, meter boxes, corporation stop, valves and appurtenances or replacement thereof, but with a minimum charge of the following:

Meter Size	Material Cost of Meter	Installation Cost To	Minimum Charge To
Positive Displacement Meters			
5/8 -in	\$35	\$215	\$250
3/4-in	\$60	\$240	\$300
1-in	\$85	\$415	\$500
1.5-in	\$215	\$410	\$625
2-in	\$290	\$510	\$800
3-in Compound Meter	\$375	\$825	\$1,200

COMPARISON			
Location	ERC PER CONNECTION	Capacity Fee	Connection Fee
LAKE CITY, CITY OF	250	\$1,050	\$302
LAKE BUTLER, TOWN OF	250	\$1,002	\$250
COLUMBIA COUNTY	250	\$1,900	\$250
FORT WHITE, TOWN OF	300	\$1,229	\$750

Note: FORT White capacity fee does not include cost for distribution

**Finding** – The Utility Committee has requested that all properties in the water service area be required to hook up to the water service. Furthermore all connections will pay the Capacity Fee and Connection Fee.

**Recommendation** – Florida Rural Water Association agrees with the utility committee, such actions can cause hardship on property owners who cannot afford the associated fees. We suggest the following may help:

1. Property owners who can afford the fees at the time of application be given a discount.
2. Property owners who cannot, place the fees on a 10/year interest free payback program

Florida Rural Water Association can provide some suggested mathematical calculations on request.

**Fees and Charges:** Water and wastewater systems use a fee schedule to recoup certain costs associated with starting service and providing services beyond monthly water or wastewater service. In general, these fees can be classified into three categories: up-front fees, service fees and penalty fees.

Up-front fees (Start up fees) include meter installation, deposits, capital improvement or infrastructure fees, and impact fees.

Service fees are charged when the utility performs a service for a customer that goes beyond what is required for water or wastewater service. These fees, also called non-recurring charges, are intended to recover customer-specific costs, which would otherwise result in a monetary loss to the utility or increased rates to other customers who do not benefit from the service provided. These fees may include line extension fees, administrative fees, reconnection or relocation fees, capacity analysis and meter accuracy check fees, backflow prevention, and trip fees.

Penalty fees are used to discourage certain customer behaviors or practices. These fees include late and disconnection fees, illegal or unauthorized connection fees, and returned check fees. The costs associated with these fees generally include a reduction in revenue for a utility and that reduction may be built into the amount of the fee.



**Recommendation** – The Up-Front fees should be checked and adjusted every (5) five years. The Service fees and Penalty fees should be checked and adjusted on an annual basis.

**Finding** – The 2007 facility plan references the average residential drinking water connection will use 5,000 gallons per month. This was based on a 2.56 (2000 Census) person per average household in Columbia County. Florida Rural Water Association agrees with the Ten State Standards that suggest 100 gallons per day per capita as the normal drinking water demand.

The County is allowing each connection to maintain their present well that should be converted to irrigation if needed. This will allow for a true usage figure to be collected in the future.

Florida Rural Water Association will recommend a rate based on those numbers. When using these numbers the rate prediction is based on experience performing rate reviews to the more than 1400 systems we work with every year.

**Recommendation** – Florida Rural Water Association recommends the rate with a Monthly Base Charge based on meter size with a Usage Charge per 1,000 gallons used:

METER SIZE	BASE MINIMUM	COST PER 1,000 GALLONS
<b>Residential</b>		
5/8 -3/4	\$10.00	\$1.70
<b>Commercial</b>		
5/8 -3/4	\$15.00	\$2.55
1	\$25.00	\$2.55
1 1/2	\$50.00	\$2.55
2	\$80.00	\$2.55
3	\$160.00	\$2.55
4	\$250.00	\$2.55
6	\$500.00	\$2.55
8	\$800.00	\$2.55

**Recommendation** – Rates should be checked every budget year. A budget should not be approved if the rates will not support the revenue needed to meet expenses. Florida Rural Water Association recommends that rates be checked every year and a new rate analysis completed on the third year.

<sup>1</sup> GASB 34 "requires that governments report their capital assets in a statement of net assets and requires that the report show the depreciation in value of those assets. Specific asset reporting requirements include: (1) depreciation of assets must begin when the asset, equipment or facilities are acquired or put into service; (2) accumulated depreciation for all assets must be reported; and (3) assets acquired or built prior to 1980 are not required to be reported." Lee, et. al., *Public Budgeting Systems*, 8th Edition, (Jones & Bartlett Publishers) 2006, Table 2-4, p. 510-513

<sup>2</sup> Legitimate expenses include items such as computer support, billing, accounting, fleet maintenance, office space, or other activities "provided for water utility operations, and the like. Since inclusion of expenses for such services in the total revenue requirements would be proper if the utility were operating independently, it is also appropriate when the services are furnished by an associated government entity" *Water Rates*, AWWA Manual M1, Fourth Edition, 1999, American Water Works Association, p. 2

### Projected Water Expenses to Maintain Sustainable Infrastructure & Service

Operations Expense	2010	2011	2012	2013	2014	2015
Operating Exp.	\$69,770	\$71,165	\$72,589	\$74,040	\$75,521	\$77,032
Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Infrastructure Reserve Fund	\$18,140	\$18,502	\$18,873	\$19,251	\$19,636	\$20,028
Other Reserves	\$18,186	\$18,270	\$18,356	\$18,442	\$18,532	\$6,933
Total	\$106,096	\$107,937	\$109,818	\$111,733	\$113,689	\$103,993

1. 2% CPI adjustment is calculated in years 2011 to 2015
2. Year 2015 shows a drop Other Reserves, Truck and Tap Machine drop off

#### Projected Revenue generated by the new Rate

	2010	2011	2012	2013	2014	2015
Rate Revenue	\$106,186	\$108,310	\$110,476	\$112,685	\$114,939	\$117,238
Operating Expenses	\$106,096	\$107,937	\$109,818	\$111,173	\$113,689	\$103,933
Excess / Deficit	\$90	\$373	\$658	\$1,512	\$1,250	\$13,305

1. 2% CPI adjustment per year
2. Drop off of small capital items in 2015

**Recommendation** – It is prudent utility practice to sync water and wastewater rates with annual cost-of-living adjustments for the utility to keep pace with incremental costs into your rate ordinance – make this adjustment automatic based on a verifiable index. Use the Engineering News Record (ENR) Construction Consumer Index, the Florida Public Service Commission 2008 Price Index, or the United States Department of Labor Consumer Price Index (CPI).

**Recommendation** – The County should set aside money every year in a reserve account to help fund asset replacement and rehabilitation. The amount needed to save must be factored into the towns system's rates because rehabilitation and repair costs are part of the overall cost of providing service. If the town does not already have a reserve account, consider establishing one as soon as possible, having a reserve account is critical to developing financial capacity.

To establish and properly fund a reserve account you will need to rely on your capital improvement plan, in which you establish your asset rehabilitation and maintenance priorities and determine the funding required for these improvements. Asset management will be an important tool to help you do this. If you do not have a capital improvement plan we would recommend the town get with your engineer and start the plan as soon as possible. We have worked up figures to use until one is created based on the American Water Works Association (AWWA) standards of 3% Repair and Replacement; 3% Emergency; and 12% to 26% capital outlay.

Water Rate Comparison			
Columbia County		Lake City, City of	
Residential	Base Charge	Residential	Base Charge
5/8 x 3/4	\$10.00	5/8 x 3/4	\$15.25
Commercial		Commercial	
5/8 x 3/4	\$15.00	5/8 x 3/4	\$15.25
1	\$25.00	1	\$30.31
1 1/2	\$50.00	1 1/2	\$55.88
2	\$80.00	2	\$86.56
3	\$160.00	3	\$158.15
4	\$250.00	4	\$260.41
6	\$500.00	6	\$516.09
8	\$800.00	8	\$822.89
Cost Per 1,000 Gallons	\$2.55	Cost Per 1,000 Gallons	\$2.13
Residential cost per 1,000 gallons	\$1.70	Residential cost per 1,000 gallons	\$2.13

Note: Lake City is Raising Rates on April 6, 2010

**Recommendation** – Once the annual budget water enterprise fund has been prepared by the County Manager and approved by the County Commissioners, it is reasonable procedure to monitor revenues and expenses monthly and a quarterly financial report be submitted to the Town Council for their fiduciary oversight. This will forestall future financial issues in the enterprise fund.

**Recommendation** – FRWA recommends that the County continue to evaluate the water enterprise funds health in order to determine when future rate adjustments will be necessary, however annual adjustments in the CPI should be performed without fail or the Town will be facing this same situation again in a few years

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

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

The original mission for creation and ownership public water and wastewater utilities include many compelling objectives: (1) health and safety of citizens; (2) protect most vulnerable residents (aged, young, poor health, economically disadvantaged, etc.); (3) ability to return the

profit ordinarily collected by a private entity to the customer in the form of lower rates; (4) provide fire protection; (5) tool to expand the tax base; (6) ability to shape, facilitate or control growth; and (7) promotes home rule and self determination.

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

**Utility Revenue Requirements:** The various components of costs associated with operating and maintaining a utility system, as well as the costs of financing the renewals and replacements of existing facilities and the capital improvements for upgrades and expansions, are generally considered the revenue requirements of a public utility such as The Columbia County's water system. The sum of these costs, after adjusting for other income and other operating revenues available to the utility, represents the net revenue requirements to be recovered from rates.

**Operating Expenditures** – These expenditures include the cost of utilities, chemicals, salaries and benefits, materials and supplies, allocated administrative charges, and other items necessary for the daily operations and maintenance of the water and wastewater systems

**Debt Service** – Debt Service includes the principal and interest of the system's current loans.

**Renewal and Replacement Fund / Capital Replacement Account** – This component of cost includes:

- Funding of the utility's renewal and replacements as defined in AWWA M28 manual of practice, it is recommended that this fund should be obtained from an analysis of system assets<sup>1</sup>, or at least 15% to 26% of the total system budget.
- Funding of an ongoing capital replacement account to provide for the continued renewal, upgrade, and betterment of utility system assets. These requirements are funded annually from utility rates and have been identified as a separate revenue requirement for rate determination purposes.<sup>2</sup>

**Results of Rate Study:** EPA recommends that water & wastewater systems set rates to ensure that there are sufficient revenues in place to support the costs of doing business. The full-cost pricing for rates shall include the costs for operating, maintaining, repairing, rehabilitating and replacing infrastructure.<sup>3</sup>

We recommend that you revisit the revenue/expense predictions, current financial position and, other indicators during the annual budget approval process, adjusted the rates as needed. One of three things will happen:

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<sup>1</sup> Analysis of system assets for state and local governments per Governmental Accounting Standards Board (GASB) 34. GASB White Paper: Why Governmental Accounting and Financial Reporting Is – And Should Be – Different, [www.gasb.org/white\\_paper\\_mar\\_2006.html](http://www.gasb.org/white_paper_mar_2006.html), p. 26-27

<sup>2</sup> GASB 34 requires that governments report their capital assets in a statement of net assets and requires that the report show the depreciation in value of those assets. Specific asset reporting requirements include: (1) depreciation of assets must begin when the asset, equipment or facilities are acquired or put into service; (2) accumulated depreciation for all assets must be reported; and (3) assets acquired or built prior to 1980 are not required to be reported.\* Lee, et al., *Public Budgeting Systems*, 8th Edition, (Jones & Bartlett Publishers) 2006, Table 2-4, p. 510-513

<sup>3</sup> Case Studies of Sustainable Water and Wastewater Pricing: USEPA Document No. EPA 816-R-05-007 (December 2005). See: [www.epa.gov/safewater](http://www.epa.gov/safewater)



1. If the predicted and current financial positions match closely, and if future needs are like those anticipated in the analysis, the County should increase rates by the factors recommended in the analysis. The County Manager provides the recommended rate adjustment. This is a slam-dunk easy adjustment.
2. If the two diverge modestly, the County should adopt rates that will get the system back on track. The County Manager does the simple math and provides the recommended rate adjustment. This is only slightly more complex than a slam-dunk.
3. If the predicted financial performance diverges wildly from the actual, a simple math calculation won't do. It's time for a new comprehensive analysis – please call us to run the numbers, we are only too happy to do this for you. The analysis is complex but the Towns part is still easy to do.

**Recommendations:** When a new rate review is completed it often requires two public hearings and a rate ordinance to place it law. Your legal counsel will confirm the requirements for your public notice and hearing(s).

We have enjoyed serving you and wish your water and system the best. Please feel free to contact me if you have any further questions at 850-668-2746 ext 175, [Bill.Secoy@frwa.net](mailto:Bill.Secoy@frwa.net), or Sterling Carroll at 850-668-2746 ext 118, [Sterling.Carroll@frwa.net](mailto:Sterling.Carroll@frwa.net).

Sincerely,



William Secoy  
Financial / Management Circuit Rider  
Florida Rural Water Association

Copy: Sterling L. Carroll, FRWA State Engineer