

**1. Discussion Objective:**

**Work Session Date:** August 1, 2011

Discuss the proposal made by Lee County Utilities to increase the wholesale water rates.

**2. Submitter of Information:**

Council

Town Staff - Public Works

Town Attorney

**3. Estimated Time for this item:**

15 minutes

**5. Background:**

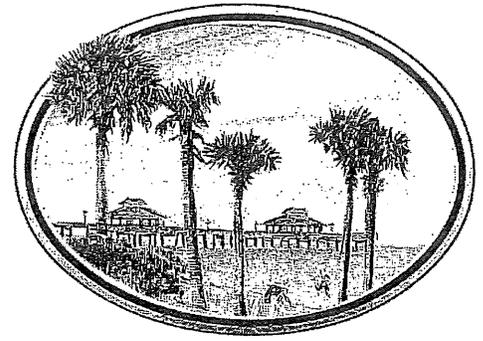
Notice was received by Lee County Utilities of proposed revisions to the water and wastewater rate structure which will include a revision to the wholesale water rates. The wholesale water rate is proposed to increase from \$3.20 to \$3.46 per thousand gallons. The proposal is scheduled for a public hearing on August 9, 2011. Should the BOCC approve the proposal the new rates are scheduled for implementation on October 1, 2011. Town Council and PWSI will need to determine if they want to pass the increase on to it's' customer base or absorb it and provide guidance to staff.

Documents attached:

- Memorandum to Town Manager
- Notice of Proposed Rate Revisions
- Executive Summary from LCU Rate Study
- Critical Path

Town Manager	Town Attorney	Finance Director	Public Works Director	Community Development Director	Cultural Resources Director	Town Clerk
						

# TOWN OF FORT MYERS BEACH



## MEMORANDUM

DATE: June 30, 2011

TO: Terry Stewart, Town Manager *TS*  
Marilyn Miller, Fowler White Boggs (via e-mail)

FROM: Cathie Lewis, Public Works Director *CL*

SUBJECT: Hearing Notice regarding Wholesale Water Rates

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The Town is in receipt of a notice from Lee County Utilities that on August 9, 2011 the County Commissioners will be holding a hearing to consider a utility rate increase including an increase to the wholesale water rates from \$3.20 to \$3.46 per thousand gallons. An increase to the water and wastewater retail rates is also included in the proposal. Pursuant to the notice, should the BOCC approve the proposal, the new rates will become effective October 1, 2011 (notice attached).

On August 5, 2008, the BOCC approved an addendum to the Interlocal Agreement with the Town associated with increases to the wholesale rates (copy attached). The addendum provides for a thirty day advance notice of scheduled public hearings associated with wholesale rate increases and a 90 day advance notice of the proposed increase. These provisions were put in place to provide the Town with sufficient time to hold the required hearings should the Town choose to increase rates to offset the County's increase.

The 30 day notice has certainly been met and depending on interpretation of the Addendum the 90 day notice has been met. Assuming that, it still may be difficult for the Town to implement a rate modification effective October 1, 2011 given the process. I have prepared a critical path (as attached) to assist with setting dates, etc.

Based on the intent of the Addendum it seems appropriate to request that the County, at the August 9, 2011 hearing, delay implementation of the wholesale water rate increase should they approve it as part of the hearing. Based on the Town's implementation schedule I believe December 1, 2011 is a reasonable extension.

Should this process move forward, I would also like to use this as an opportunity to clean-up some other rates and charges that were not adequately addressed during the 2009 rate adjustment, such as returned check charges, meter tests, trip charges, fire service charges, etc.

Attached to the e-mail is a copy of the LCU rate study for your reference. After you have had an opportunity to review this and the attached information, I will be happy to discuss this further.

Attachment

pc: file

**NOTICE OF PROPOSED REVISIONS TO CERTAIN**  
**LEE COUNTY UTILITIES (LCU) RATES AND CHARGES**  
**(SECTION 180.135, F.S.)**

You are hereby advised and officially noticed that representatives of LCU and its rate consultants will be bringing certain proposed revisions to rates and charges of LCU at a public hearing to be held by the Lee County Board of County Commissioners on Tuesday, August 9, 2011 at 5:00 p.m.o'clock in the Board's Chambers of the Old Lee County Courthouse, 2<sup>nd</sup> Floor, 2120 Main Street, Fort Myers, Florida.

Information concerning the proposed revisions to the LCU rates and charges will be available after June 30, 2011 at [www.leegov.com/utilities](http://www.leegov.com/utilities) with hard copies available for viewing at the following Lee County Government locations:

Customer Service Center, 7391 College Parkway

Public Works, 1500 Monroe Street, 3<sup>rd</sup> Floor

County Administration-Public Resources, 2115 Second Street, 1<sup>st</sup> Floor

This notice is provided per Section 180.136, Florida Statutes, and is supplemental to all other public hearing notice requirements for utility rates and charges revisions pursuant to Florida law.

BOARD OF COUNTY COMMISSIONERS

LEE COUNTY, FLORIDA

**ADDENDUM #1 TO AGREEMENT FOR SALE AND PURCHASE  
OF POTABLE WATER BY AND BETWEEN LEE COUNTY,  
FLORIDA AND THE TOWN OF FORT MYERS BEACH**

THIS ADDENDUM is made and entered into on the 5th of  
August 2008, by and between LEE COUNTY, Florida, a political  
subdivision and charter county of the State of Florida (County) and the TOWN  
OF FORT MYERS BEACH, a Florida Municipal Corporation (Town), collectively  
the "Parties" hereto, for the sale and purchase of treated potable water (the  
Agreement), as follows:

1. Section 3.1 of the Agreement is hereby modified to read:

Section 3.1 of the Agreement is hereby deleted in its entirety and the  
following shall substitute therefor:

"3.1 The Town shall pay the County's current "County-wide Wholesale  
Potable Water Rate" per 1,000 gallons of water consumption. The  
"Wholesale Water Rate" may be further adjusted by the County from  
time to time, system-wide.

The County will provide the Town with at least ninety (90) days actual  
prior notice, with back-up documentation, of any proposed adjustments  
in the County-wide Wholesale Potable Water Rate. In addition, the  
County will provide the Town with at least thirty (30) days actual prior  
notice with back-up documentation, of any public hearings to be held  
by the County where county-wide increases to the County's Wholesale  
Potable Water Rate are being proposed.

2. Section 3.8 of the Agreement is hereby modified to add the following  
paragraphs:

"The County and Town agree that the Town shall include the  
wastewater billing with the potable water customer billings. The  
County shall pay directly to the collection agency any and all costs  
associated with the County's collection of past due wastewater

accounts. The Town agrees to pay to the County the cash receipts, including charges for services, late fees, penalties, administrative fees and grease trap inspection, collected for the wastewater billing in a timely manner. Cash receipts for the collection of wastewater billing shall be paid to the County within thirty-five (35) days of the end of the month that the cash receipts are received.”

“For all billing services to be rendered to the County by the Town hereunder, the County shall pay the Town on an annual basis a sum equal to the following computation: Annual Billing Service Cost (ABSC) multiplied by  $ww/(pw+ww)$ , where “ww” is the Lee County Utilities average number of wastewater customers as of the then-current fiscal year and “pw” is the Town’s average number of potable water customers as of the then-current fiscal year. Exhibit C, which is incorporated herein by reference, contains specific examples of this computation. The Town shall invoice the County for this subsequent to the conclusion of each fiscal year, and the County shall remit payment within thirty (30) days of its receipt of the Town’s invoice. This payment shall not be subject to any set-offs by the County against sums due from the Town to the County hereunder.”

3. Except as specifically modified herein, the Agreement is hereby ratified and confirmed by the Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized officials, on the date above first written.

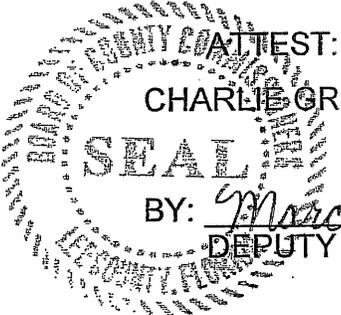
ATTEST: \_\_\_\_\_ TOWN OF FORT MYERS BEACH \_\_\_\_\_

BY: *Michelle Mayher*  
MICHELLE MAYHER,  
TOWN CLERK

BY: *Larry White*  
MAYOR

APPROVED AS TO LEGAL FORM:

BY: *Anne Dalton*  
ANNE DALTON, ESQUIRE  
TOWN ATTORNEY



ATTEST:  
CHARLIE GREEN, CLERK

BOARD OF COUNTY COMMISSIONERS

BY: *Marcia Wilson*  
DEPUTY CLERK

BY: *Ray Judal*  
CHAIR

APPROVED AS TO LEGAL FORM:

BY: *Scott S. Pugh*  
COUNTY ATTORNEYS OFFICE

Exhibit "C"  
Formula

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Annual Billing Service Cost (ABSC) multiplied by the wastewater (ww) component (average number of customers) divided by the combined Town water (pw) component (average number of customers) and wastewater component (average number of customers) equals Lee County Prorata Billing Share (LCPBS)

$$ABSC \times (ww / (pw + ww)) = LCPBS$$

\*\*\*\*\*

Example for FY 07

$$\$27,999.25 \times (3,036 / (3,179 + 3,036)) = \$13,719.63$$





**LEE COUNTY**  
S O U T H W E S T F L O R I D A

**WATER AND WASTEWATER  
RATE AND MISCELLANEOUS  
CHARGE STUDY**

**JUNE 2011**



**Public Resources Management Group, Inc.**  
*Utility, Rate, Financial and Management Consultants*



**Public Resources Management Group, Inc.**

*Utility, Rate, Financial and Management Consultants*

June 14, 2011

Honorable Members of the County Commission  
Lee County Government  
2115 Second Street  
Fort Myers, FL 33901

Subject: **Water and Wastewater Rate and Miscellaneous Charge Study**

Ladies and Gentlemen:

Public Resources Management Group, Inc. (PRMG) has completed our review and analysis of the existing water and wastewater utility rates and miscellaneous charges (the "Analysis" or "Study") on behalf of the Lee County Public Works – Utilities Division (LCU) of Lee County, Florida (the "County"), and has presented the results of our analyses, assumptions, and recommendations in this report for your consideration. The Study represents a continuation of the recently completed Financial Feasibility Report (the "Bond Report") supporting the issuance of the Water and Sewer Refunding Revenue Bonds, Series 2011 (the "Series 2011 Bonds"). The preparation of the Bond Report included the development of a projected five (5) year financial forecast comprising the Fiscal Years 2011 through 2015 (the "Forecast Period") and identified necessary rate adjustments related to the projected funding requirements of the Water and Wastewater Utility Systems (the "Utility"). The Study relied upon the principle assumptions of the Bond Report related to the financial forecast, which has been updated to include current capital cost projections and other operational data as provided by the County since completion of the Bond Report as disclosed in this Study.

During the course of the Study, the existing rates were evaluated in their capacity to meet a number of goals and objectives. The principle objective of the rate evaluation was to reasonably recover the cost of providing service and to maintain the financial strength of the Utility. To meet the principle objectives of the Study the following rate adjustments are identified for the Forecast Period:

	<b>Recommended Water and Wastewater Rate Revenue Adjustments [*]</b>			
	Projected Fiscal Year Ending September 30,			
	2012	2013	2014	2015
Water System	6.0%	6.0%	2.3%	2.3%
Wastewater System	8.0%	8.0%	4.6%	4.6%
Combined System	7.0%	7.0%	3.5%	3.5%

[\*] Assumes implementation of rate adjustments at the outset of the respective Fiscal Year identified.

As can be seen above, additional rate adjustments have been identified for both the water and wastewater systems during the Forecast Period. Furthermore, based on the cost allocation analyses prepared as part of this Study, the wastewater system is projected to require a greater overall rate increase when compared to the projected increases to the water system. The projected rate adjustments on a combined system basis are consistent with those identified in the Bond Report and are primarily due to:

- Continued increases in the cost of operation and maintenance accounts for approximately 60% of the identified rate increases;
- Increases in annual debt service payments associated with the Gateway State Revolving Fund loan and projected issuance of additional indebtedness to fund necessary improvements to the Green Meadows water treatment facilities accounts for approximately 22% of the identified rate adjustments; and
- Increases in annual fund transfers to the Renewal and Replacement Fund and unrestricted cash reserves for the purpose of internally funding future capital improvements of the Utility and to reduce the financial risk to the Utility by limiting the use of future indebtedness to meet capital needs accounts for approximately 18% of the identified rate increases.

It should be noted that rates were last adjusted by the County in Fiscal Year 2008 and that Utility staff did recommend a series of rate adjustments for consideration by the Board of County Commissioners (the "BOCC"). Specifically, the County recommended a series of phased rate increases for the water system (compound change of 3.5%) and for the wastewater system (compound change of 4.5%) through Fiscal Year 2013. Such increases were not approved by the BOCC and were deferred. Accordingly, a portion of the proposed rate increase as identified in the Study can be attributable to this rate deferral.

The County's recommended rate levels are considered by PRMG to be reasonable and adequately reflect the cost of providing service for the Utility. During the recent issuance of the Series 2011 Bonds, the Utility received a favorable credit rating by the rating agencies, which allowed for access to capital markets and a lower overall cost of borrowing. The credit rating was predicated on the strength of the Utility's recent financial performance and projected performance recognizing implementation of the identified rate adjustments. Should no rate adjustments be recognized during the Forecast Period, it is anticipated that the Utility's financial position may be adversely affected and result in:

- Reduced operating margins and decreased cash reserves below minimum required targets / financial policy (e.g., 60 days of operating expenses);
- Reduced all-in debt coverage ratios (i.e., net revenues as a percent of total annual debt service payments) below current levels, declining from 180% to below 100%, implying an

Honorable Members of the County Commission  
Lee County Government  
June 14, 2011  
Page 3

insufficiency of the existing rate revenues to fund existing and anticipated annual debt service payments;

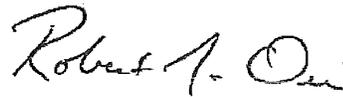
- Limited ability to fund capital improvements from internal sources (e.g., cash reserves / rate revenues) as well as a limited ability to fund the minimum transfers to the Renewal and Replacement Fund as required by the County's authorizing Bond Resolution No. 93-06-04 as amended and supplemented by Resolution No. 11-03-27 adopted March 22, 2011 (the "Bond Resolution");
- Potential non-compliance with the rate covenant delineated in the Bond Resolution and the subordinate loan agreements; and
- Reduced creditworthiness and limited ability to issue future indebtedness (at low interest cost) to finance construction of necessary capital improvements to the Utility.

With respect to the existing miscellaneous fees of the Utility and based on discussion with Utility staff, the miscellaneous services (e.g., turn-on/off, premise visits, etc.) provided by the Utility were evaluated to identify associated costs of providing service. The general findings of our evaluation identified a series of increases to various miscellaneous charges primarily related to increases in the cost of personnel, fuel and materials.

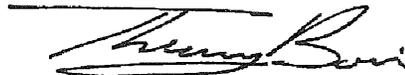
Following this letter, we have provided an executive summary that summarizes the report and outlines our recommendations and conclusions to the County relative to the utility rates and miscellaneous charges. We appreciate the opportunity to be of service to the County and the fine cooperation and valuable assistance given to us by Utility staff in the completion of the study.

Respectively submitted,

**Public Resources Management Group, Inc.**



Robert J. Ori  
President



Thierry A. Boveri  
Rate Consultant

RJO/dlc  
Attachments

LEE COUNTY, FLORIDA

WATER AND WASTEWATER RATE AND MISCELLANEOUS CHARGE STUDY

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LEE COUNTY, FLORIDA

WATER AND WASTEWATER RATE AND MISCELLANEOUS CHARGE STUDY

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LEE COUNTY, FLORIDA

WATER AND WASTEWATER RATE AND MISCELLANEOUS CHARGE STUDY

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## LEE COUNTY, FLORIDA

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**LEE COUNTY, FLORIDA**

**WATER AND WASTEWATER RATE AND MISCELLANEOUS CHARGE STUDY**

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## LEE COUNTY, FLORIDA

### WATER AND WASTEWATER RATE AND MISCELLANEOUS CHARGE STUDY

#### EXECUTIVE SUMMARY AND RECOMMENDATIONS

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##### GENERAL

Public Resources Management Group, Inc. (PRMG) has completed our review and analysis of the existing water and wastewater utility rates and miscellaneous charges (the "Analysis" or "Study") on behalf of the Lee County Public Works – Utilities Division (LCU) of Lee County, Florida (the "County"), and has presented the results of our analyses, assumptions, and recommendations in this report. The principal goals and objectives of the Study were to:

- Evaluate the sufficiency of existing utility rate revenues and identify rate increases if necessary to fund the projected expenditures, meet financial policy/targets and maintain compliance with the authorizing Bond Resolution by Resolution No. 11-03-27 (the "Bond Resolution") adopted March 22, 2011 as amended and supplemented from time to time and subordinate loan agreements with the Florida Department of Environmental Protection ("FDEP") through the State Revolving Fund ("SRF") loan program, all associated with the outstanding indebtedness of the water and wastewater utility system (the "Utility" or "System");
- Develop recommended rates based upon a cost allocation analysis among the respective water system and wastewater system utility systems and the rate design/cost attributes; and
- Evaluate the cost of service associated with various miscellaneous charges and provide recommended changes to the level of fees.

As previously mentioned, the financial forecast was primarily based upon recent analyses documented in the Financial Feasibility Report dated March 23, 2011 (the "Bond Report") in support of the issuance of the Water and Sewer Refunding Revenue Bonds, Series 2011 (the "Series 2011 Bonds"). Additionally, we have relied upon certain information made available by Utility staff including: i) detailed customer statistics and bill frequencies used in the design of rates, especially as it relates to the identification of billed water sales among the variable water rate tiers; ii) updated financial information related to the capital improvement program and anticipated funding sources; iii) final debt service schedules for the Series 2011 Bonds; and iv) other financial or statistical information.

##### EXISTING RATES

As previously mentioned, the County's existing rates for monthly water and wastewater service has not been adjusted since the outset of the Fiscal Year 2008 (i.e., October 1, 2007) pursuant to Resolution No. 07-08-70 (the "Rate Resolution"). Accordingly, the existing rates have been in effect without adjustment or price indexing for over three (3) years. Since implementation of the last rate adjustment, cost of utility operation and system improvements funded from rate revenues have increased. Moreover, billed water sales have experienced declines for the same

period, which are considered as being permanent in nature, resulting in reduced operating margins.

The existing monthly rates for water and wastewater service include: i) a monthly administrative fee applied to each account billed regardless of the number of dwelling units served; ii) a monthly service (base) charge based on the number of dwelling units served; iii) a variable or usage charge which increases in cost based on water use (i.e., an inclining block rate) to promote water conservation which is based on metering to each users premise; and iv) for the wastewater system, a monthly maximum billing threshold for the residential single-family and multi-family classes amounting to 9,000 gallons of metered water consumption (cap).

The following is a summary of the existing water system rates of the County, all as delineated in the Rate Resolution:

<b>Summary of Existing Monthly Water Rates</b>			
Customer Classification	Monthly Service Charge	Usage Charge (Per 1,000 gallons)	
<b>Water Service:</b>			
<b>Residential Service:</b>			
Administrative Charge [1]	\$2.82 per account		
Single-Family per Unit	\$7.78 per unit	0 - 6,000	\$2.84
		6,001 - 12,000	3.49
		12,001 - 18,000	4.14
		18,001 and above	5.43
Multi-Family per Unit	\$6.21 per unit	0 - 4,800	\$2.84
		4,801 - 9,600	3.49
		9,601 - 14,400	4.14
		14,401 and above	5.43
Recreational Vehicle per Unit/Lot	\$3.14 per unit	0 - 2,400	\$2.84
		2,401 - 4,800	3.49
		4,801 - 7,200	4.14
		7,201 and above	5.43
<b>Commercial and All Non-Residential [2]</b>			
5/8" ERU Ratio – 1.0	\$10.60	For Each ERU	
3/4" ERU Ratio – 1.5	14.50	1 - 6,000	\$2.84
1" ERU Ratio – 2.5	22.28	6,001 - 12,000	3.49
1-1/2" ERU Ratio – 5.0	41.73	12,001 - 18,000	4.14
2" ERU Ratio – 8.0	65.07	18,001 and above	5.43
3" ERU Ratio – 16.0	127.32	Non-Irrigation Class	
4" ERU Ratio – 25.0	197.35	Per 1,000	
6" ERU Ratio – 50.0	391.87		\$2.84
8" ERU Ratio – 80.0	625.30	Irrigation Class	
10" ERU Ratio – 145.0	1,131.07	1 - 6,000	\$3.49
		6,001 - 12,000	4.14
		12,001 and above	5.43
Water Conservation Surcharge [3]	\$0.50		

ERU = Equivalent Residential Unit

[1] Each residential service account shall be charged a monthly administrative fee.

[2] Monthly service charges shown for the commercial class include the addition of the monthly administrative charge.

[3] The Water Conservation Charge is billed per ERU to customers whose monthly consumption exceeds their initial water conservation block during the monthly billing period.

The following is a summary of the current wastewater system rates of the County, all as contained in the Rate Resolution.

**Summary of Existing Monthly Wastewater Rates**

**Wastewater Service:**

Residential Service:

Administrative Charge [1]	\$4.05 per account	
Single-Family per Unit[2]	\$12.57 per unit	\$4.59 per 1,000 gallons metered consumption \$20.68 for unmetered service
Multi-Family per Unit [2]	\$10.08 per unit	\$4.59 per 1,000 gallons metered consumption \$16.55 for unmetered service
Recreational Vehicle per Unit/Lot [2]	\$5.10 per unit	\$4.59 per 1,000 gallons metered consumption \$8.28 for unmetered service
Commercial and All Non-Residential [3]		
5/8" ERU Ratio – 1.0	\$16.62	\$4.59 per 1,000 gallons metered consumption
3/4" ERU Ratio – 1.5	22.97	
1" ERU Ratio – 2.5	35.54	
1-1/2" ERU Ratio – 5.0	67.54	
2" ERU Ratio – 8.0	104.89	
3" ERU Ratio – 16.0	205.43	
4" ERU Ratio – 25.0	318.10	
6" ERU Ratio – 50.0	634.64	
8" ERU Ratio – 80.0	1,012.81	
10" ERU Ratio – 145.0	1,830.52	

ERU = Equivalent Residential Unit

[1] Each residential service account shall be charged monthly an administrative fee.

[2] No wastewater user charge shall be imposed on metered water usage above nine-thousand (9,000) gallons per month per residential service dwelling unit.

[3] Monthly service charges shown for the commercial class include the addition of the monthly administrative charge.

**WATER SYSTEM**

During the Fiscal Year 2010, it is estimated that the Utility provided water service to an average of 75,588 retail customer accounts and eleven (11) wholesale or bulk customers representing approximately 145,853 equivalent residential connections (an "ERU"). An ERU represents the equivalent usage requirements of a single-family residential customer. Since commercial or multi-family customers can be served by larger sized meters than the standard residential customer, it is more useful to present such customers on a basis equivalent to the residential class for a more consistent presentation of the total customer base served.

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**Fiscal Year 2010 Water System Average Accounts and Estimated ERUs by Customer Classification**

Customer Classification	Water System			
	Accounts		ERUs [1]	
	Amount	Percent of Total	Amount	Percent of Total
Residential Service:				
Single-Family	65,726	86.94%	65,726	45.06%
Multi-Family [2]	<u>2,950</u>	<u>3.90%</u>	<u>43,985</u>	<u>30.16%</u>
Total Residential Service	68,676	90.84%	109,711	75.22%
Commercial and Non-Irrigation [3]	5,024	6.65%	16,956	11.63%
Irrigation Only [3]	429	0.57%	1,177	0.81%
Fire Line Service [4]	<u>1,459</u>	<u>1.93%</u>	N/A	N/A
Total Retail Service	<u>75,588</u>	<u>99.99%</u>	<u>127,844</u>	<u>87.66%</u>
Wholesale / Bulk Service [3]	<u>11</u>	<u>0.01%</u>	<u>18,009</u>	<u>12.34%</u>
Total Water System	<u>75,599</u>	<u>100.00%</u>	<u>145,853</u>	<u>100.00%</u>

[1] Reflects average annual statistics; ERUs were calculated in accordance with the County's ERU factors based on meter size and as identified in the Engineer of Record's annual report.

[2] ERUs calculated based upon application of 0.8 ERU factor for standard multi-family units or apartments and 0.4 ERU factor for mobile homes (i.e., RVs) as provided by Utility staff.

[3] ERUs are estimates as provided by Utility staff and calculated predicated upon application of meter equivalent factors based on information published by the American Water Works Association applied to the number of accounts per meter size connection.

[4] Excludes calculation of fire line service ERUs recognizing that fire protection is a standby service.

The water system customer base consists primarily of single-family and multi-family residential customers. As shown in the table above, this class accounts for approximately 91% of the total average annual accounts served during the Fiscal Year 2010 (which represents the most recently completed fiscal year as of the date of this Report). Additionally, the number of retail residential ERUs accounts for approximately 75% of the total estimated ERUs served during the most recently completed Fiscal Year ended 2010 which provides an indication of the relative size in the customer base being served by the water system.

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The historical and projected customer statistics for the water system are summarized below:

Water System [1]							
Fiscal Year [2]	Retail Customers				Finished Water		
	Average Annual No. of Accounts	Retail Sales (000s Gallons)	Average Monthly Use per Account (Gallons)	Wholesale Water Sales (000s Gallons)	Total Water Sales (000s Gallons)	Thousand Gallons	ADF-MGD
2006	74,547	7,975,812	8,916	699,070	8,674,882	11,354,552	31.11
2007	76,385	8,087,012	8,823	767,315	8,854,327	9,320,365	25.54
2008	76,145	7,503,846	8,212	742,338	8,246,184	8,838,535	24.22
2009 [3]	75,778	7,414,916	8,154	766,239	8,181,155	8,719,119	23.89
2010 [3]	75,588	7,052,466	7,775	712,203	7,764,669	8,424,254	23.08
Annual Growth	<u>0.35%</u>	<u>(3.03%)</u>	<u>(3.36%)</u>	<u>0.47%</u>	<u>(2.73%)</u>	<u>(7.19%)</u>	<u>(7.19%)</u>
2011 [4]	75,932	7,079,212	7,769	673,621	7,752,833	8,295,531	22.73
2012	76,297	7,109,238	7,765	674,595	7,783,833	8,328,701	22.82
2013	76,664	7,139,411	7,760	675,524	7,814,935	8,361,980	22.91
2014	77,033	7,169,731	7,756	677,391	7,847,122	8,396,421	23.00
2015	77,403	7,200,197	7,752	679,277	7,879,474	8,431,037	23.10
Annual Growth [5]	<u>0.48%</u>	<u>0.42%</u>	<u>(0.06%)</u>	<u>(0.94%)</u>	<u>0.29%</u>	<u>0.02%</u>	<u>0.02%</u>

- [1] Amounts shown include all customer classes, including wholesale customer accounts. It should be noted that the average use per single family residential customer, the largest customer class of the System, averaged approximately 5,000 gallons per month of water use during the last five years ended Fiscal Year 2010.
- [2] During the Fiscal Year 2005, the County adopted 2 day per week irrigation restrictions. Subsequently, during the Fiscal Year 2007 and continuing in some form today, SFWMD had imposed water use restrictions on the use of potable water in order to reduce water demand during an extreme period of drought that occurred throughout the State of Florida; reduction in water use demand was a direct result of such restrictions coupled with the reduction in water system accounts (see Footnote 3).
- [3] The decline in water system accounts is believed to be a direct result of the economic downturn in the Florida economy, which materially affected new construction and development and which has resulted in an increase in inactive accounts.
- [4] Amounts shown based on three (3) months of actual customer information for Fiscal Year 2011, which supports the continuation of lower water sales although there appears to be an increase in the number of customers served.
- [5] Reflects average annual compound growth rate from Fiscal Year 2010 through Fiscal Year 2015.

As can be seen above, the water system has incurred a historical growth rate in the average number of accounts served of approximately 0.35% per year since the Fiscal Year 2006. During the Fiscal Years 2008 through 2010 the average water use (billed sales) per account declined to the lowest levels reported by the County for the last five Fiscal Years. In addition to the affects of the recent economic downturn on the general use of potable water, the region had been under drought conditions for several years prompting adoption of year-round two-day per week watering restrictions pursuant to County Ordinance No. 05-10 on June 14, 2005.

For the financial forecast, minimal growth is projected consistent with recent historical trends and is assumed to be primarily due from the growth in the residential customer class. Minor declines in the projected average water sales per customer can be considered attributable to the growth of the residential customer class relative to the commercial and irrigation customers recognizing the lower average use of the residential customer.

## WASTEWATER SYSTEM

The geographic boundaries of the wastewater service area differ from the water system; specifically, wastewater service is provided by the County in the Town of Fort Myers Beach, Matlache and some service is provided in North Lee County (a service area referred to as North Fort Myers). During the Fiscal Year 2010, the wastewater system provided retail service to

approximately 54,162 average accounts and four (4) wholesale accounts representing approximately 111,513 ERUs. A summary of the total average number of retail customers and associated ERUs served by the wastewater system for the Fiscal Year 2010 is summarized below:

**FY 2010 Wastewater System Average Customer Accounts  
and Estimated ERUs by Customer Classification**

Customer Classification	Wastewater System			
	Accounts		ERUs [1]	
	Amount	Percent	Amount	Percent of Total Retail
Residential Service [2]:				
Single-Family	47,447	87.60%	47,447	42.55%
Multi-Family [3]	2,943	5.43%	45,081	40.42%
Total Residential Service	50,390	93.03%	92,528	82.97%
Commercial Service	3,771	6.96%	14,037	12.59%
Solid Waste Leachate Service [4]	1	0.00%	N/A	N/A
Total Retail Service	54,162	99.99%	106,565	95.56%
Wholesale / Bulk Service	4	0.01%	4,948	4.44%
Total Wastewater System	54,166	100.00%	111,513	100.00%

[1] Reflects average annual statistics; ERUs were calculated in accordance with the County's ERU factors based on meter size and as identified in the Engineer of Record's annual report.

[2] Includes wastewater-only retail accounts of the Utility that are billed by the Town of Fort Myers Beach.

[3] ERUs calculated based upon application of 0.8 ERU factor for standard multi-family units or apartments and 0.4 ERU factor for mobile homes (i.e., Recreational Vehicles) as provided by Utility staff.

[4] The Utility provides Leachate service to the County Solid Waste Utility. It is anticipated service to the Solid Waste Utility will be discontinued beginning with Fiscal Year 2012 due to construction of an onsite deep injection well at the County's landfill.

As mentioned previously for the water system, the wastewater system customer base consists primarily of single-family and multi-family residential customers and accounts for approximately 93% of the total average annual accounts served during the Fiscal Year 2010. The number of retail residential ERUs served is approximately 83% of the total estimated ERUs served during the Fiscal Year 2010 and provides an indication of the relative size in the customer base being served by the wastewater system.

The historical and projected customer (account) and sales (billed flow) statistics for the wastewater system has reflected similar trends as discussed for the water system. The continued effects of the current economy has slowed growth and reduced the average billed flows. Below is a summary of the historical and projected wastewater system customer account growth and billed flows:

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**Wastewater System [1]**

Fiscal Year	Retail Customers				Total Treated Wastewater		
	Average Annual No. of Accounts	Billed Flows (000s Gallons)	Billed Flows per Account (Gallons)	Wholesale Billed Flows (000s Gallons)	Total Billed Flows (000s Gallons)	Thousands of Gallons	Daily Flow (ADF –MGD)
2006	52,361	5,170,279	8,229	282,643	5,452,922	6,561,287	17.98
2007	54,356	5,396,944	8,274	287,578	5,684,522	5,901,537	16.17
2008	54,403	4,976,422	7,623	249,849	5,226,271	5,833,278	15.98
2009 [2]	53,873	5,108,904	7,903	247,458	5,356,362	5,602,042	15.35
2010	54,162	4,956,469	7,626	214,507	5,170,976	5,911,957	16.20
Annual Growth	<u>0.85%</u>	<u>(1.05%)</u>	<u>(1.88%)</u>	<u>(6.66%)</u>	<u>(1.32%)</u>	<u>(2.57%)</u>	<u>(2.57%)</u>
2011 [3]	54,397	4,973,011	7,618	212,670	5,185,681	5,928,769	16.24
2012	54,645	4,971,112	7,581	194,808	5,165,920	5,906,176	16.18
2013	54,895	4,989,913	7,575	195,736	5,185,649	5,928,733	16.24
2014	55,148	5,017,689	7,582	196,669	5,214,358	5,961,555	16.33
2015	55,402	5,042,620	7,585	197,607	5,240,227	5,991,131	16.41
Annual Growth [4]	<u>0.45%</u>	<u>0.35%</u>	<u>(0.11%)</u>	<u>(1.63%)</u>	<u>0.27%</u>	<u>0.27%</u>	<u>0.26%</u>

[1] Amounts shown include all customer classes including wholesale customers. It should be noted that the average billed wastewater flow per single family residential customer, the largest customer class of the System, averaged approximately 4,000 gallons per month during the last five years ended Fiscal Year 2010 and is based on metered water use at the customer's premise.

[2] The decline in wastewater system accounts was anticipated by the Utility staff to be a direct result of the economic downturn in the Florida economy, which materially affected new construction and development and which has resulted in an increase in inactive accounts.

[3] Amounts shown based on three (3) months of actual customer information for Fiscal Year 2011, which supports the continuation of lower average billed wastewater flow (sales) per customer consistent with recent trends.

[4] Reflects average annual compound growth rate from Fiscal Year 2010 through Fiscal Year 2015.

Consistent with the water system, average monthly wastewater gallons billed expressed on a per account basis has generally declined over the recent historical period. This decline in billed flow for the wastewater system is not as dramatic as that of the water system since wastewater billed flows (which are based on metered water sales) in principle reflect indoor use and not irrigation (or other water-only services such as cooling) service. Projections of wastewater gallons billed per account are anticipated to remain relatively constant at current (reduced) levels during the financial forecast as a result of permanent water restrictions and recognition of the prolonged economic downturn.

For the financial forecast, minimal growth is projected consistent with recent historical trends and is assumed to be primarily due from the growth in the residential customer class. Minor declines in the projected average billed flows per customer can be considered attributable to the growth of the residential customer base relative to that of the commercial customer base recognizing the relatively lower average billed flow per residential customer.

**NET REVENUE REQUIREMENTS FROM RATES**

The various components of costs associated with the operations, maintenance, financing of renewals, replacements, and capital improvements are generally considered the revenue requirements of a publicly operated utility system. The revenue requirements less income from miscellaneous fees, interest income and other revenues represent the net revenue requirements to be recovered from the rate revenues of the utility. The development of the net revenue requirements for the Utility is a critical component of the study since rates should be designed to represent the full cost of providing service. The basis for the evaluation of the sufficiency of the existing rate revenues to fund the net revenue requirements is largely predicated on the

projections and allocation of costs among the water and wastewater system. Based upon the assumptions as disclosed in further detail throughout this Study, the following rate adjustments have been identified for the respective water and wastewater utility systems:

<b>Net Revenue Requirements and Recognized Rate Adjustments</b>					
	Fiscal Year Ending September 30,				
	2011	2012	2013	2014	2015
<b>Water System:</b>					
Net Revenue Requirements	\$38,836,444	\$42,042,128	\$44,479,059	\$46,511,124	\$48,379,154
Retail Revenue Under Existing Rates	40,490,029	40,656,029	40,822,601	40,992,895	41,163,844
Identified Rate Adjustments	0.0%	6.0%	6.0%	2.3%	2.3%
Additional Revenues	0	2,439,362	5,045,673	6,126,093	7,238,094
Surplus / (Deficiency)	<u>\$1,653,585</u>	<u>\$1,053,263</u>	<u>\$1,389,215</u>	<u>\$607,864</u>	<u>\$22,784</u>
<b>Wastewater System:</b>					
Net Revenue Requirements	\$43,445,498	\$46,329,861	\$50,480,329	\$52,211,826	\$54,252,543
Retail Revenue Under Existing Rates	41,791,912	41,922,776	42,087,717	42,296,444	42,492,332
Identified Rate Adjustments	0.0%	8.0%	8.0%	4.6%	4.6%
Additional Revenues	0	3,353,822	7,003,396	9,307,518	11,737,427
Surplus / (Deficiency)	<u>(\$1,653,585)</u>	<u>(\$1,053,263)</u>	<u>(\$1,389,216)</u>	<u>(\$607,864)</u>	<u>(\$22,784)</u>
<b>Combined System:</b>					
Net Revenue Requirements	\$82,281,942	\$88,371,989	\$94,959,388	\$98,722,950	\$102,631,696
Retail Revenue Under Existing Rates	82,281,942	82,578,804	82,910,318	83,289,339	83,656,176
Identified Rate Adjustments	0.0%	7.0%	7.0%	3.5%	3.5%
Additional Revenues	0	5,793,184	12,049,069	15,433,611	18,975,521
Surplus / (Deficiency)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

It is projected that additional rate adjustments above existing rate levels are required to fully fund the projected net revenue requirements of the System. It is estimated based upon the cost allocation analysis conducted in support of the Utility system rate evaluation that the wastewater system is currently being subsidized by the water system. Based on discussions with Utility staff, the rates for service should be on a "stand-alone" basis and surplus and deficiencies among the utilities should be corrected during the Forecast Period recognizing a measured approach and greater weighting of the overall rate adjustments to the wastewater system. As can be seen above, at the final year of the financial forecast the respective surplus and deficiencies identified to the water and wastewater systems are projected to be corrected. The identified rate adjustments are primarily due to the following:

1. The last rate adjustment to Utility rates was implemented at the outset of the Fiscal Year 2008 or over three (3) years ago. As reported in the County's audited financial statements for the Fiscal Years 2008 through 2010, the net revenues of the Utility have annually declined by approximately 7.5% (exclusive of Connection Fees). The deterioration in financial operating margins since this last rate adjustment is principally attributable to declines in billed water flows and investment earnings, increases in the cost of operation and maintenance (as offset by recent cost cutting initiatives), as well as increases in debt service payments for subordinated indebtedness. To address the declining operating margins, Utility staff recommended multi-year rate adjustments to be made effective

beginning with the Fiscal Year 2011, which was not approved by the BOCC. The rate adjustment, which was not implemented for the Fiscal Year 2011, reflects an overall increase of 4%. The proposed rates identified herein essentially reflect the recovery of the deferred rate adjustment.

2. Increases in operating expenses anticipated during the financial forecast are primarily related to personnel and benefits (no new employees), electrical, chemical, materials and supplies and general inflation of other expenses. Projected increases in operating expenses accounted for approximately 60% of the overall identified rate adjustments for the financial forecast.
3. It is anticipated that in order to finance improvements to the Green Meadows Water Treatment Plant, the Utility will be required to issue new indebtedness during the Fiscal Year 2013 to fund approximately \$54 million (in today's dollars) in capital improvements. In addition, the County has also recently received approximately \$10 million and anticipates receiving approximately \$3 million for the Fiscal Year 2012 in subordinated indebtedness through the SRF loan program administered by the FDEP related to improvements made to the Gateway Wastewater Treatment Plant. Overall, increases in debt service payments for the financial forecast are anticipated to account for approximately 22% of the identified rate adjustments.
4. To mitigate the need for future indebtedness and reduce outstanding debt balances, increased deposits to capital related funds is recognized during the Forecast Period resulting in increased levels of Pay-As-You-Go ("Pay-Go") capital funding. Deposits to capital related funds and cash reserves from rate revenues accounted for approximately 13% of the identified rate adjustments for the financial forecast.
5. Increases in transfers to working capital reserves to improve targeted cash balances for unknown or unforeseen expenditures and for purposes of maintaining the creditworthiness of the Utility accounted for approximately 5% of the identified rate adjustments.

Table ES-1 following this executive summary provides a graphical overview of key financial performance metrics and performance for the Forecast Period assuming implementation of the identified rate adjustments.

#### **PROPOSED MONTHLY RATES FOR SERVICE**

Based on the projections of customers and sales, projected utility expenditures requirements, the allocation of costs to the rate structure attributes (cost of service), and discussions with Utility staff, the proposed monthly rates for water service are recommended as follows:

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**Summary of Proposed Fiscal Year 2012 Monthly Water Rates**

Customer Classification	Monthly Service Charge	Usage Charge (per 1,000 Gallons)	
<b>Water Service:</b>			
Residential Service:			
Administrative Charge [1]	\$3.10 per account		
Single-Family per Unit	\$8.25 per unit	0 - 6,000	\$2.95
		6,001 - 12,000	3.69
		12,001 - 18,000	4.43
		18,001 and above	5.90
Multi-Family per Unit	\$6.60 per unit	0 - 4,800	\$2.95
		4,801 - 9,600	3.69
		9,601 - 14,400	4.43
		14,401 and above	5.90
Recreational Vehicle per Unit/Lot	\$3.30 per unit	0 - 2,400	\$2.95
		2,401 - 4,800	3.69
		4,801 - 7,200	4.43
		7,201 and above	5.90
Commercial and All Non-Residential [2]			
5/8" ERU Ratio – 1.0	\$11.35	For Each ERU	
3/4" ERU Ratio – 1.5	15.48	1 - 6,000	\$2.95
1" ERU Ratio – 2.5	23.73	6,001 - 12,000	3.69
1-1/2" ERU Ratio – 5.0	44.35	12,001 - 18,000	4.43
2" ERU Ratio – 8.0	69.10	18,001 and above	5.90
3" ERU Ratio – 16.0	135.10		
4" ERU Ratio – 25.0	209.35	Non-Irrigation Class	
6" ERU Ratio – 50.0	415.60	Per 1,000	\$3.10
8" ERU Ratio – 80.0	663.10		
10" ERU Ratio – 145.0	1,199.35	Irrigation Class	
		1 - 6,000	\$3.69
		6,001 - 12,000	4.43
		12,001 and above	5.90
Water Conservation Surcharge [3]	\$0.50		

ERU = Equivalent Residential Unit

[1] Each residential service account shall be charged a monthly administrative fee.

[2] Monthly service charges shown for the commercial class include the addition of the monthly administrative charge.

[3] The Water Conservation Charge is billed per ERU to customers whose monthly consumption exceeds their initial water conservation block during the monthly billing period.

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The following is a summary of the proposed wastewater system rates of the County based on the results presented in this Study.

**Summary of Proposed Fiscal Year 2012 Monthly Wastewater Rates**

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**Wastewater Service:**

Residential Service:

Administrative Charge [1]	\$2.90 per account	
Single-Family per Unit[2]	\$14.40 per unit	\$4.95 per 1,000 gallons metered consumption \$22.28 for unmetered service
Multi-Family per Unit [2]	\$11.52 per unit	\$4.95 per 1,000 gallons metered consumption \$17.82 for unmetered service
Recreational Vehicle per Unit/Lot [2]	\$5.76 per unit	\$4.95 per 1,000 gallons metered consumption \$8.91 for unmetered service
Commercial and All Non-Residential [3]		
5/8" ERU Ratio – 1.0	\$17.30	\$4.95 per 1,000 gallons metered consumption
3/4" ERU Ratio – 1.5	24.50	
1" ERU Ratio – 2.5	38.90	
1-1/2" ERU Ratio – 5.0	74.90	
2" ERU Ratio – 8.0	118.10	
3" ERU Ratio – 16.0	233.30	
4" ERU Ratio – 25.0	362.90	
6" ERU Ratio – 50.0	722.90	
8" ERU Ratio – 80.0	1,154.90	
10" ERU Ratio – 145.0	2,090.90	

ERU = Equivalent Residential Unit

[1] Each residential service account shall be charged monthly an administrative fee.

[2] No wastewater user charge shall be imposed on metered water usage above nine-thousand (9,000) gallons per month per residential service dwelling unit.

[3] Monthly service charges shown for the commercial class include the addition of the monthly administrative charge.

As can be seen in the preceding table, the proposed rates for water and wastewater service maintain the same general rate structure as the existing rates. In order to illustrate the effects of the proposed rates, a comparison has been prepared for customers that utilize approximately 5,000 gallons of water and wastewater service per month. This usage level represents the approximate average annual usage level per account for the single-family residential class.

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**Residential Service Assuming 5,000 Gallons of Utility Service**

	Water	Wastewater	Total
Lee County			
Existing Rates [1]	\$24.80	\$39.57	\$64.37
Proposed Rate – Fiscal Year 2012	\$26.10	\$42.05	\$68.15
Other Neighboring and Florida Utilities:			
Bonita Springs Utilities, Inc. [2]	\$30.47	\$46.98	\$77.45
City of Bradenton	25.24	31.68	56.92
City of Cape Coral [2]	34.10	61.37	95.47
Charlotte County [2]	45.12	47.00	92.12
Collier County	29.73	45.89	75.62
DeSoto County	45.05	54.80	99.85
Englewood Water District	25.27	37.72	62.99
FGUA – Lehigh Acres (Lee County) [2]	38.43	62.07	100.50
FGUA – NFM Service Area [2] [3]	24.80	48.94	73.74
FGUA – NFM / Pine Lakes Service Area [2]	41.00	48.89	89.89
City of Fort Myers [2]	30.14	66.98	97.12
Hillsborough County [2]	27.16	35.91	63.07
Manatee County [2]	16.55	37.90	54.45
City of Marco Island [2]	50.08	49.99	100.07
City of Naples [2]	14.43	26.24	40.67
City of North Port	34.09	52.42	86.51
Okeechobee Utility Authority [2]	44.06	55.51	99.57
Pinellas County	27.25	29.70	56.95
City of Punta Gorda	30.68	32.59	63.27
City of Sarasota [2]	27.05	45.64	72.69
Sarasota County [2]	27.99	53.51	81.50
Other Florida Utilities Average	\$31.84	\$46.27	\$78.12

FGUA = Florida Governmental Utility Authority  
NFM = North Fort Myers

- [1] Amounts shown derived from the Rate Resolution; the water bills shown include the application of the billing charge that is rendered on a "per bill" basis, regardless of service required by the customer.  
[2] Utility has indicated that it is currently involved in a rate study, is planning to conduct a rate study, or may implement a rate revision within the next twelve months.  
[3] Reflects utility service area receiving wastewater service by the FGUA and potable water service by Lee County

As can be seen above, the existing and proposed monthly rates for water and wastewater service are considered competitive and below average relative to other neighboring utilities located in southwest Florida. The monthly increase in the single family customers combined water and wastewater bill is projected to be approximately \$3.78 per month. Included at the end of this Executive Summary is Figure ES-2 providing a graphical illustration of the above rate comparison.

**OTHER RATES AND CHARGES**

In addition to the analysis of monthly user charges and connection fees, PRMG also evaluated other miscellaneous charges as well as compliance with the Bond Resolution requirements (covenants) for the outstanding system utility bond indebtedness. A brief summary of these additional issues are presented below for the County's consideration:

### **Rate Covenants of Bond Resolution**

The governing Bond Resolution, which authorized the issuance of the outstanding water and wastewater revenue bonds, mandates certain covenants that must be achieved on an annual basis by the Utility. Based on the provisions of the Bond Resolution, rates for service must produce Net Revenues (Revenues less Operating Expenses as defined in the Bond Resolution) which, after the recognition of any required deposits, must be at least 100% of the annual debt service payment in each fiscal year. The proposed rate adjustments for the water and wastewater system for the study period herein are anticipated to meet the rate covenants of the Bond Resolution.

In addition to meeting the rate covenant delineated in the Bond Resolution for the outstanding senior lien bonds (the "Senior Lien Bonds"), the County has also secured low-interest funds from the SRF loan program for the purpose of funding wastewater system improvements. The SRF loans are considered to be junior and subordinate to the payment of the Senior Lien Bonds. Based on the provisions of the Loan Agreement that authorized the issuance of the SRF Loan to the County, rates and charges for services must produce Net Revenues sufficient to provide, after the deduction of the Senior Lien Bonds debt service (obligations) requirements, to be at least 115% of the annual debt service payment on the SRF loans in the fiscal year. The proposed rates and subsequent adjustments for the study period reflected in the report are anticipated to meet the rate covenants of the Loan Agreement.

Based on information provided by Utility staff, it is also anticipated that the County will be securing additional SRF loan funding for the purpose of implementing water and wastewater system improvements during the Forecast Period. For purposes of this Study, it was assumed that the rate covenant requirements would be similar to that of the existing SRF Loan whereby the pledge for repayment would be solely from water and wastewater system revenues. The proposed Utility rates and subsequent adjustments as outlined in this Study are anticipated to meet the rate covenants of the anticipated SRF Loan Agreement during the Forecast Period.

### **Miscellaneous Charges**

The County has several charges or fees that are billed to a customer for specific services. These charges provide additional revenue to the utility and serve to reduce the amount of revenues needed to be derived from user fees. The fees are designed to recover the costs of providing specific services, which may be required periodically by a customer (e.g., a request for a turn-on), or as a direct result of customer actions (e.g., tampering). A summary of the existing charges and the recommended fees for these services is summarized below:

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**Summary of Existing Miscellaneous Charges and Recommended Fees**

<u>Meter Installation (Drop-in) Fees</u>		
<u>Meter Size</u>	<u>Existing Fees</u>	<u>Proposed Fees</u>
5/8"	\$250.00	\$260.00
3/4"	275.00	295.00
1"	330.00	325.00
1 1/2"	540.00	525.00
2"	625.00	595.00
3" and above	Actual Cost	Actual Cost
<u>Tap-in Charge</u>		
<u>Meter Size [1]</u>		
5/8"	\$660.00	\$1,025.00
3/4"	690.00	1,060.00
1"	745.00	1,090.00
1 1/2"	920.00	1,650.00
2"	1,005.00	1,800.00
3" and above	Actual Cost	Actual Cost
<u>Wastewater Main Tap Charge</u>	Actual Cost	Actual Cost
<u>Returned Check Charge</u>	\$25.00 fee for check less than \$50.00 \$30.00 fee for check between \$50.00 and \$300.00 \$40.00 fee for check exceeding \$300.00 or 5% of check value, whichever is greater	
<u>Meter Testing Fee</u>	\$65.00	\$70.00
<u>Premise Visit (trip charge) [2]</u>	\$35.00	\$35.00
<u>Turn-On/Turn-Off Charge</u>		
<u>Initiation of Service</u>		
Normal Hours	\$45.00	\$45.00
After Hours	55.00	55.00
<u>For Non-Payment</u>		
Normal Hours	\$60.00	\$50.00
After Hours	75.00	65.00
<u>Plan Review Fees</u>	The greater of 1.0% of the contributed asset value including labor, or \$620 minimum charge	The greater of 1.0% of the contributed asset value including labor, or \$790 minimum charge

*Table continued on following page.*

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**Summary of Existing Miscellaneous Charges and Recommended Fees (cont'd.)**

<u>Monthly Fire Line Charges</u>	<u>Existing Fees</u>	<u>Proposed Fees</u>
5/8"	\$4.70	\$4.98
3/4"	4.70	4.98
1"	4.70	4.98
1 1/2"	4.70	4.98
2"	4.70	4.98
3"	9.40	9.96
4"	14.10	14.95
6"	28.20	29.89
8"	46.00	48.76
Above 10"	56.40	59.78
<u>Wastewater Service Line Tampering Penalty</u>		
Cleanout Charge	\$95.00	\$135.00
Connection Restoration/Tampering Fee	375.00	\$400.00
<u>Water Line/Hydrant Tampering Charge</u>		
	\$500.00	\$500.00
<u>Plumbing Leak Inspection</u>		
	\$55.00	Eliminate
<u>Temporary Hydrant Meter / Backflow Prevention Deposit</u>		
<u>Meter Size</u>		
5/8" x 3/4"	\$285.00	\$280.00
1"	360.00	370.00
1-1/2"	620.00	730.00
2"	700.00	840.00

[1] Amounts shown are inclusive of any meter installation charges associated with tap-in.

[2] Includes charges for meter re-reads and special reads, and any specific activities where a trip to the customer's premises is requested by the customer and required of LCU.

**Wholesale Water and Wastewater Rates**

The standard wholesale water and wastewater rates for service are charged to customers predicated on the amount of service used based on metering. The current variable rates for wholesale water and wastewater service are \$3.20 and \$3.94 per 1,000 gallons, respectively. Based on a detailed cost allocation it was identified that the wholesale customer class for each utility service was under recovering cost, exclusive of identified rate adjustments, by approximately 11% for the water system and 27% for the wastewater system. The under recovery of cost may be attributable to declines in the amount of billed flows since implementation of the last rate adjustment during the Fiscal Year 2008.

Based on discussions with Utility staff, a measured approach toward adjusting the wholesale water and wastewater rates was recognized limiting rate increases for the Fiscal Year 2012 below full cost recovery to the identified system rate adjustments plus 2% (i.e., 8% wholesale water rate increase and 10% wholesale wastewater rate increase). The proposed wholesale rates for the Fiscal Year 2012 are \$3.46 per 1,000 gallons for water service and \$4.33 per 1,000 gallons for wastewater service.

**Reclaimed Water Rates for Effluent Reuse**

The Utility's primary methods of effluent disposal from the wastewater treatment facilities operated by the County are the use of spray irrigation at several sites (i.e., golf courses, residential developments, etc.). This is beneficial since this method of disposal conserves raw water resources, allows the County to recover revenues from this by-product of the wastewater treatment process (now being considered as an additional water resource) and provides the user a low-cost method of irrigating, thus improving the community. The County currently charges a rate of \$0.43 per 1,000 gallons. Based on application of the identified wastewater system rate adjustment identified for the Fiscal Year 2012 at 8.0% the following reclaimed water rate is proposed at \$0.46 per 1,000 gallons.

**Customer Deposits**

In order to defray the risk of nonpayment for utility services rendered until the negligent customer is disconnected, water and wastewater utilities generally require each new residential and nonresidential customer to pay a customer deposit. The minimum deposit recommended to the County should continue to be based on the size of the service and this class on type of customer served. Based on increases to the existing water and wastewater rates for monthly service, an adjustment to the existing level of water and wastewater system deposits is also proposed. The following is a summary of the existing and proposed water and wastewater deposit requirements:

<b>Existing Water and Wastewater System Minimum Deposits</b>				
<u>Meter Size (Inches)</u>	<u>Water Deposits</u>		<u>Wastewater Deposits</u>	
	<u>Existing</u>	<u>Proposed</u>	<u>Existing</u>	<u>Proposed</u>
<b>Residential Service (per Dwelling Unit):</b>				
Single-Family	\$55.00	\$60.00	\$90.00	\$95.00
Multi-Family	44.00	48.00	72.00	76.00
Recreational Vehicle	30.00	24.00	50.00	38.00
<b>Commercial and Non-Residential Service:</b>				
5/8	\$55.00	\$60.00	\$90.00	\$95.00
3/4	82.50	90.00	135.00	142.50
1	137.50	150.00	225.00	237.50
1-1/2	275.00	300.00	450.00	475.00
2	440.00	480.00	720.00	760.00
3	880.00	960.00	1,440.00	1,520.00
4	1,375.00	1,500.00	2,250.00	2,375.00
6	2,750.00	3,000.00	4,500.00	4,750.00
8	4,400.00	4,800.00	7,200.00	7,600.00
10	7,975.00	8,700.00	13,050.00	13,775.00

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## CONCLUSIONS AND RECOMMENDATIONS

Based on our studies, assumptions, considerations, and analyses as summarized herein, we are of the opinion that:

1. The County's existing rates for service for the water and wastewater systems are not anticipated to recover the utility system projected revenue requirements for the financial forecast.
2. The County should consider adopting the recommended rate adjustments for the Fiscal Years 2012 through 2015 including the proposed Fiscal Year 2012 recommended rate design, which will meet the projected revenue requirements for such fiscal years. The revenue requirements include operation and maintenance expenses, the funding of capital improvements, and the payment of debt service associated with the performance of system improvements.
3. It is recommended that the County annually review the financial forecast closer to the time in which the additional identified rate adjustments have been recognized for the financial forecast.
4. Absent a material change in operations or regulations, the proposed Fiscal Year 2012 rates and subsequent rate adjustments as reflected in the study should be adequate to meet all the rate covenant requirements (e.g., debt service coverage) as defined in the Bond Resolution that authorized the issuance of the outstanding Senior Lien Bonds and the loan agreements associated with the subordinate loans allocable to the Utility.
5. The proposed rates for monthly water and wastewater service are competitive with neighboring utilities; especially at the average usage level for a single-family residential customer of 5,000 gallons.
6. It is recommended the County adopt the revised miscellaneous service charges (i.e., meter installation / tap-in charges, reclaimed water rates, wholesale water and wastewater rates, etc.) as outlined in this Report. The proposed fees and charges are intended to recover the costs to provide service to the Utility for the respective services evaluated. The proposed miscellaneous fees and charges should be made effective as soon as possible or implemented in conjunction with the proposed Fiscal Year 2012 rate adjustments.

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Table ES-1  
 Lee County, FL  
 Water and Wastewater Rate Study  
 Water and Wastewater System Financial Overview



# Lee County

## Dashboard Financial Results Summary

	Projected Fiscal Year Ending September 30,				
	2011	2012	2013	2014	2015
<b>Proposed Rates:</b>					
Water Increases	0.00%	6.00%	6.00%	2.30%	2.30%
Effective Month of Increase	Oct	Oct	Oct	Oct	Oct
Wastewater Increases	0.00%	8.00%	8.00%	4.60%	4.60%
Effective Month of Increase	Oct	Oct	Oct	Oct	Oct

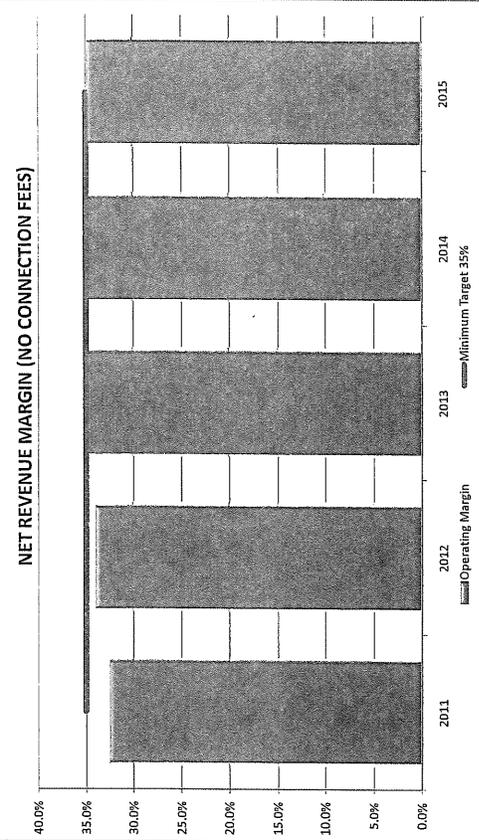
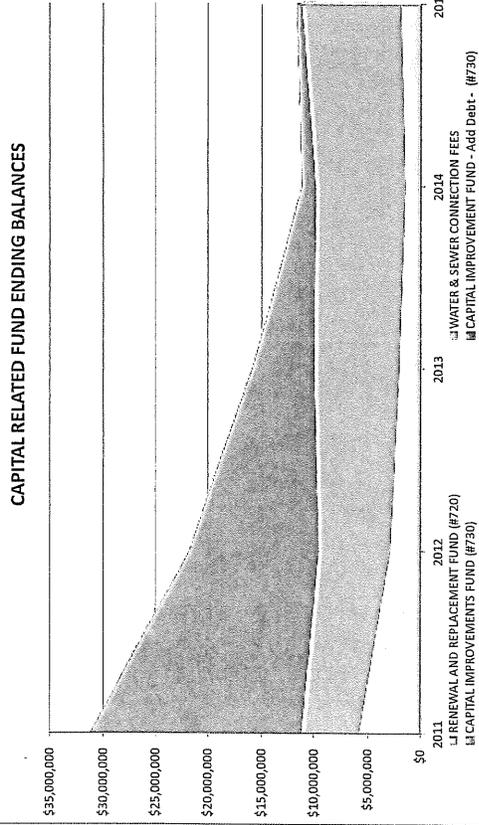
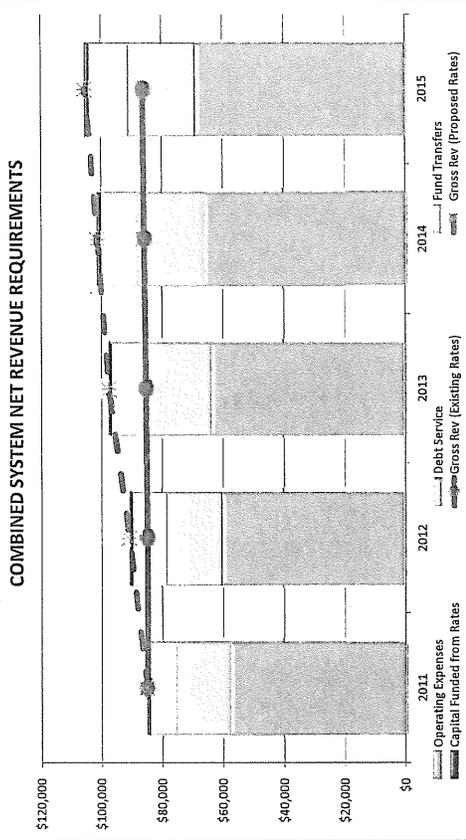
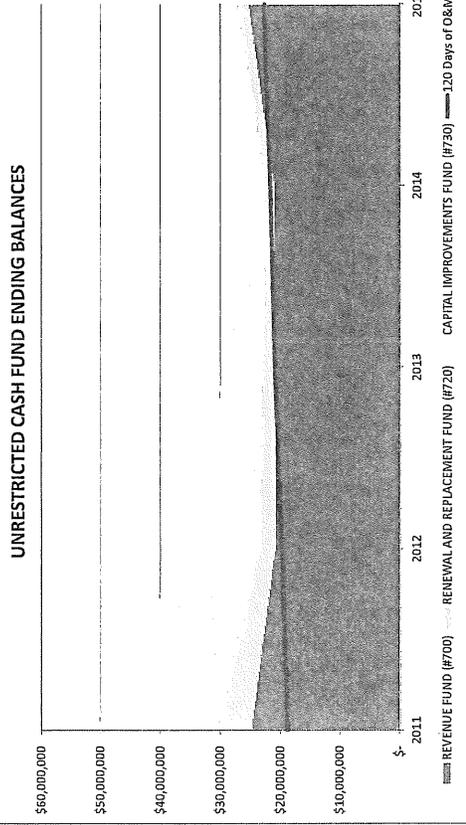


Table ES-1  
Lee County, FL  
Water and Wastewater Rate Study  
Water and Wastewater System Financial Overview



# Lee County

## Dashboard Financial Results Summary

	Projected Fiscal Year Ending September 30,				
	2011	2012	2013	2014	2015
<b>Proposed Rates:</b>					
Water Increases Effective Month of Increase	0.00% Oct	6.00% Oct	6.00% Oct	2.30% Oct	2.30% Oct
Wastewater Increases Effective Month of Increase	0.00% Oct	8.00% Oct	8.00% Oct	4.00% Oct	4.00% Oct

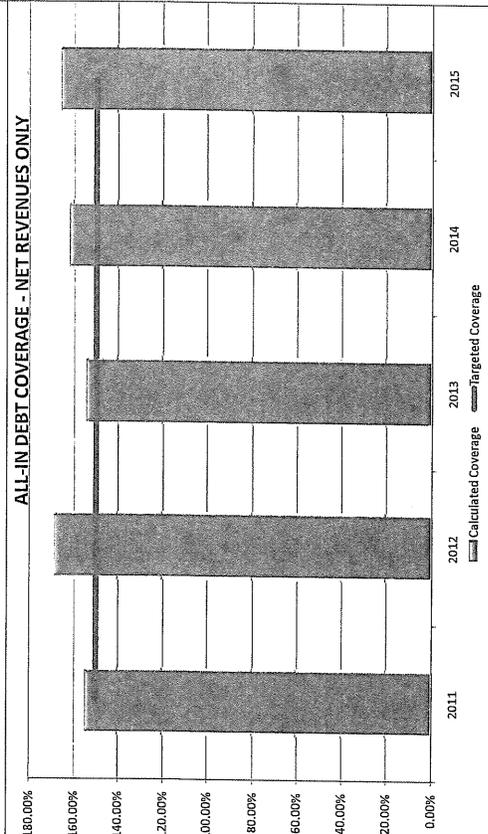
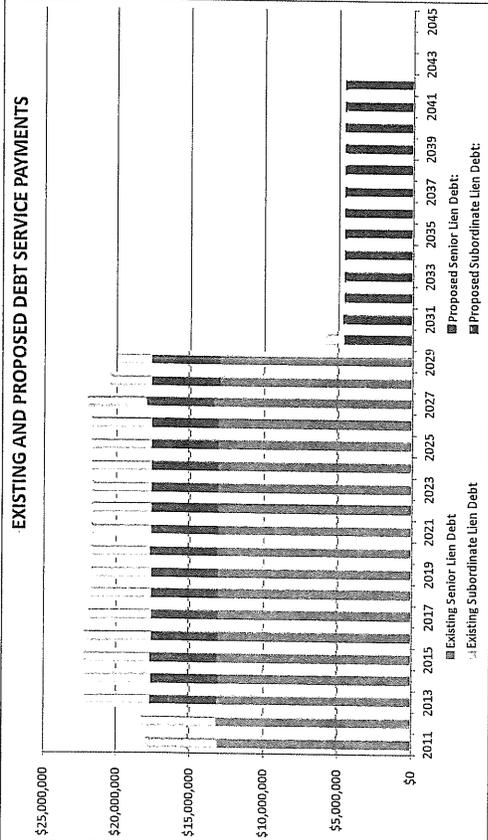
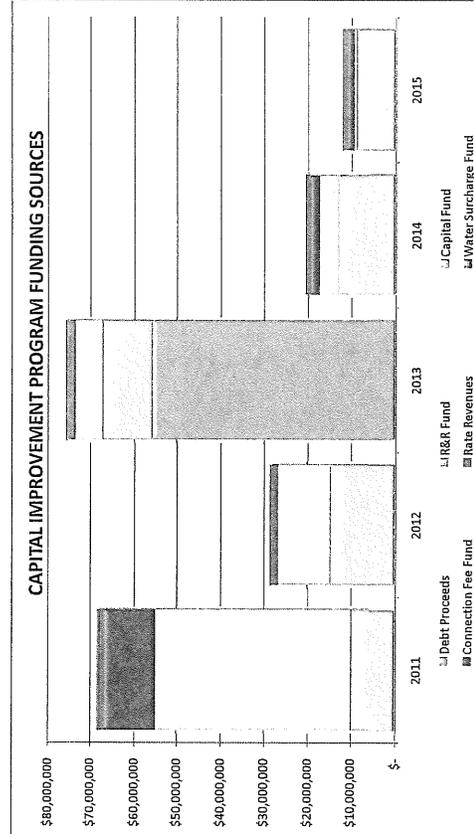
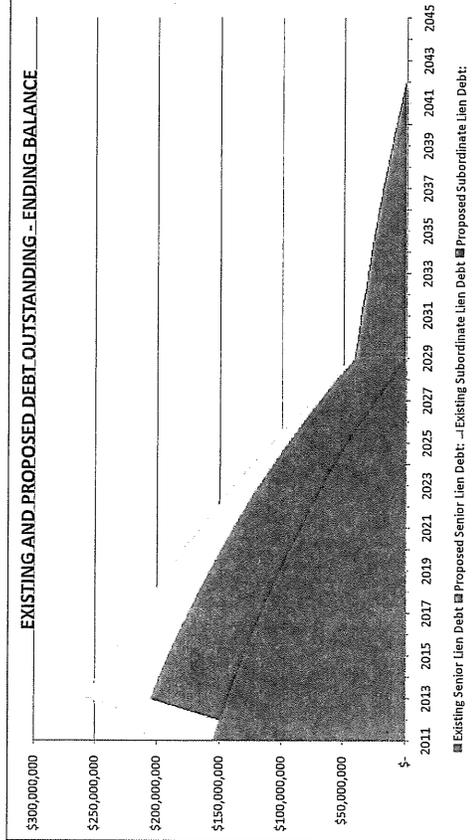


Table ES-1  
 Lee County, FL  
 Water and Wastewater Rate Study  
 Water and Wastewater System Financial Overview



# Lee County

## Dashboard Financial Results Summary

	Projected Fiscal Year Ending September 30,				
	2011	2012	2013	2014	2015
<b>Proposed Rates:</b>					
Water Increases Effective Month of Increase	0.00% Oct	6.00% Oct	6.00% Oct	2.30% Oct	2.30% Oct
Wastewater Increases Effective Month of Increase	0.00% Oct	8.00% Oct	8.00% Oct	4.60% Oct	4.60% Oct

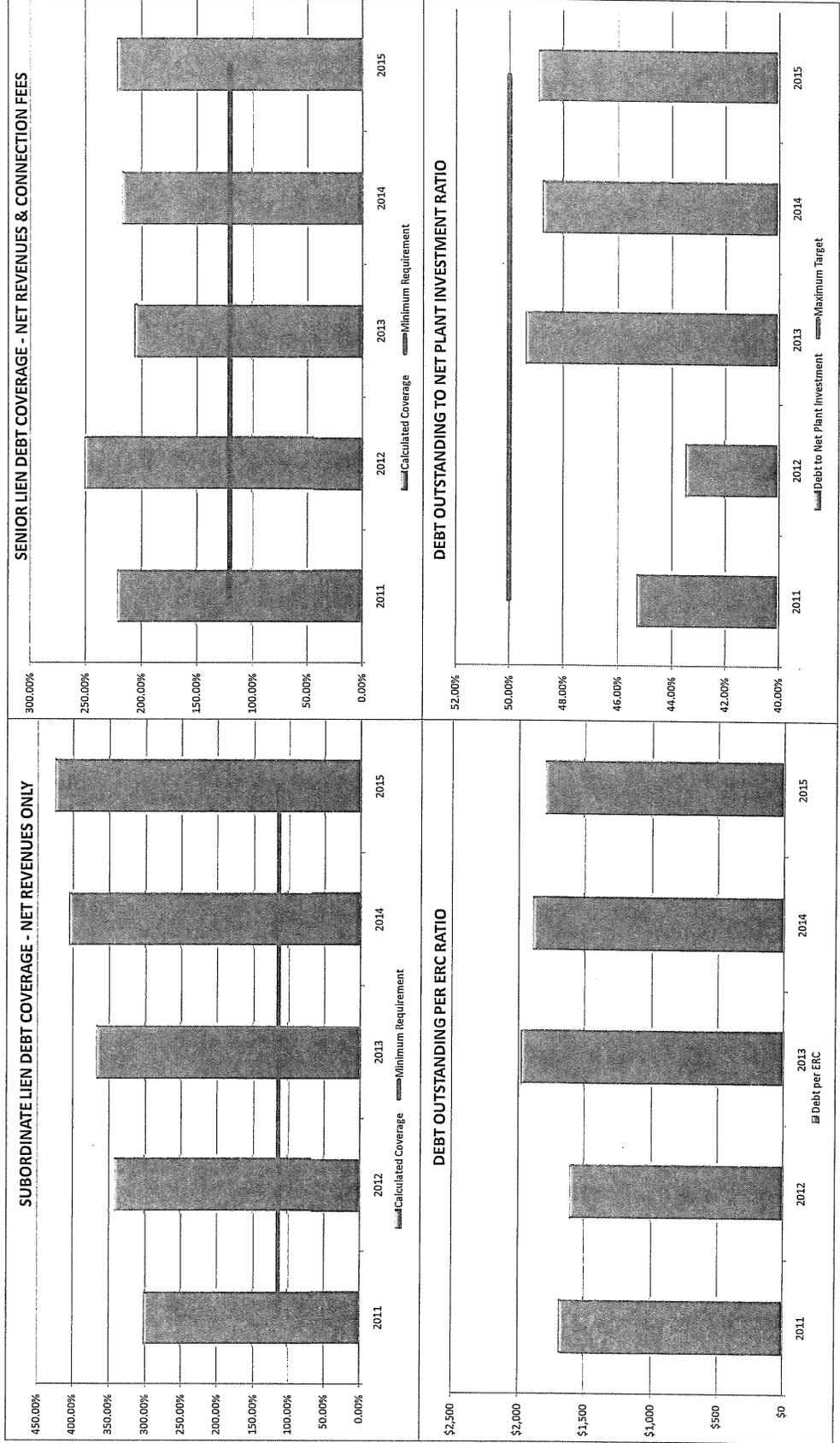


Table ES-2

Lee County, FL  
Water and Wastewater Rate Study

Comparison of Monthly Charges for Combined Water and Wastewater Service

