

**PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY
BOARD OF DIRECTORS WORKSHOP**

**AGENDA
April 3, 2019 @ 10:00 a.m.**

Manatee County Administration Center
Osprey Room
1112 Manatee Ave. West, Bradenton, FL

Additional information may be obtained by contacting the Peace River Manasota Regional Water Supply Authority, 9415 Town Center Parkway, Lakewood Ranch, Florida 34202 or through the Authority's website www.regionalwater.org. Persons with disabilities who need assistance may call (941) 316-1776 at least two business days in advance to make appropriate arrangements. No Stenographic record by a certified court reporter is being made of this meeting. Accordingly, any person who may seek to appeal any decisions involving the matters noticed herein will be responsible for making verbatim record of the testimony and evidence at this meeting which may be necessary to appeal such decisions.

BOARD OF DIRECTORS

Commissioner Alan Maio, Sarasota County, Chairman
Commissioner Elton A. Langford, DeSoto County, Vice Chairman
Commissioner Ken Doherty, Charlotte County
Commissioner Priscilla Trace, Manatee County

CALL TO ORDER

AGENDA

1. Strategic Plan Implementation Review
2. 5 Year CIP/20 Year Needs Assessment Overview
3. Base Rate Charge – Identify Debt Service on Customer Billing
4. 'Systemwide Benefit' CIP Projects
 - a. Definition and Examples
 - b. Sustainable Funding
5. Fees & Charges for New System Connections
6. Water Rate Indexing
7. Authority Member Fee Policy Review
8. Planning Project Assessment Cost Allocation
9. Messaging to Members' BCCs

BOARD MEMBER COMMENTS

PUBLIC COMMENTS

Open to the Public – Three (3) minute time limit per person. Anyone wishing to address the Board on any issue should complete a 'request to speak' card and hand to the recording secretary.

ADJOURNMENT

Visit our website at www.regionalwater.org click on Agency/Board Meetings for Agenda Packet

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**Peace River
Manasota**

Regional Water Supply Authority



Manasota

Peace River

BOARD OF DIRECTORS WORKSHOP

APRIL 3, 2019

RegionalWater.org

Workshop Objectives

Authority Board Schedule:

- April 3 Board meeting and workshop
- May 29 Board meeting and approve Tentative Budget for FY 2020
- July 31 Board meeting and public hearing on Budget for FY 2020

Authority Board Direction:

- Facilitation of CIP Funding – Base Rate Charge
- Definition & Funding for ‘~~Common~~ System-Wide Benefit Projects’
- Fees & Charges for New Regional System Connections
- Annual Rate Indexing
- Authority Member Fee Policy
- Management and Planning Assessment Cost Allocations

Strategic Plan

Mission of the Authority is:

“To provide the region with a sufficient, high quality, safe drinking water supply that is reliable, sustainable and protective of our natural resources now and into the future.”

Vision of the Authority is:

*“Through cooperation and collaboration the Authority and its members shall create, maintain and **expand** a sustainable, interconnected regional water supply system.”*



Strategic Plan
[Revised 2017]

Strategic Plan

Objective 1-3

Interconnect all major supply facilities to the Regional Transmission System.

Objective 2-3

Establish contractual and financial policies that facilitate new connections for both supply from and delivery to the Regional System from Members and partners.

Objective 2-5

Review Authority financial policies to ensure they support agency financial goals and modify as needed.

Initiative 2. Establish a CIP reserve fund for non-R&R, CIP Authority projects in 2018.



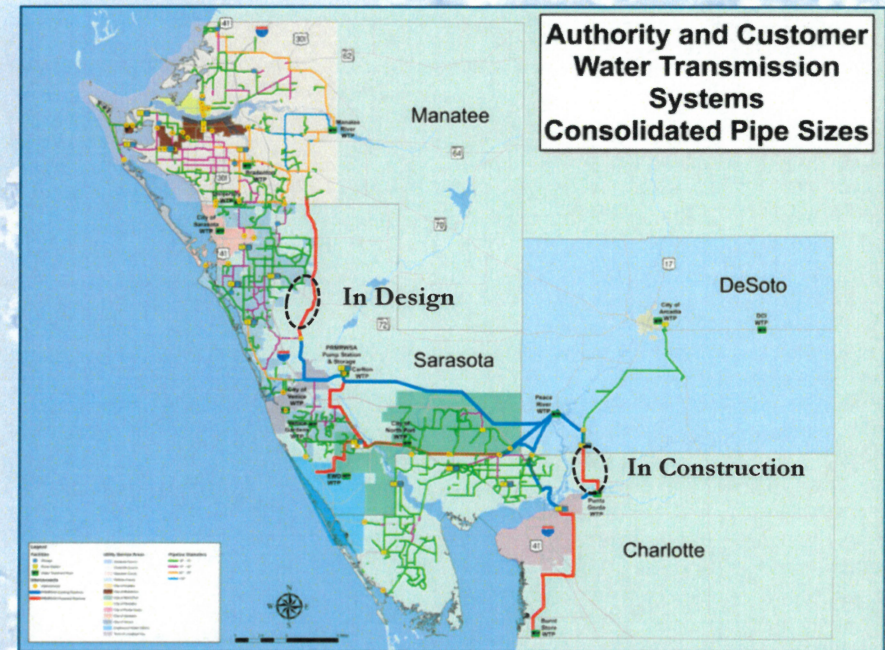
Strategic Plan
[Revised 2017]

Regional System



Peace River Facility

Treatment Capacity	51 MGD
Reservoir Storage Capacity	6.5 BG
ASR Storage Capacity	6.0 BG

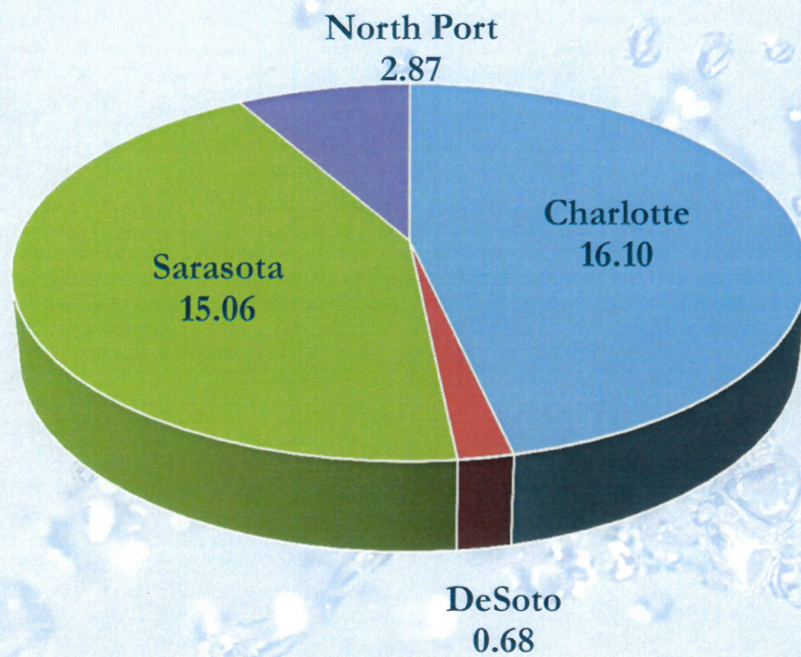


Regional Transmission System

Existing Transmission Mains	70 Mi.
In Design or Construction	12 Mi
Planned Future	65 Mi.

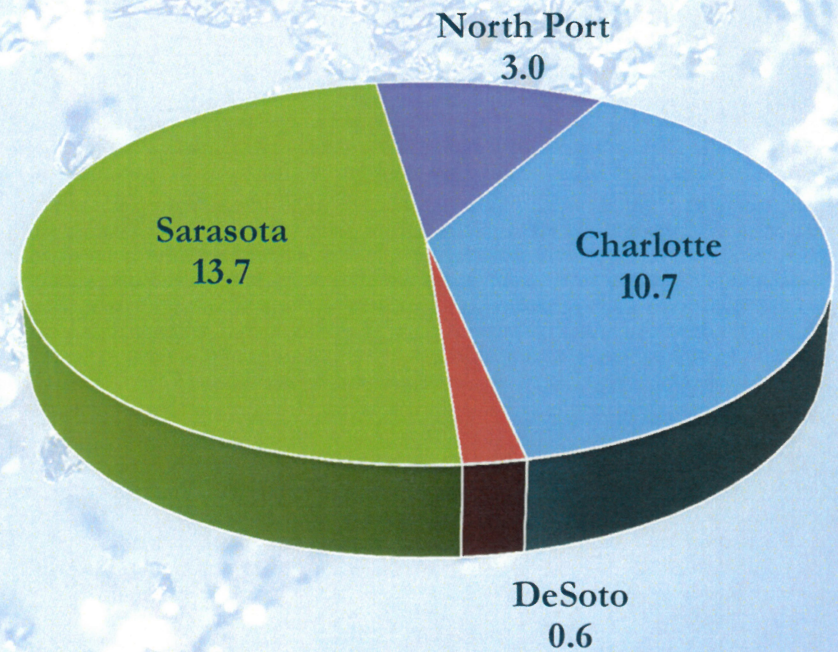
Allocated Capacity & Current Use

Peace River Allocated ADF Capacity



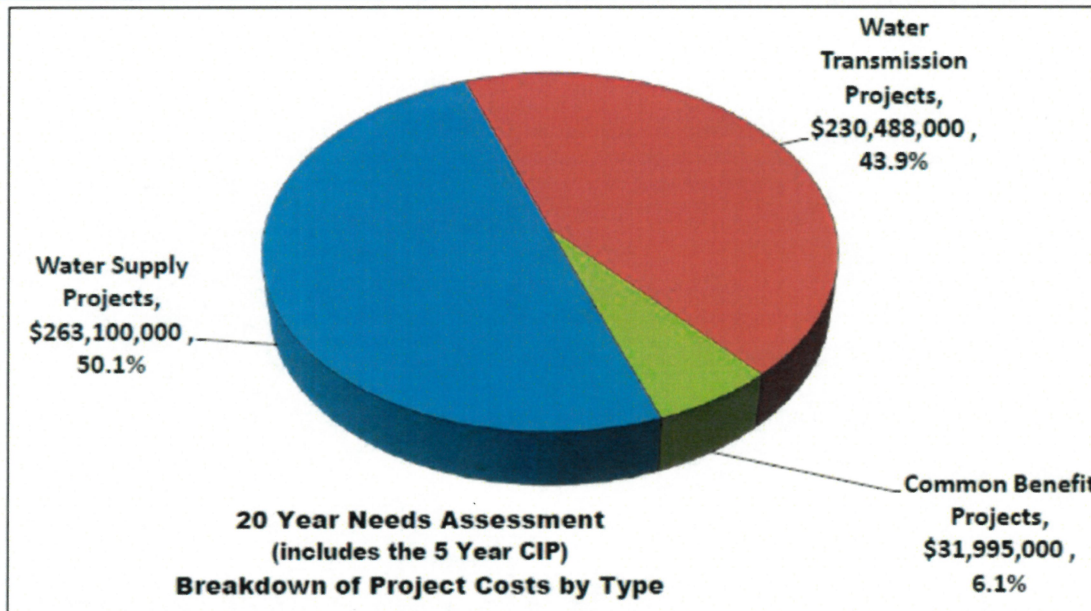
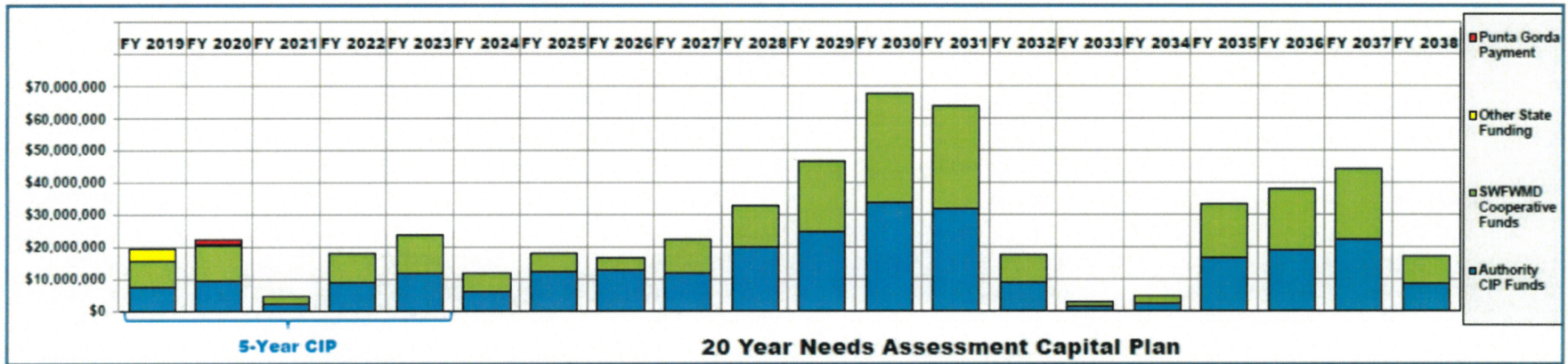
34.7 MGD

February 2019 Delivered



28.0 MGD

20 Year Capital Needs Assessment Summary by Year and Type of Project (includes the 5-Year CIP)



Total Investment Planned Over the Period	\$ 525,583,000 , excludes prior year costs	\$0	identified beyond the 20-year horizon
Anticipated Offsetting Grant Funding	\$ 251,552,000 , excludes prior year grant funding	\$0	identified beyond the 20-year horizon

Base Rate Charge – Debt Service Break-Out

Base Rate Charge: For any Contract Year, the rate established by resolution of the Authority for payment of the Authority's Obligations, **Bond Coverage Costs, Debt Service Costs, Charlotte Oversized Facilities Payment, Capital Component Charge, Hydraulic Pipeline Capacity Entitlement Cost** and Renewal and Replacement Costs for the Authority Water Supply Facilities. The Base Rate Charge also includes the Fixed Operations and Maintenance Costs budgeted by the Authority for expanding, operating, repair and replacement, maintaining and securing the Authority Water Supply Facilities regardless of quantity of water, if any, being produced or delivered by the Authority, with such fixed costs being assessed proportionately in accordance with the Annual Average Daily Water Allocation. [MWSC definition]

Base Rate Charge – Debt Service Break-Out

Base Rate Charge		Water Use Charge
<p>Debt Costs [Allocation by Project Participation]</p> <ul style="list-style-type: none"> - Bond Payment - Capital Component - North Port Payment 	<p>Fixed Costs [Pro-Rata Water Allocation]</p> <ul style="list-style-type: none"> - Fixed O&M - Contribution to R&R - DeSoto Payment - Contingencies - Water Purchase - Transfer to CIP 	<p>Variable Costs [\$/Kgal Metered Use]</p> <ul style="list-style-type: none"> - Treatment Chemicals - Electric Power - Residual Hauling
\$11.5 M *	\$13.9 M *	\$8.7 M *

* FY 2019 Budget Values

Base Rate Charge – Debt Service Break-Out



Invoice

Date	Invoice #
1/31/2019	SC-4-2019

Bill To
Sarasota County Environmental Services 1001 Sarasota Center Blvd. Sarasota, FL 34240

Terms
Net45

Description	Quantity	Rate	Amount
Monthly Base Rate Charge based on Fixed Costs budgeted for FY 2019 and Board approved on July 25, 2018.	1	999,854.00	999,854.00
Charge for actual water delivered from Authority based on variable costs budgeted for FY 2019 Per 1000 gallons	406,530	0.74	300,832.20
Sarasota/North Port Interconnect Agreement. Per 1000 gallons	-4,046	0.74	-2,994.04

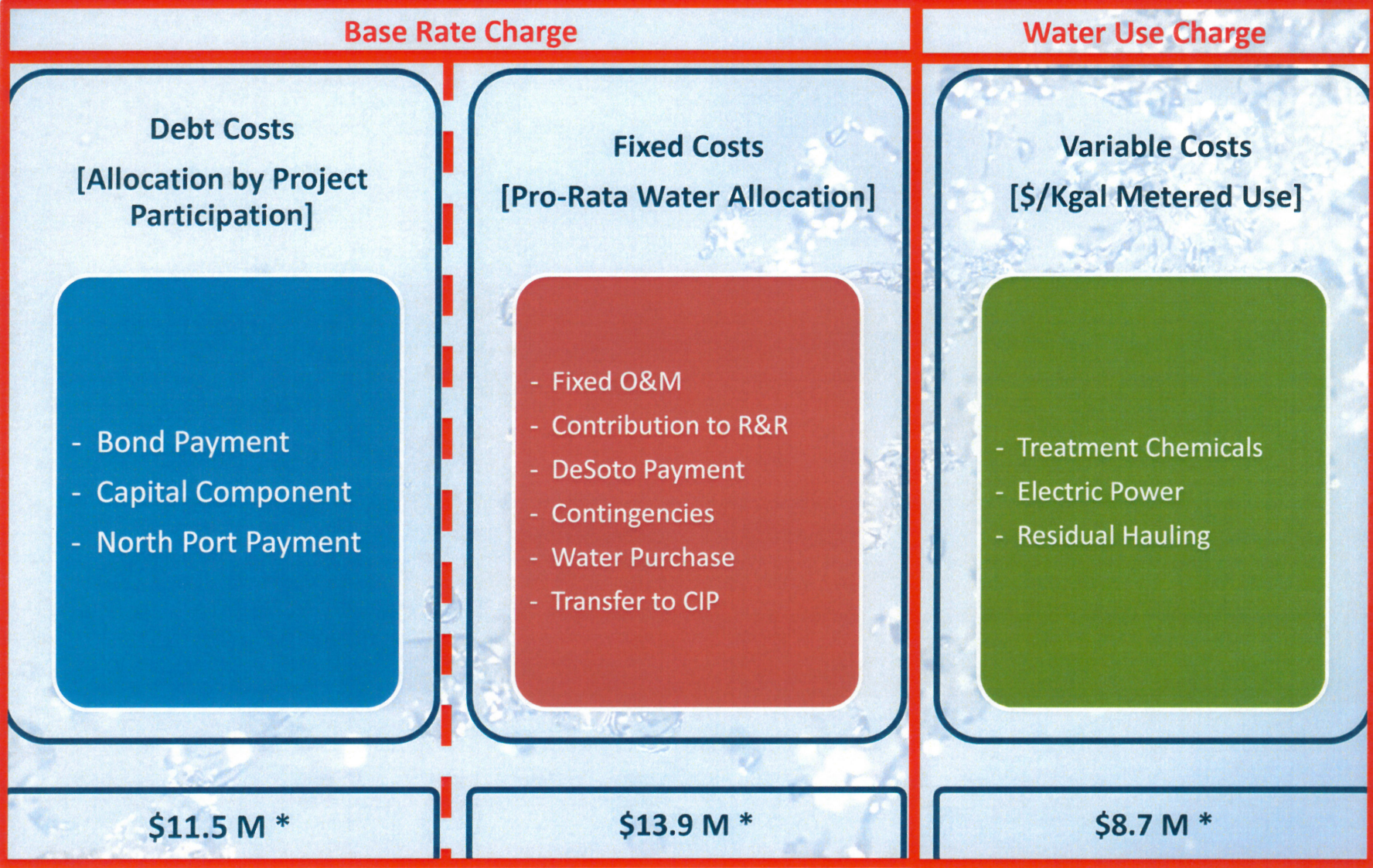
Monthly Base Rate Charge	\$999,854
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Please remit payment to:
Peace River Manasota Regional Water Supply Authority
9415 Town Center Parkway
Lakewood Ranch, FL 34202

If paying via ACH:
Bank Name: PNC Bank, NA
Account #: 1219080919
Routing #: 043000096
Please email remittance information to:
ap@regionalwater.org

Total	\$1,297,692.16
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Base Rate Charge – Debt Service Break-Out



* FY 2019 Budget Values

Base Rate Charge – Debt Service Break-Out



Invoice

Date	Invoice #
1/31/2019	SC-4-2019

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Sarasota/North Port Interconnect Agreement. Per 1000 gallons	-4,046	0.74	-2,994.04

Please remit payment to:
Peace River Manasota Regional Water
Supply Authority
9415 Town Center Parkway
Lakewood Ranch, FL 34202

If paying via ACH:
Bank Name: PNC Bank, NA
Account #: 1219080919
Routing #: 043000096
Please email remittance information to:
ap@regionalwater.org

Total \$1,297,692.16

Proposed Billing Method

- Debt shown as component of Base Rate Charge consistent with MWSC
- Provides flexibility for Authority Customers to charge as operating expense or capacity charge within their respective systems.

Monthly Base Rate Charge

- Fixed Costs \$474,745
 - Debt Service/Capital Component \$525,109
- \$999,854**

Definition & Funding for System-Wide Benefit Projects

Definitions

Renewal and Replacement Costs: The capital expenditures set forth in the annual budget approved by the Authority for ordinary renewal, replacement, upgrade and betterment of the Authority Water Supply Facilities. Renewal and Replacement Costs do not include capital expenditures associated with the expansion or addition of water treatment, storage, pumping or transmission capacity. [MWSC definition] These projects are funded in accordance with Resolution 2005-08 'Resolution Setting Forth Rate Setting Methodology' [Board approved: October 5, 2005].

Definition & Funding for System-Wide Benefit Projects

Definitions

Capital Improvement Projects (excluding Regional Transmission System) are categorized into two primary categories: (1) New Water Supply Projects or (2) System-Wide Benefit Projects.

1) New Water Supply Projects

Includes projects that provide expansion of the Authority's Water Supply Facilities and appurtenant or associated installations owned, leased or otherwise controlled by the Authority and used for the provision of potable water supply. These projects are funded in accordance with the MWSC.

Definition & Funding for System-Wide Benefit Projects

Definitions

2) System-Wide Benefit Projects

A “System-Wide Benefit CIP Project” is defined as any capital project of uniform benefit to Authority Members and Customers. System-wide Benefit CIP Projects exclude Renewal and Replacement and New Water Supply Projects and generally exceed \$500,000 in anticipated cost for implementation and may include the following general types of projects:

- New buildings, or expansion of an existing building, at Authority water supply facilities;
- ~~Relocation of existing regional transmission system pipelines due to road widening, utility conflicts or other constraints and requirements;~~
- Projects which improve the performance, enhance treatment capability or improve water quality in the Authority’s water supply system;
- Projects which bolster resiliency and reliability of the Authority’s water supply system;
- Projects which promote sustainability, safety and system security of the regional water system;
- Projects involving major facility control/communications system upgrade; and
- Any other project so designated by the Authority Board of Directors.

Definition & Funding for System-Wide Benefit Projects

5-Year CIP Cost/Funding

Project	Filter Covers	Partially Treated ASR	RTS Relocation (1)	Total
Authority Funds	\$4.0 M	\$3.5 M	\$1.5M	\$7.5 M
State Appropriation		\$1.0 M		\$1.0 M
SWFWMD Grant		\$3.5 M		\$3.5 M
Total	\$4.0 M	\$8.0 M	\$1.5 M	\$12.0 M

Definition & Funding for System-Wide Benefit Projects

5-Year CIP Cost/Funding

Project	Filter Covers	Partially Treated ASR	RTS Relocation (1)	Total
Authority Funds	\$4.0 M	\$3.5 M	\$1.5M	\$7.5 M
State Appropriation		\$1.0 M		\$1.0 M
SWFWMD Grant		\$3.5 M		\$3.5 M
Total	\$4.0 M	\$8.0 M	\$1.5 M	\$12.0 M

Definition & Funding for System-Wide Benefit Projects

Funding Allocation Methods

Customer	Option 1: Population	Option 2: Equal Share	Option 3: FY 2018 Regional Water Use	Option 4: Contract Allocation	Option 4A Future Allocation	New Option 5: 1 & 4 Hybrid	New Option 6: 1 & 2 Hybrid	New Option 7: 2 & 4 Hybrid
Charlotte	17.7%	20.0%	42.8%	46.4%	42.3%	32.1%	18.9%	33.2%
Sarasota	34.4%	20.0%	50.9%	43.4%	39.7%	38.9%	27.2%	31.7%
Desoto	3.5%	20.0%	2.5%	1.9%	1.8%	2.7%	11.8%	10.9%
Manatee	37.4%	20.0%	0.0%	0.0%	8.7%	18.7%	28.7%	10.0%
North Port	7.0%	20.0%	3.8%	8.3%	7.5%	7.6%	13.5%	14.1%

Definition & Funding for System-Wide Benefit Projects

Funding Allocation Methods

Customer	Option 1: Population	Option 2: Equal Share	Option 3: FY 2018 Regional Water Use	Option 4: Contract Allocation	Option 4A Future Allocation	New Option 5: 1 & 4 Hybrid	New Option 6: 1 & 2 Hybrid	New Option 7: 2 & 4 Hybrid
Charlotte	17.7%	20.0%	42.8%	46.4%	42.3%	32.1%	18.9%	33.2%
Sarasota	34.4%	20.0%	50.9%	43.4%	39.7%	38.9%	27.2%	31.7%
Desoto	3.5%	20.0%	2.5%	1.9%	1.8%	2.7%	11.8%	10.9%
Manatee	37.4%	20.0%	0.0%	0.0%	8.7%	18.7%	28.7%	10.0%
North Port	7.0%	20.0%	3.8%	8.3%	7.5%	7.6%	13.5%	14.1%

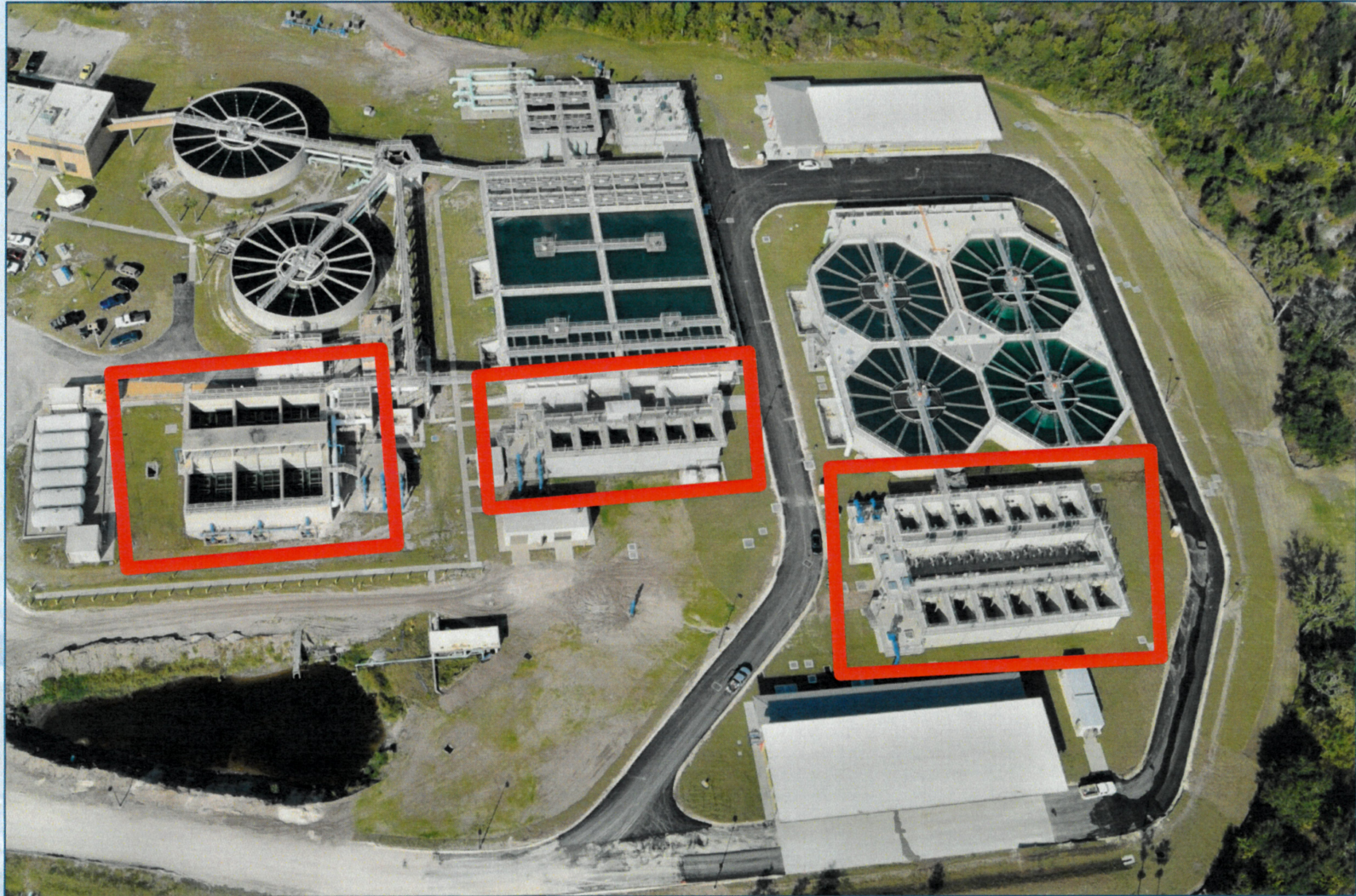
Definition & Funding for System-Wide Benefit Projects

Example 1 - Filter Covers

- Project
 - Cover 26 existing filters
- Benefits
 - Improved Public Health Protection – significant increase in disinfection credit
 - Safety (Storms/Lightning)
 - Operational Benefits: Improved Treatment Consistency, Increased Storage Flexibility
- Cost
 - \$4.0 M (No Cooperative Funding)
- Schedule
 - Design & Bidding complete
 - Award construction contract in FY 2019
 - Scheduled Completion in FY 2020

Definition & Funding for System-Wide Benefit Projects

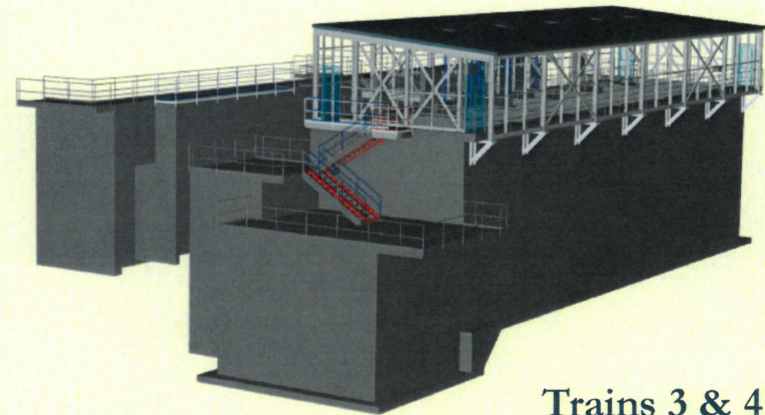
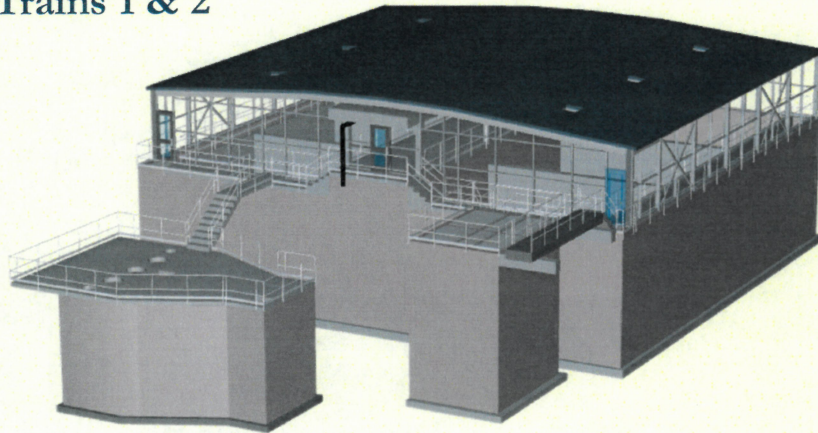
Example 1 - Filter Covers



Definition & Funding for System-Wide Benefit Projects

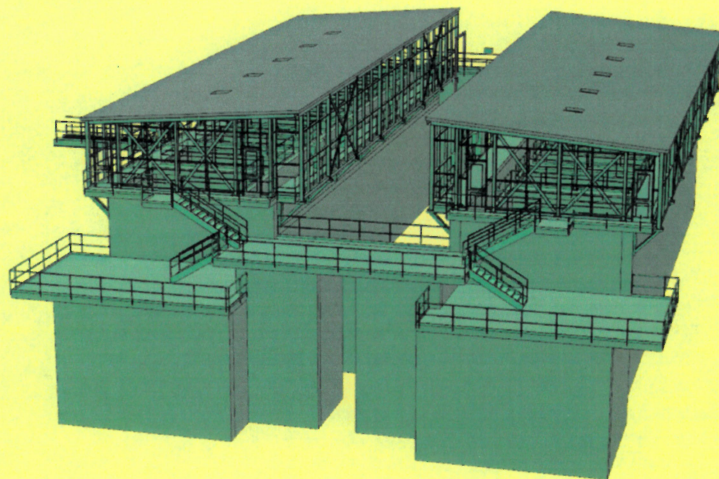
Example 1 - Filter Covers

Trains 1 & 2



Trains 3 & 4

Trains 5 & 6



- Improved Public Health Protection
 - Significant increase in disinfection credit
- Safety (Storms/Lightning)
- Operational Benefits:
 - Improved treatment consistency,
 - Increases Storage Flexibility

Definition & Funding for System-Wide Benefit Projects

Example 1 - Filter Covers

Customer	Option 4: Current Contract Allocation %	Option 4A 20-Year Projected Allocation %
Charlotte	46.4%	42.3%
Sarasota	43.4%	39.7%
Desoto	1.9%	1.8%
Manatee	0.0%	8.7%
North Port	8.3%	7.5%

Project benefits current Customers with PRF allocation

Filter Covers on Existing PRF		Charlotte	DeSoto	Manatee	Sarasota	North Port
Expected Life of Improvement	50 Years					
Expected Regional Cost Share	\$4.0 M	\$1.85 M	\$0.08 M		\$1.74 M	\$0.33 M

Definition & Funding for System-Wide Benefit Projects

Example 2 - Partially Treated Water ASR



Definition & Funding for System-Wide Benefit Projects

Example 2 - Partially Treated Water ASR

- Project
 - 21 existing ASR wells permitted to inject fully treated water
 - Conversion of injection to partially treated water in 12 Wells
 - New pumping station and water pretreatment facility
- Benefits
 - Operational cost savings
 - Frees up treatment capacity
 - Improved recovery efficiency
 - Potential to improve groundwater condition in SWUCA
- Cost
 - \$8 M (Authority \$3.5 M, SWFWMD & State \$4.5 M)
- Timeframe
 - Status – Ongoing (pilot testing complete, in permitting)
 - Projected Completion in FY 2022

Definition & Funding for System-Wide Benefit Projects

Example 2 - Partially Treated Water ASR

Customer	Option 4: Current Contract Allocation %	Option 4A 20-Year Projected Allocation %
Charlotte	46.4%	42.3%
Sarasota	43.4%	39.7%
Desoto	1.9%	1.8%
Manatee	0.0%	8.7%
North Port	8.3%	7.5%

Project benefits current and future Customers with PRF allocation

Partially Treated Water ASR		Charlotte	DeSoto	Manatee	Sarasota	North Port
Expected Life of Improvement	50 Years					
Expected Regional Cost Share	\$3.5 M	\$1.48 M	\$0.06 M	\$0.31 M	\$1.39 M	\$0.26 M

Definition & Funding for System-Wide Benefit Projects

Funding Options

- Municipal Bonds
 - Long Term/Large Dollar Capital Projects
 - High Issuance Costs
 - Long Lead Time to Issue
 - Continued Disclosures, Arbitrage Calculation, Debt Service Coverage Ratios, Sinking Fund Requirements
- Bank Notes
 - Medium Term & Varied Use
 - Lower Issuance Costs
 - Shorter Lead Time to Issue
 - Disclosure and Sinking Fund Requirements
- Line of Credit
 - Short Term, Varied Use
 - Lower Issuance Costs
 - Shorter Lead Time to Issue
 - Typically No Requirements after Issuance

Definition & Funding for System-Wide Benefit Projects

Funding Options

Municipal Bonds	<ul style="list-style-type: none">• Long Term/Large Dollar Capital Projects• High Issuance Costs• Long Lead Time to Issue• Continued Disclosures, Arbitrage Calculation, Debt Service Coverage• Ratios, Sinking Fund Requirements
Bank Note	<ul style="list-style-type: none">• Medium Term & Varied Use• Lower Issuance Costs• Shorter Lead Time to Issue• Disclosure and Sinking Fund Requirements
Line of Credit	<ul style="list-style-type: none">• Short Term, Varied Use• Lower Issuance Costs• Shorter Lead Time to Issue• Typically No Requirements after Issuance
Pay-As-You-Go	<ul style="list-style-type: none">• No Issuance Costs• Defer Projects until Available Funds Accumulated

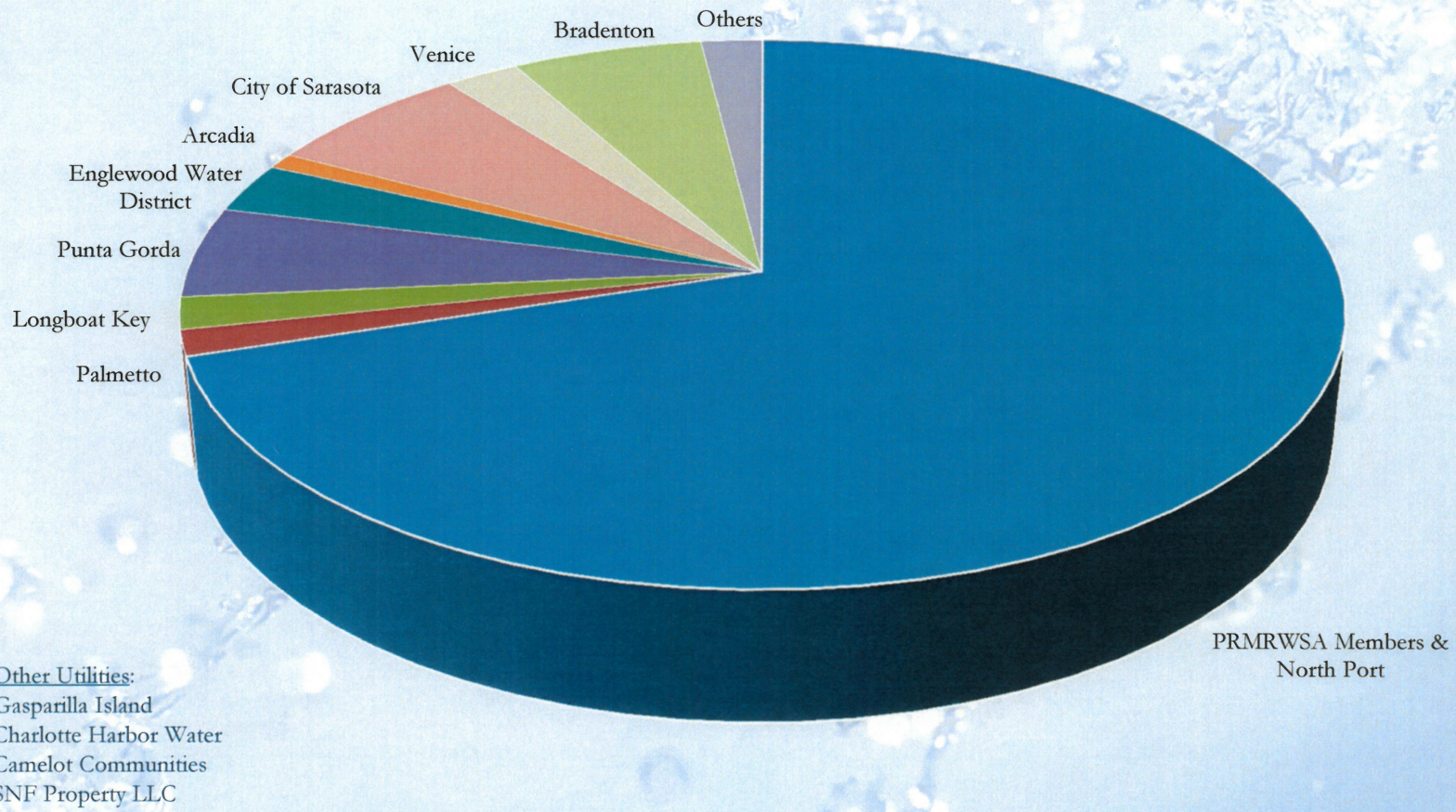
Definition & Funding for System-Wide Benefit Projects

Board Discussion and Direction

- Definition of System-Wide Benefit Project
- Potential System-wide Benefit Projects
 - \$12 M total in current 5-year CIP (excludes pipe relocations)
 - \$7.5 M Projected Authority Funds
- Propose \$1 M Annual Budget Funds to implement Filter Covers Project and Partially Treated Water ASR Project
 - Combination Line of Credit/Pay-as-you-Go
- Inclusion in FY 2020 Budget
 - Funded at current pro-rata contract water allocations (option 4)
 - Funded using a future pro-rata allocation/benefit method (option 4A)
 - Funded using other method(s)

Fees and Charges for New Regional System Connections

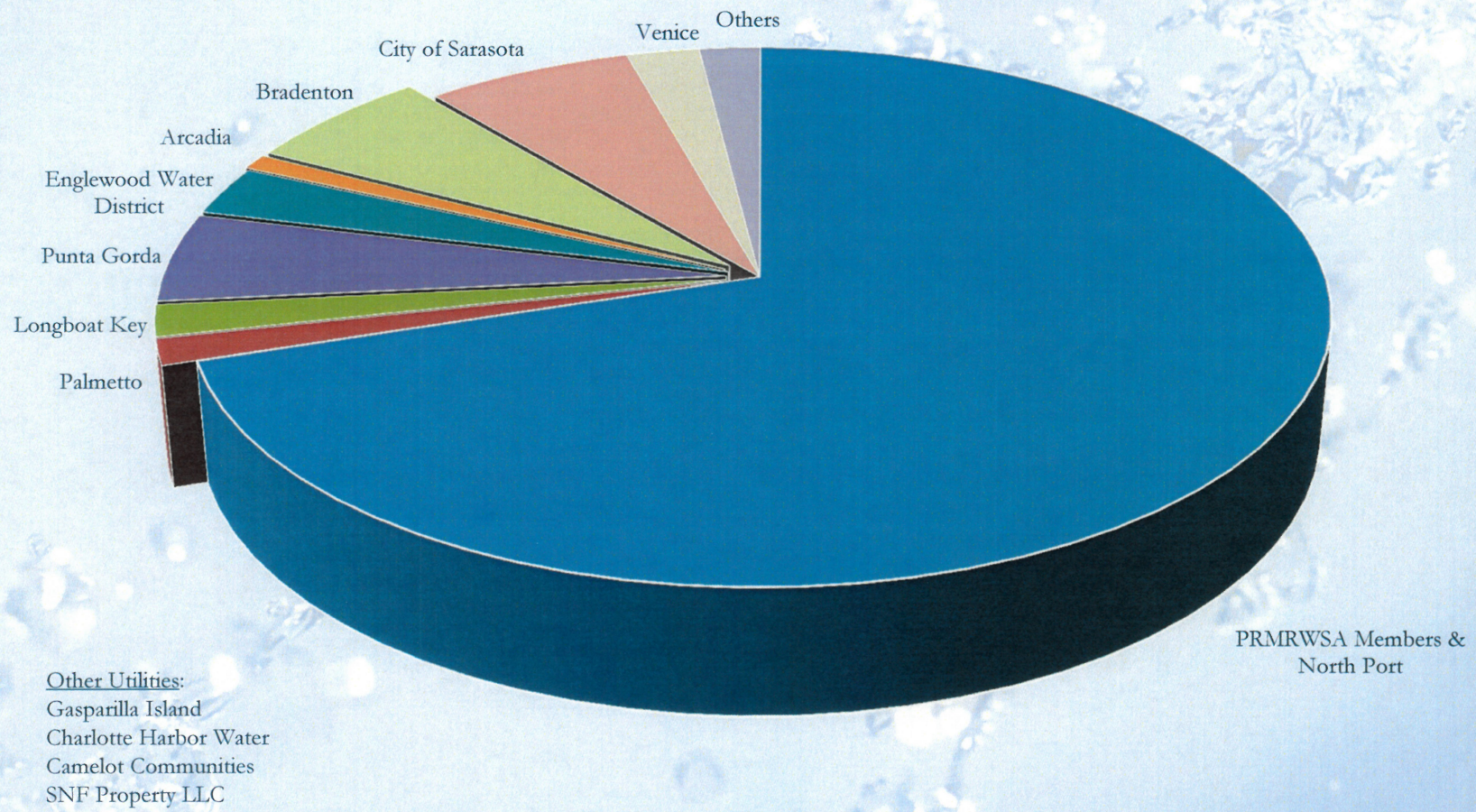
Regional Water Users FY 2017 [93.7 MGD]



Source: SWFWMD '2017 Estimated Water Use Report' (Dec. 18, 2018)

Fees and Charges for New Regional System Connections

Regional Water Users FY 2017 [93.7 MGD]



Source: SWFWMD '2017 Estimated Water Use Report' (Dec. 18, 2018)

Fees and Charges for New Regional System Connections

Board Discussion and Direction

- With which entity will new interconnects contract?
 - Agreement with Authority; or
 - Agreement directly with Member
- Which Authority costs are recoverable in fee?
 - Non-Debt Fixed Costs
 - Existing Capital Cost for Hydraulic Capacity

Water Rate Indexing

Board Discussion and Direction

- Benefits of rate indexing
 - Avoids future rate shock due to cost inflation
 - Rating agencies view positively
- Commonly used indices
 - U.S. Consumer Price Index (5-year annual avg. 1.5%)
 - U.S. CPI Water & Sewerage Maint. Series (5-year annual avg 4.1%)
 - Flat annual indexing
 - Hybrid approach?
- What to consider indexing?
 - Water Use Charge
 - Base Rate
- Authority Water Rates are set annually by resolution with Annual Budget at public hearing
 - Not a significant need for Indexing based on Authority procedures

Authority Member Fee Policy

PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY

BUDGET POLICIES [2008]

Unrestricted Cash Reserve:

~~The Authority establishes a goal to maintain an unrestricted cash reserve equivalent to 25% (90 days) of the total rate-related expenditures in the Authority's annual budget. [Superseded February 6, 2013]~~

Member Contribution:

Member contribution to the General Fund in the Authority's annual budget shall be calculated as follows:

- (1) 50% of the total contribution shall be equal to each Authority member; and
- (2) 50% of the total contribution shall be proportioned to each Authority member proportionate to their respective county's population to the regions total population.

Authority Member Fee Policy

Board Discussion and Direction

**Peace River Manasota Regional Water Supply Authority
FY 2019 Budget**

MEMBER FEE

10/01/2018 to 09/30/2019

Contribution Amount to be Derived			
	Totals		
Administrative Office Authority Support	\$764,200		
Projected Interest Earned	\$0		
Estimated Brought Forward - Undesignated	(\$375,000)		
Amount to be Derived	\$389,200		
Population Basis			
	*Population 4/1/2017	% of Total Population	
Charlotte County	169,152	17.64%	
DeSoto County	32,676	3.41%	
Manatee County	357,404	37.28%	
Sarasota County	399,532	41.67%	
Total	958,764	100.00%	
Weighted Contribution			
	Base Contribution	Pro Rated Share	
Charlotte County	\$48,650	\$34,333	\$82,983
DeSoto County	\$48,650	\$6,632	\$55,282
Manatee County	\$48,650	\$72,542	\$121,192
Sarasota County	\$48,650	\$81,093	\$129,743
Total Weighted Contribution			\$389,200

Member Contribution Formula:

Base Contribution = 1/2 amount to be derived divided by 4

Pro rated share = 1/2 amount to be derived times % of Population

* Source: 'Estimates o Population by County and City in Florida [Bureau of Economic and Business Research; University of Florida, April 1, 2017]

Funding for Management and Planning

The MWSC provides for funding for management and planning as follows:

17. **FUNDING FOR MANAGEMENT AND PLANNING.** It is acknowledge that Management and Planning Costs of the Authority may be obtained from the Customers in a manner determined by the Authority Board, and that additional funds available for Management and Planning Costs shall be sought by the Authority from the federal and state government, including but not limited to the Florida Department of Environmental Protection, Florida Department of Community Affairs, the Southwest Florida Water Management District, the Basin Boards of the Southwest Florida Water Management District, and appropriate utilities and agencies.

Funding for Management and Planning

Board Discussion and Direction

- Typical Management and Planning Projects

Budget Year	Planning Project	Budget Cost
FY 2015	Authority Policy/Strategic Planning Peace River Basin Issues MWSC Issues/Rate Evaluation	\$200,000
FY 2016	Pace River Basin issues MWSC [10-Year Review]	\$100,000
FY 2017	Water Advocacy Strategic Plan Implementation Peace River Basin Issues	\$100,000
FY 2018	Water Advocacy Strategic Plan Implementation Peace River Basin Issues	\$100,000
FY 2019	Water Advocacy Integrated Regional Water Supply Plan 2020	\$200,000

- Benefits on a regional basis
- Annual Budget Cost Assessment on pro-rata population basis.

Recap of Today's Discussion

- Base Rate Charge – Identify Debt Service on Customer Billing
- System-Wide Benefit Projects
 - Definition
 - Funding
- Fees & Charges for New System Connection
- Water Rate Indexing
- Authority Member Fee Policy Review
- Planning and Management Assessment Cost Allocation
- Messaging to Member BOCCs