



Utilities Department
6644 Price Boulevard
North Port, FL 34291-4106

Phone (941) 240-8000

Fax (941) 240-8022

MEMORANDUM

TO: Peter D. Lear, CPA, CGMA, City Manager
Jason Yarborough, Assistant City Manager
Cari Branco, Assistant City Manager

FROM: Richard Newkirk, Utilities Director

for Karl Newkirk

DATE: 6/27/2019

SUBJECT: Commission Requested Information

After presenting the neighborhood expansion for water and sewer to Commission during a workshop on May 6, 2019, there were several questions Commission asked for the Utility staff to address. The questions include:

- 1) Q. What is the funding source Charlotte County used for their expansion?
 - A. Charlotte Counties funding for this sewer expansion included a municipal service benefit unit (MSBU), grant funding from DEP as well as funding received from the BP oil spill. The total cost of the project per lot was \$ 20,195. The total assessed per household was \$ 11,500. An MSBU is a non-ad valorem assessment for various improvements created to fund an essential public service to include public health, safety, or welfare. The assessments are based on the cost to provide the improvements, number of properties participating, and the benefit unit allocated to each participating property. By Florida Statutes, only counties are able to create an MSBU.
- 2) Q. What is the estimated cost for the construction of water and sewer lines along Sumter Blvd to I-75?
 - A. The estimated construction costs for both water and sewer along this route are \$2.8 million combined.
- 3) Q. What is the estimated cost for the construction of water and sewer lines along Toledo Blade Blvd to I-75?
 - A. The estimated construction costs for both water and sewer along this route are \$2.6 million combined.
- 4) Q. Utility staff to develop a pro-rated amount as an incentive for existing homeowners to connect to the system.
 - A. A detailed breakdown of this amount is included in the backup documentation.

- 5) Q. What has been allocated and spent in the last ten years for Surtax money for the Utility Department projects?
A. A detailed breakdown of this amount is included in the backup documentation.
- 6) Q. Can Utility staff coordinate an effort for connection with the Department of Health before a well or septic are put into place for replacement?
A. Yes, staff has reached out to the Department of Health and they are willing to coordinate with the Utility Department.
- 7) Q. What is the justification for the \$10 administration fee charged to administer the financed accounts?
A. A detailed breakdown of this amount is included in the backup documentation.
- 8) Q. Show the current fund balance carried by the Utility Department.
A. In the backup documentation is a copy of the current CAFR. The unrestricted amount of approximately \$23.3 million includes the R&R fund, which is set aside based on the City's Bond Ordinance. After FY2021 with the construction of the new administration facility and other projects, the cash on hand will be close to the required minimum of approximately \$10 million. Also attached is the graphical financial table showing the unrestricted cash balance from the recent rate analysis.

Backup material for question #4

The following language currently exists in our City Code Section 79-31 (b) (2) d. (vii) :

New well construction credit. The commission desires to reduce the burden of the line extension charge for those property owners who have recently purchased and installed a new well if they provide proof that a new well was purchased and installed within five years of the date that water service becomes available to a property. The new well construction credit will be based on the number of days between the installation of the well and the date of service availability, according to the following schedule:

Age of Installation	Credit
1 to 365 days	25%
366 to 730 days	20%
731 to 1,095 days	15%
1,096 to 1,460 days	10%
1,461 to 1,825 days	5%
Greater than 1,825 days	0%

Backup material for question #4

Staff would recommend implementing a similar pro-rated credit for septic tanks/drainfield in the City as well and will recommend that language in a future ordinance update:

New septic construction credit. The commission desires to reduce the burden of the line extension charge for those property owners who have recently purchased and installed a new septic tank/drainfield if they provide proof that a new septic tank/drainfield was purchased and installed within five years of the date that wastewater service becomes available to a property. The new septic tank/drainfield construction credit will be based on the number of days between the installation of the septic tank/drainfield and the date of service availability, according to the following schedule:

Age of Installation	Credit
1 to 365 days	25%
366 to 730 days	20%
731 to 1,095 days	15%
1,096 to 1,460 days	10%
1,461 to 1,825 days	5%
Greater than 1,825 days	0%

Backup material for question #5

Surtax dollars for expansion

	Fiscal Year										Totals
	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	
Expansion											
Budgeted		\$403,064	\$0	\$1,350,000	\$0	\$0	\$737,700	\$0	\$0	\$1,492,760	\$5,211,524
Spent					\$88,540	\$215,259	\$1,860,309	\$37,797			\$2,201,904
Balance currently remaining in account:											
Amount encumbered on Purchase Orders left to be paid:											\$1,492,760
											\$0

	Fiscal Year										Totals
	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	
Looping Water Quality/Bridges											
Budgeted	\$750,000	\$0	\$1,013,106	\$0	\$0	\$332,840	\$436,360	\$480,000	\$466,000	\$354,000	\$3,832,306
Spent			\$33,156	\$629,843	\$14,786	\$167,970	\$487,922	\$203,545	\$849,529	\$257,500	\$2,644,249
Balance currently remaining in account:											\$553,275
Additional amount encumbered on Purchase Orders left to be paid:											\$114,725

Notes:

My recollection of the FY09-10, 10-11 years was that the level of funding had to be drastically reduced to accommodate for reduced revenues coming in and a commitment to fund the pool. Therefore, the original \$750,000 in FY09-10 and \$403,064 in FY10-11 was not used and not rolled into the next year.

Looping project funds is more how Utilities projects actually are completed. Funding budgeted annually, projects completed annually, but construction lags a bit behind the budget.

Balance currently remaining in account is NOT necessarily a function of budgeted minus expended. When project completion extends beyond the end of the fiscal year, budgeted amounts are requested to be rolled. Some times, the whole budget amount is not rolled for various reasons.

Projects in progress: Salford/Cocoplum bridge, S. Hartsdale, Cunliffe, Totem, Jeannin, Brickell, Calera, Crane & Trionfo looping

Backup material for question #7

Financing Line Extension Fees - Recurring Costs				
Administration / Customer Service				
Description	Customer Account Specialist II	Staff Assistant III	Accounting Manager	
Corresponding with customers regarding discrepancies		0.17		
1 Coordinating with Finance for corrections	-	1.00		
2 Printing Bill	0.07			
3 Postage = .28 per bill (In final dollar amt below)				
4 Monthly Maintenance of Reconciliations		2.00		
5 Annual Reconciliation		0.08		
6 Accounting Manager's year end reconciliation			0.04	
7 Total	0.07	3.25	0.04	

Median Pay 45,919.00 42,915.00 98,175.00

Benefit Amount 18,367.60 17,166.00 39,270.00

Median Salary including benefits 64,286.60 60,081.00 137,445.00

Pay in hourly form 30.91 28.89 66.08

Cost in total for each item 99.12
 Overhead Costs of 15% on recurring items 15.27
 One time cost over 30 year period from previous page 3.04
 Total cost to administer annually 117.43
 Total average monthly cost 9.79

Backup material for question #8

CITY OF NORTH PORT, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Fund Water & Sewer Utilities	Government-type Activities - Internal Service Fund Self Insurance
ASSETS		
Current assets:		
Cash and investments	\$ 22,823,075	\$ 1,163,316
Accounts receivable (net of allowance for uncollectibles)	3,258,962	12,581
Due from other governments	336,572	-
Inventories	383,024	-
Total current assets	26,801,633	1,175,897
Noncurrent assets:		
Restricted assets:		
Cash and investments	18,031,746	-
Accounts receivable (net of allowance for uncollectibles)	444,725	-
Capital assets:		
Land	948,266	-
Buildings	3,333,759	-
Infrastructure	166,991,746	-
Equipment	14,282,895	-
Construction in progress	1,323,632	-
Less: accumulated depreciation	(56,318,413)	-
Total noncurrent assets	149,038,356	-
Total assets	175,839,989	1,175,897
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refundings	419,061	-
Deferred amount on OPEB	9,196	-
Deferred amount on pension	1,801,535	-
Total deferred outflows of resources	2,229,792	-

(Continued)

The notes to the financial statements are an integral part of this statement.

Backup material for question #8

**CITY OF NORTH PORT, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	Business-type Activities - Enterprise Fund Water & Sewer Utilities	Government-type Activities - Internal Service Fund Self Insurance
LIABILITIES		
Current liabilities:		
Accounts payable	1,258,414	27,091
Liability for unpaid claims	-	520,527
Payable from restricted assets:		
Accounts payable	123,689	-
Customer deposits payable	46,358	-
Due to other funds	181,572	-
Loans payable	1,233,660	-
Revenue bonds payable	1,714,957	-
Interest payable	105,428	-
Accrued compensated absences	55,154	-
Total current liabilities	4,719,232	547,618
Noncurrent liabilities:		
Customer deposits payable	50,831	-
Loans payable	17,338,818	-
Revenue bonds payable	9,561,655	-
Accrued compensated absences	275,703	-
Other postemployment benefits payable	212,070	-
Net pension liability	3,466,091	-
Total noncurrent liabilities	30,905,168	-
Total liabilities	35,624,400	547,618
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on OPEB	4,792	
Deferred amount on pension	328,739	-
Total deferred inflows of resources	333,531	-
NET POSITION		
Net investment in capital assets	100,361,537	-
Restricted for renewal and replacement requirements	1,325,682	-
Restricted for capital projects	17,053,600	-
Unrestricted	23,371,031	628,279
Total net position	\$ 142,111,850	\$ 628,279
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time.	(12,688)	
Net position of business-type activities (page 23)	\$ 142,099,162	

The notes to the financial statements are an integral part of this statement.

Backup material for question #8

CITY OF NORTH PORT, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Fund <u>Water & Sewer Utilities</u>	Government-type Activities - Internal Service Fund <u>Self Insurance</u>
OPERATING REVENUES		
Charges for services:		
Water charges	\$ 11,108,589	\$ -
Sewer charges	10,543,535	-
Self-insurance fees	-	1,545,430
Miscellaneous	569,591	99,527
Total operating revenues	<u>22,221,715</u>	<u>1,644,957</u>
OPERATING EXPENSES		
General and administrative	3,383,731	1,488,791
Water treatment and distribution	4,612,279	-
Sewer collection and treatment	1,622,069	-
Field operations	4,658,645	-
Depreciation	4,592,846	-
Total operating expenses	<u>18,869,570</u>	<u>1,488,791</u>
Operating income	<u>3,352,145</u>	<u>156,166</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	376,416	8,323
Interest expense	(1,038,119)	-
Loss on asset disposals	(191)	-
Total nonoperating revenues (expenses)	<u>(661,894)</u>	<u>8,323</u>
Income before capital contributions and transfers	2,690,251	164,489
Capital contributions	9,823,272	-
Transfers out	(420,260)	-
Change in net position	12,093,263	164,489
NET POSITION - BEGINNING OF YEAR (RESTATED)	<u>130,018,587</u>	<u>463,790</u>
NET POSITION - END OF YEAR	142,111,850	<u>\$ 628,279</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time.	<u>(12,688)</u>	
Net position of business-type activities	<u>\$ 142,099,162</u>	

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position to the Statement of Activities:
Amounts reported as business-type activities in the Statement of Activities are different because:

Net change in net position - enterprise funds	\$ 12,093,263
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund.	<u>39,305</u>
Changes in net position of business-type activities (page 25)	<u>\$ 12,132,568</u>

The notes to the financial statements are an integral part of this statement.

Backup material for question #8

CITY OF NORTH PORT, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Fund	Government-type Activities - Internal Service Fund
	Water & Sewer Utilities	Self Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 22,418,791	\$ 1,650,024
Payments to vendors for goods and services	(8,757,237)	(761,535)
Payments to employees and benefit programs	(5,168,395)	-
Claims paid	-	(842,811)
Net cash provided by operating activities	8,493,159	45,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash transfers to other funds	(420,260)	-
Net cash used for noncapital financing activities	(420,260)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,845,103)	-
Proceeds from sale of capital assets	19,508	-
Capital grants	465,299	-
Proceeds from state revolving loan	523,594	-
Principal paid on bonds and loans	(2,690,684)	-
Interest paid on bonds and loans	(916,116)	-
Special assessments	34,359	-
Capacity fees received	5,573,243	-
Net cash used for capital and related financing activities	(2,835,900)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	376,416	8,323
Net cash provided by investing activities	376,416	8,323
Net increase in cash and cash equivalents	5,613,415	54,001
Cash and cash equivalents, October 1	35,241,406	1,109,315
Cash and cash equivalents, September 30	\$ 40,854,821	\$ 1,163,316
Classified as:		
Current assets	\$ 22,823,075	\$ 1,163,316
Restricted assets	18,031,746	-
Total	\$ 40,854,821	\$ 1,163,316

(Continued)

The notes to the financial statements are an integral part of this statement.

Backup material for question #8

Schedule 1

City of North Port, Florida

Net Position by Component

Last Ten Fiscal Years

(*accrual basis of accounting*)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 190,796,752	\$ 206,830,147	\$ 218,575,683	\$ 223,775,300	\$ 230,333,540	\$ 234,882,721	\$ 237,026,274	\$ 241,472,557	\$ 244,303,830	\$ 243,253,519
Restricted	63,521,632	58,643,863	45,826,354	49,259,616	45,641,773	55,770,974	62,452,659	71,250,430	72,908,693	76,818,949
Unrestricted	32,406,379	23,088,158	24,128,719	16,955,264	16,468,879	12,727,589	2,702,120	3,708,285	2,580,398	1,021,685
Total governmental activities net position	286,724,763	288,562,168	288,530,756	289,990,180	292,444,192	303,381,284	302,181,053	316,431,272	319,792,921	321,094,153
Business-type activities										
Net investment in capital assets	72,132,453	65,459,190	66,903,408	79,479,072	83,727,413	84,974,490	86,998,132	89,029,570	94,222,893	100,361,537
Restricted	10,587,316	16,947,629	15,180,859	6,623,346	5,950,232	5,538,481	7,094,824	12,325,750	15,165,600	18,379,282
Unrestricted	12,967,775	15,048,541	16,937,270	14,012,517	14,139,200	14,743,672	14,623,995	17,032,841	20,618,285	23,358,343
Total business-type activities net position	95,687,544	97,455,360	99,021,537	100,114,935	103,816,845	105,256,643	108,716,951	118,388,161	130,006,778	142,099,162
Primary government										
Net investment in capital assets	262,929,205	272,289,337	285,479,091	303,254,372	314,060,953	319,857,211	324,024,406	330,502,127	338,526,723	343,615,056
Restricted	74,108,948	75,591,492	61,007,213	55,882,962	51,592,005	61,309,455	69,547,483	83,576,180	88,074,293	95,198,231
Unrestricted	45,374,154	38,136,699	41,065,989	30,967,781	30,608,079	27,471,261	17,326,115	20,741,126	23,198,683	24,380,028
Total primary government net position	\$ 382,412,307	\$ 386,017,528	\$ 387,552,293	\$ 390,105,115	\$ 396,261,037	\$ 408,637,927	\$ 410,898,004	\$ 434,819,433	\$ 449,799,699	\$ 463,193,315

Backup material for question #8

Schedule 2
City of North Port, Florida
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
General government	\$ 9,289,078	\$ 9,098,666	\$ 7,737,411	\$ 8,319,577	\$ 8,632,871	\$ 9,754,793	\$ 11,030,818	\$ 12,548,288	\$ 14,099,333	\$ 14,376,510
Public safety	27,594,695	26,684,201	27,112,638	27,432,173	27,591,686	28,688,863	28,523,541	28,963,557	33,404,665	35,883,205
Physical environment	11,418,026	11,595,816	11,889,847	11,121,362	12,308,823	11,890,530	13,366,178	13,501,369	17,504,341	15,875,586
Transportation	11,565,439	11,444,929	11,912,546	10,064,929	12,094,208	11,035,370	13,860,150	12,308,111	16,821,250	18,137,765
Economic environment	220,203	467,875	718,912	542,865	526,849	331,987	225,113	218,487	299,851	328,608
Human services	360,305	400,391	471,217	430,452	409,326	372,461	392,101	361,663	368,544	465,085
Culture and recreation	1,148,358	1,348,049	1,510,829	1,481,053	1,762,877	1,697,522	2,791,605	2,844,658	3,546,622	8,014,001
Interest on long-term debt	739,079	681,173	604,719	527,271	475,419	1,362,416	1,841,080	1,823,375	1,749,711	1,671,000
Total governmental activities expenses	62,335,183	61,721,100	61,958,119	59,919,682	63,802,059	65,133,942	72,030,586	72,569,508	87,794,317	94,751,760
Business-type activities										
Water and Sewer	15,220,092	15,015,613	16,735,294	16,374,879	16,214,079	17,252,790	17,855,795	17,717,194	18,260,636	19,868,575
Total business-type activities expenses	15,220,092	15,015,613	16,735,294	16,374,879	16,214,079	17,252,790	17,855,795	17,717,194	18,260,636	19,868,575
Total primary government expenses	77,555,275	76,736,713	78,693,413	76,294,561	80,016,138	82,386,732	89,886,381	90,286,702	106,054,953	114,620,335
Program Revenues										
Governmental activities										
Charges for services:										
General government	7,060,963	6,015,910	6,133,422	5,791,610	6,077,812	7,588,456	7,240,904	9,037,324	9,607,257	9,680,366
Public safety	8,679,059	8,532,419	9,489,908	9,701,924	10,959,122	12,724,026	13,264,272	13,798,654	14,248,090	15,266,048
Physical environment	11,835,768	11,358,735	11,226,055	11,146,751	11,662,983	11,581,023	11,888,808	12,474,915	13,850,528	13,190,296
Transportation	8,631,685	7,354,268	7,031,970	6,981,639	7,602,325	10,641,111	11,163,721	11,765,016	12,196,139	12,736,785
Economic environment	-	-	-	1,850	-	-	-	-	-	-
Human services	15,505	35,671	36,464	31,153	35,745	29,071	11,441	-	-	-
Culture and recreation	134,569	137,396	190,284	349,013	336,658	817,973	1,452,399	1,530,529	1,524,833	1,645,073
Operating grants and contributions	296,932	225,683	474,855	327,977	171,456	142,159	123,435	146,689	251,976	153,524
Capital grants and contributions	2,454,715	2,483,735	2,411,883	939,286	1,233,594	3,678,035	1,746,577	3,732,510	2,899,662	4,206,564
Total governmental activities program revenues	39,109,196	36,143,817	36,994,841	35,271,203	38,079,695	47,201,854	46,891,557	52,485,637	54,578,485	56,878,656
Business-type activities										
Charges for services										
Water and Sewer	13,215,214	14,203,042	16,547,772	14,943,875	16,795,809	17,617,220	18,563,645	19,678,748	21,213,468	22,221,715
Operating grants and contributions	20,945	10,307	-	-	-	-	-	1,000	-	-
Capital grants and contributions	3,119,889	1,926,598	1,465,916	2,271,112	3,358,686	1,899,485	4,191,521	7,940,452	8,835,408	9,823,272
Total business-type activities program revenue	16,356,048	16,139,947	18,013,688	17,214,987	20,154,495	19,516,705	22,755,166	27,620,200	30,048,876	32,044,987
Total primary government program revenue	55,465,244	52,283,764	55,008,529	52,486,190	58,234,190	66,718,559	69,646,723	80,105,837	84,627,361	88,923,643
Net (Expense)/Revenue										
Governmental activities	(23,225,987)	(25,577,283)	(24,963,278)	(24,648,479)	(25,722,364)	(17,932,088)	(25,139,029)	(20,083,871)	(33,215,832)	(37,873,104)
Business type activities	1,135,956	1,124,334	1,278,394	840,108	3,940,416	2,263,915	4,899,371	9,903,006	11,788,240	12,176,412
Total primary government net expense	\$ (22,090,031)	\$ (24,452,949)	\$ (23,684,884)	\$ (23,808,371)	\$ (21,781,948)	\$ (15,668,173)	\$ (20,239,658)	\$ (10,180,865)	\$ (21,427,592)	\$ (25,696,692)

(continued)

Backup material for question #8

