



NorthPort

FLORIDA





Utility Rate Analysis

September 23, 2025

The Utilities Department

Utility Overview

Good Governance



- Provides essential service on a continuous basis
 - Public health and safety is top priority
 - Highly-regulated (FDEP / SWFWMD / Florida Department of Health / EPA)
 - Permits require full compliance operating performance
- Enterprise fund: Operations are primarily funded through user rates
- Currently provides service to about 27,000 water accounts and 21,000 wastewater accounts



Utility Overview

Infrastructure &
Facilities Integrity



- Substantial infrastructure under City management
 - Approx. \$315 Million installed cost of assets
 - Amount would be much higher if adjusted to today's dollars

Disaster Response &
Recovery Management

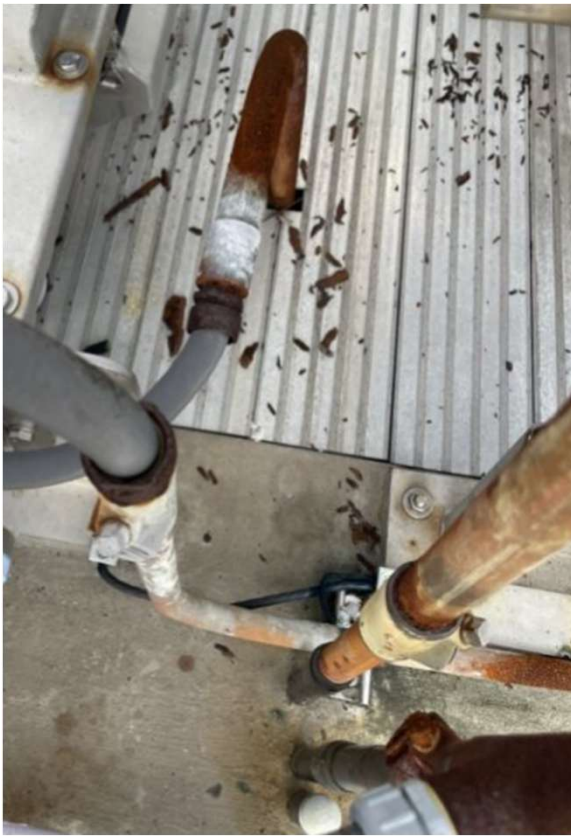


- The Utilities Department ensures our staff, equipment, facilities and resources are ready to respond quickly and recover effectively when natural disasters strike



Aging Infrastructure = Substantial Capital Reinvestment Needs

- Myakkahatchee Creek Water Treatment Plant is over 50 years old
- Majority of Wastewater Treatment Plant infrastructure is nearly 40 years old
- Substantial portion of water and wastewater mains installed in 1980's or earlier
- \$276M in capital needs through FY2035 primarily driven by prioritized Master Plan recommendations to keep utility operationally sustainable



Sample North Port Utilities
Renewal and Replacement
Needs

Sample North Port Utility Renewal and Replacement Needs

- Utility infrastructure is often "out of sight, out of mind"



City is under consent order from FDEP due to unauthorized discharges of reclaimed water from Pan American Wastewater Treatment Facility

\$17M Effluent Pumping Station and Pipeline Project (U23EPS) required to address the issue



Sample North Port Utility Renewal and Replacement Needs (cont.)

The longer the City defers necessary renewals and replacements, the higher the cost to ratepayers



Recognized Capital Needs Through Fiscal Year 2035

Project	Amount (\$ Millions)		Notes
Neighborhood Water/Wastewater Line Extensions	\$ 40,623,731	\$ 40.6	Funded By Surtax and Utility Revenues
Wastewater Force Main to Relieve Pressure on Existing Toledo System	40,000,000	40.0	
Wastewater Force Main, Collection Main, Pumping Station, and Lift Station Replacements and Improvements	39,916,314	39.9	
New Utilities Administration Building (HIGH-PRIORITY PROJECT)	31,767,962	31.8	Admin Building Destroyed By Hurricane
Vehicles and Equipment	23,633,765	23.6	
Water Treatment Plant Improvements	22,068,308	22.1	
Wastewater Treatment Plant Improvements	17,057,748	17.1	
Effluent Pumping Station and Pipeline	17,000,000	17.0	Addresses FDEP Consent Order Requirements
Water Transmission and Distribution Main Replacements and Improvements	14,537,840	14.5	
Advanced Metering Infrastructure	12,337,500	12.3	
Other	16,691,387	16.7	
Total	<u>\$275,634,555</u>	<u>\$ 275.6</u>	

- Current Capital Improvement Program does not reflect new treatment facilities that may be needed to serve growth

Capital Program Funding Options



- Inability for City to issue debt to finance critical utility capital needs means City must address projects primarily on pay-as-you-go basis through user rates and capacity fees
- The City has coordinated efforts with the West Villages Improvement District (WVID) to submit a Request for Inclusion (RFI) for consideration under the State Revolving Fund (SRF) Program Supplemental Appropriation for Hurricanes Helene and Milton and Hawai'i Wildfires (SA-HMW)
- This analysis assumed a successful arrangement for SRF funding with WVID to finance the Effluent Pumping Station and Pipeline Project (U23EPS)
- Additionally, this evaluation included the use of Surtax Funds available to pay for portion of Distribution/Collection System extension projects

Issue: Substantial Operating Expense Increases

- Utilities have limited control over many operating expense increases (e.g., chemicals, electricity, supply parts for repairs, etc.)
 - Driven by global market forces
 - Florida inflation is still outpacing national trends
- Nationwide issues with filling positions and keeping employees
 - A well-trained, experienced, and sufficient utility staff is critical for effectively running utility 24 hours per day and 365 days per year, for maintaining level of service, and for emergency preparedness
- Due to regulatory environment, utility costs normally increase at a higher rate than the consumer price index
- Permanent increases in costs must ultimately be passed through to customers via rate increases

Issue: Substantial Operating Expense Increases (cont.)

Description	Actual	Rate Analysis	Increase
	Fiscal Year 2024	Fiscal Year 2026	
Salaries	\$5,510,645	\$7,349,960	33%
Peace River Water Supply Authority	3,030,990	3,417,122	13%
General Fund Cost Allocation	2,380,180	4,524,940	90%
Repairs and Maintenance	1,711,104	2,842,460	66%
Other Professional Services	1,704,664	1,950,830	14%
Chemicals	1,302,451	1,811,310	39%
Health Insurance	1,369,917	1,810,760	32%
Electricity	987,374	1,286,390	30%
Payment in Lieu of Taxes	863,994	1,090,699	26%
Florida Retirement System	572,757	1,114,040	95%
General Insurance	860,700	1,001,980	16%
Return on Investment	672,800	830,900	23%
FICA	432,966	570,250	32%
All Other Operating Expenses	2,708,142	3,566,700	32%
Total Operating Expenses	<u>\$24,108,684</u>	<u>\$33,168,341</u>	<u>38%</u>

Proposed User Rate Adjustments Through Fiscal Year 2028

WATER AND WASTEWATER SERVICE (79% of Water Customers)

Fiscal Year	Effective Date	Total Adj.	Bill for Average SFR Customer Using 3,000 Gallons	Increase in SFR Customer Monthly Bill	Total Cost Per Gallon of Service	% of Median Household Income (< 4.5% Considered Affordable By EPA for Combined Water and Wastewater Service)
2025	Existing		\$108.07		3.6¢	1.6%
2026	11/1/2025	10.0%	118.89	\$10.82	4.0¢	1.7%
2027	10/1/2026	10.0%	130.79	11.90	4.4¢	1.8%
2028	10/1/2027	10.0%	143.86	13.07	4.8¢	1.9%

WATER-ONLY SERVICE (21% of Water Customers)

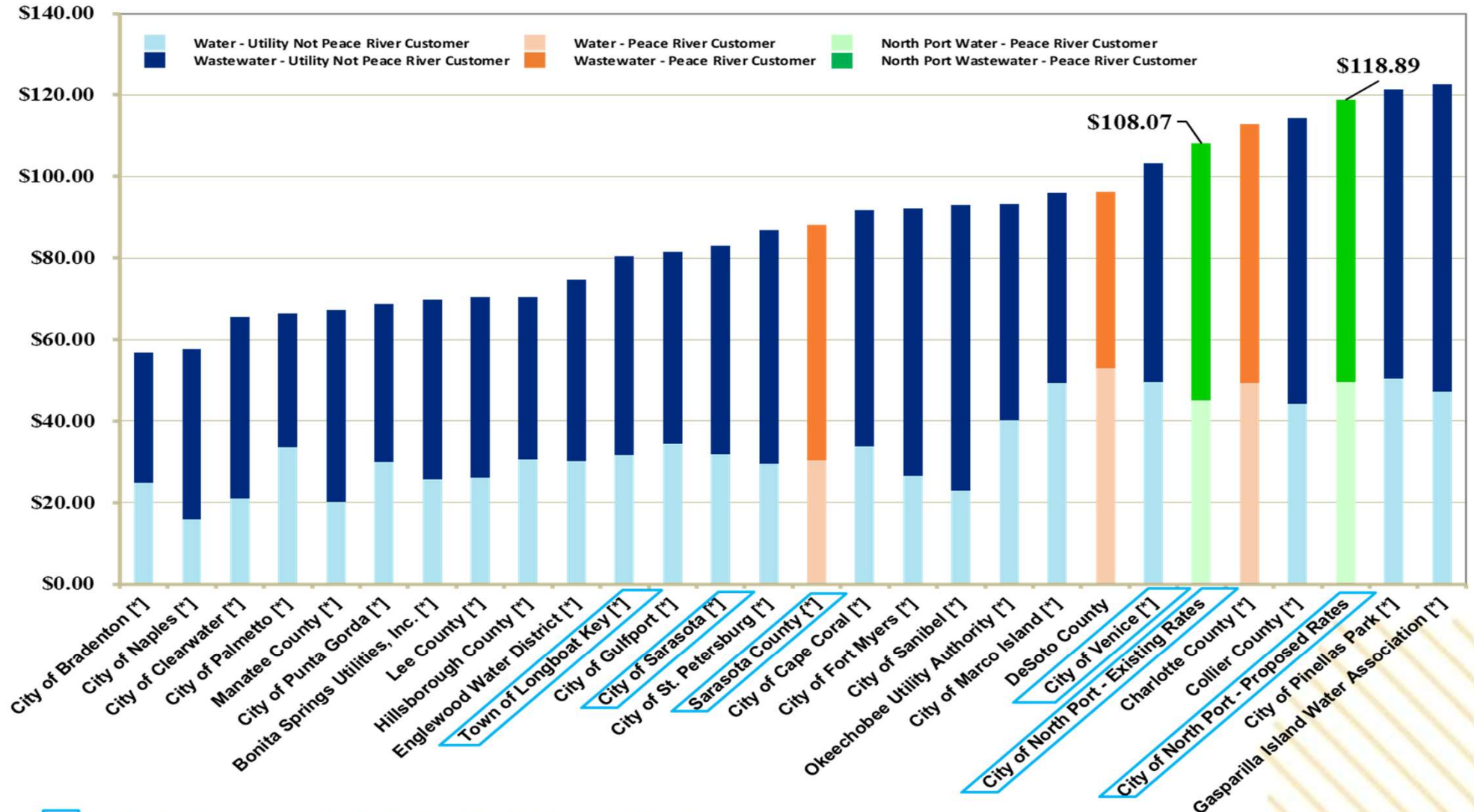
2025	Existing		\$45.12		1.5¢	0.7%
2026	11/1/2025	10.0%	49.64	\$4.52	1.7¢	0.7%
2027	10/1/2026	10.0%	54.62	4.98	1.8¢	0.8%
2028	10/1/2027	10.0%	60.08	5.46	2.0¢	0.8%

Perspective:

💧 Comparing 3.6¢ to 4.8¢ per gallon of water and wastewater service to the cost per gallon of other commodities (e.g., bottled water, milk, gas) shows the value of water and wastewater service!

User Rate Comparison – 3,000 Gallons of Monthly Usage

Rates Effective August 2025



Blue border around label reflects utility in Sarasota County

[*]

Utility is currently involved in a rate study, is planning to conduct a rate study, or plans to implement a rate revision or price index / pass-through adjustment within the next twelve months following the comparison preparation date

Rate / Bill Comparison Not a “Report Card” on How Well Utility Is Performing

Some Reasons Why User Rates Differ Among Utilities

- Size of existing customer base / available system growth
- Demographics (e.g., customers spread out vs. close together, types of customers served)
- Level of capital improvements to meet service area growth
- Number of needed renewals and replacements / remaining service life of assets
- Differences in bond covenants
- Source of water supply and treatment process costs
- Plant capacity utilization and assistance in funding of such capacity (e.g., grants, capacity fees)
- Time of last rate review
- Amount of general fund and administrative fee transfers

Proposed Capacity Fees Per Equivalent Residential Connection (ERC)

- Charged to new development and support policy of "growth paying for growth"
- Reasonableness of Capacity Fees: Costs per gallon of capacity are consistent with those of other Florida utilities

Existing and Proposed Water and Wastewater Capacity Fees Per ERC

Description	Existing	Proposed	Difference	Level of Service (gpd)	Calculated Cost per Gallon [*]
Water	\$2,319	\$2,610	\$291	170	\$15.35
Wastewater	2,255	4,045	1,790	155	26.10
Combined	<u>\$4,574</u>	<u>\$6,655</u>	<u>\$2,081</u>		

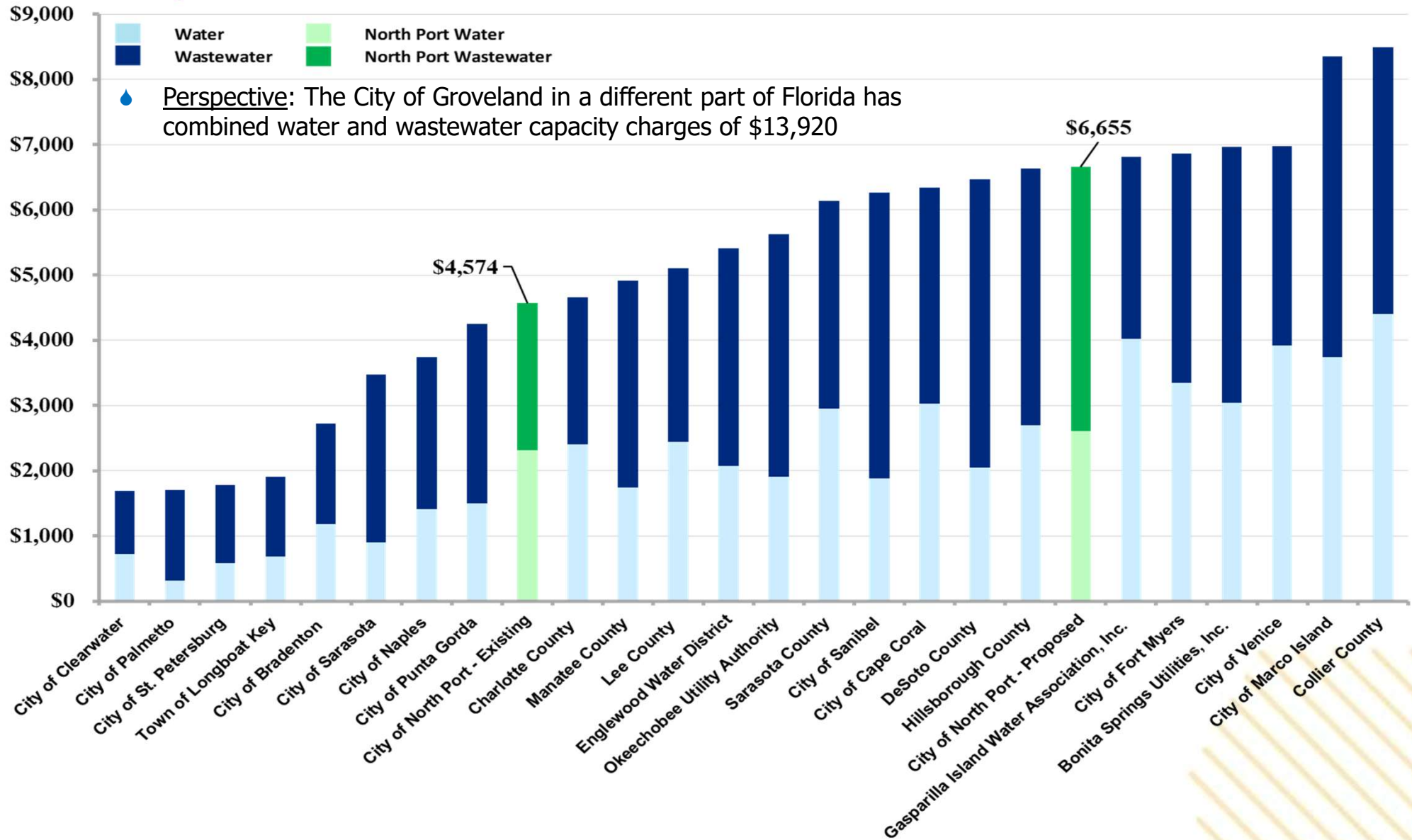
ERC = Equivalent Residential Connection

gpd = gallons per day

[*] Proposed fee divided by level of service.

Capacity Fee Per ERC Comparison

Fees Effective August 2025



Other Charges

- Considerations for determining proposed “Other Charges”
 - Current utility costs to provide service, comparison with similar charges of other Florida utilities, and City policies
 - To the extent these charges do not recover cost of providing services, cost difference must be paid through monthly user rates
- Highlights of proposed other charges:
 - Reclaimed water rate will increase from \$0.74 to \$1.21 per 1,000 gallons by fiscal year 2028
 - Bulk reuse rate (WVID) increased from \$0.34 to \$0.91 per 1,000 gallons by fiscal year 2028



Impacts if Increase is not Supported

- The proposed rate increases will provide approximately \$ 3.5 M in combined increased revenue.
- Without this revenue, the Utilities Department will need to further reduce planned CIP.
- This will result in deferring necessary repairs and replacement to the infrastructure and inability to expand the system to support growth.

Recommendations



- Adopt proposed user rate increases
 - Necessary to address critical capital needs
 - To ensure utility sustainability, increases in the utility's costs must be passed through to customers
 - User rates are affordable and competitive
- Adopt proposed capacity fees
 - "Right-sized" based on most recent and local data
 - Competitive with capacity fees of neighboring utilities
 - Help to reduce need for future user rate adjustments
 - Help to reduce need to finance capital improvements (lower interest and issuance costs)
- Adopt proposed other/miscellaneous charges
- Complete a formal utility rate analysis at least once every three (3) years
- Monitor financial results and adjust rate plan as needed



Questions?