

City Commission AGENDA ITEM REPORT



Meeting: City Commission - 21 Jun 2022
Presenter: Rebecca Spuhler, Finance Director, Finance
Staff Contact: Rebecca Spuhler, Director Ext. 6747 rspuhler@largo.com

TITLE

Ordinance No. 2022-53 - First Reading - Amending Chapter 23, Article III, Stormwater Utility, Rates And Charges Of The City Of Largo Code Of Ordinances, Increasing The Rate Charged Per ERU For Calculating Stormwater Utility Fees

SUMMARY:

During FY 2021, stormwater rates were restructured to account for a recalculated Equivalent Residential Unit (ERU) and to implement a rate increase to support capital investments. The impact was a 17% revenue increase to the Stormwater Fund, which stabilized the fund through FY 2022. Based on existing capital needs, a 20% increase was programmed in Capital Improvements Program for FY 2023.

Over the past several years, stormwater staff completed a comprehensive asset and service-level analysis (the analysis) for the City’s stormwater system. The analysis results were presented to the City Commission in the spring of FY 2021, and maintenance cost increases of approximately \$5.5M annually beginning in FY 2026. Based on the analysis, it will take approximately 20 years to address the backlog of stormwater maintenance work.

To begin implementing the analysis results, annual stormwater rate increases have been programmed in the most recent five-year CIP, which would increase the monthly Equivalent Residential Unit fee (ERU) from the current amount of \$8.91 to \$19.91 over the next five years, including work to eliminate the backlog. A summary of the projected rate increases is below.

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
% increase	20%	20%	20%	15%	12.4%
\$ increase	\$1.79	\$2.14	\$2.57	\$2.31	\$2.19
ERU	\$10.70	\$12.84	\$15.41	\$17.72	\$19.91

Rate comparisons show Largo's rate is comparable to similar providers and the proposed new rate would still be relatively comparable even though the rate ranges are wide. It must be noted that comparing stormwater rates is not as easy as comparing other utility rates such as sewer rates, because stormwater rates are usually not an apples-to-apples comparison. Stormwater rates are often not set to recover all stormwater system costs; therefore, large rate differences are likely reflective of different cost-recovery philosophies rather than an indicator of total cost recovery or system efficiency. Stormwater systems are most often operated as special revenue funds, like Largo’s Stormwater fund, rather than as enterprise funds because there is no intent to recover all capital costs, which results in a lower rate.

	Residential ERU Charge	ERU Sq. Ft.	Tiers	Non-Residential 10,000 sf	Non-Res. Rate Per 1,000 sf
City of Largo Existing	\$8.91	3,000	1	\$29.70	\$2.97
City of Largo Proposed	\$10.70	3,000	1	\$35.67	\$3.57
<u>Other Utilities</u>					
Belleair	\$11.92	5,459	1	\$21.84	\$2.18
Clearwater	\$13.40	1,830	1	\$73.22	\$7.32
Dunedin (FY23)	\$12.43	1,708	1	\$72.78	\$7.28
Lakeland	\$9.26	5,000	1	\$18.52	\$1.85
Oldsmar	\$6.00	2,550	1	\$23.53	\$2.35
Pinellas Park (Tier 2) (FY23) [1]	\$7.67	3,200	4	\$38.35	\$3.84
Safety Harbor	\$10.93	1,865	1	\$58.61	\$5.86
St. Petersburg (Tier 2)[2]	\$12.68	3,200	4	\$52.70	\$5.27
Tampa (Tier 2) [3]	\$6.83	2,200	4	\$20.63	\$2.06
Tarpon Springs	\$9.15	1,945	1	\$47.04	\$4.70
Pinellas County (Tier 2) [4]	\$9.81	4,367	3	\$41.94	\$4.19
Sarasota County (Tier 1) [5]	\$6.83	8,100	3	\$23.95	\$2.39
Hillsborough County (Tier 2) (proposed FY23)	\$7.21	3,200	4	\$16.92	\$1.69
Pasco County	\$7.92	2,890	1	\$27.40	\$2.74

[1] Pinellas Park - One Commercial ERU is 2,000 and rate is \$7.67

[2] St. Petersburg - One Commercial ERU is 2,406 and rate is \$12.68

[3] Tampa - One Commercial ERU is 3,310 and rate is \$12.68

[4] Pinellas County – One Commercial ERU is 2,339 and rate is \$9.81

[5] Sarasota County One Commercial ERU is 3,153 and rate is \$7.55

HOUSING COST IMPACT:

The housing cost impact of this change is an increase in fees to all residential customers of \$1.79 per month for stormwater charges. This equates to an \$21.48 annual increase.

CITY ATTORNEY REVIEWED:

Yes

CONSISTENT WITH:

Strategic Plan

POTENTIAL MOTION / DIRECTION REQUESTED:

I MOVE TO APPROVE/DISAPPROVE ORDINANCE NO. 2022-53 ON FIRST READING AND SCHEDULE A SECOND READING AND PUBLIC HEARING ON JULY 19, 2022.

ATTACHMENTS:

[Ordinance No. 2022-53](#)

ORDINANCE NO. 2022-53

AN ORDINANCE OF THE CITY OF LARGO, FLORIDA, AMENDING CHAPTER 23, ARTICLE III, SECTION 23-155, OF THE CITY OF LARGO CODE OF ORDINANCES TO INCREASE THE RATE CHARGED PER ERU FOR CALCULATING STORMWATER UTILITY FEES; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS the City of Largo constructed, maintains and operates a stormwater management system to benefit and serve the interest of public health and safety; and

WHEREAS a stormwater utility fee was created as a financing mechanism to provide a stable and dedicated funding source to pay for routine operating costs and minor improvement projects of the City of Largo's stormwater management system; and

WHEREAS, the City of Largo has prepared a study that determined an increase in the stormwater utility fee is required to cover the increased costs of effectively maintaining and operating the City of Largo's stormwater management system.

NOW, THEREFORE, the City Commission of the City of Largo hereby ordains:

Section 1. That the above recitals are true and correct and are incorporated by reference as the findings of the City Commission.

Section 2. That Section 23-155 of the City of Largo Code of Ordinances is amended to read as follows:

Sec. 23-155. Rates and charges.

The rate to be charged per ERU shall be ~~\$8.94~~ \$10.70 per month. The rate shall be reviewed and, if necessary, adjusted annually in accordance with this article.

Section 3. That all ordinances or parts thereof inconsistent herewith are hereby repealed and superseded.

Section 4. That it is the intention of the City Commission that each provision hereof be considered severable, and, if any section, subsection, sentence, clause, or provision of this ordinance is held invalid, the remainder of the ordinance shall not be affected.

Section 5. That the provisions of this ordinance shall become effective on October 1, 2022, or as soon as possible thereafter, subject to the ability of the City's utility billing provider to implement the changes.

APPROVED ON FIRST READING _____

PASSED AND ADOPTED ON
SECOND AND FINAL READING _____

ATTEST:

CITY OF LARGO, FLORIDA

Diane Bruner, City Clerk

Louis ("Woody") L. Brown, Mayor

REVIEWED AND APPROVED:

City Attorney