PORT ORANGE CITY COUNCIL WORKSHOP

Council Chambers

Tuesday, April 25, 2023 @ 5:30 PM

WORKSHOP AGENDA

Pursuant to Section 3.06 of the Charter of the City of Port Orange, the Mayor has called a **Workshop** of the City Council to be held for the following purposes:

OPENING

1. Silent Invocation
2. Pledge of Allegiance
3. Roll Call

DISCUSSION ITEMS

4. FY2022 Audit Discussion with James Moore & Co
5. Stormwater Drainage Utility Fees - Raftelis Financial Consultants, Inc.

ADJOURNMENT

NOTICES – PURSUANT TO SECTION 286.0105 OF THE FLORIDA STATUTES, IF ANY PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE CITY COUNCIL WITH RESPECT TO ANY MATTER CONSIDERED AT THIS PUBLIC MEETING OR HEARING, SUCH PERSON WILL NEED A RECORD OF THE PROCEEDINGS, AND THAT, FOR SUCH PURPOSE, SUCH PERSON MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS TO BE BASED. THE CITY DOES NOT PREPARE OR PROVIDE SUCH A RECORD.

FOR SPECIAL ACCOMMODATIONS, PLEASE NOTIFY THE CITY CLERK'S OFFICE (PHONE: 386-506-5563) AS FAR IN ADVANCE AS POSSIBLE, BUT PREFERABLY WITHIN 2 WORKING DAYS OF YOUR RECEIPT OF THIS NOTICE OR 5 DAYS PRIOR TO THE MEETING OR HEARING DATE.

HELP FOR THE HEARING IMPAIRED IS AVAILABLE THROUGH THE ASSISTIVE LISTENING SYSTEM RECEIVERS CAN BE OBTAINED FROM THE CITY CLERKS' OFFICE.

IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT (ADA), IF YOU ARE A PERSON WITH A DISABILITY WHO NEEDS AN ACCOMMODATION IN ORDER TO PARTICIPATE IN THIS PROCEEDING, YOU ARE ENTITLED, AT NO COST TO YOU, THE PROVISION OF CERTAIN ASSISTANCE. PLEASE CONTACT THE CITY CLERK FOR THE CITY OF PORT ORANGE, 1000 CITY CENTER CIRCLE, PORT ORANGE, FLORIDA 32129, TELEPHONE NUMBER 386-506-5563, CITYCLERK@PORT-ORANGE.ORG, AS FAR IN ADVANCE AS POSSIBLE, BUT PREFERABLY WITHIN 2 WORKING DAYS OF YOUR RECEIPT OF THIS NOTICE OR 5 DAYS PRIOR TO THE MEETING OR HEARING DATE. IF YOU ARE HEARING OR VOICE IMPAIRED, CONTACT THE RELAY OPERATOR AT 7-1-1 or 1-800-955-8771.

UPON REQUEST BY A QUALIFIED INDIVIDUAL WITH A DISABILITY, THIS DOCUMENT WILL BE MADE AVAILABLE IN AN ALTERNATE FORMAT. IF YOU NEED TO REQUEST THIS DOCUMENT IN AN ALTERNATE FORMAT, PLEASE CONTACT THE CITY CLERK WHOSE CONTACT INFORMATION IS PROVIDED ABOVE.

ANY INVOCATION THAT IS OFFERED BEFORE THE OFFICIAL START OF THE CITY COUNCIL MEETING SHALL BE THE VOLUNTARY OFFERING OF A PRIVATE PERSON, TO AND FOR THE BENEFIT OF THE CITY COUNCIL. THE VIEWS OR BELIEFS EXPRESSED BY THE INVOCATION SPEAKER HAVE NOT BEEN PREVIOUSLY REVIEWED OR APPROVED BY THE CITY COUNCIL OR THE CITY STAFF, AND THE CITY IS NOT ALLOWED BY LAW TO ENDORSE THE RELIGIOUS BELIEFS OR VIEWS OF THIS, OR ANY OTHER SPEAKER. PERSONS IN ATTENDANCE AT THE CITY COUNCIL MEETING

ARE INVITED TO STAND DURING THE OPENING INVOCATION AND PLEDGE OF ALLEGIANCE. HOWEVER, SUCH INVITATION SHALL NOT BE CONSTRUED AS A DEMAND, ORDER, OR ANY OTHER TYPE OF COMMAND. NO PERSON IN ATTENDANCE AT THE MEETING SHALL BE REQUIRED TO PARTICIPATE IN ANY OPENING INVOCATION THAT IS OFFERED. A PERSON MAY EXIT THE CITY COUNCIL CHAMBERS AND RETURN UPON COMPLETION OF THE OPENING INVOCATION IF A PERSON DOES NOT WISH TO PARTICIPATE IN OR WITNESS THE OPENING INVOCATION.

CITY COUNCIL AGENDA ITEM

COUNCIL MEETING DATE 4/25/2023

SUBJECT: (4) FY2022 Audit Discussion with James Moore & Co

DEPARTMENT: Finance

GOAL: 5 - Fiscal Sustainability

RECOMMENDED MOTION: Presentation only - no motion needed.

SUMMARY: The City's audit firm, James Moore & Co., will discuss the status of the City's Annual Comprehensive Financial Report and Audit for the fiscal year ended September 30, 2022.

PRESENTER: John McKinney

ATTACHMENTS:

1.	Audit Presentation	Audit Presentation.pptx

Tracee Cody	Created/Initiated - 4/18/2023
John McKinney	Approved - 4/18/2023
Wayne Clark	Final Approval - 4/20/2023

City of Port Orange, Florida

Annual Audit for the Year Ended September 30, 2022

Presented by:
Zach Chalifour, CPA

JAMES MOORE

888-387-6851
www.jmco.com

Certificate of Achievement

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Port Orange Florida

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrill

Executive Director/CEO

Auditors' Reports

- **Independent Auditors' Report** (pages 7-9)
  - Unmodified Opinion
- **Single Audit Report**
  - Federal – ARPA Alternative Examination Report
- **Independent Auditors' Report on Internal Control and Compliance – Government Auditing Standards** (pages 134-135)
  - No material weaknesses
- **Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the Auditor General Report** (pages 136-138)
  - 2 other recommendations
- **Independent Accountants' Examination Report** (page 139)
  - City in compliance with state statutes over investment activity/policies

JAMESMOORE

Audit Comment History

	2022	2021	2020	2019	2018	2017
Material Weaknesses	-0-	1	3	-0-	-0-	-0-
Significant Deficiencies	-0-	-0-	-0-	-0-	1	-0-
Other Comments & Recommendations	2	2	2	1	1	3
Total	**2**	**3**	**5**	**1**	**2**	**3**

JAMESMOORE

General Fund (Page 28)

Fund Balance	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Nonspendable	$ 2,126,302	$ 1,584,595	$ 2,072,419	$ 1,612,768
Restricted	806,461	842,035	829,552	1,075,716
Committed	9,306,445	-0-	-0-	-0-
Assigned	607,807	1,608,000	2,052,080	717,581
Unassigned	21,972,561	20,611,838	14,953,868	13,685,516
Total	$ 34,819,576	$ 24,705,626	$ 19,930,632	$ 17,091,581

JAMESMOORE

General Fund (continued)

Total Assigned/Unassigned Fund Balance*	$ 22,580,368
2022 Expenditures and Transfers Out	$ 48,281,488
Percentage Unassigned Fund Balance as a percentage of Expenditures	46.8%
Prior Year %	59.5%
PGFOA Minimum Recommendation (2 Months)	16.7%
Internal Minimum Policy	30-35% of expenditures

Business-Type Funds (Page 34)

Unrestricted Net Position in Proprietary Funds:

Fund	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Water/Sewer	$ 27,101,010	$ 26,679,814	$ 24,291,554	$ 23,452,636
Solid Waste	2,583,623	1,879,249	2,333,201	2,810,114
Stormwater	4,608,023	2,687,189	4,493,007	4,507,181
Golf Course*	389,728	(1,610,142)	(1,692,465)	(1,711,825)
Internal Service	11,759,244	11,844,257	10,695,981	9,799,671

*Golf course FY22 increase $121,591, plus $1.878 million internal transfer

JAMESMOORE

Pension Funds

- Net Pension Liability – recorded in financial statements
  - Governmental Activities: $39.5 million net pension liability
  - Proprietary Funds: $3.5 million allocation of General Employees Plan liability

- Net pension (unfunded) liability history – amounts and % funded:

Year	General	Police	Fire
2022	$ 8,395,452	$ 12,845,196	$ 21,771,536
2021	(243,811)	3,227,161	12,054,099
2020	5,201,322	9,831,232	15,942,646
2019	5,044,473	13,870,320	17,473,043

Year	General	Police	Fire
2022	80.85%	79.09%	61.63%
2021	100.60%	94.58%	77.61%
2020	87.02%	82.38%	68.82%
2019	86.91%	74.72%	64.88%

QUESTIONS

CITY COUNCIL AGENDA ITEM

COUNCIL MEETING DATE 4/25/2023

SUBJECT: (5) Stormwater Drainage Utility Fees - Raftelis Financial Consultants, Inc.

DEPARTMENT: Finance

GOAL: 5 - Fiscal Sustainability

RECOMMENDED MOTION: Concurrence with recommendations as presented

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SUMMARY: Raftelis Financial Consultants, Inc. has been contracted to provide utility rate and other municipal fee reviews.

This workshop is the fourth presentation by Raftelis. At prior workshops and Council meetings, they have presented information on cost allocation methodology, water, wastewater, reclaimed water, building fees, master meters for mobile home parks, and other fee-related topics. During the last meeting on February 28, Raftelis also presented and recommended the city move to master meters for the mobile home parks and allow for a phased implementation. Additionally, they presented an update of all of the city impact fees to include a new police impact fee.

Raftelis has now completed reviews of the stormwater drainage utility fees. Raftelis will present its analysis and fee recommendations.

Based on the direction received from the Council at this workshop, staff will bring back the stormwater fee with all of the previously authorized fees in final form as part of the master fee resolution at the June 6, 2023 Council meeting with an implementation schedule.

PRESENTER: John McKinney

ATTACHMENTS:

1.	SW Presentation - 4-25-2023 Final ver 2	SW Presentation - 4-25-2023 Final.pdf

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Tracee Cody	Created/Initiated - 4/18/2023
Tracee Cody	Approved - 4/18/2023
John McKinney	Approved - 4/18/2023
Wayne Clark	Approved - 4/20/2023

RAFTELIS

City of Port Orange

Stormwater Utility Revenue Sufficiency Study

April 25, 2023



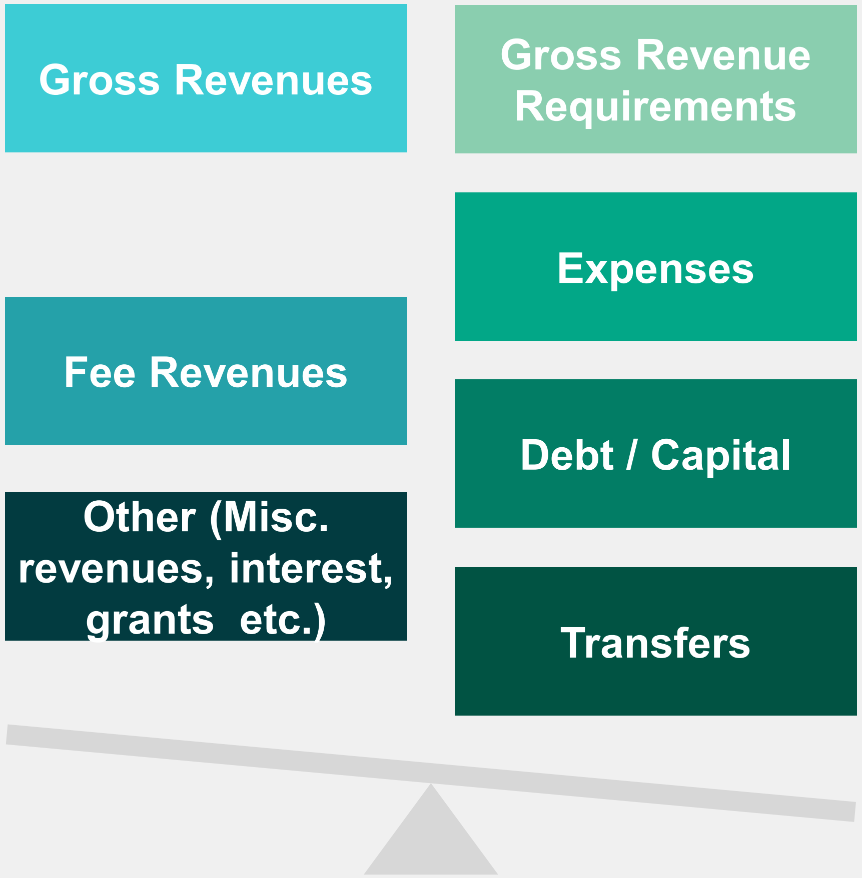



Agenda

1. Review of Study Tasks, Financial Targets, and Considerations
2. Review of Analysis and Major Assumptions
3. Conclusions and Recommendations
4. Questions and Answers

Study Tasks and Approach

- Develop financial forecast to project stormwater system operations for fiscal years 2023 through 2027
- Evaluate historical expenditure trends and data
- Project revenues and revenue requirements
- Develop funding strategy for capital improvement program
- Evaluate cash reserve targets and financial performance requirements
- Determine adequacy of fee revenues at existing rates



Study Goals and Considerations

- Develop plan to promote long term financial sustainability and creditworthiness
- Maintain utility cash reserves at or above 90 days of operating revenues
- Fulfill all debt service coverage requirements (senior and subordinate)
- All-In debt service coverage target 150%
- Achieve positive cash flow
- Minimize & mitigate bill impacts to customers
- A “phased” approach to future increases

Overview of Stormwater Utility

- $55.9M in Stormwater Infrastructure
  - 136 – City maintained Stormwater Ponds
  - 86,121 – Linear Feet Canals and Ditches
  - 518,684 – Linear Feet Piping
  - 4,086 – Inlets
  - 14 – State designated Outfalls (discharges to river)
- City provides stormwater service to approximately 23,400 accounts
- Current annual fee of $115.00 per Equivalent Residential Unit or “ERU”
  - ERU = 3,050 sq ft. of impervious area

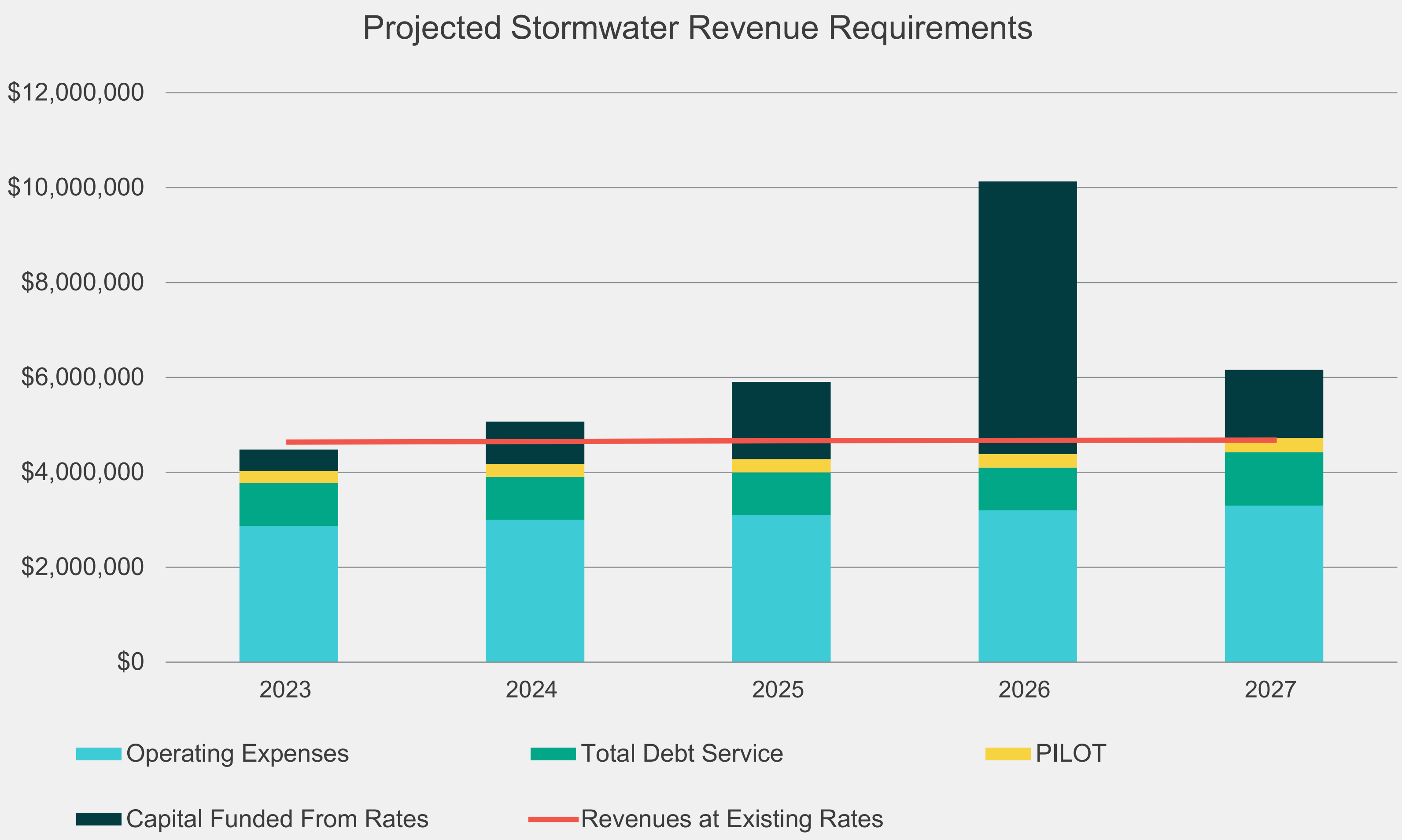
System Customers, Growth, and Revenues

- Providing service to about 23,400 accounts or 39,600 ERUs
  - 21,592 Residential accounts / 22,184 Residential ERUs
  - 874 Multi-family / 5,257 Multi-family ERUs
  - 890 Non-residential / 12,172 Non-residential ERUs
- Customer account growth of 100 accounts or approx. 0.42% per year
- System revenues at existing fee of about $4.6 million in FY 2023 increasing to $4.7 million by FY 2027
  - Only due to growth projections / no fee adjustments included
- Other revenues and interest income approx. $10,600 per year

System Revenue Requirements

- Operating expenses of $2.9 million in FY 2023 increasing to $3.3 million by FY 2027 or an average annual increase of approximately 3.6% per year
  - No new FTEs over the forecast period
  - Includes revised indirect cost allocation transfer from recently completed general fund cost analysis
    - Reduction of $170,000 per year
- Existing debt service of approximately $780k in 2023 decreasing to $540k by 2027
  - **Note** – Due to structure of existing debts annual payments will increase to $785k in 2029
- Payment In Lieu Of Taxes (PILOT) $250k in FY 2023 increasing to $304k by FY 2027
- Capital Improvement Plan (CIP) of $47.1 million from FY 2023 through FY 2027
  - $22.6 Million in grant funded projects (48% of plan)
  - $13.5 Million in proposed debt funded projects (29% of plan)
  - $11.0 Million in rate and reserve funded projects (23% of plan)
- Proposed new annual debt service of $127k in FY2024 increasing to $579k in FY 2027 to fund major capital improvements included in the CIP
  - **Note** – Proposed debt will further increase to $1.1 million in 2028 as full payments come online

Adequacy of Existing Fees



Issues Affecting Future Fees

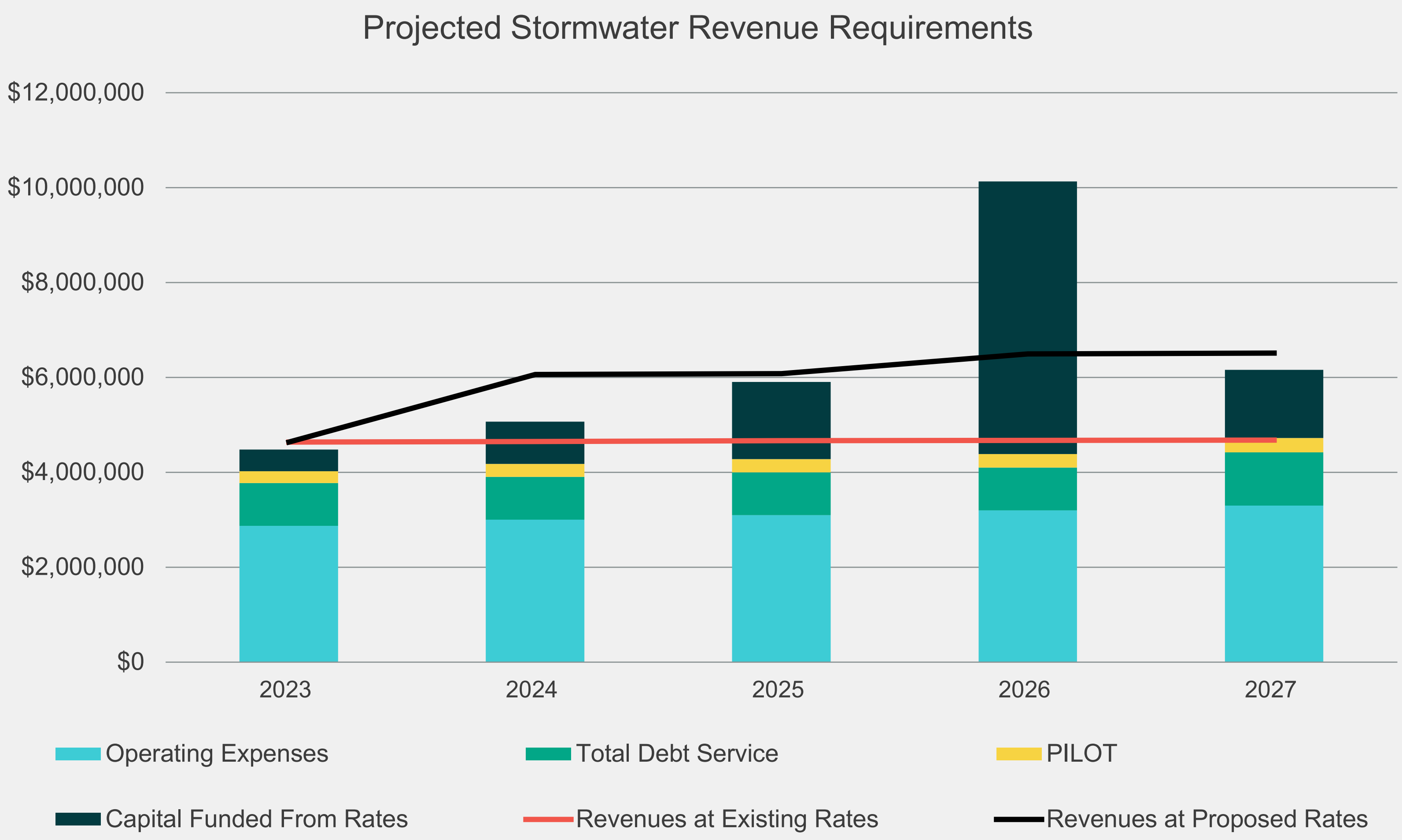
- Inflationary increases in operating and capital expenditures
- Significant capital expenditures over forecast period
- Future increase in projected annual debt service payments due to additional borrowing associated with funding of capital projects in the capital improvement program
- Increases in annual PILOT transfer

Preliminary Fee Adjustments Identified in the Financial Forecast

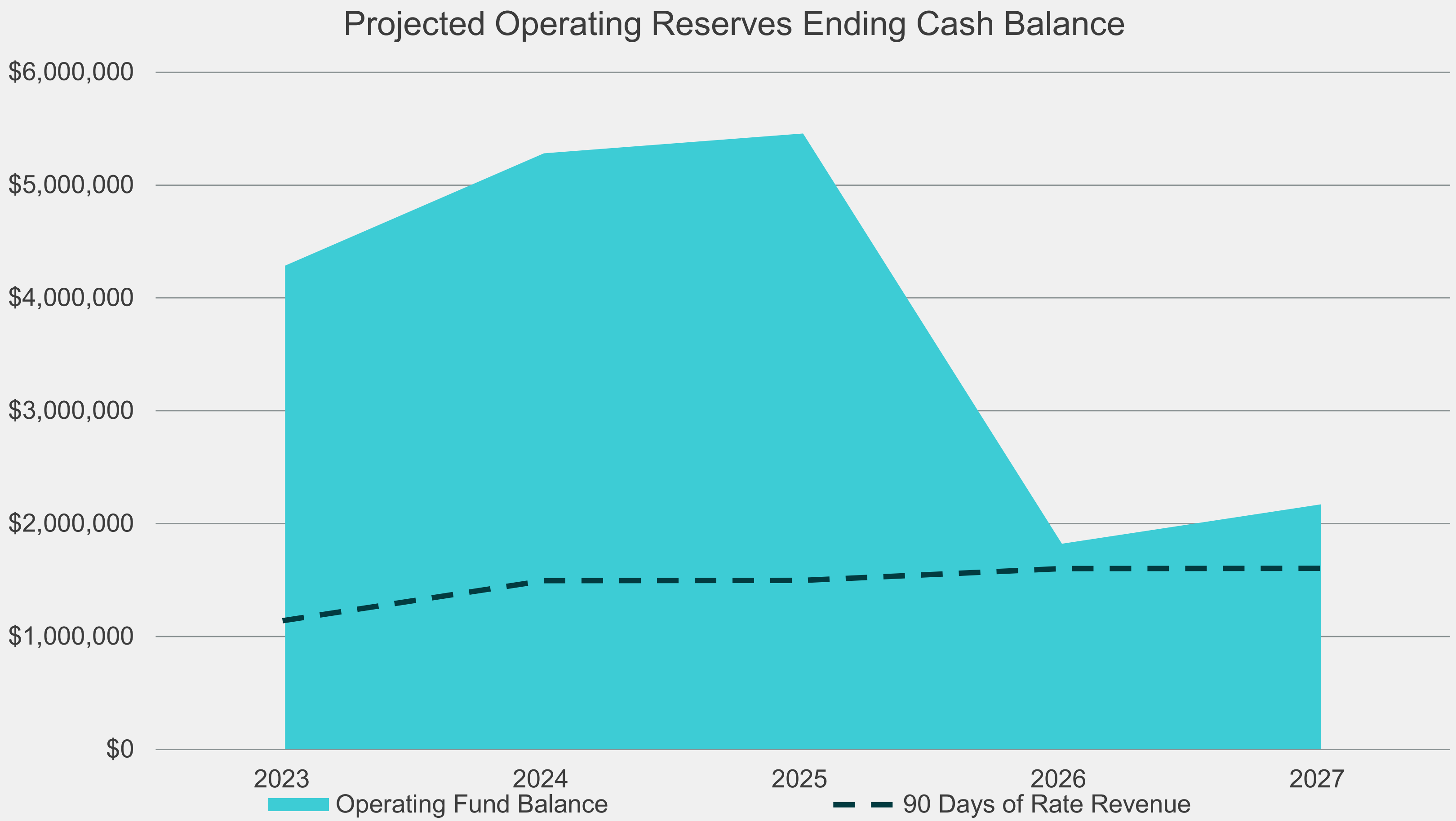
	2023	2024	2025	2026	2027
Annual Change in Fee $	N/A	$35.00	$0.00	$10.00	$0.00
Annual Stormwater Fee	$115.00	$150.00	$150.00	$160.00	$160.00

Note – future fee increases will likely be required after the forecast period due to projected increases in annual debt service payments in 2028 and 2029 and the continued need for significant capital improvement projects.

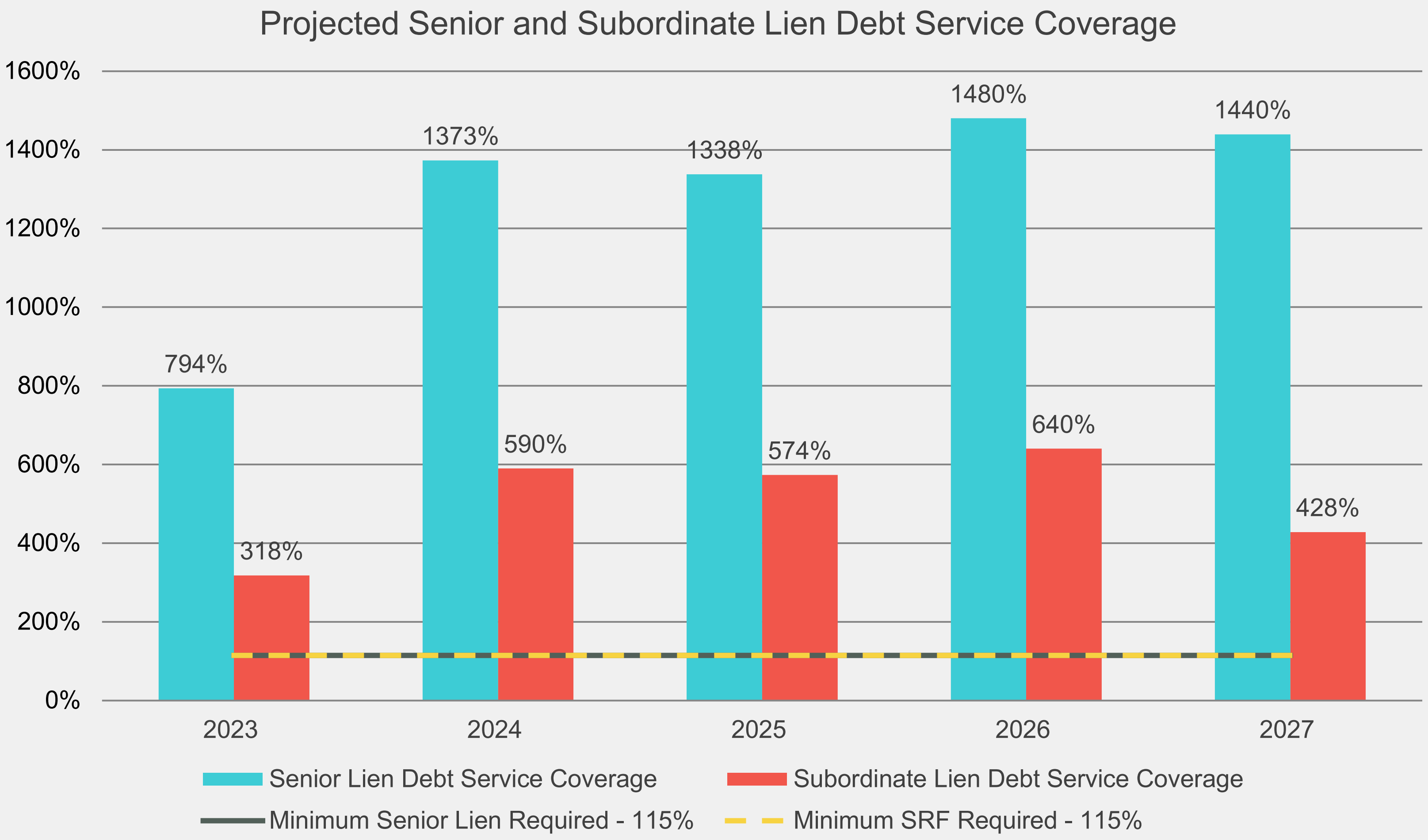
Adequacy of Proposed Fees



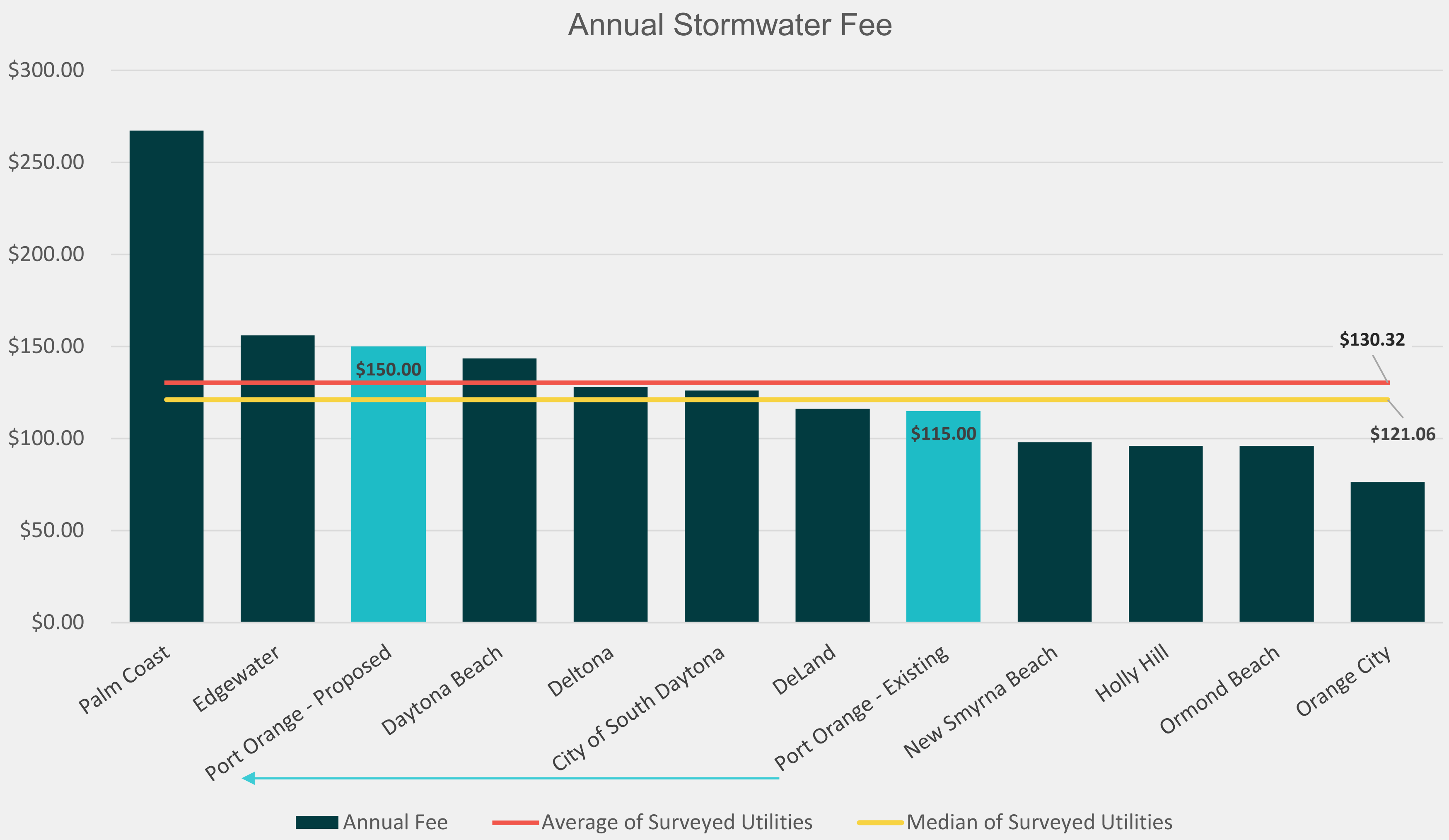
Adequacy of Proposed Fees – (cont.)



Adequacy of Proposed Fees – (cont.)



Fee Comparison



Preliminary Observations

- Existing fees are not projected to be sufficient through Fiscal Year 2027
- Due to increasing operating expenses, capital costs related to system renewals and replacements, system upgrades, and additional debt service payments the following fee adjustments are proposed for Fiscal Years 2024 through 2027
  - Increase from $115 to $150 in FY 2024
  - Increase from $150 to $160 in FY 2026

Stormwater Billing Discounts/Credits

- Current approach allows for billing discount (or credit) associated with customers having onsite drainage management facilities that reduce the volume of stormwater drainage into City stormwater facilities
- Discount/credit applies to "capital facilities charge" portion of stormwater drainage fee and scales based on range of potential volume drainage reductions
  - Issue – method is somewhat cumbersome and capital facilities charge portion of fee not defined in ordinance
- Potential solutions
  - Define capital facilities charge and keep current method
  - Revise method to provide credit on a per ERU basis for drainage facilities
    - Adjusting ERU value for account instead of a component of the charge

Conclusions and Recommendations

Recommendations and Conclusions

- Adopt proposed stormwater rate adjustment plan
- Adjust stormwater ordinance discount/credit language to simplify approach or define terms
- Update financial projections periodically to account for changes in customer growth, operating costs, capital needs, etc.
- Proposed rate adjustments are projected to:
  - Achieve positive operating cashflow by end of forecast period
  - Fulfill all coverage requirements during forecast period
  - Maintain operating and capital reserves remain at targeted levels

Q&A

RAFTELIS

Thank you!

Contact: Henry Thomas / Shawn Ocasio
407 628 2600 / hthomas@raftelis.com / socasio@raftelis.com