

CCU – The Recent Rate History

By Ray Sandrock, County Administrator

When Charlotte County Utilities hired Public Resources Management Group (PRMG) to perform a rate study for them in 2005, the financial consultant noted a couple of things. First and foremost, they noticed that as a result of taking five consecutive years of water and sewer rate reductions, from 1997 to 2001, CCU had experienced a cumulative 14 to 15 percent decrease in revenues for both water and sewer expenses. They also noted that, even with a modest projected growth in the population, there was insufficient funding coming in to perform necessary refurbishment of some of the treatment plants, as well as the water distribution and wastewater collection systems. In fact, at that time, the average CCU water and sewer customer was paying less for their utility services in 2005 than they had been paying during the years of 1996-1999 and it was causing a serious financial crunch in CCU's ability to operate in a fiscally sound manner.

Additionally, Charlotte County was using 80 percent of their contractual water allocation on a daily basis from the Peace River/Manasota Regional Water Supply Authority (Authority) and needed more guaranteed supplies to handle future needs. This would necessitate a capital expansion of the Authority's water treatment facilities, and that would require Charlotte County to help fund it.

After analyzing all of CCU's financial needs, PRMG recommended to the Charlotte County Board of County Commissioners (BCC) that a five-year phased annual rate increase be implemented. The BCC approved the plan and rates were increased 8 percent in 2007, 4.5 percent in 2008 and 4 percent in both 2009 and 2010. They also approved a small increase to occur in 2011, but CCU elected not to take it due to declining economic conditions within the county. CCU reduced their reserves instead.

Over that same period of time of economic downturn and through to 2013, CCU continually looked for efficiencies in their operations to maximize the utilization of every dollar of revenue received. They decreased staff levels by 20 percent, even though the amount of utility infrastructure that needed to be maintained was growing annually. They relied more on technology to assist with managing customer needs. They lowered insurance claims and materials/ supplies expenses, purchased service agreements, changed the way they handled wastewater residuals and entered into private-public partnerships to reduce operational costs. It paid off and CCU was able to stand firm on their rates from 2010 through 2014 in spite of annual increases in fixed operational costs and pending operational and capital needs.

In February 2014, a policy decision was made which required that CCU should pay all of their own utility relocation expenses related to county road paving or sidewalk installation projects. This policy change was made be consistent with private utility companies regarding paying for the utility relocation expenses for county road and sidewalk projects. This decision frees up more county funds to be used on other transportation projects, however it increases CCU's capital expenditures on top of other capital and operational needs that could only be met through a rate increase. PRMG performed the analysis and determined that rates could be phased in and allow CCU to complete their capital improvement program as well as remain fiscally stable via the adoption of 3 consecutive years of 0.75 percent increases to water customers and 6 percent increases to sewer customers. The BCC approved the plan and adopted the rate increases in June 2014, for an effective date of Oct. 1, 2014.

The resulting financial impact to each household from this rate increase will be relatively minor, with the average water customer's bill increasing just \$.30/month (\$.01/day) and the average sewer customer's bill increasing \$2.59/month (\$.085/day). An average customer using both water and sewer will experience an increase of only \$2.89/month with a total bill of \$86.48, which closely matches utility customers in the City of North Port, and is less than customers of utility systems in other parts of the state, such as St. Lucie County, Okeechobee Utility Authority, City of Cape Coral, City of Fort Myers, DeSoto County, City of Marco Island and Golden Gate.

Charlotte County Utilities is continually looking for efficient and environmentally-friendly solutions for providing safe and healthy water and sewer services to its customers, today and in the future.