

APRIL 4, 2023

A [Workshop Meeting](#) of the [Board of Lee County Commissioners](#), sitting as the Management & Planning Committee, was held on this date with the following Commissioners:

Brian Hamman, Chairman  
 Mike Greenwell, Vice-Chairman  
 Cecil Pendergrass  
 Ray Sandelli  
 Kevin Ruane

The Chairman called the meeting to order at 1:03 p.m.

## COUNTY MANAGER

County Manager Roger Desjarlais stated that the purpose for today's workshop was to request direction from the Board regarding the Lee County Utilities rate adjustments for fiscal year 2023-2024. Mr. Desjarlais informed the Board that Staff would also provide an update on current and future Capital Improvement Projects scheduled in the next ten (10) years.

## PRESENTATION

**Topic:** [Lee County Utilities FY 23 Rate Adjustments](#)

**Presented by:** Assistant County Manager, Glen Salyer

Lee County Utilities Director, Pam Keyes

Raftelis Public Management Group, Inc. Vice President, Thierry Boveri

## BOARD DISCUSSION

Assistant County Manager, Glen Salyer opened the presentation, informing the Board that Lee County Utilities is currently experiencing historical increases in cost for treatment chemicals, construction materials, and operational expenses due to inflation. Mr. Salyer, introduced Lee County Utilities Deputy Director, Pam Keyes who narrated a detailed PowerPoint providing an overview of the proposed fiscal year 2023-2024 rate adjustments.

Lee County Utilities Deputy Director, Pam Keyes started her presentation discussing Lee County Utilities current Capital Improvement Projects.

### **Fort Myers Beach Advanced Water Reclamation Facility:**

Utilities Deputy Director, Pam Keyes stated that the Fort Myers Beach Advanced Water Reclamation Facility operations began in 1979. Due to its original size, and age, the Fort Myers Beach Advanced Water Reclamation Facility does not meet the capacity needs for future population growth. In 2022 a Master Plan for the facilities rehabilitation and resiliency was completed. Shortly after the Master Plan completion, the facility experienced significant damage from Hurricane Ian resulting in the need for modifications. Ms. Keyes stated that the current estimated price for the repairs, rehabilitation, resiliency measures is \$209,000,000. Staff expects an estimated \$32,000,000 to be reimbursed by the Federal Emergency Management Agency (FEMA).

### **South East Advanced Water Reclamation Facility:**

Utilities Deputy Director, Pam Keyes stated that the need for the South East Advanced Water Reclamation Facility became evident following the 2010 Utilities Master Plan. Through Board action the land needed for the South East Advanced Water Reclamation Facility was acquired in 2017 and 2019. Ms. Keyes informed the Board that in 2023 construction began on the Southeast Force Main Improvements that will connect that existing network to the new facility, and divert some of the flow from the Three Oaks Advanced Water Reclamation Facility to assist with capacity issues. Construction on the South East Advanced Water Reclamation Facility is expected to begin in 2025 and be completed by summer of 2028. The estimated cost of the facility is \$159,500,000.

Utilities Deputy Director, Pam Keyes provided the Board with a review of the three (3) additional Capital Improvement Projects driven by population growth in Lee County and informed the Board that the total cost for all Capital Improvement Projects over the next ten (10) years is \$785,000,000. Ms. Keys concluded her portion of the presentation with brief recap of the completed repairs and improvements following Hurricane Ian, informing the Board that the Rate Adjustment Options that would be provided to the Board do not include Hurricane Ian projects as Staff anticipates FEMA and State reimbursement for the temporary and permanent repairs and improvements.

Raftelis Public Management Group, Inc. Vice President, Thierry Boveri started his portion of the presentation with a brief summary of inflation statistics from 2019 to present day, as well as a historic residential bill comparison at 5,000 gallons from 2017 to present day. Mr. Boveri stated that while inflation has seen an eighteen (18) percent increase, residential Lee County utilities bills have not increased to cover the cost. Mr. Boveri stated that to cover the current cost of inflation, Lee County Utility customers should see a \$19.52 or twenty-five (25) percent increase. Mr. Boveri then provided the Board and Staff with a review of the expected new debt and asset reinvestment for 2019-2030, confirming that the County secured a \$45,000,000 bank loan in 2023, will secure a \$150,000,000 SRF loan in 2025, and is expected to accrue \$65,000,000 in new debt in 2027.

Mr. Boveri offered the following three (3) recommended rate adjustment options to the Board:

	Existing	2023	2024	2025	2026	2027
<b>Option One: 3-Year 11.5% Flat Increase</b>		<b>11.5%</b>	<b>11.5%</b>	<b>11.5%</b>	<b>4% Annual Indexing</b>	<b>4% Annual Indexing</b>
Monthly Average Bill Increase	\$78.64	\$9.05	\$10.08	\$11.27	\$4.33	\$4.56
New Total Average Monthly Bill		\$87.69	\$97.77	\$109.04	\$113.37	\$117.93
<b>Option Two: 5-Year 8% Flat Increase</b>		<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
Monthly Average Bill Increase	\$78.64	\$6.29	\$6.81	\$7.33	\$7.94	\$8.60
New Total Average Monthly Bill		\$84.93	\$91.74	\$99.07	\$107.01	\$115.61
<b>Option Three: 5-Year Tapered Increase</b>		<b>12%</b>	<b>9%</b>	<b>7%</b>	<b>5%</b>	<b>4% Annual Indexing</b>
Monthly Average Bill Increase	\$78.64	\$9.41	\$7.94	\$6.71	\$5.10	\$4.31
New Total Average Monthly Bill		\$88.05	\$95.99	\$102.70	\$107.80	\$112.11

Mr. Boveri reviewed a FY23 Utility rate comparison with neighboring municipalities, and counties informing the Board that Unincorporated Lee County currently has the fifth lowest utility cost in Southwest Florida, and would remain within the ten (10) lowest average bill, utility providers with any of the three (3) rate increases. Mr. Boveri concluded his presentation with a brief description of the following Annual Indexing Policy Considerations:

**Florida Public Service Commission Index:**

- Typically, less than the Consumer Price Index
- Used by Franchise Utilities in Florida
- Consider Annual Index Maximum of five (5) percent
- Seek Board of County Commissioner Approval if the increase is greater than five (5) percent

**Consumer Price Index:**

- Easy to understand
- Does not match utility cost as well as Water & Sewer Maintenance Index
- Consider Annual Index Maximum of five (5) percent
- Seek Board of County Commissioner Approval if the increase is greater than five (5) percent

**Water and Sewer Maintenance Index:**

- Most closely tracks utility cost structure
- Consider Annual Index Maximum of five (5) percent
- Seek Board of County Commissioner Approval if the increase is greater than five (5) percent

Commissioner Pendergrass questioned when Staff would need to have a final decision on which rate increase option the Board preferred. County Manager, Roger Desjarlais stated that there is no official deadline, Staff would need a final decision by the Board’s summer break in July. Commissioner Ruane stated that it was his understanding that Lee County currently carries roughly \$183,000,000 in debt, and requested what the three (3) new debt assumptions would be in regards to interest rate and repayment terms. Raftelis Public Management Group, Inc. Vice President, Thierry Boveri stated that the \$45,000,000 bank loan will have a three (3) percent interest rate with a fifteen (15) year repayment term. The \$150,000,000 SRF loan will have a two and a half (2.5) percent interest rate with a twenty (20) year repayment term, and the estimated \$65,000,000 new debt loan is expected to have a five (5) percent interest rate with a thirty (30) year repayment term. Commissioner Ruane questioned if there was flexibility in the issuance dates. Mr. Boveri stated that the longer Staff holds off on securing the funding the more things can change, and current projections are set by the estimated need for the Capital Improvement Projects.

Commissioner Pendergrass, and Commissioner Sandelli expressed their support for Rate Increase Option No. 2, while Commissioner Greenwell stated his support for Rate Increase Option No. 3. Commissioner Hamman stated that he was in favor of Rate Increase Option No. 2 and would like to see Staff not entertain the idea of indexing. Commissioner Hamman also informed Staff that he would like to see an additional option where putting the larger increase in the later years of the projects, while introducing only small increase now, allowing for population growth to increase revenues. Commissioner Ruane questioned if Staff was confident that all three (3) options would achieve the Capital Improvement Plan project goals, and stated that while Option No. 2 and Option No. 3 seem to be very similar, he would be inclined to support Option No. 3. Mr. Boveri stated that Staff is confident that all three (3) options would provide the proper funding needed to support all Capital Improvement Projects. Commissioner Hamman stated that he would like to see where the utility reserves stand

today, where they would stand at under each option, and where they would stand at if no increase was adopted. Mr. Boveri stated that Staff is attempting to maximize the use of cash reserves, and issue new debt only when absolutely necessary. Staff's intention is to draw down the unrestricted cash reserves to as low as allowed and attempting to maintain enough reserves to cover 120 days of operating expenses, on top of another \$20,000,000 for emergency capital repair needs.

County Manager, Roger Desjarlais concluded the workshop by recapping the direction given to Staff. Mr. Desjarlais stated that Board consensus had been reached that Rate Adjustment Option No. 1 was no longer being considered, and that the Board would like a detailed analysis of how utility reserves and debt levels would be effected by of the Rate Adjustment Options Two (2) and Three (3). Mr. Desjarlais stated that a briefing would be prepared for the Boards consideration and vote at a future Board of County Commissioners meeting.

The Chairman adjourned the meeting at 2:03 p.m.

ATTEST:  
KEVIN KARNES, CLERK

By: \_\_\_\_\_  
Deputy Clerk

\_\_\_\_\_  
Chairman, Lee County Commission