



Memorandum

Memorandum No: 20-123

Date: December 21, 2020

To: Honorable Mayor and Commissioners

From: Chris Lagerbloom, ICMA-CM, City Manager

Re: Update on Negotiations with the City of Oakland Park for the Sale of Potable Water

In 1963, the City of Fort Lauderdale (CFL) entered into a long-term agreement for the sale of potable water to the City of Oakland Park (COP). This agreement was renewed for thirty years in 1993 and is set to expire on October 30, 2023.

In FY 2018, the City contracted with Stantec Consulting to conduct a comprehensive Water and Wastewater rate study that was completed and presented to the City Commission at the April 16, 2019 and May 21, 2019 Conference Meetings. The study included rate recommendations for both retail and wholesale customers. Included in the wholesale customer class are the City of Oakland Park, City of Tamarac, Town of Davie, City of Wilton Manors, Port Everglades Authority, and Broward County Utilities.

The revised rates and rate structure were approved on second reading of Ordinance C-19-28 on September 17, 2019 and went into effect on October 1, 2019. The new rate structure provided, for the first time, a surcharge of 25% for wholesale (also referred to as master meter) customers that receive water outside the corporate limits of CFL. Such a surcharge is consistent with Florida statutes and is also consistent with CFL treatment of retail customers outside the corporate limits, as a 25% surcharge was already being added to retail accounts.

The rate study determined that under the previous rate structure, water revenues exceeded the cost of providing that service and wastewater revenues were lower than the associated costs to provide sewer service. Therefore, the rate structure was modified to provide more revenue to support wastewater operations and less to support water operations. As the wholesale customer class is only being billed for water, the monthly bills for all customers in the master meter class declined, even with the additional 25% surcharge. For the COP, this was a savings of approximately \$1 Million per year.

Despite the savings, COP objected to the imposition of the surcharge and both parties agreed to open discussions on negotiating a new agreement. All issues discussed in negotiations have been resolved with the exception of the surcharge. COP contends that with the addition of the surcharge, CFL is recovering more than it costs to produce and distribute the water sold to COP.

No other wholesale customers have objected to the surcharge. CFL believes the rates included in the study, including the surcharge, are fair, reasonable, consistent with State Statutes, and consistent with the treatment of retail customers outside of the corporate limits. In addition, the CFL rates with the surcharge are well below the published rates that Broward County charges for their Commercial, Municipal, Industrial, and Recreational Vehicles class of customers.

c: Tarlesha W. Smith, Esq., Assistant City Manager
Greg Chavarria, Assistant City Manager
Alain E. Boileau, City Attorney
Jeffrey A. Modarelli, City Clerk
John C. Herbst, City Auditor
Department Directors
CMO Managers