TOWN COUNCIL AGENDA
SPECIAL MEETING

WEDNESDAY — TOWN COUNCIL CHAMBERS
JUNE 25, 2025 – 2:00 P.M. — 4300 S. ATLANTIC AVENUE, PONCE INLET, FL

SUNSHINE LAW NOTICE FOR BOARD MEMBERS – Notice is hereby provided that one or more members of the Town's various boards may attend and speak at this meeting.

1. Call to Order.

2. Pledge of Allegiance.

3. Roll Call.

4. Town of Ponce Inlet's Stormwater Utility Feasibility Study presented by Raftelis Financial Consultants, Inc.

5. Adjournment.

If a person decides to appeal any decision made by the Town Council with respect to any matter considered at a meeting or hearing, he/she will need a record of the proceedings and that for such purpose, he/she 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. Persons who require an accommodation in order to attend this meeting should contact the Ponce Inlet Town Hall at 236-2150 ***prior to the meeting*** *in order to request such assistance.*

A complete copy of the materials for this agenda is available at Town Hall.

Meeting Date: 6/25/2025

Agenda Item: 4

Report to Town Council

Topic: Town of Ponce Inlet's Stormwater Utility Feasibility Study presented by Raftelis Financial Consultants, Inc.

Summary: Raftelis Financial Consultants, Inc. recently completed a Stormwater Utility Feasibility Study for the Town. This Study involved a determination of estimated revenue requirements for the program, an estimation of stormwater utility billing units, utilization of those estimates to calculate a preliminary stormwater utility rate, and production of an updated Stormwater Utility Rate Study report. The report from Raftelis is attached for more information.

Suggested motion: As determined by Council.

Requested by: Mr. Disher, Town Manager
Ms. McColl, Finance Director
Chief Scales, Public Safety Director
Mr. Wargo, Public Works Director

Approved by: Mr. Disher, Town Manager

Town of Ponce Inlet, FL

Stormwater Utility Feasibility Study

UPDATED REPORT / June 18, 2025

RAFTELIS

Contents

RAFTELIS

Tables and Figures

THIS PAGE INTENTIONALLY LEFT BLANK

1. Background

1.1. Introduction

Raftelis was recently retained by the Town of Ponce Inlet, Florida (Town) to complete a Stormwater Utility Feasibility Study as described in our Scope of Services dated October 25, 2023, and approved via Task Order dated April 19, 2024. The Study included a determination of estimated revenue requirements for the program, an estimation of stormwater utility billing units based upon available Volusia County tax parcel data, utilization of those estimates to calculate a preliminary stormwater utility rate, and production of an updated Stormwater Utility Rate Study report. This study is limited to the scope described above and does not consider alternative rate structures beyond those described below.

1.2. Background

The Town is located in Volusia County and has a population of 3,428 residents[1] as of 2024. Currently, stormwater-related expenses are paid out of the Town's general fund, which is funded primarily through ad valorem taxes, and the Town is looking for a more sustainable and dedicated source of funding to both bolster their stormwater services and expand the program in the future. A stormwater utility with a dedicated user fee would ultimately provide a method for generating revenue for funding costs associated with its stormwater program including program management; regulatory compliance needs such as the Town's National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System (MS4) permit requirements; sediment and erosion control; stormwater infrastructure retrofits; flood management; capital improvements; equipment and maintenance needs (including repair, rehabilitation, and replacement). Responsibility for the Town's current stormwater program, including operation and maintenance of the stormwater system, falls primarily to the Department of Public Works. The Town is interested in either billing the stormwater utility fee monthly on its customer's utility bills or via a non-ad valorem special assessment (NAVSA), as regulated by Chapter 197 of the Florida Statutes, billed directly to property owners on their annual tax bill.

Raftelis met with Town staff on July 25, 2024 to discuss its current stormwater program and existing budget items related to stormwater, as well as their goals for ideal level of service and program expansion. This information was then compiled into a 5-year rate projection model from FY 2026 to FY 2030 that allows different funding scenarios to be modeled based on the estimated revenue requirements to be funded by a potential stormwater utility fee, including three levels of capital spending.

2. Units of Service

2.1. Data Preparation

ERU Analysis: Raftelis' analysis was based on Volusia County 2021 aerial imagery that was available for use on ArcGIS Online, and 2023 geographic tax parcels and information from the Volusia County Property

[1] https://bebr.ufl.edu/population/

Appraiser. The relevant information used to estimate impervious area and classify customers is from Computer Assisted Mass Appraisal (CAMA) data obtained from Volusia County Property Appraiser website.

Units of Service Determination: Data from CAMA tables related to commercial, residential, and condominium properties in the Volusia County Property Appraiser were used for this analysis including parcel number, impervious area, condo complex identification number, condo complex description, condo level, property classification and property code description. Based upon Raftelis' review, impervious area associated with driveways, walkways, pool decks, and other ancillary structures were not included in the Volusia County data for condo properties and were therefore estimated by Raftelis as needed during the analysis.

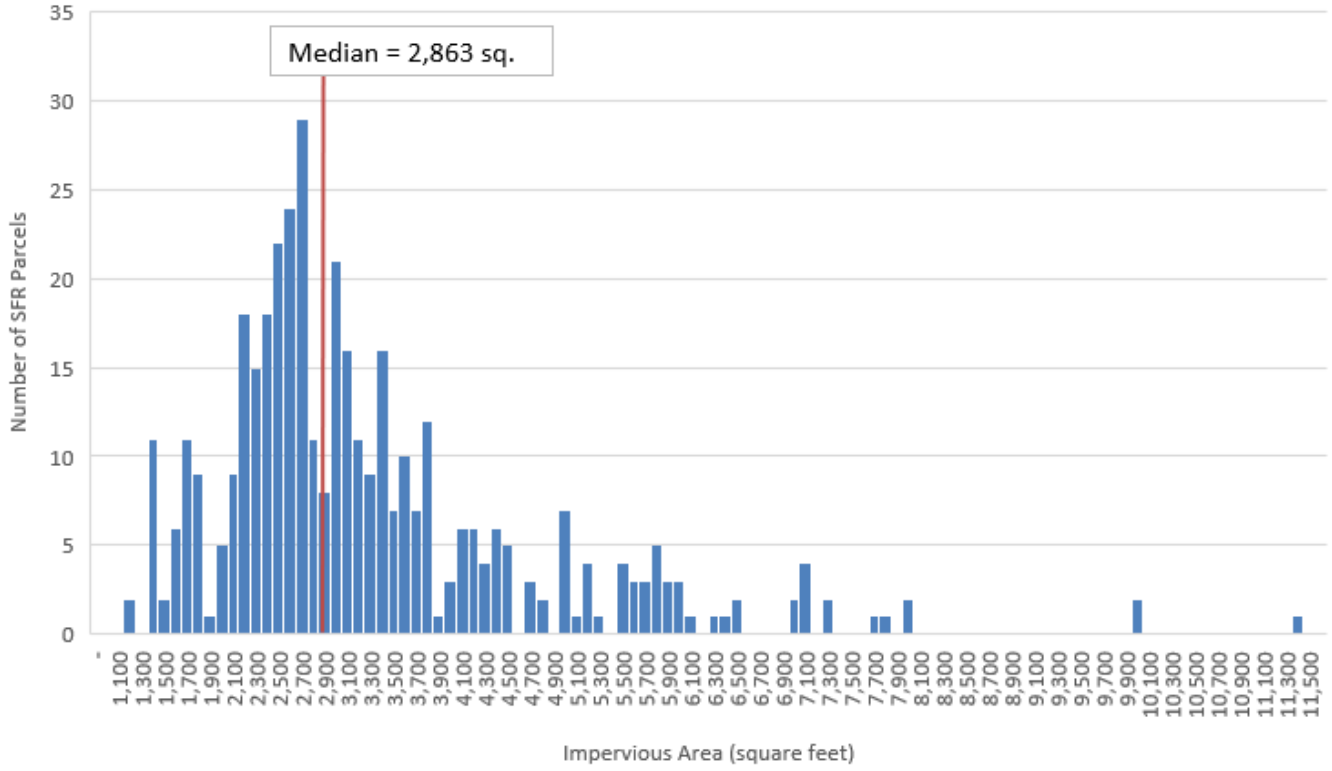
2.2. ERU Determination

The Equivalent Residential Unit, or ERU, is a commonly used proxy for impervious area that represents the typical amount of impervious area on single-family residential (SFR) parcels and is used to inform rates and customer bills. This method for determining rates is most commonly used by stormwater utilities with impervious area-based rate structures because it establishes a rational nexus between a customers demand on the drainage system and the service that is being funded by rates. The more impervious area on a property, the more stormwater runoff the property generates and the greater the demand for the utility's stormwater management services. Raftelis' determination of the Town's ERU is based upon the estimated impervious area analysis described below.

To determine an ERU for the Town of Ponce Inlet, a sample of 400 SFR parcels were randomly selected and mapped in GIS to ensure that there was an appropriate distribution across the entire service area. For this analysis, we used Volusia County's VPCA_CAMA_RES_BLDG table to identify properties falling into the SFR customer class including classification code (PC), and property classification code description (PC_DESC). Both '000' – 'Vacant Res' (where a residential building was visible on the 2021 aerial photograph) and '001' – 'Single Family' were considered as SFR. The 'Total_Area' field from this table was used as the impervious area estimate for this analysis. As outlined in our Scope of Work, only Volusia County tabular impervious area was used in the calculation of this ERU, no measured impervious area was used.

After viewing the parcels in GIS, Raftelis conducted a statistical analysis to calculate the ERU and inform variability within the SFR customer class; calculating the median, mean, max, min and standard deviation of the impervious area of the sample. Raftelis recommends using the median value of impervious area on SFR properties to calculate the ERU. This value is more statistically robust and less sensitive to outliers (the very small or very large impervious surface amounts in the sample) than a mean value would be, and therefore a more accurate representation of SFR impervious area within the Town. Using the median value, the ERU of this sample is 2,863 square feet of impervious area (Figure 1). The Town could consider rounding this value (for example, 2,800 or 2,900 square feet), for ease of customer communication. As a comparison, the mean value of the sample was 3,255 square feet of impervious area.

Figure 1: Ponce Inlet SFR IA Distribution



2.3. Units of Service Analysis

After reviewing the data received from the Town, Raftelis assigned 5 different customer classifications to be used for the Units of Service analysis. SFR properties, as described above, are charged a flat rate of 1 ERU in the current model. Non-single-family residential parcels, or NSFR, are commercial, industrial, or other non-single-family parcels that have their ERUs calculated proportionally to the amount of impervious area on their parcel. For example, if a large business has 28,630 square feet of impervious area on its parcel, it would be billed for 10 ERUs. Multi-family residential, or MFR, parcels are made up of residential condominiums. These parcels are billed similarly to NSFR parcels, but the ERUs could eventually be divided and equally allocated among the individual dwelling units for NAVSA billing. Single-family attached townhome parcels, or SFA, are billed the same rate as SFRs, 1 ERU per parcel. Finally, vacant parcels are those with no impervious area, are currently considered not billable and have not been assigned an ERU.

2.3.1. Condominium Computations

To calculate the total units of service for condominiums (condos) in the service area, the data needed to be grouped such that it was calculating the impervious area of each condo level individually, and then summed. Using available tax data, we were able to sum the impervious area by floor for each condo complex. This total was then averaged for the total number of floors to estimate the impervious area for the entire building in the condo complex. Additionally, we know there is often significantly more impervious area on a parcel than just the buildings when it comes to large condo complexes. Raftelis accounted for this additional impervious area by estimating the remaining imperviousness of the property, including parking lots, driveways, pool areas, etc. Condo ERUs were then calculated by total impervious area divided by the ERU. This is similar to the process for calculation NSFR ERUs.

With the condo complex ERUs determined, we were then able to add them to the SFR, SFA and NSFR ERUs to estimate the total Units of Service for The Town of Ponce Inlet (Table 1). Raftelis did not do any GIS-based impervious area measurement (digitizing) to make this estimation, and therefore impervious area and total area are considered estimated.

Table 1: Total Units of Service (Estimated)

Customer Class	Sum of ERUs	Sum of Estimated IA	Count of Parcels
NSFR	109	256,105	49
SFR	1,219		1,219
MFR	403	1,115,734	2,025
SFA	12		13
Grand Total	**1,743**	**1,371,839**	**3,306**

2.4. Customer Growth

To model costs and ERU growth with actual and budget data, various escalation rates were applied to the total units of service data. The largest customer class based on parcel count in the Town is the multi-family residential properties (condos), with single-family residential being the second largest customer class with the greatest ERU count. According to the Bureau of Economic and Business Research (BEBR), the population in the Town is growing at a rate of 0.475%[2] annually. This rate of 0.475% was used to escalate and project ERU growth (Table 2) for SFR and NSFR property types, which can be manually updated as needed. Per recommendations of Town staff, ERUs for MFR and SFA properties have not been escalated. The O&M expense inflation factor for operating and personnel expenses was set at 3% by Town staff, and an escalation factor of 3% was applied to capital expenses. This was informed by the Engineering News-Record (ENR) National Indexes, which had the annual inflation rate at +3%[3] for a nearby Southern city's Construction Cost Index.

Table 2: Projected Customer Growth

Description	2026	2027	2028	2029
Residential ERUs	1,225	1,231	1,236	1,242
Non-residential ERUs	110	110	111	111
Multi-Family ERUs	403	403	403	403
Single-Family Attached ERUs	12	12	12	12
Total ERUs	1,749	1,756	1,762	1,769
Annual ERU Growth (SFR and NSFR only)	0.475%	0.475%	0.475%	0.475%

[2] https://bebr.ufl.edu/population/

[3] https://enrcostdata.com/cost-indexes

3. Revenue Requirements

3.1. O&M

Through discussions with Town staff, Raftelis has determined that many of the Towns's ongoing operation and maintenance activities have been mandated by the NPDES permit or are to prevent flooding and other stormwater system failures. According to the Town's NPDES 2024 Annual Report, the following are the major components of the Town's NPDES permit and Stormwater Management Plan:

1. Public Education and Outreach –

- The Town distributes informational flyers such as the St. Johns River Water Management District's "Neighborhood Guide to Stormwater Systems" handout to new utility customers on water bills
- The Town produces and distributes stormwater-related brochures and various activity books
- The Town posts a stormwater information on its website (https://www.ponce-inlet.org/461/Stormwater-Systems) and a produces two Town newsletter articles annually about stormwater

2. Public Involvement and Participation –

- The Town hosts Halifax/Indian Rover Cleanup event and advertises the event
- The Town hosts public meetings to discuss stormwater management policies

3. Illicit Discharge Detection and Elimination (IDDE) –

- The Town has produced a stormwater system inventory map. The Town uses its existing map to document new outfalls and display locations of known outfalls and surface waters receiving discharge from outfalls
- The Town conducts MS4 System inspections following 72-hour dry period
- The Town's Fire Department responds to spills within Town limits
    a. The Town conducts public outreach activities regarding IDDE to local business owners

4. Construction Site Runoff Controls –

    a. The Town documents and inspects active construction sites that are operating under the erosion and sediment control requirements (BMP's 4a-01 & 4b-01)

- The Town documents and reports the number of active constructions sites operating under waste control requirements (4c-01)
    b. The Town tracks reviewed and approved site plans as defined in the development review requirements in Article IV of the LUDC
- The Town conducts weekly inspections for approved construction projects, and documents weekly inspections and the number of stop-work orders
- Post-construction stormwater management for new development and redevelopment – The Town utilizes an alternative program operated by the St. Johns River Water Management District and the Florida Department of Environmental Protection

5. Pollution Prevention and Good Housekeeping for Municipal Facilities –

- Fleet maintenance is contracted though service companies outside the city limits (daily inspections of vehicles).
- State-certified vendors are utilized for performing landscaping and lawn care for municipal operations (currently have 2 certified vendors).
- Town policy outlines a pet owner's individual responsibility to clean up pet waste in public and private areas.
- The storm-drain cleaning program is conducted by a private contractor. The Town contracts with American In-Line vac truck services who cleaned 292 inlets, 3 stormwater ponds, 2 swales with 40

cubic yards collected and 9,000 feet of storm pipe cleaned (88 cubic yards of debris) in the previous reporting period.
    a. Street sweeping services are provided by USA Services to remove contaminants from roadways on a monthly basis.
- The Town has developed a schedule for development of BMPs (structural and/or non-structural) to address pollutant loading, with outfalls regularly inspected. Permit holders discharging into a waterbody with a TMDL must be consistent with TMDL waste load allocation.
- Town staff members attend training to address pollution prevention on an annual basis.

The Town's Department of Public Works is responsible for most stormwater operations and related maintenance; however, the Building and Code Enforcement Division also completes various tasks that are appropriate to fund with the Stormwater Fund, such as stormwater plan review and inspections. During the program review meeting, Town staff and Raftelis also identified some areas where increased capacity would be advantageous. Additionally, there was discussion revolving around partially funding the Town's participation in the Federal Emergency Management Administration's (FEMA) Community Rating System (CRS) program with the Stormwater Fund in the future. Most program items were determined to be sufficiently funded for the time being, and well equipped.

To determine the O&M costs that will be funded by the proposed stormwater utility, the Town allocated costs associated with the O&M of Public Works Department and the Building and Code Enforcement Division's FY25 budgets. The budget was then projected through Fiscal Year 2030 (Table 3). The underlying assumptions and expenditure amounts included therein were assumed to be reasonable and reflect anticipated operations.

Table 3: Operating and Maintenance Cost Projection

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Personnel O&M Expenses	$125,046	$128,798	$132,662	$136,642	$140,741
Operating O&M Expenses	$116,119	$119,603	$123,191	$133,511	$137,517
Total	**$241,165**	**$248,400**	**$255,852**	**$270,153**	**$278,258**

3.2. Capital

The capital expenditures for the proposed stormwater utility were determined using previous costs from the Town for stormwater projects from FY 23-24, as no formalized CIP for the stormwater program has been developed. Based upon our discussions with the Town, future capital spending is likely to be on par with recent expenditures until formalized costs for future capital improvements have been determined. We received FY 2024 5-year CIP information from the Town's Department of Public Works and from a Budget Workshop memorandum following a preliminary Budget Workshop in June of 2023[4]. Line items related to stormwater capital improvement, the Phase 1 and 2 stormwater one-way valve installation at $39,840, reoccurring pipe cleaning projects every 5 years at $60,000, retention pond excavation at $103,840 in FY 25, and an exfiltration system project at $120,480 in FY 26 were included in the estimate. The average cost of the capital projects was used and escalated at 3% starting in FY 27 (Table 4). This escalation rate was taken from

[4] Town Council Special Meeting Budget 2023 (ponce-inlet.org)

the construction cost index annual inflation rate for 2024[5]. At this time, there is only one CIP expenditure incorporated into the model, however as the Stormwater Fund continues to grow, the line items can be pulled out into individual items as desired. The total amount of capital spending is displayed in Table 4 below.

In order to allow the Town to test different scenarios and rates, we have also incorporated functionality to toggle between various funding coverage of capital expenses within the model. 'Full' funding funds 100% of capital expenses, the 'Partial – Intermediate' funding funds 50% of capital expenses, and the 'Partial – Low' funding would cover only O&M costs and no capital costs (Table 4). This in turn impacts the revenue requirement and allows different rates to be calculated depending on the funding levels selected. The table below displays how the projected spending for capital is affected by the three funding levels.

Table 4: CIP Spending by Funding Scenario

Capital Funding	FY 2026	FY 2027	FY 2028	FY 2029	FY2030
Full	$120,480	$81,040	$83,471	$85,975	$99,987
Partial - Intermediate	$60,240	$40,520	$41,736	$42,988	$49,994
Partial - Low	$0	$0	$0	$0	$0

3.3. Reserves

The Town of Ponce Inlet outlines its reserve policies in Resolution 2009-04[6] in which a minimum and maximum reserve balance for Town operating budgets is set out. Reserves are an amount of revenue allocated to be set aside to ensure there are sufficient funds available in the event of an emergency or unexpected situation. The document specifies a minimum reserve of 33.33% of operating funds and a maximum of 66.66% of operating funds. At this time, the minimum reserve requirement of 33.33% is being used in the rate model to inform rates, however this percentage could be increased in the future as needed. This is an annually calculated line item that is not escalated and is determined by the annual operating expenses. The Operating Reserves shown in Table 5 below are the annual allocated amounts for the stormwater utility which will accumulate over time as shown on the Reserve Fund Balance line. The Partial - Low funding option provides for no reserves in the stormwater fund.

Table 5: Stormwater Utility Operating Reserves

Reserve Funding	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Operating Reserves	$38,702	$39,864	$41,059	$44,499	$45,834
Cumulative Reserve Fund	**$38,702**	**$78,566**	**$119,626**	**$164,125**	**$209,959**

3.4. Total Revenue Requirements and Preliminary Rates

To calculate preliminary rates for the Town, Raftelis determined total revenue requirements based on cost allocation of existing O&M expenditures, averaged capital expenditures, reserve funding, plus the program enhancements discussed above and input them into the model. This was used to calculate the total Revenue Requirements (Table 6). The Revenue Requirements are then divided by the total units of service to estimate rates across the 5-year period. The model incorporates various levels of capital to be funded by the stormwater utility fee including Full funding (100%), Partial – Intermediate (50%) and Partial – Low (0%). Depending on the level of funding selected, the rate will change to display the rate based on adjusted inputs.

[5] https://enrcostdata.com/cost-indexes

[6] https://www.ponce-inlet.org/DocumentCenter/View/4331/R-09-04---Reserve-Contingency-Policy

Table 6: Monthly Proposed Rates

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Full	$18.00	$19.00	$19.00	$20.00	$21.00
Partial - Intermediate	$16.00	$17.00	$17.00	$18.00	$18.00
Partial - Low	$12.00	$12.00	$13.00	$13.00	$14.00
Total Rev Req – Full	$368,705	$379,767	$391,160	$411,727	$424,079
Total Rev Req – Int	$324,287	$334,015	$344,036	$363,190	$374,086
Total Rev Req – Low	$241,165	$248,400	$255,852	$270,153	$278,258

These calculated rates would be set at a level that would ensure there would be enough revenue collected to cover the program costs and be able to support current operations. The above rates are helpful in that they allow one to see which years would likely expect to dip into the fund balance or reserves, depending on the rate being set.

3.5. Proposed Stormwater Rate Comparisons

The Town was also interested in a comparison of the potential rates for Ponce Inlet to other Florida Stormwater Utility rates. Rate comparison data from the FSU SWU Report 2024 document that is published annually by the Florida Stormwater Association[7] is included below in Table 7. A total of 11 utilities were selected based on population size (less than 10,000) or proximity to the Town of Ponce Inlet. The report includes a wide range of information, and we focused specifically on the monthly stormwater rates per ERU and the impervious surface per ERU (Table 7 and Figure 2). The calculated rate options for the Town are a bit higher than those of utilities with a similar population, but this could result from a variety of influences. Because each service area has its own program needs, revenue requirements, number of customers and units of service, the rate will reflect these inputs and therefore be different than another similar sized utility. In contrast, some of the larger utilities with rates more similar to those of Ponce Inlet may have fewer program requirements or a greater number of ERUs to bring that rate down from what is expected.

Table 7: Comparison of Florida Stormwater Utilities 2024 Rates

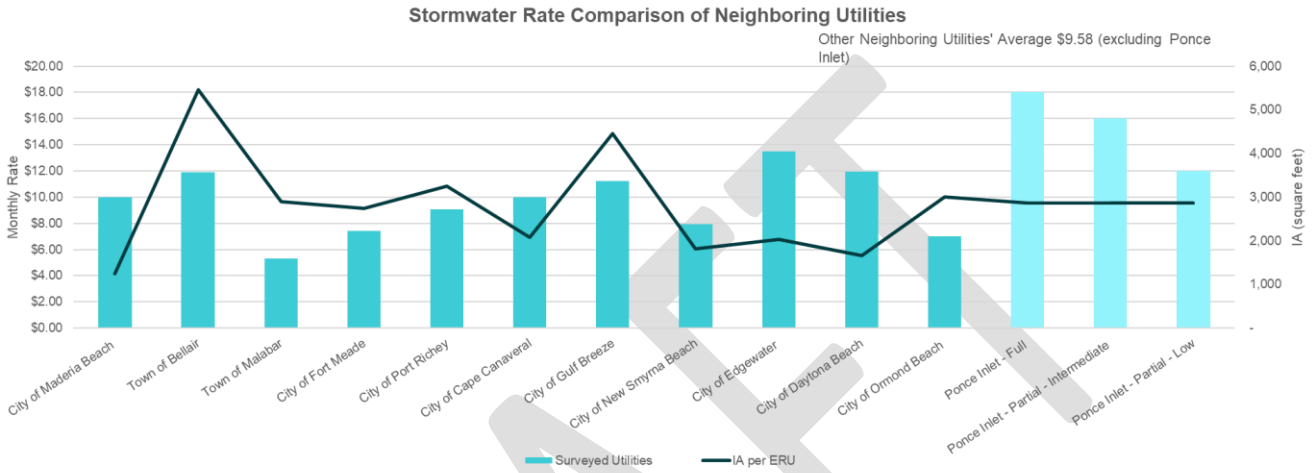
	Other Florida Utilities	Monthly Stormwater Rate per ERU	Impervious Surface per ERU
1	Town of Malabar	$5.33	2,900
2	City of Ormond Beach	$7.00	3,000
3	City of Fort Meade	$7.44	2,750
4	City of New Smyrna Beach	$7.92	1,818
5	City of Port Richey	$9.05	3,250
6	City of Maderia Beach	$10.00	1,249
7	City of Cape Canaveral	$10.00	2,074
8	City of Gulf Breeze	$11.24	4,450
9	Town of Bellair	$11.92	5,459
10	City of Daytona Beach	$11.96	1,661
11	City of Edgewater	$13.50	2,027

[7]Florida Stormwater Association, Inc (2024), *2024 Stormwater Utility Report*

12	Ponce Inlet - Partial - Low	$12.00	2,863
13	Ponce Inlet - Partial - Intermediate	$16.00	2,863
14	Ponce Inlet - Full	$18.00	2,863
15	Other Florida Utilities' Average (excluding Ponce Inlet)	$ 9.58	2,785

*Light blue selected for population size, dark blue selected for proximity to Town, green for various Ponce Inlet scenarios

Figure 2: Graph of Other Stormwater Utilities' Rates



4. Next Steps - Implementation

To move forward with implementation of the proposed stormwater utility, the Town should at a minimum perform the following tasks, as outlined in our Phase 2 Scope of Services:

1. Develop measured impervious areas and calculate total units of service to ensure accuracy in customer billing
2. Develop a preferred funding scenario based upon the three capital funding scenarios described above and calculate a schedule of rates for that scenario
3. Develop a credit program, including an evaluation of a credit for private roads where credits might be offered for private maintenance of private road drainage, and for stormwater retention/detention treatment areas that are privately owned and maintained
4. Produce and get approval for a stormwater utility ordinance including a legal review by the Town's Attorney
5. Perform outreach to the public and Town officials about the Stormwater Utility
6. Follow the legally required steps to utilize a Non-Ad Valorem Special Assessment for billing the Stormwater Utility fee, including passage of a resolution of intent prior to January 1, 2026.

Raftelis can be available to support the utility throughout the implementation process, including assisting with communication strategies and stakeholder engagement.