

KLWTD FUNDING ANALYSIS

DRAFT

RECONCILIATION OF WASTEWATER PROJECT FUNDING NUMBERS FOR PROJECTS WITHIN THE UNINCORPORATED AREA

Below is a table showing the reconciled numbers for the Key Largo Project. The numbers in red have been revised pursuant to the discussion below.

Table 1b: Key Largo Project - Reconciled

	Monroe County	KLWTD	Difference
Project Cost	169.85	169.85	0.00
Number of Developed EDUs	14,054	14,054	-
Federal Funding	21.25	21.25	0.00
State Funding	28.00	28.00	0.00
County Funding	23.11	23.11	0.00
Other Outside Funding	10.18	10.18	0.00
Subtotal Outside Sources	82.54	82.54	0.00
MSTU	3.76	3.76	0.00
SDF/Assessments	73.08	73.08	0.00
Rates	10.46	10.46	0.00
Subtotal Local Sources	87.30	87.30	0.00
Difference	0.00	0.00	0.00

Table 1a: Key Largo Project - Pre-reconciled

	Monroe County	KLWTD	Difference
Project Cost	154.50	163.00	-8.50
Number of Developed EDUs	14,052	14,052	-
Federal Funding	21.40	50.00	-0.50
State Funding	28.10		
County Funding	28.20	23.10	5.10
Other Outside Funding	10.20	10.60	-0.40
Subtotal Outside Sources	87.90	83.70	4.20
MSTU	3.90	3.90	0.00
SDF/Assessments	72.00	72.00	0.00
Rates	0.00	3.40	-3.40
Subtotal Local Sources	75.90	79.30	-3.40
Difference	-9.30	0.00	-9.30

Project Cost:

The largest discrepancy between the county's report and KLWTD's report is the difference in the cost of the project. The \$154.5 million came from a projected cost estimate completed in August 2013. It included approximately \$8.5 million in budgeted, but not completed projects. When KLWTD was awarded \$17 million in state money in May of 2014, that money came with the requirement that it must be spent on new projects. Since KLWTD already had \$8.5 million in new projects budgeted, the remaining \$8.5 million will be applied to necessary projects that were in the planning stages and not yet budgeted at the time. This increased the overall project cost by \$8.5 million from \$154.5 million to \$163 million. The County's estimate includes the full \$17 million received from the state but does not include the additional \$8.5 million in project costs, thus understating the contribution from local ratepayers by \$8.5 million.

According to KLWTD's most recent CAFR available (FY 2013), capital spending on the sewer project totaled \$145,219,990 through September 30, 2013. An estimated \$1,624,322 was spent on projects through September 30, 2014. An additional \$23,002,294 is budgeted from October 1, 2014 through September 30, 2017. That brings the total project cost to \$169,846,606. The calculation of the updated project cost is included as Appendix 1.

Number of Developed EDU's

Out of financial necessity, KLWTD assessed undeveloped properties as well as developed ones. This was not the case in the other unincorporated areas, which were heavily subsidized by the infrastructure sales tax. For the purposes of this analysis, only developed EDUs that have been assessed or are located in areas which KLWTD plans to assess will be considered. This will ensure an apples-to-apples comparison. According to the latest KLWTD records, 16,640.3 EDUs have been

assessed to date or will be assessed assuming budgeted projects go forward. Of those, 2,585.9 EDU's are undeveloped according to either their PC code or their description in the Property Appraisers database. That means there are 14,054.4 developed EDUs in the Key Largo area at present. Assessment revenues has been updated accordingly using the number of developed EDUs.

State and Federal Funding:

According to financial records, KLWTD received \$21,249,026 from the federal government and \$28,004,135 from the state government for a total of \$49,253,161. See Appendix 2 for details.

County Funding:

The County has provided a detailed spreadsheet to support the \$28.2 million included in its report. However, there are several items included that, according to County officials, have not been included in the amounts received by the projects in the other unincorporated areas. This results in an inaccurate comparison that understates the local contribution by \$5.1 million. The County was unable to provide a similarly detailed report for the other projects at the time the request was made. For an accurate comparison, these items should be deducted from the amount received by KLWTD from the County. The actual amount to be used for an accurate comparison is \$23,113,955, see Appendix 3.

Other Outside Funding:

This is the capital contribution charge from the Village of Islamorada. The county's number, \$10.2 million excludes interest. KLWTD's number, \$10.6 million, includes interest. Since interest has been excluded for all other items in this analysis, it should be excluded from this number as well. The principal amount of this payment is \$10,176,000.

Local Contribution:

For the projects in the unincorporated area outside of Key Largo, the local contribution is static. Those customers will pay an assessment. They will pay nothing for the project out of rates. Any shortfall is made up using the infrastructure sales tax, which is collected county-wide. In other words, the burden of any funding shortfall does not fall on the local customers, but on all Monroe County taxpayers. The KLWTD does not have direct access to the infrastructure sales tax. So the sales tax cannot be used to correct any funding shortfalls. Those shortfalls must come from the local customers out of rates.

For this reason, it makes sense for KLWTD to compute the local contribution simply by deducting state, federal, county, and other outside funding from the project cost. Any change in assessment revenue affects what is needed out of rates. Simply put, a decrease in assessment revenue necessitates an increase in rates. For instance, if assessment revenue drops from \$73 million to \$63 million, then the contribution from rates increases from \$10 million to \$20 million. In the end, it all comes from the local customer.

MSTU: The County shows \$3.9 million collected from the Key Largo area. KLWTD' records show \$3,764,645. In the past, KLWTD has simply used the county's number as the difference is negligible. However, in the interest of accuracy KLWTD's number will be used in the reconciled table.

Rates: As stated above, any shortfall for the Key Largo project is made up out of rates. This is not so for the projects in the other unincorporated areas. The contribution from those customers is limited to assessments only. Any shortfall for those projects is made up out of the sales tax which is collected county-wide, including Key Largo. In other words, the Key Largo project is fully funded. However, a very large proportion of that funding comes from the local ratepayers. Whereas the projects in the other unincorporated areas are largely funded by the county-wide sales tax.