



## Memorandum

Date: July 21, 2022

To: David Hebert, City Manager

From: Andrew Thompson<sup>AT</sup>, Chief Financial Officer

Subject: Forthcoming Water Purchase Agreement with the City of Fort Lauderdale

A new long-term water agreement between the City of Fort Lauderdale and the City of Oakland Park is tentatively scheduled for Commission consideration and approval later this year. This new agreement resolves outstanding issues with Fort Lauderdale while also securing Oakland Park's potable water supply for the next twenty-five years.

As background, the current thirty-year water purchase agreement with Fort Lauderdale expires at the end of October 2023. Under this agreement, Oakland Park is a master meter customer, or bulk purchaser, of water from Fort Lauderdale. This potable water is produced at Fort Lauderdale's FiveAsh plant, which is completely surrounded by Oakland Park. Water purchased by Oakland Park is distributed through our own utility infrastructure and sold to customers within our service area. The rates paid by Oakland Park to Fort Lauderdale are set by Fort Lauderdale. In 2018, Oakland Park raised concerns about the lack of a recent water rate study for use in setting these rates, Fort Lauderdale's deferral of infrastructure maintenance to fund activities in their general fund, and the lack of transparency in the rate-setting process.

Fort Lauderdale completed a new water rate study and implemented a new rate structure in October 2019. The new structure reduced the rate charged to Oakland Park, but Fort Lauderdale imposed a 25% surcharge on all such sales. Under Florida State Statute 180.191(1), a surcharge of up to 25% can be levied on water sales to customers outside the provider's governmental boundaries. The impact of the surcharge would create an additional \$1 million cost to the City's annual water purchases. Oakland Park objected to this surcharge, maintaining that the current water agreement between the two cities did not allow for a surcharge. In response, both cities agreed to begin negotiations on a successor agreement to the existing water agreement and to explicitly address the surcharge issue as part of the contract negotiations.

After many months of negotiations, an accord was reached on nearly all contract issues other than the surcharge. In late 2021, both cities agreed to engage CSA Group, an international engineering firm, to review the surcharge matter and provide recommendations and mechanisms to resolve the impasse.

After reviewing the report, the City Managers of both jurisdictions met and agreed to the following resolution:

- No collection of the approximately \$2 million in surcharges assessed by Fort Lauderdale since 2019.
- A surcharge not to exceed 12.5% for the life of the agreement to be phased in over four-years beginning October 1, 2022, as follows:
  - 10/1/22: 3.125%
  - 10/1/23: 6.25%
  - 10/1/24: 9.375%
  - 10/1/25: 12.5%
- Fort Lauderdale's agreement to conduct a Comprehensive Water Rate Study no later than every five (5) years during the term of this agreement and to allow for Oakland Park's participation.

The new water purchase agreement incorporates the above elements with a term of twenty-five years and two optional five-year extensions.

With the adoption of this new water agreement and the April 2022 approval of a new wastewater large user agreement, Oakland Park is well-positioned to begin its own Water & Sewer Master Plan and Rate Study. The proposed FY 2023 budget includes funding for this activity as a business plan initiative.

The negotiations with Fort Lauderdale were lengthy and complex, but well worth the effort. By cutting the surcharge in half, Oakland Park customers will save millions of dollars over the next twenty-five years. We are grateful for the Commission's consistent support as we have worked to achieve this favorable resolution. The negotiated water agreement will be presented for Commission consideration this year.

Should you have any questions, please do not hesitate to reach out.

CC: Oakland Park City Commission  
DJ Doody, City Attorney  
Albert Carbon, Public Works Director