



**TRADITION/SOUTHERN GROVE
IRRIGATION SYSTEM RATE
COMMITTEE**

PORT ST. LUCIE

JULY 5, 2023

9:00 A.M.

Special District Services, Inc.
The Oaks Center
2501A Burns Road
Palm Beach Gardens, FL 33410

www.traditioncdd1.org
www.southerngrovecdd1.org

561.630.4922 Telephone
877.SDS.4922 Toll Free
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AGENDA
TRADITION/SOUTHERN GROVE IRRIGATION SYSTEM RATE COMMITTEE
Keiser University – Port St. Lucie Campus
9400 SW Discovery Way
Port St. Lucie, FL 34987
COMMITTEE MEETING
July 5, 2023
9:00 a.m.

- A. Call to Order
- B. Proof of Publication.....Page 1
- C. Establish Quorum
- D. Additions or Deletions to Agenda
- E. New Business
 - 1. Approval of April 5, 2023 Committee Meeting Minutes.....Page 3
 - 2. RFQ for Capacity Analysis.....Page 5
 - 3. Western Grove Reclaimed Rate Design Study.....Page 11
 - 4. Irrigation Financials (Under Separate Cover).....Page 34
- F. Adjourn

**TRADITION COMMUNITY DEVELOPMENT DISTRICT NOS. 1-11
REVISED FISCAL YEAR 2022/2023
REGULAR BOARD MEETING SCHEDULE**

NOTICE IS HEREBY GIVEN that the Tradition Community Development District Nos. 1-11 (“Districts”) will conduct Regular Board Meetings of the Board of Supervisors (“Board”) for the purpose of conducting the business of the Districts that may properly come before the Board. The following meetings will be held at 11:00 a.m. at Keiser University located at 9400 SW Discovery Way, Port St. Lucie, Florida 34987 on the following dates:

**June 7, 2023
*July 5, 2023
August 2, 2023
September 6, 2023**

***Irrigation Rate Committee Meeting - 9:00 a.m.
Southern Grove CDD Meeting - 10:30 a.m.
Tradition CDD Meeting - 11:00 a.m.**

An Irrigation Committee Meeting will take place at 9:00 a.m. at Keiser University located at 9400 SW Discovery Way, Port St. Lucie, Florida 34987 on the above dates, as indicated.

The meetings are open to the public and will be conducted in accordance with the provisions of Florida law for community development districts. Meetings may be continued to a date, time and place to be specified on the record. A copy of the agenda for the meetings may be obtained from the Districts’ websites or at the offices of the District Manager, Special District Services, Inc., 10807 SW Tradition Square, Port St. Lucie, Florida.

There may be occasions when one or more Supervisors will participate by telephone; therefore, a speaker telephone may be present at the meeting location so that one or more Supervisors may attend the meeting and be fully informed of the discussions taking place.

Any person requiring special accommodations at these meetings because of a disability or physical impairment should contact the District Office at 772-345-5119 and/or toll free at 1-877-737-4922 at least five calendar days prior to the meeting. If you are hearing or speech impaired, please contact the Florida Relay Service at 1-800-955-8770, who can aid you in contacting the District Office.

Each person who decides to appeal any action taken at a meeting is advised that they will need a record of the proceedings and that accordingly, the person may need to ensure that a verbatim record of the proceedings is made, including the testimony and evidence upon which such appeal is to be based.

Meetings may be cancelled from time to time without advertised notice.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NOS. 1-11

www.traditioncdd1.org

PUBLISH: ST. LUCIE NEWS TRIBUNE 05/26/23

TRADITION/SOUTHERN GROVE IRRIGATION SYSTEM RATE COMMITTEE
Tradition Town Hall
10799 SW Civic Lane
Port St. Lucie, Florida 34987
COMMITTEE MEETING
April 5, 2023
9:00 a.m.

A. CALL TO ORDER

District Manager, Frank Sakuma called the April 5, 2023, Tradition/Southern Grove Irrigation System Rate Committee Meeting to order at 9:00 a.m. in the Tradition Town Hall located at 10799 SW Civic Lane, Port St. Lucie, Florida 34987.

B. PROOF OF PUBLICATION

Proof of publication was presented that notice of the April 5, 2023, Tradition/Southern Grove Irrigation System Rate Committee Meeting had been published in *The St. Lucie News-Tribune* on September 23, 2022, as legally required.

C. ESTABLISH QUORUMS

The following Committee Members were in attendance:

Tradition CDD #1 (Non-Voting) & Southern Grove CDD #5: Frank Covelli – Absent

Tradition CDD #2, #7, #8: Frank Covelli – Absent

Tradition CDD #3: Isie Steinberg – Absent

Tradition CDD #4: Gail Cost – Present

Tradition CDD #5: Dave Lasher – Present

Tradition CDD #6: Jerry Krbec – Present

Staff members in attendance were: District Manager: B. Frank Sakuma, Jr., and Assistant District Manager: Jessica Wargo with Special District Services, Inc. and District Attorney: Dan Harrell with Gonano and Harrell.

Also present were: (See attached sign-in sheet)

D. ADDITIONS OR DELETIONS TO THE AGENDA

There were no additions or deletions to the agenda.

E. NEW BUSINESS

1. Approval of April 14, 2021, Committee Meeting Minutes

A **Motion** was made by Mr. Krbec, seconded by Ms. Cost and passed unanimously to Approve the April 14, 2021, Committee Meeting Minutes.

2. Discussion - Second holding tank

Ms. Gail Cost asked about purchasing a second holding tank for the irrigation plant.

Mr. Sakuma reviewed how the irrigation system works.

There was a lengthy discussion.

3. Review FY: 2019 Irrigation Rate Study

A recommendation was made by the committee to hire a different company, via RFP, for the next Irrigation Rate Study.

Mr. Sakuma stated that a rate study must be completed every 5 years.

If another holding tank were to be built, the Committee would like a timeline from the District Engineer to keep the residents updated.

A **Motion** was made by Mr. Lasher and seconded by Mr. Krbec to approve the recommendation of an Irrigation Rate Study by another company, using an RFP. (2 voted yes and 1 voted no.) Ms. Cost voted no. She expressed concern over a possible rate hike.

4. Irrigation Aging Summary Report

Mr. John Gallagher reviewed the aging report and answered questions.

5. Irrigation Financials

Mr. Karmeris will review the financials at the next Tradition CDD meeting.

F. ADJORNMENT

There being no further business to come before the Committee, Ms. Cost adjourned the meeting at 10:05a.m.

Chairperson/Vice-Chairperson

REQUEST FOR QUALIFICATIONS

RFQ # 2023-05

REQUEST FOR QUALIFICATIONS FOR ENGINEERING SERVICES TO COMPLETE AN IRRIGATION SYSTEM CAPACITY AND OPERATIONAL ANALYSIS FOR TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

The Tradition Community Development District No. 1 ("District"), located in the City of Port St. Lucie, Florida, announces that professional engineering and consulting services will be required to perform a comprehensive capacity and operational analysis for the existing Tier 1 irrigation distribution system and irrigation plant. The Irrigation Plant has run out of water supply in the storage tank numerous times in the last two to three years. Tradition is at 95% build out and the District is requesting an independent study be conducted to assess and evaluate the District's existing Tier 1 irrigation capacity.

Any firm or individual ("Applicant") desiring to provide professional services to the District must: 1) hold applicable federal, state and local licenses; 2) be authorized to do business in Florida in accordance with Florida law; and 3) furnish a statement ("Qualification Statement") of its qualifications and past experience on U.S. General Service Administration's "Architect-Engineer Qualifications, Standard Form No. 330," with pertinent supporting data.

Among other things, Applicants must submit information in the form of a response to this request for qualifications ("RFQ") relating to: a) the ability and adequacy of the Applicant's professional personnel; b) whether the Applicant is a certified minority business enterprise; c) the Applicant's willingness to meet time and budget requirements; d) the Applicant's past experience and performance, including but not limited to past experience conducting similar evaluations; e) the current and projected workloads of the Applicant; and f) the volume of work previously awarded to the Applicant by the District.

Further, each Applicant must identify the specific individual affiliated with the Applicant who would be assigned to the project.

The District will review all responses and will comply with Florida law, including the Consultant's Competitive Negotiations Act, Chapter 287, Florida Statutes ("CCNA"). All applicants interested must submit eight (8) copies of Letter of Interest; Executive Summary; Standard Form No. 330 and Qualification Statement by 3:00 p.m. EST on May ____, 2023 to the attention of Frank Sakuma, c/o Special District Services, 10807 SW Tradition Square, Port St. Lucie, Florida 34987 ("District Manager's Office").

The Board shall select and rank the Applicants using the requirements set forth in the CCNA and the evaluation criteria on file with the District Manager, and the highest ranked Applicant will be requested to enter into contract negotiations. If an agreement cannot be reached between the District and the highest ranked Applicant, negotiations will cease and begin with the next highest ranked Applicant, and if these negotiations are unsuccessful, will continue to the third highest ranked Applicant.

The District reserves the right to reject any and all Qualification Statements. Additionally, there is no express or implied obligation for the District to reimburse Applicants for any expenses associated with the preparation and submittal of the Qualification Statements in response to this request.

Any protest regarding the terms of this Notice, or the evaluation criteria on file with the District Manager, must be filed in writing, within seventy-two (72) hours (excluding weekends) after the

publication of this Notice. The formal protest setting forth with particularity the facts and law upon which the protest is based shall be filed within seven (7) calendar days after the initial notice of protest was filed. Failure to timely file a notice of protest or failure to timely file a formal written protest shall constitute a waiver of any right to object or protest with respect to aforesaid Notice or evaluation criteria provisions.

Any person who files a notice of protest shall provide to the District, simultaneous with the filing of the notice, a protest bond with a responsible surety to be approved by the District and in the amount of Ten Thousand Dollars (\$10,000.00).

The District reserves the right to reject any and all submittals and to waive any non-substantial irregularity. The District shall not be liable for any expense incurred by any Applicant as a result of being a respondent to this solicitation.

The District is an independent, local unit of special-purpose government created pursuant to Chapter 190, Florida Statutes. Government in the State of Florida is conducted in the sunshine and all records of the District are subject to the Florida Public Records Laws. As such, they are available for the public's review upon request.

Proposed Schedule

Month xx, 2023	Release of RFQ # 2023-05
Month xx, 2023	Questions / Comments due to District Manager
Month xx, 2023	Responses/Qualification Statements are due by 2:00 p.m.

RFP Response Organization:

To facilitate the District's objective review of the submittals, Applicants are requested to organize the main document using a standardized format. Each RFQ response should contain the following.

1. A cover letter on company letterhead signed by a Principal or other authorized member of the firm to commit the firm to contract for professional services. Include email of person to be notified of interview request or award notice. (4 page limit)
2. Table of Contents with page numbers.
3. Team information (20 page limit)
 - a. Executive Summary
 - b. Work Plan / Project Approach
 - c. Project Team (Form 330)
 - d. Project Examples
 - e. Licenses and Certifications
 - f. References (minimum of 3)

Selection of Consultant:

This Request does not commit the District to enter into an agreement, pay any costs incurred in the preparation and submittal of a proposal in response to this request or in subsequent interview and negotiation, or to procure a contract for the project. The District will require the selected Consultant to participate in negotiations of the fees for the project and to submit such scope, technical and/or other revisions to the proposals as may request from the negotiations. The District reserves the right to perform all or some of the services described in this document with its own work force.

RFQ responses are evaluated and ranked based on objective Qualification Based criteria. The District reserves the right to request an interview with any Applicant during the selection process. Should the District see the need to interview Applicants, the Applicant will be notified as early as possible in the proposal review process. The selection criteria are as follows:

- Understanding of the project scope of services (20%)
- Demonstration of exceptional strengths in the scope of services (15%)
- Experience of project team and personnel (30%)
- Firm's experience on similar projects (20%)
- Compliance with the requirements of the RFQ (5%)
- Compliance with MWBE participation requirements (10%)

Cone of Silence:

Prohibited Communications. The cone of silence prohibits any communication regarding a RFB, RFP, RFQ or other competitive solicitation between any bidder or responder (or its agents or representatives) or other entity with the potential for a financial interest in the award (or their respective agents or representatives) regarding such competitive solicitation, AND any District Supervisor or District employee, selection committee member or other persons authorized to act on behalf of the Board including the District's Engineer or their subconsultants, or to provide a recommendation to award a particular contract, other than District Manager (BSakuma@SDS-Inc.org). The cone of silence shall be in effect from the time of advertisement until contract award. Such communication shall result in disqualification.

PROJECT BACKGROUND

Project Description

Irrigation quality water is supplied to District's Tier 1 users via a pressurized system from an irrigation supply facility. The Tier 1 area services area encompasses 2,825 gross acres and 7,407 Equivalent Residential Connections. The irrigation supply plant was constructed in 2003 and is permitted through the South Florida Water Management District ("SFWMD") for 3.29 MGD average daily flow. Since the District acquired the Tier 1 irrigation system in August of 2017, larger valves and filters have been replaced, motors and pumps upgraded, one of the intake structures has been replaced and the replacement of the backup intake is scheduled, repair of individual meters is in process to allow an assessment of individual customer usage times and durations.

The Irrigation Plant has run out of water supply in the storage tank numerous times in the last two to three years. Tradition is at 95% build out and the District is requesting an independent study be conducted to assess and evaluate the District's existing Tier 1 irrigation capacity and operation.

SCOPE OF SERVICES

Data Collection

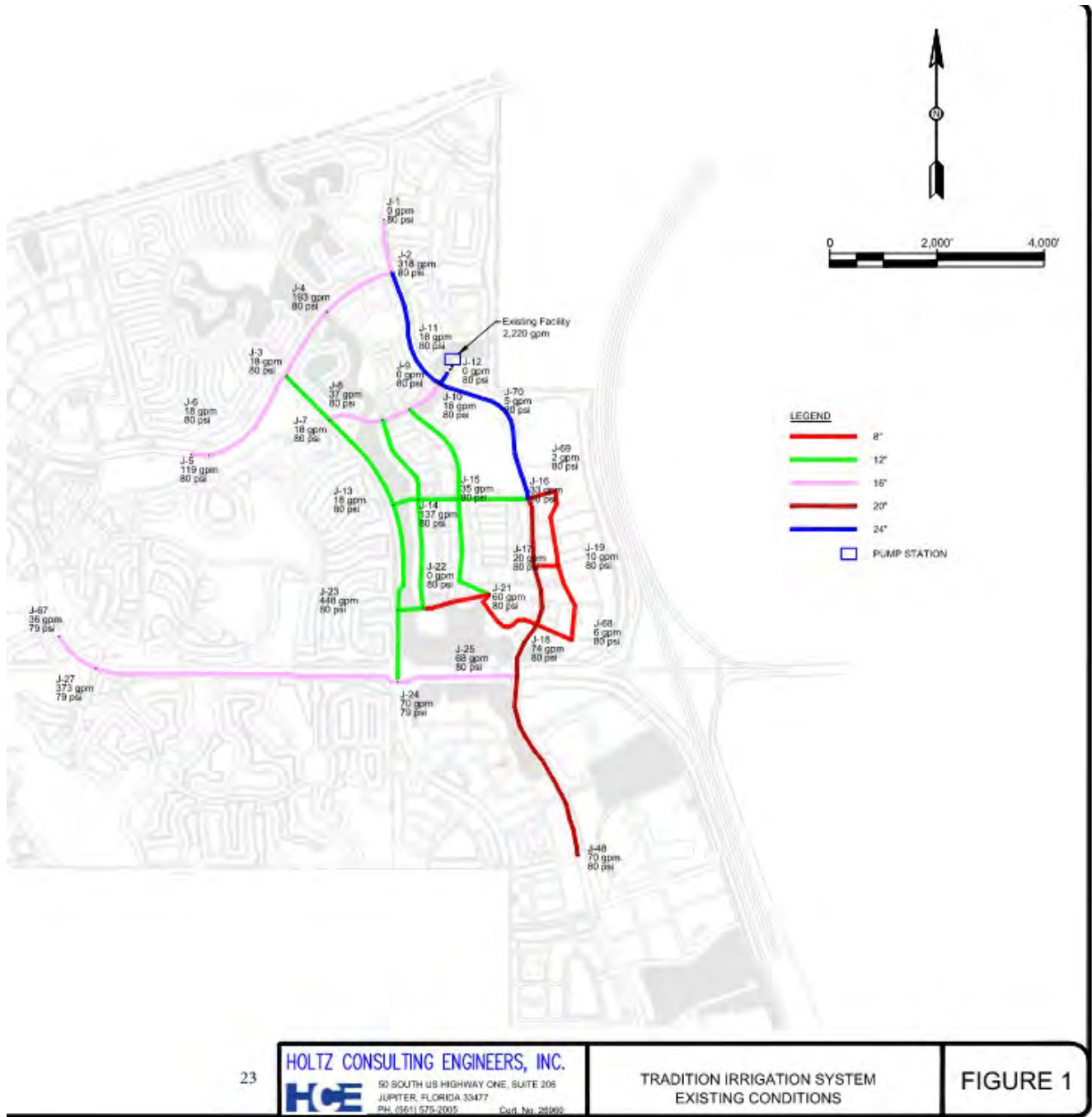
The selected firm will review and compile hard copy data for plant down times along with electronically available raw and distributed water pumping rates for the last five years. The

selected firm will inspect pumping and distribution system and perform any testing it feels are needed for an evaluation of the system.

The District will provide:

1. 2017 Engineers Report Existing Irrigation System (Raw Water Pumping, Filtration, and Distribution Facilities) Owned by Tradition Irrigation Company LLC prepared by Kimley-Horn.
2. 2014 Tradition Irrigation Company Capacity Analysis prepared by Holz Engineering.
3. List of upgrades to the plant and distribution system since 2017.
4. Available individual customer readings. Only a limited number of historic monthly readings are available. Tier 1 includes approximately 72 customers. Most of the residential developments are billed as a single customer.
5. District Adopted Irrigation rules and standards.
6. Access to the Irrigation Plant.

The approximate extent of the existing Tradition Tier 1 distribution system is shown below.



Evaluation Report

The draft report shall be presented to the Board within 180 days of the notice to proceed.

Report shall include

- Capacity of plant to supply Tier 1 user demands
- Determination of Equivalent Residential Connection equivalent (ERC) based on industry standards, landscape demands, and quantity of irrigated acres.
- Determination of the remaining ERC capacity of the Tier 1 system by volume and plant performance.
- Hydraulic analysis to identify system deficiencies and recommendations of remedies.
- Recommendation for improved plant capacity and reduction of down times. Detail operational or capital improvements need to meet these objectives.

- Water chemistry / quality evaluation



TRADITION COMMUNITY DEVELOPMENT DISTRICT

Western Grove Expansion Area Irrigation Rate Study

DRAFT REPORT / MAY 19, 2023



May 19, 2023

Mr. B. Frank Sakuma
District Manager
Tradition Community Development District
10807 S.W. Tradition Square
Port St. Lucie, FL 34987

Subject: **Western Grove Expansion Area Irrigation Rate Study (Draft)**

Dear Mr. Sakuma:

Raftelis has completed our Western Grove Irrigation Rate Study (Study) on behalf of the Tradition Community Development District (District). Raftelis was tasked with designing a cost-based irrigation quality water rate for the new Western Grove development. The District currently provides irrigation quality water to customers and neighborhoods divided among three (3) existing service areas, or customer tiers, which include the original service area and two (2) expansion areas. Due to the varying costs of operating and maintaining each service area's system, unique monthly base facility charges exist. As the third expansion area, Western Grove will be served irrigation quality water through on-site storage ponds and reclaimed water delivered to those ponds by the City of Port St. Lucie (City). The Tier 4 customer rate was developed, as summarized in the following report, to recover the costs associated with purchased reclaimed water from the City, as well as the District's costs to operate and maintain the irrigation system serving Western Grove. The existing customer tier rates were not re-evaluated as part of this Study.

Based on our analysis, the Tier 4 irrigation rate for Western Grove is recommended as follows:

Monthly Base Facility Charges by Customer Tier

Description	Existing			Proposed
	Tier 1	Tier 2	Tier 3	Tier 4
Monthly Charge per Month per Irrigated Acre	\$198.18	\$90.63	\$46.75	\$157.26
Monthly Charge per Month per ERU	\$22.78	\$10.41	\$5.37	\$18.08

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We appreciate the opportunity to be of service to the District and would like to thank the District's staff for their assistance and cooperation during the course of this study.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.

Robert J. Ori

Executive Vice President

Trevor McCarthy, CGFM

Senior Consultant

RJO/dlc

Attachments

Contents

- General 1
- Service Area Customers and Demands 1
- Revenue Requirements 2
 - Operating Expenses.....2**
 - Allowance for Renewals and Replacements.....5**
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 - Revenues Guaranteed by District.....7**
- Principal Findings 8
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Tables

Table 1: Development of Budgeted and Projected Operating Expenses

Table 2: Development of Escalation Factors

Table 3: Development of Allocation Factors

Table 4: Amortization of Western Grove Service Meters

Table 5: Amortization of Reuse Stations at City Interconnects

Table 6: Projected Bulk Reclaimed Water Costs

Table 7: Development of Revenue Guarantee from District

Table 8: Summary of Revenue Requirements and Rate Design

WESTERN GROVE EXPANSION AREA IRRIGATION RATE STUDY

General

Raftelis has completed our Western Grove Irrigation Rate Study (Study) on behalf of the Tradition Community Development District (District). Raftelis was tasked with designing a cost-based irrigation quality water rate for the new Western Grove development. The District currently provides irrigation quality water to customers and neighborhoods divided among three (3) existing service areas, or customer tiers, which include the original service area and two (2) expansion areas. Due to the varying costs of operating and maintaining each service area's system, unique monthly base facility charges exist. As the third expansion area, Western Grove will be served irrigation quality water through on-site storage ponds and reclaimed water delivered to those ponds by the City of Port St. Lucie (City). The Tier 4 customer rate was developed, as summarized in this report, to recover the costs associated with purchased reclaimed water from the City, as well as the District's costs to operate and maintain the irrigation system serving Western Grove. The existing customer tier rates were not re-evaluated as part of this Study.

The Study relied upon the District's adopted Fiscal Year 2023 budget, estimates of the costs associated with reclaimed water provided by the City, development information for Western Grove, and other information provided by District staff.

In determining a user rate, two factors must be known: i.) the anticipated accounts or units to be served and ii.) the anticipated costs to serve those accounts or units. The following two sections will discuss anticipated customers and billing units for Western Grove and revenue requirements associated with the provision of irrigation water to the new service area. Additionally, in order to set establish a rate that recovers the costs of service at buildout of the new expansion area, Fiscal Year 2027 was used as the *Test Year*, the year at which buildout is assumed to occur and the full cost of operations is recognized for determination of the proposed monthly base facility charge.

Service Area Customers and Demands

Based on discussions with District staff, the Western Grove development is estimated to be approximately 4,000 single-family units or equivalent residential connections (ERCs) at buildout. In addition to these 4,000 ERCs, it is expected that approximately 20.2 acres of pervious area in medians and rights-of-ways will also exist that will be irrigated. Based on the District's current factor of 8.7 ERCs per acre, Western Grove will contain approximately 4,176 irrigation ERCs or 480 irrigatable acres at buildout.

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For the purposes of this analysis, the following development absorption schedule was assumed:

Western Grove – Estimated Absorption Schedule

Description	2024	2025	2026	2027
Number of ERCs by Year-end	120	240	360	480
Number of Irrigatable Acres by Year-end	1,044	2,088	3,132	4,176
Development Buildout	25%	50%	75%	100%

Revenue Requirements

The revenue requirements are those expenditures required to be recovered through irrigation user rates. Revenue requirements typically consist of operating and maintenance expenses, annual capital funding (known as pay-as-you-go funding), debt service, and other required transfers. The revenue requirements allocable to the Tier 4 customers consist primarily of operating and maintenance expenses, which include incremental expenses specific to the new service area including the costs of reclaimed water, allowances for renewals and replacements for related infrastructure, amortized guaranteed revenues, and franchise fees paid to the City of Port St. Lucie. The following sections will discuss these major components and the assumption relied upon to determine the total revenue requirements.

Operating Expenses

The forecast of operating expenses, as shown on Table 1 at the end of this report, was based on the District’s adopted Fiscal Year 2023 budget, assumed growth and inflation rates to escalate costs based on industry trends and projections by the Congressional Budget Office (CBO), and discussion with District staff.

The District’s irrigation system operating budget of approximately \$1.3 million served as the basis for the operating expense forecast. The forecast of operating expenses relied upon various escalation factors ranging from approximately 1% to 7% depending on the assumed costs being escalated. Table 2 at the end of this report provides a detailed listing of all applicable cost escalation assumptions. Budgeted operating expenses, before incremental costs, were assumed to increase approximately 3.8% annually. An allowance for \$35,000 in incremental operating expenses related to insurance, permit renewals, and aquatic weed control for the new expansion area were added to the existing budgeted operating expenses based on discussions with District staff.

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Budgeted and Projected Operating Expenses

Description	Budget and Projection			Annualized Rate of Change
	2023	Esc. Factor	2027	
Field Operations	\$0	Labor	\$0	0.0%
Trustee Services	5,000	Labor	5,738	3.5%
Management	366,742	Labor	420,845	3.5%
Engineering	40,000	Services	45,901	3.5%
Professional Services, Other	5,000	Services	5,738	3.5%
Development Coordinator	61,100	Labor	70,114	3.5%
City Franchise Fee	0	Franchise	0	0.0%
Travel and per Diem	400	Inflation	441	2.4%
Telephone	1,930	Inflation	2,126	2.4%
Postage And Shipping	253	Inflation	279	2.4%
Bank Fees	1,250	Marginal	1,301	1.0%
Bad Debt	65,000	Revenues	85,498	7.1%
Office Supplies	250	Inflation	275	2.4%
Field Supplies (Other)	2,000	Inflation	2,203	2.4%
Dues, Licenses, Fees	2,300	Inflation	2,534	2.4%
Vehicle, Gasoline, and Repair	1,000	Inflation	1,102	2.4%
Electric	105,000	Electric	123,925	4.2%
Water	170	Water	195	3.4%
Other Utilities	1,550	Utilities	1,844	4.4%
General Insurance	21,102	Gen_Ins	24,215	3.5%
General Repair and Maintenance	153,000	ENR	175,571	3.5%
Landscaping Maintenance and Material	11,000	Inflation	12,118	2.4%
HVAC	4,500	Inflation	4,957	2.4%
Renewal And Replacement	200,000	ENR	229,505	3.5%
Other System Improvements	75,000	ENR	86,064	3.5%
Operating Reserves/Misc.	40,000	Exp_Growth	46,371	3.8%
Contingency	26,046	Exp_Growth	30,194	3.8%
	<u>35,000</u>	Inflation	<u>38,556</u>	2.4%
Total Budgeted Operating Expenses	<u>\$1,224,593</u>		<u>\$1,417,607</u>	3.7%

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The total projected operating costs in the Test Year (Fiscal Year 2027) were then allocated to the Tier 4 customers based on the allocation factors on Table 3 at the end of this report and as summarized below.

Tier 4 Allocation of Projected Operating Expenses

Description	Test Year O&M 2027	Allocation Basis [1]	Amount Allocable to Tier 4 [2]
Field Operations	\$0	ERU	\$0
Trustee Services	5,738	Tier 1	0
Management	420,845	Revenue	154,324
Engineering	45,901	Tier 1 / 4 Split	22,950
Professional Services, Other	5,738	ERU	1,826
Development Coordinator	70,114	ERU	22,310
City Franchise Fee	0	Revenue	0
Travel and per Diem	441	ERU	140
Telephone	2,126	ERU	677
Postage and Shipping	279	ERU	89
Bank Fees	1,301	Revenue	477
Bad Debt	85,498	Revenue	31,352
Office Supplies	275	ERU	88
Field Supplies (Other)	2,203	ERU	701
Dues, Licenses, Fees	2,534	ERU	806
Vehicle, Gas, and Repair	1,102	ERU	351
Electric	123,925	Tiers 1 and 2 ERU	0
Water	195	Tier 1	0
Other Utilities	1,844	Tiers 1 and 2 ERU	0
General Insurance	24,215	Tiers 1 and 2 ERU	0
General Repair and Maintenance	175,571	Tier 1 / 2 Split	0
Landscaping Maintenance and Material	12,118	Tier 1 / 2 Split	0
HVAC	4,957	Tier 1	0
Renewal & Replacement	229,505	Tier 1 / 2 Split	0
Other System Improvements	86,064	Tier 1 / 2 Split	0
Operating Reserves/Misc.	46,371	Revenue	17,004
Contingency	30,194	Revenue	11,072
Incremental O&M Contingency	38,556	Tier 4	38,556
Total Budgeted Operating Expenses	<u>\$1,417,607</u>		<u>\$302,722</u>

[1] Derived from Table 3.

[2] Derived from Table 8.

Allowance for Renewals and Replacements

In the establishment of the new irrigation service area, several assets will be placed in service to facilitate the delivery of reclaimed water to the stormwater ponds and the distribution and metering of the irrigation water to the Western Grove expansion area. These assets are assumed to be maintained by the District and thus, an allowance for the renewal and replacement of these assets with limited service lives should be included in the charges for service. The methodology used to determine a reasonable renewal and replacement allowance was to amortize the cost of such assets and equipment based on their reasonable service lives.

It is anticipated that Western Grove will be served through 12 master meter stations maintained by the District. The meter stations may include, but are not limited to, the flow meter, monitoring equipment, backflow prevention, and other associated components and installation costs which are estimated at \$10,000 each. The meter stations were assigned a 10-year service life and a discount rate, based on the 20-year average change in the Engineering News Record’s Construction Costs Index, was applied in order to account for inflation. The amortized costs included in the Tier 4 rate are summarized in Table 4 at the end of this report and shown below.

Allowance for Renewal & Replacements – Master Meters

Description	Amount
Meter / Backflow / Monitoring Equipment and Installation per Master Meter	\$10,000
Number of Master Meters	12
Total Costs	\$120,000
Service Life (Years)	10
Discount Rate [1]	3.5%
Annual Amortized Costs	\$14,429

[1] ENR 20-year average as of March 2023.

In addition to the master meter stations, two reuse stations located between the District’s interconnect with the City of Port St. Lucie and the storage ponds are also anticipated to be constructed. The costs of the reuse stations are anticipated to be approximately \$450,000 each and will have an estimated service life of 20 years. The amortized costs included in the Tier 4 rate are summarized in Table 5 at the end of this report and shown on the following page.

(Remainder of page intentionally left blank)

Allowance for Renewal & Replacements – Meter Stations

Description	Amount
Reuse Stations at Point of Connection with City System	\$450,000
Number of Connection Points	2
Total Costs	\$900,000
Service Life (Years)	20
Discount Rate [1]	3.5%
Annual Amortized Costs	\$63,325

[1] ENR 20-year average as of March 2023.

Purchased Reclaimed Water

The District is anticipated to enter a bulk reclaimed water purchase agreement with the City of Port St. Lucie for the provision of reclaimed water delivered to the District’s stormwater ponds. The arrangement will serve as an effluent disposal mechanism for the City and an irrigation water supply for the Western Grove expansion area. The agreement includes four (4) primary components: i.) a base charge of \$3.33 per 1,000 gallons (kgal) reserved at the take-or-pay level of three (3) million gallon per day (MGD); ii.) a volumetric charge based on actual reclaimed water sold by the District of \$0.19 per kgal ; iii.) a billing fee of \$3.50 per month; and iv.) capital charges of \$30,200 per month for 60 months. In lieu of paying the capital charges monthly, the District has decided to construct the assets in which the capital charge was anticipated to reimburse the City for construction. No capital charges are anticipated to be paid to the City and therefore have been excluded in the calculation of the recommended Tier 4 rate. Though future rate increases from the City are unknown at this time, an increase in the rates of 2.5% per year was assumed.

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Based on the proposed bulk reclaimed rates, estimates for inflationary adjustments on the proposed rates, and the development absorption schedule previously discussed, the following bulk reclaimed water costs are anticipated through Fiscal Year 2027.

Projected Bulk Reclaimed Water Costs

Description	2024	2025	2026	2027
Assumed Rate Index Factor	N/A	2.5%	2.5%	2.5%
Base Charge				
Base Facility Charge (per kgal Reserved)	\$3.33	\$3.41	\$3.50	\$3.59
Take or Pay Amount (GPD)	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Projected Annual Base Facility Charge	\$119,880	\$122,760	\$126,000	\$129,240
Usage Charge				
Usage Fee (per kgal Sold)	\$0.19	\$0.20	\$0.20	\$0.21
Estimated Reclaimed Water Sold (kgal)	<u>750,000</u>	<u>1,500,000</u>	<u>2,250,000</u>	<u>3,000,000</u>
Projected Usage Charge	\$52,013	\$106,763	\$164,250	\$224,475
Billing Charge	<u>42.00</u>	<u>43.08</u>	<u>44.16</u>	<u>45.24</u>
Total Projected Reclaimed Water Costs	<u>\$171,935</u>	<u>\$229,566</u>	<u>\$290,294</u>	<u>\$353,760</u>

Revenues Guaranteed by District

Based on discussion with staff and our understanding of the proposed bulk reclaimed water purchase agreement, when the City of Port St. Lucie begins delivery of reclaimed water to the District’s storage ponds, the District will be required to pay the base facility charge based on their capacity reservation of 3 MGD. In addition to the base facility charge, a usage for each thousand gallons of irrigation water sold by the District will be charged, along with a monthly billing fee. The City is expected to begin delivery of reclaimed water to the storage pond before the Western Grove expansion area reaches buildout. Therefore, for this period of time, the District will not be able to collect sufficient irrigation revenues from customers to pay the cost of bulk reclaimed water purchased from the City. It is assumed that the District’s general fund will guarantee the payments to the City until irrigation revenues are sufficient to cover the costs. The payments made by the District’s general fund should be reimbursed from irrigation system customers. An estimate of revenues that may be required to be guaranteed by the District’s general fund has been made based on the development absorption schedule. The guaranteed revenues have been amortized over a five- (5) year term and an interest rate based on the five- (5) year treasury rate. The development of the amortized revenue guarantee included in the Tier 4 charges for service is shown on Table 7 at the end of this report and summarized below.

Guaranteed Revenue

Description	Amount
Total Revenues Guaranteed by District	\$316,284
Amortization Period (Years)	5
Interest Rate [1]	3.37%
Annual Amortized Costs	\$69,793

[1] Based on the 5-year U.S Treasury rate as of May 2023.

Principal Findings

Based on the anticipated ERUs to be served and the estimated costs of operation and maintenance, including renewals and replacements, and the cost of purchased reclaimed water, the calculation of the proposed Tier 4 base facility charge is shown below.

Revenue Requirements

Description	Allocation Amount
Allocation of Budgeted Operating Expenses	\$264,166
Direct Operating Expenses	85,043
Purchased Water from PSL	353,760
Renewals and Replacements	<u>84,187</u>
Total Operating Expenses	\$787,157
Amortized Revenue Guarantee	<u>\$69,793</u>
Gross Revenue Requirements	\$856,951
Less Other Revenues (Engineering Fees)	<u>\$5,533</u>
Net Revenue Requirements	\$851,418
Net Revenue Requirements Adjusted for City Franchise Fee (6% of Revenues)	<u>905,764</u>
Total Irrigated Acres (Buildout)	480
Calculated Monthly Charge per Acre	\$157.26
Calculated Monthly Charge per ERU (Single-family) [1]	\$18.08

[1] 8.7 ERUs per acre.

Conclusions and Recommendations

Based on the assumptions, considerations, and analyses as summarized herein, we are of the opinion that the proposed Tier 4 monthly irrigation base facility charge for the Western Grove expansion area are anticipated to fund the revenue requirements allocable to the service area. The proposed monthly charges are shown below.

Recommended Monthly Base Facility Charges

Description	Charge
Calculated Charge per Acre	\$157.26
Calculated Charge per ERU (Single-family)	18.08
Calculated Charge per 0.4 ERU (Multi-family)	7.23
Calculated Charge per 0.1 ERU (Apartment)	1.81
1 Acre = 8.7 ERUs	

Additionally, we recommend that the District's excess usage charges of \$2.21 for usage greater than 90,000 gallons but less than 140,000 gallons and \$3.31 for usage equal to or great than 140,000 gallons, which are the same among the existing service areas, also apply to the Tier 4 customers.

To the extent there are significant changes in the timing or character of the development of Western Grove, differences in the final bulk reclaimed water purchase agreement with the City of Port St. Lucie, or other material changes from the assumptions made herein, the monthly base facility charge should be revised to account for such changes to ensure that such rates are adequate to recover the revenue requirements of the system.

Finally, we recommend that the District review the cost of service for all irrigation rates within the next three (3) to five (5) years to ensure equity among customer tiers and ensure the sufficiency of revenues.

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Tables

Table 1: Development of Budgeted and Projected Operating Expenses

Table 2: Development of Escalation Factors

Table 3: Development of Allocation Factors

Table 4: Amortization of Western Grove Service Meters

Table 5: Amortization of Reuse Stations at City Interconnects

Table 6: Projected Bulk Reclaimed Water Costs

Table 7: Development of Revenue Guarantee from District

Table 8: Summary of Revenue Requirements and Rate Design

Table 1

Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study

Development of Budgeted and Projected Operating Expenses

Line No.	Description	2023		Adjusted		Projected Fiscal Year			
		Budget	Adjustments	2023	Escalation	2024	2025	2026	2027
Budgeted Operating Expenses [1]									
1	Field Operations	\$0	\$0	\$0	Labor	\$0	\$0	\$0	\$0
2	Trustee Services	5,000	0	5,000	Labor	5,175	5,356	5,544	5,738
3	Management	366,742	0	366,742	Labor	379,578	392,863	406,613	420,845
4	Engineering	40,000	0	40,000	Services	41,400	42,849	44,349	45,901
5	Professional Services, Other	5,000	0	5,000	Services	5,175	5,356	5,544	5,738
6	Development Coordinator	61,100	0	61,100	Labor	63,239	65,452	67,743	70,114
7	City Franchise Fee	109,421	(109,421)	0	Franchise	0	0	0	0
8	Travel And Per Diem	400	0	400	Inflation	414	423	432	441
9	Telephone	1,930	0	1,930	Inflation	1,996	2,042	2,084	2,126
10	Postage And Shipping	253	0	253	Inflation	262	268	273	279
11	Bank Fees	1,250	0	1,250	Marginal	1,263	1,275	1,288	1,301
12	Bad Debt	65,000	0	65,000	Revenues	69,610	74,548	79,836	85,498
13	Office Supplies	250	0	250	Inflation	259	264	270	275
14	Field Supplies (Other)	2,000	0	2,000	Inflation	2,068	2,116	2,160	2,203
15	Dues, Licenses, Fees	2,300	0	2,300	Inflation	2,378	2,433	2,484	2,534
16	Vehicle, Gas, & Repair	1,000	0	1,000	Inflation	1,034	1,058	1,080	1,102
17	Electric	105,000	0	105,000	Electric	109,442	114,071	118,896	123,925
18	Water	170	0	170	Water	176	182	188	195
19	Other Utilities	1,550	0	1,550	Utilities	1,619	1,691	1,766	1,844
20	General Insurance	21,102	0	21,102	Gen_Ins	21,841	22,605	23,396	24,215
21	General Repair & Maintenance	153,000	0	153,000	ENR	158,355	163,897	169,634	175,571
22	Landscaping Maintenance & Material	11,000	0	11,000	Inflation	11,374	11,636	11,880	12,118
23	HVAC	4,500	0	4,500	Inflation	4,653	4,760	4,860	4,957
24	Renewal And Replacement	200,000	0	200,000	ENR	207,000	214,245	221,744	229,505
25	Other System Improvements	75,000	0	75,000	ENR	77,625	80,342	83,154	86,064
26	Operating Reserves/Misc.	40,000	0	40,000	Exp_Growth	41,505	43,068	44,689	46,371
27	Contingency	26,046	0	26,046	Exp_Growth	27,026	28,043	29,099	30,194
28	Total Budgeted Operating Expenses	\$1,299,014	(\$109,421)	\$1,189,593		\$1,234,464	\$1,280,842	\$1,329,004	\$1,379,051
Incremental Operating Expenses [2]									
29	Purchased Water from PSL	\$0	\$0	\$0	Calculated	\$171,935	\$229,566	\$290,294	\$353,760
30	General Maintenance and Equipment Replacement Costs	42,200	0	42,200	Inflation	43,635	44,638	45,576	46,487
31	Other O&M Costs [3]	35,000	0	35,000	Inflation	36,190	37,022	37,800	38,556
32	Allowance for Meter Replacement	14,429	0	14,429	Constant	14,429	14,429	14,429	14,429
33	Allowance for Reuse Stations (2) Replacements	63,325	0	63,325	Inflation	65,478	66,984	68,391	69,758
34	Total Incremental Operating Expenses	\$154,954	\$0	\$154,954		\$331,666	\$392,639	\$456,489	\$522,991
35	Total Operating Expenses	\$1,453,968	(\$109,421)	\$1,344,547		\$1,566,131	\$1,673,481	\$1,785,493	\$1,902,042

Footnotes

- [1] Amounts based on the District's adopted Fiscal Year 2023 Operating Budget.
[2] Incremental operating expenses associated with the Western Grove expansion area as estimated based on discussion with District staff.
[3] Includes estimated incremental operating costs associated with insurance, permit renewals, and aquatic weed control related to the Western Grove expansion area.

Table 2

**Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study**

Development of Escalation Factors

Line No.	Description	Reference	2024	2025	2026	2027
1	General Inflation	Inflation	1.0340	1.0230	1.0210	1.0200
2	Labor	Labor	1.0350	1.0350	1.0350	1.0350
3	General Insurance	Gen_Ins	1.0350	1.0350	1.0350	1.0350
4	Professional / Contractual Services	Services	1.0350	1.0350	1.0350	1.0350
5	Electricity	Electric	1.0423	1.0423	1.0423	1.0423
6	Water Utilities	Water	1.0343	1.0343	1.0343	1.0343
7	Marginal	Marginal	1.0100	1.0100	1.0100	1.0100
8	Repairs and Maintenance	ENR	1.0350	1.0350	1.0350	1.0350
9	Other Utilities	Utilities	1.0444	1.0444	1.0444	1.0444
10	Operating Expense Growth	Exp_Growth	1.0376	1.0376	1.0376	1.0376
11	Revenue Requirements	Revenues	1.0709	1.0709	1.0709	1.0709
12	Franchise Fee	Franchise	1.0709	1.0709	1.0709	1.0709
13	Constant	Constant	1.0000	1.0000	1.0000	1.0000
14	Eliminate	Eliminate	0.0000	0.0000	0.0000	0.0000

Table 3

**Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study**

Development of Allocation Factors

Line No.	Description	Reference	Tier 1	Tier 2	Tier 3	Tier 4	Total
1	Direct Tier 1	Tier 1	100.0%	0.0%	0.0%	0.0%	100.0%
2	Direct Tier 2	Tier 2	0.0%	100.0%	0.0%	0.0%	100.0%
3	Direct Tier 3	Tier 3	0.0%	0.0%	100.0%	0.0%	100.0%
4	Direct Tier 4	Tier 4	0.0%	0.0%	0.0%	100.0%	100.0%
5	Equivalent Residential Units	ERU	61.5%	0.0%	6.7%	31.8%	100.0%
6	Revenues Requirements	Revenue	63.1%	0.0%	0.3%	36.7%	100.0%
7	Tier 1 and 2 ERUs	Tier 1 & 2 ERU	100.0%	0.0%	0.0%	0.0%	100.0%
8	Tier 1 & 2 Split - 2/3 / 1/3	Tier 1 / 2 Split	100.0%	0.0%	0.0%	0.0%	100.0%
9	Tier 1 & 4 50/50	Tier 1 / 4 Split	50.0%	0.0%	0.0%	50.0%	100.0%

Table 4

**Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study**

Amortization of Western Grove Service Meters

Line No.	Description	Amount
1	Meter/Backflow/Monitoring Equipment and Installation per Master Meter [1]	\$10,000
2	Number of Retail Master Meters	12
3	Total Costs	<u>\$120,000</u>
4	Service Life	10.0
4	Discount Rate	3.50%
6	Annual Amortized Costs	<u>\$14,429</u>

Footnotes

[1] Based on estimates provided by District staff.

Table 5

**Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study**

Amortization of Reuse Stations at City Interconnects

Line No.	Description	Amount
1	Reuse Stations at Point of Connection with City System [1]	\$450,000
2	Number of Connection Points	2
3	Total Costs	<u>\$900,000</u>
4	Service Life	20.0
4	Discount Rate	3.50%
6	Annual Amortized Costs	<u>\$63,325</u>

Footnotes

[1] Based on estimates provided by District staff.

Table 6

Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study

Projected Bulk Reclaimed Water Costs

Line No.	Description	Inputs	2023	2024	2025	2026	2027
1	<u>Assumed Rate Index Factor</u>		N/A	0.0%	2.5%	2.5%	2.5%
<u>Base Charge [1]</u>							
2	Base Facility Charge (per kgal reserved)	\$3.33	\$3.33	\$3.33	\$3.41	\$3.50	\$3.59
3	Take or Pay Amount (GPD)	3,000,000	0	3,000,000	3,000,000	3,000,000	3,000,000
4	Projected Annual Base Facility Charge		\$0	\$119,880	\$122,760	\$126,000	\$129,240
<u>Usage Charge</u>							
5	Usage Fee (per kgal sold)	\$0.19	\$0.19	\$0.19	\$0.20	\$0.20	\$0.21
6	Estimated Reclaimed Water Sold [2]		0	750,000	1,500,000	2,250,000	3,000,000
7	Projected Usage Charge		\$0	\$52,013	\$106,763	\$164,250	\$224,475
8	<u>Billing Fee (per month)</u>	\$3.50	\$0.00	\$3.50	\$3.59	\$3.68	\$3.77
9	Billing Fee (Annual)		\$0.00	\$42.00	\$43.08	\$44.16	\$45.24
10	Total Projected Reclaimed Water Costs		\$0	\$171,935	\$229,566	\$290,294	\$353,760

Footnote:

[1] Represents the Base Facility Charge per thousand gallons of reclaimed water capacity reserved at a minimum take-or-pay capacity of 3.0 MGD.

[2] Projected reclaimed water sold based on estimated Western Grove expansion area absorption schedule as summarized below:

Description	2023	2024	2025	2026	2027
Acres	N/A	120	240	360	480
ERUs	N/A	1,044	2,088	3,132	4,176
Percent of Anticipated Buildout	N/A	25%	50%	75%	100%

Table 7

**Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study**

Development of Revenue Guaranteed by District

Line No.	Description	2023	2024	2025	2026	2027
1	Annual Base Charge per Unit at Buildout	\$0.00	\$249.85	\$255.86	\$262.61	\$269.36
1	Annual Volumetric Charges per Unit at Buildout	\$0.00	\$108.37	\$222.44	\$342.21	\$467.69
2	Total Cost per Unit	\$0.00	\$358.22	\$478.29	\$604.82	\$737.05
4	Neighborhood Absorption Schedule	0	120	240	360	480
5	Projected Revenues Based on Absorption Schedule	\$0	\$42,986	\$114,790	\$217,734	\$353,760
6	Projected Reclaimed Water Costs	\$0	\$171,935	\$229,566	\$290,294	\$353,760
7	Revenues Guaranteed by District	\$0	\$128,948	\$114,776	\$72,560	\$0
8	Total Revenues Guaranteed By District	<u>\$316,284</u>				
9	Amortization Period (Years)	5				
9	Interest Rate	3.37%				
11	Annual Amortized Revenue Guarantee	<u><u>\$69,793</u></u>				

Table 8

**Tradition Community Development District
Western Grove Franchise Expansion - Reclaimed Water Rate Study**

Summary of Revenue Requirements and Rate Design

Line No.	Description	Test Year		Customer Tier 4 Allocation	
		2027 Requirements	Allocation Basis	Percent	Amount (\$)
Operating Expenses					
1	Field Operations	\$0	ERU	32%	\$0
2	Trustee Services	5,738	Tier 1	0%	0
3	Management	420,845	Revenue	37%	154,324
4	Engineering	45,901	Tier 1 / 4 Split	50%	22,950
5	Professional Services, Other	5,738	ERU	32%	1,826
6	Development Coordinator	70,114	ERU	32%	22,310
7	City Franchise Fee	0	Revenue	37%	0
8	Travel And Per Diem	441	ERU	32%	140
9	Telephone	2,126	ERU	32%	677
10	Postage And Shipping	279	ERU	32%	89
11	Bank Fees	1,301	Revenue	37%	477
12	Bad Debt	85,498	Revenue	37%	31,352
13	Office Supplies	275	ERU	32%	88
14	Field Supplies (Other)	2,203	ERU	32%	701
15	Dues, Licenses, Fees	2,534	ERU	32%	806
16	Vehicle, Gas, & Repair	1,102	ERU	32%	351
17	Electric	123,925	Tier 1 & 2 ERU	0%	0
18	Water	195	Tier 1	0%	0
19	Other Utilities	1,844	Tier 1 & 2 ERU	0%	0
20	General Insurance	24,215	Tier 1 & 2 ERU	0%	0
21	General Repair & Maintenance	175,571	Tier 1 / 2 Split	0%	0
22	Landscaping Maintenance & Material	12,118	Tier 1 / 2 Split	0%	0
23	HVAC	4,957	Tier 1	0%	0
24	Renewal And Replacement	229,505	Tier 1 / 2 Split	0%	0
25	Other System Improvements	86,064	Tier 1 / 2 Split	0%	0
26	Operating Reserves/Misc.	46,371	Revenue	37%	17,004
27	Contingency	30,194	Revenue	37%	11,072
28	Total Operating Expenses	\$1,379,051			\$264,166
Incremental Operating Expenses (Tier 4 Western Grove)					
29	Purchased Water from PSL	\$353,760	Tier 4	100%	\$353,760
30	General Maintenance and Equipment Replacement Costs	46,487	Tier 4	100%	46,487
31	Other O&M Costs [3]	38,556	Tier 4	100%	38,556
32	Allowance for Meter Replacement	14,429	Tier 4	100%	14,429
33	Allowance for Reuse Stations (2) Replacements	69,758	Tier 4	100%	69,758
34	Total Incremental Operating Expenses	\$522,991			\$522,991
35	Total Operating Expenses	\$1,902,042			\$787,157
Other System Requirements					
36	Debt Service	\$367,525	Tier 1	0%	\$0
37	Amortized Revenue Guarantee	69,793	Tier 4	100%	69,793
38	Renewal and Replacements	0	Tier 1 / 2 Split	0%	0
39	Other Irrigation System Improvements Funded From Rates	0	ERU	32%	0
40	Transfer to Operating Reserves	0	ERU	32%	0
41	Total Operating Required Transfers	\$437,318			\$69,793
42	Gross Revenue Requirements	\$2,339,361			\$856,951
Less Other Revenues					
43	Engineering Revenue Fees	\$17,388	ERU	32%	\$5,533
44	Other Miscellaneous Revenues	0	ERU	32%	0
45	Interest Income	0	ERU	32%	0
46	Total Other Revenues	\$17,388			\$5,533
47	Net Revenue Requirements	\$2,321,973			\$851,418
Net Revenue Requirements Adjusted for City Franchise Fee (6% of Gross Revenues)					
48		2,470,184			905,764
49	Existing Total Acres Irrigated				0
50	Total Tier 4 Irrigated Acres				480
51	Total Irrigated Acres (Buildout)				480
52	Calculated Monthly Charge Per Acre				\$157.26
53	Calculated Monthly Charge Per ERU (single family)				\$18.08
54	Calculated Monthly Charge Per 0.4 ERU (multi-family)				\$7.23
55	Calculated Monthly Charge Per 0.1 ERU (apartment)				\$1.81

1 Acre = 8.7 Equivalent Residential Units (ERUs)

Financial Report (Under Separate Cover)

