

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: CS/HB 1441 Key Largo Wastewater Treatment District, Monroe County

SPONSOR(S): State Affairs Committee and Raschein

TIED BILLS: None **IDEN./SIM. BILLS:** None

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee	14 Y, 0 N	Dougherty	Rojas
2) State Affairs Committee	15 Y, 0 N, As CS	Renner	Camechis

SUMMARY ANALYSIS

HB 1441 amends ch. 2002-337, L.O.F., as amended, to authorize the Key Largo Wastewater Treatment District (District) to establish a special lower rate for the residential accounts of customers at least 60 years old or disabled American veterans who meet certain low-income standards to be adopted by the District, if approved by a referendum of the qualified electors of the District.

The monthly base facility charge of \$33.60 would most likely be reduced or waived for these customers. If completely waived, the District will lose \$130,636.80 annually. This loss would be absorbed by the other customers whose base facility charge will increase by \$14.62 annually.

This bill takes effect upon becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

The Key Largo Wastewater Treatment District

The Key Largo Wastewater Treatment District (District) is an independent special district in unincorporated Monroe County. The District was created in 2002¹ to develop, operate, and maintain a state-mandated wastewater management system to serve the more than 14,400 residents. It is governed by a five-member elected board. The District performs wastewater treatment to control nutrient levels of nearshore surface waters in certain areas of the Upper Keys. District boundaries include the territory consisting of Key Largo, including all lands east of Tavernier Creek, including Tavernier, Key Largo, and Cross Key, with the exception of Ocean Reef.

Service Charges² and Cost of Living

The base facility charge is \$33.60 per month for each customer, regardless of usage. This covers fixed costs and overhead. The monthly volumetric charge is \$5.27 per 1,000 gallons.³ The District charges a flat fee of \$44.14 per month for alternative water supply (cisterns) wastewater services.

The responsibility for financing the construction, operation, and maintenance of the District's wastewater management facilities has fallen, to a very large extent, on the homeowners, businesses, and property owners in the area served by the District. Because funding was not available when the sewer system was built, Key Largo residents pay at least \$1200 more per EDU⁴ than similar systems elsewhere in Florida or in the Florida Keys.

When adjusted for cost of living,⁵ the median household income in Key Largo is \$41,110 while that of Florida as a whole is \$49,740.⁶ The higher cost of living in Key Largo is primarily due to the high cost of housing.

Standardized Measure of Affordability

Water affordability is a nationwide concern. The federal Environmental Protection Agency imposes water mandates that can impose significant financial costs on households and businesses. To relieve some of this economic stress in the face of water mandates, EPA developed affordability criteria to indicate when these mandates would cause substantial and widespread economic distress in the community. This is measured by a two-step screening process.⁷

The preliminary screen examines affordability using a factor called the Residential Indicator (RI). The

¹ Chapter 2002-337, L.O.F., pursuant to the provisions of ch. 189, F.S., the "Uniform Special District Accountability Act of 1989."

² Key Largo Wastewater Treatment District Resolution Number 16-10-10, available at

http://www.klwtdd.com/index.php?option=com_jdownloads&Itemid=127&view=finish&cid=7276&catid=537

³ For a residential customer, the maximum monthly volume for which the monthly volumetric charge will be charged is 12,000 gallons, which is \$63.24.

⁴ Equivalent Domestic Unit. One EDU is equivalent to one single-family home.

⁵ Cost of living indices come from Sperling's Best Places, available at <http://www.bestplaces.net>. The cost of living index is 126 for Key Largo and 96 for the state as a whole.

⁶ The medium household income is \$51,798 for Key Largo and \$47,827 for the state as a whole. Figures were provided by Ray Giglio, counsel for the Key Largo Wastewater Treatment District.

⁷ *Assessing the Affordability of Federal Water Mandates: An Issue Brief*, U.S. Conference of Mayors, American Water Works Association, and Water Environment Federation, available at

<http://www.awwa.org/Portals/0/files/resources/water%20utility%20management/affordability/Affordability-IssueBrief.pdf>.

RI weighs the average per household cost of wastewater bills relative to median household income in the service area. Ultimately, an RI of 2 percent or greater is deemed to signal a “large economic impact” on residents, meaning that the community is likely to experience economic hardship in complying with federal water quality standards. The secondary screen examines the financial capability of the community.

The preliminary screening tool shows that wastewater assessments and rates result in a RI of over 2 percent for most of the Florida Keys. When the median household income is adjusted for cost-of-living, Key Largo has an RI of 2.5 percent. Therefore, the sewer charges have had a “large economic impact” on residents of Key Largo.

Table 1. EPA Preliminary Affordability Screen Adapted for Cost of Living

Area	Median Household Income	Cost of Living Index	Comparable Median Household Income	Total Cost per Household	Residential Indicator (RI)
Monroe County	\$53,889	139	\$38,769	\$1,272	3.3%
Marathon	\$49,633	130	\$38,179	\$1,246	3.3%
Key Colony Beach	\$50,250	138	\$36,413	\$1,056	2.9%
Islamorada	\$66,708	136	\$49,050	\$1,359	2.8%
Layton	\$52,292	114	\$45,870	\$1,232	2.7%
Key Largo	\$51,798	126	\$41,110	\$1,033	2.5%
Key West	\$51,385	141	\$36,443	\$610	1.7%
Florida	\$47,827	96	\$49,740	\$592	1.2%

Disproportionate Impact on Low-income Residents

The large economic impact creates an excessive financial burden that disproportionately affects low-income residents. Monthly sewer charges add to the cost burden already faced by local property owners, renters, and businesses – especially those at the low end of the income scale.

According to the Economic Impact Statement, 324 senior citizens or disabled American veteran customers qualify as low-income. This accounts for 3.5 percent of all current customers. The District collects \$130,636.80 in base facility charges from these 324 customers annually.

Effect of Proposed Changes

HB 1441 amends ch. 2002-337, L.O.F., as amended, to authorize the District to establish a special lower rate for the residential accounts of persons 60 years of age or older or disabled American veterans if the customer meets certain low-income standards to be adopted by the board, if approved by a referendum of the qualified electors of the District.

Proponents argue that this is a measure of fundamental fairness as customers cannot change their base fee by restricting their water usage.

However, if a low-income rate is established, the District will lose revenue which will be absorbed by the other customers. The District has approximately 9,257 customers, of which 8,933 are not considered low-income elderly or disabled veterans. If the monthly base facility charge is completely waived for these low-income customers, the rate of the other customers will increase by \$14.62 per year (or \$1.22 per month).

The District supports the bill and does not expect additional administrative fees as the Florida Keys Aqueduct Authority, which does the District’s billing, already has these capabilities.

This bill takes effect upon becoming a law.

B. SECTION DIRECTORY:

- Section 1: Amends s. 4 of s. 1 of ch. 2002-337, L.O.F., as amended, relating to the Key Largo Wastewater Treatment District.
- Section 2: Requires referendum approval of the qualified electors of the Key Largo Wastewater Treatment District.
- Section 3: Provides an effective date.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes ☒ No ☐

IF YES, WHEN? January 31, 2014

WHERE? *The Reporter*, a weekly newspaper published in the Upper Keys, Monroe County.

B. REFERENDUM(S) REQUIRED? Yes ☐ No ☒

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached ☒ No ☐

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached ☒ No ☐

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On April 4, 2014, the State Affairs Committee adopted one amendment and reported the bill favorably with a committee substitute. The amendment requires referendum approval of the qualified electors of the Key Largo Wastewater Treatment District (District) before the District is authorized to establish a special lower rate for the residential accounts of persons 60 years of age or older or disabled American veterans if the customer meets certain low-income standards.