



AGENDA MEMORANDUM

Finance Department

City Council Meeting Date: September 8, 2025

To: City Council
From: Steve C. Chaipel, Deputy City Manager/CFO
Date: September 8, 2025

SUBJECT: Sanibel Sewer System Revenue Sufficiency Study

DISCUSSION: City Staff and Raftelis Financial Consultants, Inc. have completed the annual revenue sufficiency study (Study) for the Sanibel Sewer System (System). Based on financial results and forecasts, a 3.0% increase in wastewater and reclaimed water rates are recommended for the fiscal year beginning October 1, 2025 (fiscal year 2026). This recommendation is lower than the increase that was projected in the prior year due to additional grants received from FEMA and the State of Florida. This increase is required to meet the projected operating and capital costs to maintain the City's investment in the treatment plant and sewer system and enable the System to meet its debt coverage requirements and covenants.

Summary of Pertinent Information

- The Executive Summary begins on page ES-1 (pdf page 8) of the Study
- Proposed rate adjustments are presented on page ES-5 (pdf page 12) and Table ES-2 (pdf page 18)
- Approximately \$51.1 million in capital requirements are included in the Study
- Disaster reserves and renewal/replacement fund have been included in the ending cash balance of the Sewer fund (Table ES-2, pdf page 18)
- Total existing System debt is \$8.0 million (pdf page 36)
- Rate comparisons to other utilities are presented in Table ES-3 (pdf page 21)

The Study also provides information on the resources needed to fund the debt program of the System. Along with the new debt issued in 2020, the City's past decisions on the use of voter approved debt, parity bond covenants, and provisions in the state revolving fund loan (SRF) agreements contribute to the complexity of the program. Much of the complexity of the program is to have the sewer expansion program as accommodating as possible for those paying for the system.

Sanibel is and shall remain a barrier island sanctuary

The System's conventional debt financing and SRF loans are funded through a large variety of revenue sources (user rates and charges, connection fees, transmission charges, special assessments, and ad valorem taxes), some of which are payable over time, creates an extremely complex financial dynamic for the system. The complicated relationship of the funding collection and payment elements requires that greater attention to detail be considered than in normal circumstances. The well documented financial management plan, as summarized in the Study must be monitored carefully to ensure that the desired results are achieved.

City staff works diligently within the financial plan's framework to assure that the System remains financially feasible and able to meet its financial requirements.

FUNDING SOURCE: N/A.

RECOMMENDED ACTION: Approve Resolution 25-052 adopting an updated rate schedule for the Sanibel Sewer System for fiscal year 2026.