

CITY OF **SANIBEL**

Wastewater and Reclaimed Water Revenue Sufficiency Study

Draft Report / September 2, 2025

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September 2, 2025

Honorable Mayor and Members
of the City Council
City of Sanibel
800 Dunlop Road
Sanibel, FL 33957

Subject: Fiscal Year 2026 Wastewater and Reclaimed Water Revenue Sufficiency Study

Ladies and Gentlemen:

Raftelis Financial Consultants, Inc. (“Raftelis”) has completed our review of the sufficiency of the user rates to fully fund the identified expenditure requirements of the wastewater and reclaimed water utility enterprise fund (the “System”) for the City of Sanibel, Florida (the “City”), and has summarized the results in this report for your consideration (the “Study”). This report summarizes the development of a financial forecast of the System under current operating conditions (i.e., no extension of service to Captiva Island) and the corresponding proposed rate adjustments for wastewater and reclaimed water service that are considered necessary, along with other appropriate sources of funds, to meet the projected revenue requirements (expenditure and cash funding needs for the System and referred to as the “revenue requirements”) for the current Fiscal Year 2025 and the projected Fiscal Years 2026 through 2030 (the “Forecast Period”, with the Fiscal Year defined as the accounting reporting period beginning October 1 and ending September 30).

The most important objective of the Study was to develop proposed utility rates that fully recover the projected wastewater and reclaimed water utility revenue requirements to maintain sound fiscal position and finance the anticipated capital needs of the System. The City previously secured long-term debt to finance certain capital improvements at the City’s Donax Water Reclamation Facility to i) improve effluent quality to reduce nutrient loadings; ii) increase the current permitted design capacity; and iii) extend the estimated useful service life of the facility. In addition, the System continues to require capital reinvestment associated with ongoing renewals, replacements, and improvements to the System. This need for capital reinvestment was amplified by the impact of Hurricane Ian which struck the City on September 28, 2022, and caused extensive damage to the System and to the infrastructure of the customers which the System served, the effects of which are still evident today.

A primary goal of the Study is to assure that the System has sufficient funds to fully fund the cost of operations, repay the debt associated with the previous and future debt financed projects, to re-evaluate the funding of the rate of capital re-investment from rates recognizing the continued effects of Hurricane Ian, as well as meeting other rate funding needs. Other goals and objectives considered in the Study include the following:

- The proposed rates should promote and maintain a favorable financial position consistent with performance criteria used by credit rating agencies and utility industry best management practices to minimize financial risk. This objective recognizes the following in support of promoting a sustainable rate plan:

- Compliance with the rate covenants in the City’s existing bond resolution (authorizing senior lien bonds) and loan agreements with the Florida Department of Environmental Protection (i.e., State Revolving Fund loan program – subordinate lien bonds).
 - Maintenance of adequate operating and capital reserves.
 - Maintenance of ongoing capital reinvestment margins to balance equity and debt financing of capital improvements.
- Since the System is accounted for as an enterprise fund, the proposed rates should be based on fully recovering the identified revenue requirements of the System (i.e., full cost recovery principle).
 - To the extent practical, any proposed rate adjustments based on the financial forecast should be phased-in over time to limit customer “rate shock” (large rate adjustments due to recapturing the effects of inflation and significant capital investment impacting the cost of providing service).
 - The proposed rates should be consistent with historical rate structures as appropriate.
 - The proposed rates, to the extent practical, should be comparable or competitive with those of neighboring utility systems.

Following this letter, we have provided an executive summary that provides an overview of the Study results and outlines our rate recommendations and conclusions. The remainder of the report provides additional details regarding the rate and financial analysis conducted on behalf of the City.

We appreciate the opportunity to be of service to the City and would like to thank the City staff for their valuable assistance and cooperation over the course of this Study.

Respectfully submitted,

RAFTELIS FINANCIAL CONSULTANTS, INC.

Robert J. Ori
Executive Vice President

Mark Tuma
Manager

RJO/dlc
Attachments

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Executive Summary and Recommendations

Executive Summary

The City of Sanibel's (the "City") wastewater and reclaimed water utility enterprise system (the "System") currently provides utility service to approximately 4,440 residential and non-residential (commercial) wastewater customers and approximately 72 reclaimed water customers. Although an improvement in the total customers being served (billed), the amount of wastewater treated by the System (measure of service level) is still approximately 10% lower than the levels incurred prior to the impact of Hurricane Ian on September 28, 2022. This reduction is considered by the City to include impacts to both the single-family residential sector and the commercial sector, which includes the master-metered condominium builders which were impacted significantly by the storm and are in various stages of rebuilding and connecting to the System. Potable water service is provided by the Island Water Association, Inc., a non-profit organization in Sanibel that is not a component of the local government activities of the City nor is the utility's activities reported in the City's Annual Comprehensive Financial Reports; therefore, it is not discussed or evaluated in this report. The City's System operates in a highly regulated environment. Regulatory agencies for the System include the Florida Department of Environmental Protection ("FDEP") and the Florida Department of Health and permits issued through these regulatory agencies require satisfactory operating performance. Additionally, the City has previously issued bonds and secured loans to finance capital improvements to the System which were authorized i) for the senior lien bonds through the adoption of the City's Master Sewer System Bond Resolution No. 14-012, as amended and supplemented from time to time (the "Bond Resolution") secured by the Net Revenues of the System; and ii) for the Subordinate Debt, loans obtained through the State Revolving Fund (SRF) low-interest loan program as administered by the FDEP, which are secured by voted debt service as valorem taxes, special assessments charged to parcel owners, and the Net Revenue of the System (for the extension of the wastewater system). The City issued the Capital Improvement Revenue Note, Series 2020 (the "Series 2020 Note") in the amount of \$15,054,000 for Citywide capital improvements, including wastewater system improvements (i.e., the Donax Wastewater Reclamation Facility), for which repayment of the note is from a pledge of non-ad valorem revenues of the City. Of this amount, 66.7% of the note is allocable to capital projects constructed on behalf of the System and will be funded from operating transfers made from the Net Revenues of the System to the General Fund. As a condition of the securing the loans, the rates for service must not only support the annual debt service payments of the debt obligations but must meet certain minimum rate covenants, especially as it relates to maintaining certain debt coverage ratios.

The City's System is established and is accounted for as an enterprise fund for financial reporting purposes. As such, the System should have revenues equal to the costs of the services provided, and the City should attempt to establish rates that are always sufficient to cover the cost of operating, maintaining, repairing and replacing, and financing the System (referred to as the "revenue requirements"). According to the Governmental Accounting Standards Board:

Enterprise Funds should be used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis should be financed or recovered primarily through user charges.

General accounting policies and prudent utility management recommend that the System have annual revenues (financial resources) at least equal to the annual cost of providing services by the System.

To help ensure that wastewater and reclaimed water rates on a prospective basis will be sufficient to fully fund the revenue requirements of the System, comply with the rate covenants associated with the financing of the System, and meet the City's financial objectives of maintaining a fundamentally sound fiscal position for the System which limits financial risk and promotes rate sustainability over time, the City retained Raftelis Financial Consultants, Inc. ("Raftelis") to perform a review of the ability of the wastewater and reclaimed water user rates to sufficiently fund such requirements and meet the financial objectives identified for the System (the "Study"). The current Study includes a multi-year projection of the System revenue requirements (i.e., the projected expenditures and funding needs of the System) and the determination of the ability of the rate revenues to fund such needs (referred to as the "revenue sufficiency" evaluation). Specifically, Raftelis was tasked to: i) provide a projection of the revenue requirements for the System for the accounting period beginning October 1 and ending September 30 (the "Fiscal Year") for the current Fiscal Year 2025 and for the projected Fiscal Years 2026 through 2030 (the "Forecast Period"); and ii) provide a projection of future annual rate adjustments considered necessary to fund the projected revenue requirements through the end of Fiscal Year 2030 for the City's consideration of its rate implementation strategies.

Based on discussions with City staff regarding current economic conditions affecting the cost to provide service and finance System improvements and the assumptions and analyses reflected in this report, which should be read in its entirety, it is projected that the current rates of the System will not be sufficient to meet projected revenue requirements identified for the Forecast Period. Based on our studies and evaluations, additional rate adjustments are projected to be required to fully fund the identified revenue requirements of the System.

The primary reasons for the proposed rate adjustments include:

1. The need to increase rates in the near term to pay the fixed costs of operating the System and to maintain operating margins for other System needs due to the continued impacts of the Hurricane Ian storm event.
2. Providing sufficient revenues to fund the six- (6) year capital improvement program ("CIP") of the System as identified by the City. The CIP is still considered as being significant (when compared to prior studies and evaluations due in part to the impact from Hurricane Ian). Approximately \$51.1 million in capital needs have been identified for the Forecast Period, and approximately \$33.7 million or 66% of these needs relate to infrastructure renewals, replacements, and improvements to the System that were a result of the storm and are anticipated to be funded from grants and other contributed capital. The construction of the expansion of the Donax Water Reclamation Facility (the "Donax WRF") is completed but there are still additional process improvements and facility upgrades being performed which accounts for approximately \$3.5 million or 6.85% of the total System capital plan for the Forecast Period. The Donax WRF treatment improvements were previously undertaken by the City to i) improve effluent quality and reduce nutrient loadings; ii) increase the current permitted design capacity; and iii) extend the estimated useful service life of the facility (the "Donax WRF Project") and the City reports that this project has now been substantially completed. It should be noted that the City had secured grant funding from the FDEP to supplement the debt financing requirement for the Donax WRF Project. In summary, the CIP consists of: i) necessary and ongoing rehabilitations to and replacements of System infrastructure that was

damaged and destroyed by Hurricane Ian (an extraordinary event that resulted in an immediate mortality to a large segment of the utility assets); ii) necessary and ongoing renewals, replacements, and upgrades to utility assets reaching the end of their service lives under the normal course of business; iii) the construction of additional wastewater collection infrastructure to support the development of the City and to extend wastewater service to developed properties to improve levels of service, address environmental issues, and to promote the overall regionalization of wastewater treatment and disposal service to the utility area; and iv) the replacement of general plant such as vehicles, equipment, and other departmental (budgetary) capital necessary for the support of the annual operations of the System. The projected funding of the estimated capital program during the Forecast Period is summarized as follows:

Projected Funding Sources for Multi-year System CIP [1]		
Description	Amount	Percent
Identified Capital Improvements	<u>\$51,099,742</u>	
Assumed Funding Sources:		
Rate Revenues (Annual Operations)	\$ ---	0.0%
Operating Reserves	---	0.0%
Grants – (FDEP / FEMA / Insurance)	33,731,417	66.0%
Renewal and Replacement Fund [2]	8,716,325	17.1%
Additional State Revolving Fund Loans / Debt	<u>8,652,000</u>	<u>16.9%</u>
Total Funding Sources	<u>\$51,099,742</u>	<u>100.0%</u>

[1] Amounts derived from Table 10 at the end of this report.

[2] Amounts funded from dedicated deposits from rates to the Renewal and Replacement Fund with the specific purpose of performing utility plant renewals, replacements, rehabilitation, and improvements to the System and to limit future debt burdens to the System.

3. Continuing to fund increased costs of operations. Operation and maintenance expenses are projected to continue to increase during the Forecast Period due to, among other things, the following:
 - a. Continued inflationary effects on the costs of electricity, chemicals, fuel, and other major expenditures for the utility as part of the normal cost of operations.
 - b. Increased labor costs due to inflation and general market adjustments to meet current labor conditions and retain the employees.
 - c. Increased wastewater flow growth as the System service area is redeveloped which will increase variable-related operating expenses (power, chemicals).
 - d. Incremental increases to operating expenses related to the implementation and bringing into service the Donax WRF expansion and upgrades, including process changes to meet more stringent regulations.

It should be noted that as the System approaches a built-out condition, the future revenue growth will primarily be generated through increased rate adjustments, assuming a constant wastewater flow requirement. The goal is to maintain an attainable financial plan that promotes efficient operations and

a capital plan that is geared to a pay-as-you-go approach to limit debt payments and to provide flexibility to the City in terms of cash flow / utilization.

With respect to ongoing inflation on the cost of operations, the Core Consumer Price Index (without food and energy) as projected by the Congressional Budget Office as contained in *Additional Information About the Economic Outlook: 2025 to 2035* report published in January 2025 (the most recent update published at the time of the analysis, referred to as the “2025 CBO”) is forecasted to average between 2.2% to 2.4% per year during the remainder of the Forecast Period which is a more typical rate of inflation when compared to inflation rates incurred during the most recent “non-pandemic” years. Because of the increase in operating expenses due to inflation on the cost of goods and services and absent any rate relief, the operating margin (calculated as the total System recurring revenues less total operating expenses divided by the total recurring revenues and represents the amount of funds available for annual debt repayment and capital reinvestment) will decrease which will affect the financial position of the System due reduced cash flow availability.

4. The need to maintain appropriate debt service coverage ratios, adequate operating margins, and reserves to maintain the financial condition of the System to reduce the overall financial risk to the utility and the ability to repay the allocated debt of the System. In the development of the revenue requirements, certain financial targets or benchmarks were recognized which promotes the long-term sustainability of rates (best management practices). For the determination of the financial plan presented in this report, Raftelis has recognized minimum target cash or reserve balances equal to: i) 120 days of rate revenue for working capital (operating reserves); ii) one (1) year of annual depreciation expense in a separate renewal and replacement fund (capital reserves) that we recommend the City create for ongoing capital reinvestment of utility plant infrastructure and depreciable assets which benefit existing customers to provide more transparency in the establishment of rates and the maintenance of reserves for future need (and to match asset use to capital funding for replacement similar to depreciation expense); and iii) \$1,000,000 in the System’s Disaster Reserve Fund based on discussions with the City to address cost recovery issues due to extreme weather events, effects of sea level rise, and other factors.
5. The need to provide annual (programmed) funding for ongoing renewal and replacement needs on existing utility infrastructure and depreciable assets. The City has made a significant investment in its utility and currently has approximately \$101.2 million in depreciable assets (gross utility plant investment, includes construction-work-in-progress and excludes land) as of the end of Fiscal Year 2024 (as reported in the 2024 Annual Comprehensive Financial Report). As these assets reach the end of their service lives, they will need to be renewed, replaced, and rehabilitated which is a continuous expenditure of the System. The annual funding of a capital reserve or renewal and replacement account to provide funds for these ongoing expenditures has been identified as a revenue requirement of the System for the Forecast Period.

For the City’s wastewater and reclaimed system, this Study recognizes the following annual rate revenue adjustments assumed to become effective on or about October 1 of each Fiscal Year:

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Summary of Recognized Annual Rate Revenue Adjustments [1]		
Fiscal Year	Wastewater and Retail Reclaimed Water Percent Revenue Adjustments	Effective Monthly \$ Increase for Typical Wastewater Residential Customer [2]
2026	3.0%	\$2.17
2027	4.0%	2.98
2028	4.5%	3.48
2029	4.5%	3.64
2030	4.5%	3.81

[1] The presentation of the revenue sufficiency analysis and results in the report assume that the rate adjustments shown above become effective on October 1st (beginning) of each Fiscal Year.

[2] It should be noted that while the amounts shown reflect the effective monthly bill increase for residential customers, this customer class is billed quarterly (for a three-(3) month service period). Typical monthly residential bill is assumed to require wastewater service at 6,000 gallons for comparison purposes.

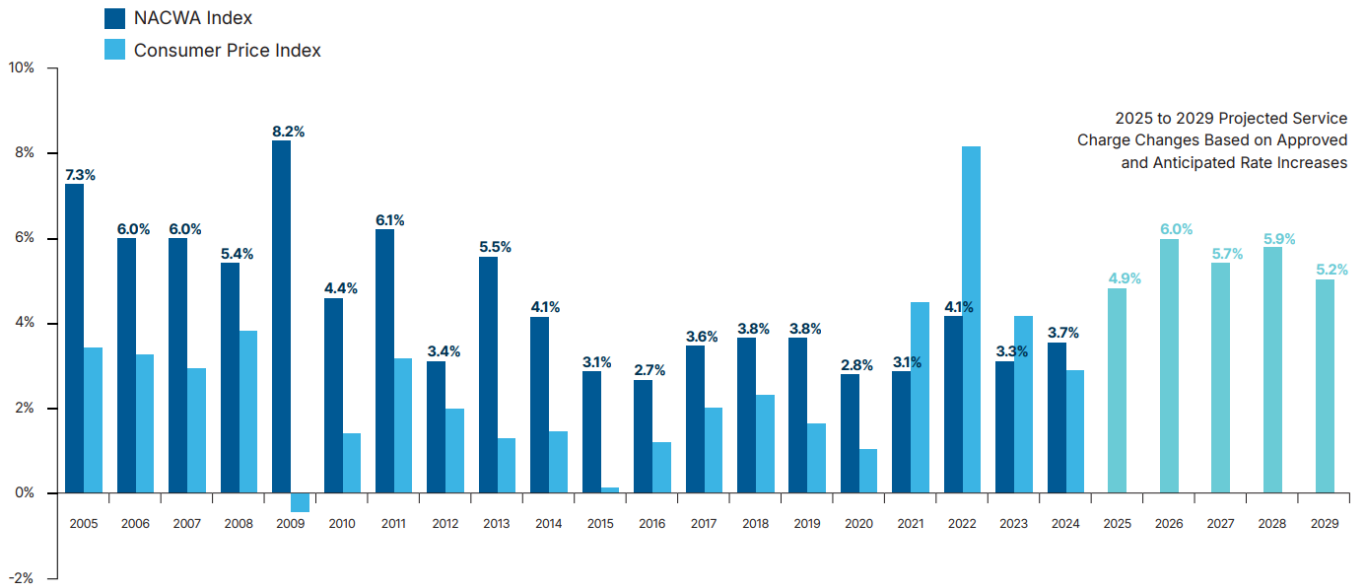
It should be noted that the rates for utility service in both Florida and nationally are anticipated to increase over time based on our conversations with several other utilities in Florida and information published on a national perspective regarding the needs for future rate adjustments. Specifically, many utilities are adjusting rates or implementing rate phasing programs to, among other things, continue capturing previous period lost “revenue margins” due to the impact of recent high inflation on the cost of operations (especially labor, chemicals, and power) and significant increases in the capital program costs.

These rate adjustment trends are being experienced on both a state-wide and national level. Figure ES-1 provides a national indication of the recent and projected trends in rate adjustments (referred to as the NACWA Index, which is based on a composite of 170 utilities nationwide serving over 107 million people) as compared to the consumer price index, all as published by the National Association of Clean Water Agencies (“NACWA”). As can be seen on Figure ES-1, NACWA reports that the adjustments to rates have outpaced inflation for many years, except for the most recent years 2021, 2022, and 2023. As shown on Figure ES-1, forecasted rate adjustments ranging from 4.9% to 6.0% (average of 5.5%) over the next five (5) years are anticipated by the surveyed utilities. The projected increases for the System over the next five (5) fiscal years are comparable in amount to the projected increases as identified by NACWA as shown on Figure ES-1 and provides support to the overall reasonableness in the rate adjustments being proposed for the System.

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Figure ES-1. Annual Change in NACWA Cost of Clean Water Index vs. Inflation

**Annual Change in Cost of Clean Water
Index vs. Inflation**



We recommend that the City continue to perform annual rate reviews to ensure that the user rates are still sufficient given possible changes in economic conditions, customer usage trends, redevelopment and related customer growth, regulatory requirements, long-term effects of extreme weather conditions, etc. The existing rates along with proposed Fiscal Year 2026 rates are shown in Table ES-1 at the end of this section.

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The proposed Fiscal Year 2026 wastewater rates are anticipated to produce bills that remain competitive with those of neighboring Florida utilities. A comparison of bills under the City’s existing Fiscal Year 2025 and proposed Fiscal Year 2026 wastewater system rates with those of surveyed neighboring utilities is summarized as follows:

Individually Metered Residential Wastewater Service – Monthly Billed Flow (Gallons) [1]							
Description	0	2,000	4,000	6,000 [3]	7,000	10,000	12,000
City of Sanibel: [2]							
Existing FY 2025	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29
Proposed FY 2026	74.46	74.46	74.46	74.46	74.46	74.46	74.46
Difference	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17
Utility Survey: [4]							
Survey Average	\$33.17	\$48.46	\$65.13	\$83.18	\$90.91	\$114.09	\$126.03
Minimum	20.79	36.50	46.70	56.90	61.16	64.06	64.06
Maximum	49.36	72.35	96.95	121.55	125.09	170.95	201.57

- [1] Sewer usage charges for the surveyed customers (that do not employ a flat-rate billing structure) are based on metered water usage with many utilities having a maximum billing threshold to recognize that not all the water use is returned to the wastewater system. The detailed rate survey can be found in Table 12 at the end of this report.
- [2] The City bills a flat rate for wastewater service for residential customers on a quarterly basis. The amounts shown reflect an effective monthly rate since the majority of the surveyed utilities bill on a monthly basis for utility service.
- [3] Based on our experience, 6,000 gallons represents the average monthly billed flow or usage level for the typical residential customer and was assumed for the presentation of the bill comparison (note there is no billed flow for the single-family residential class).
- [4] Based on a survey of 22 neighboring utilities as discussed in this report and reflect rates that are currently in effect as of August 2025; most of the surveyed utilities employ a rate structure that includes both a base and volumetric or flow charge. The rates reflected in the development of the utility survey have not been adjusted for any anticipated or approved rate adjustments for the Fiscal Year 2026. Several utilities included in the survey are anticipating an increase in rates for 2026 through the application of a price index or as identified through a rate study process which should subsequently improve the comparison to the City’s proposed rates.

Table ES-2 at the end of this executive summary provides a graphical overview of the projected System financial results assuming the acceptance and implementation of the proposed rate adjustments by the City (the “management dashboard”). This table indicates the following for all projected Fiscal Years, assuming the proposed user rate adjustments for all Fiscal Years are implemented:

1. The impact of Hurricane Ian at the close of Fiscal Year 2022, materially affected the revenues / cash flow for Fiscal Year 2023 due to the immediate loss of customers and associated billed wastewater flow (revenue gallons - primarily for the commercial customer class and considered as an extraordinary event) and which continues to affect the revenues / cash flow for Fiscal Year 2025 as the rebuilding efforts continue on the island. It is anticipated that during the Forecast Period, billed wastewater flows (which relate to rate revenues) would continue to rebound over the Forecast Period, but it was assumed that the billed flows would not reach pre-storm levels to recognize efficiencies in new construction due to indoor conservation measures which will affect commercial service billed flows and to be conservative due to the unknowns associated with the redevelopment process (type of construction, changes in density, etc.).

The projected rate revenues, which recognizes the continued redevelopment benefits to the System coupled with the continued implementation proposed rate adjustments, may not be adequate to meet the financial needs of the System in the latter part of the Forecast Period due to the unknowns facing the System and the need to potentially issue additional debt to fund the capital improvement plan due to reduced cash flow (i.e., continued annual rate adjustments assumed at 3% in FY26, 4% in FY27, and 4.5% per year onward is currently projected to be necessary based on the then revenue requirements and funding needs from rates). The level of rate adjustments is anticipated to be generally competitive with neighboring utilities in the future and is considered as being stable.

2. General maintenance of adequate operating reserves (liquidity) is projected to be maintained at target balances assuming the future rate adjustments presented above are implemented to increase deposits over time to meet industry benchmarks.
3. The maintenance of an adequately leveraged system (debt to outstanding utility plant) is projected, which is considered as being favorable.
4. The maintenance of constant net revenue margins is necessary for debt repayment and capital re-investment but will need improvement over time to meet industry benchmarks and is considered as being stable.

Based on the assumptions relied upon in the preparation of the financial forecast and assuming the implementation of the proposed revenue adjustments and the projections as contained herein, the System is projected to maintain a stable financial position throughout the Forecast Period (considered as a rebound from the prior deterioration in the financial position due to Hurricane Ian) but will need to be evaluated annually to identify any rate plan corrections to remain as a stable utility.

Conclusions and Recommendations

Based on our studies, assumptions, considerations, and analyses as summarized herein, we are of the opinion that:

1. This System rate revenues are still being impacted due to the negative impact of Hurricane Ian upon the service area. The anticipated System total Rate Revenues for the upcoming Fiscal Year 2026 are projected to not be sufficient to fund the projected System revenue requirements (i.e., expenditures and funding needs) for the Fiscal Year and will need to be adjusted by a minimum of 3% effective October 1, 2025, based on the assumptions reflected in this Study.
2. If the City implements an increase to the rates for service for the Fiscal Year 2026, the City will need to provide advance notice of the public hearing to consider adopting the proposed increase (date, time, and place of the meeting of the City Council at which such increase will be considered) to each customer of the utility through the utility's billing process as required by Florida Statutes, Chapter 180.136.
3. For the remainder of the Forecast Period and recognizing the increased costs in the annual operation, repair, and maintenance and the funding of the capital improvement (primarily relates to renewals and replacements of existing assets that have reached or are reaching their useful service life), rates will need

to be further increased annually to maintain a stable fiscal position for the System. Since the System service area is essentially in a built-out condition, most of any future revenue increases has been identified to come from ongoing future rate increase adjustments and for the remainder of the Forecast Period, a 3% increase in FY206, 4% in FY27, and an annual 4.5% rate adjustment onwards (implemented on October 1st of each Fiscal Year) has been assumed for the financial plan presented in this Study.

4. The recommended and projected rates as presented in the Study are anticipated to be sufficient to meet the annual rate covenant requirements (e.g., debt service coverage) on the City's outstanding Senior Lien Bonds allocable to the System that were issued pursuant to the Bond Resolution and SRF loans as contained in the respective SRF Loan Agreements with the FDEP and is projected to provide for additional deposits for asset replacement during the Forecast Period (capital re-investment for annual pay-as-you-go funding) which is recommended to promote long-term rate sustainability.
5. The proposed wastewater rates for the Fiscal Year 2026 are considered to be competitive when compared with those of 22 surveyed neighboring utilities. Table ES-3 at the end of this executive summary contains a residential bill comparison for customers using 6,000 gallons, the average typical use for a single-family household, per month.

The remainder of this Study contains supporting information regarding the financial forecast and proposed rates.

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Table ES-1

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Existing and Proposed Wastewater and Reclaimed Water Rates

Line No.	Description	Existing Fiscal Year 2025	Proposed Fiscal Year 2026
Wastewater System Rates			
<u>Residential Customer Rates</u>			
1	Quarterly Flat Rate Per Dwelling Unit	\$216.87	\$223.38
2	Monthly Flat Rate Per Dwelling Unit	72.29	74.46
<u>Commercial Customer Rates</u>			
Quarterly Charge By Meter Size			
3	5/8" Meter	\$125.88	\$129.66
4	1" Meter	314.61	324.05
5	1.5" Meter	628.86	647.73
6	2" Meter	901.35	928.39
7	3" Meter	2,011.59	2,071.94
8	4" Meter	3,154.05	3,248.67
Monthly Charge By Meter Size			
9	5/8" Meter	\$41.96	\$43.22
10	1" Meter	104.87	108.02
11	1.5" Meter	209.62	215.91
12	2" Meter	300.45	309.46
13	3" Meter	670.53	690.65
14	4" Meter	1,051.35	1,082.89
15	Commercial Customers Consumption Charge per 1,000	\$10.86	\$11.19
Reclaimed Water System Rates			
16	Consumption Charge per 1,000 Gallons	\$3.24	\$3.34



Table ES-2
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Utility System Financial Overview

	Fiscal Year Ending September 30,					
	2025	2026	2027	2028	2029	2030
CURRENT YEAR REVENUE ADJUSTMENTS						
Wastewater System	0.0%	3.0%	4.0%	4.5%	4.5%	4.5%
Reclaimed Water System	0.0%	3.0%	4.0%	4.5%	4.5%	4.5%
Effective Months	12	12	12	12	12	12
Unrestricted Cash Position - End of Year -Working Capital, R&R, and Disaster Reserve	\$10,337,446	\$10,347,011	\$9,448,706	\$8,175,181	\$6,223,991	\$4,675,879
Working Capital Balance - End of Year	\$8,872,062	\$8,372,062	\$7,872,062	\$4,872,062	\$3,272,062	\$3,272,062
R&R Fund Balance - End of Year	465,384	974,949	576,644	2,303,119	1,951,928	403,817
Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Figure ES-1. Revenue Requirements

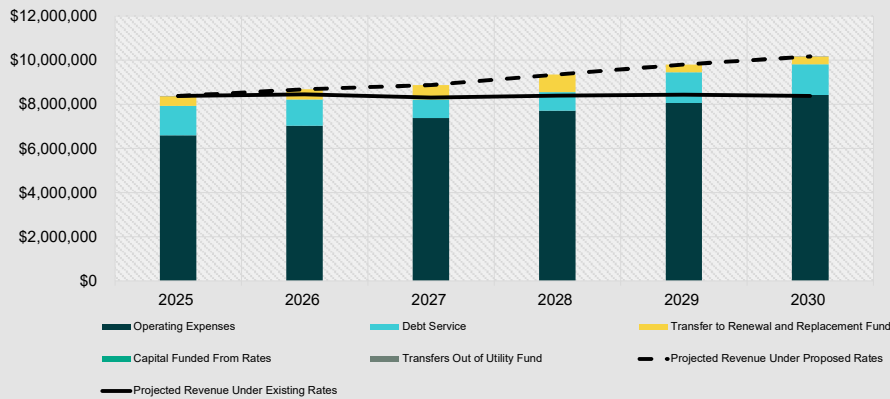


Figure ES-2. Ending Unrestricted Cash Balances - Operating Fund, Renewal / Replacement Fund, and Disaster Reserve Fund

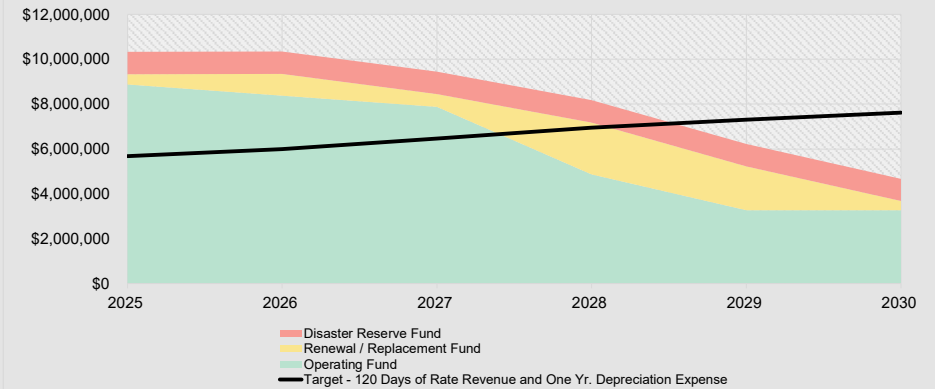


Figure ES-3. Ending Cash Balance - Operating Fund

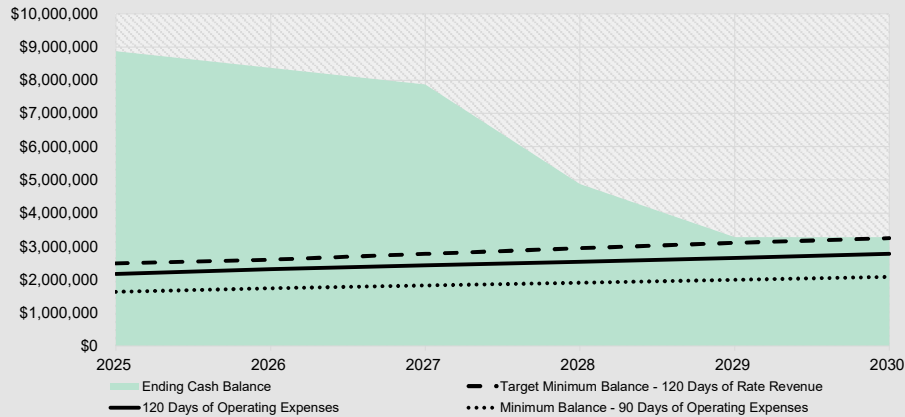


Figure ES-4. Six-Year Capital Improvement Program Projected Funding Sources (Total CIP = \$51,099,742)

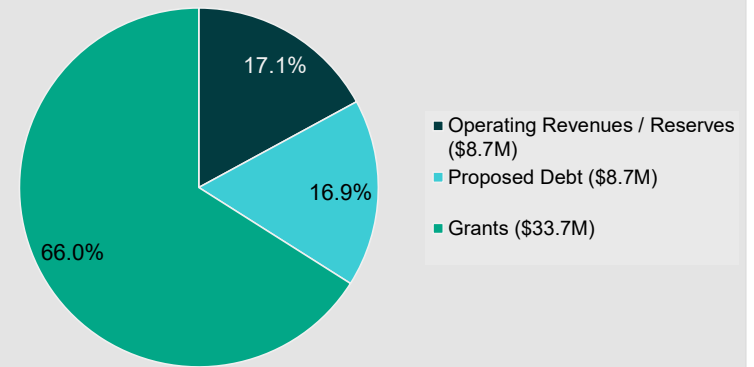




Table ES-2
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Utility System Financial Overview

	Fiscal Year Ending September 30,					
	2025	2026	2027	2028	2029	2030
CURRENT YEAR REVENUE ADJUSTMENTS						
Wastewater System	0.0%	3.0%	4.0%	4.5%	4.5%	4.5%
Reclaimed Water System	0.0%	3.0%	4.0%	4.5%	4.5%	4.5%
Effective Months	12	12	12	12	12	12
Unrestricted Cash Position - End of Year -Working Capital, R&R, and Disaster Reserve	\$10,337,446	\$10,347,011	\$9,448,706	\$8,175,181	\$6,223,991	\$4,675,879
Working Capital Balance - End of Year	\$8,872,062	\$8,372,062	\$7,872,062	\$4,872,062	\$3,272,062	\$3,272,062
R&R Fund Balance - End of Year	465,384	974,949	576,644	2,303,119	1,951,928	403,817
Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Figure ES-5. Capital Improvement Program Spending Curve

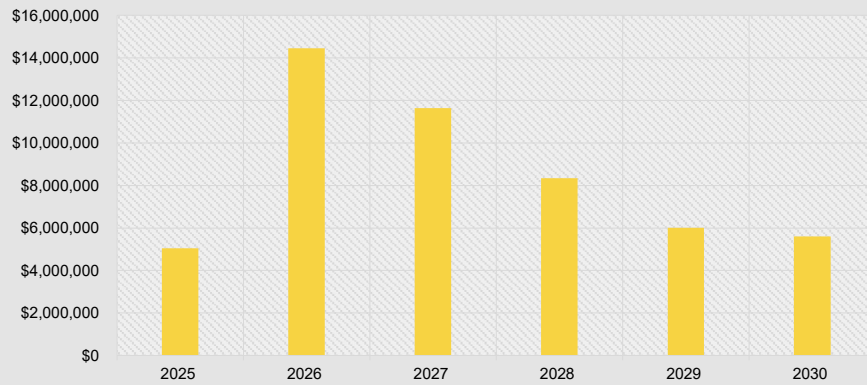


Figure ES-6. Debt to Net Plant Investment

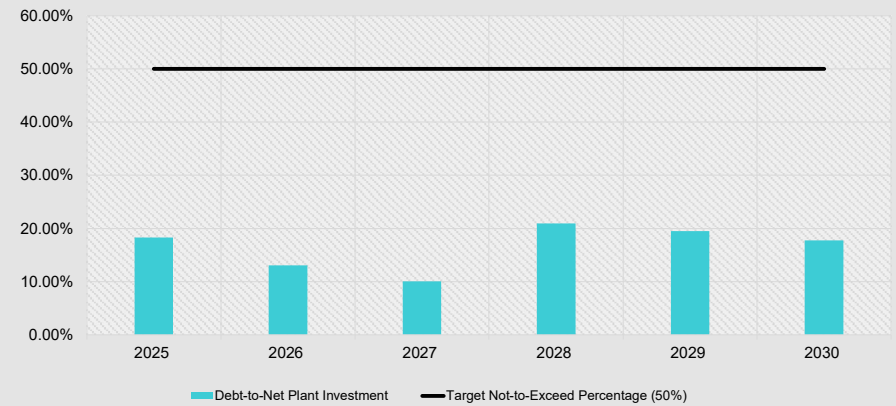


Figure ES-7. Free Cash Flow to Depreciation

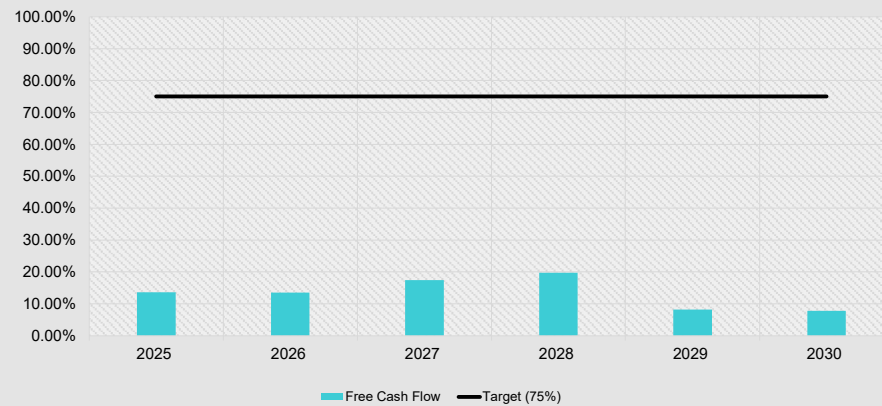


Figure ES-8. Net Revenue Margin

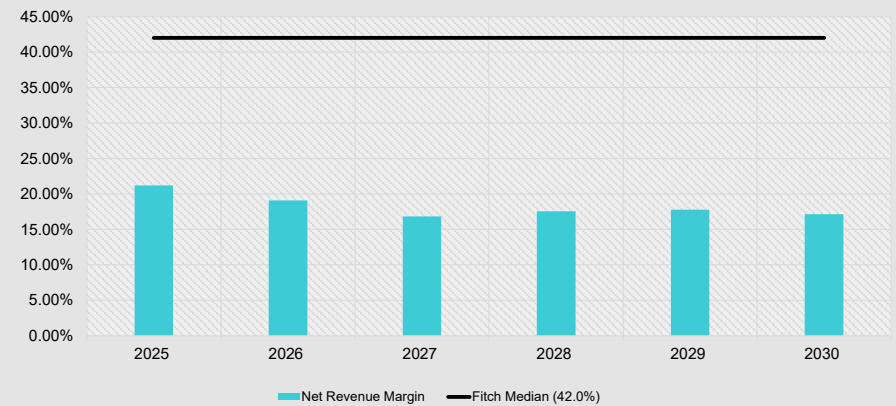




Table ES-2
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Utility System Financial Overview

	Fiscal Year Ending September 30,					
	2025	2026	2027	2028	2029	2030
CURRENT YEAR REVENUE ADJUSTMENTS						
Wastewater System	0.0%	3.0%	4.0%	4.5%	4.5%	4.5%
Reclaimed Water System	0.0%	3.0%	4.0%	4.5%	4.5%	4.5%
Effective Months	12	12	12	12	12	12
Unrestricted Cash Position - End of Year -Working Capital, R&R, and Disaster Reserve	\$10,337,446	\$10,347,011	\$9,448,706	\$8,175,181	\$6,223,991	\$4,675,879
Working Capital Balance - End of Year	\$8,872,062	\$8,372,062	\$7,872,062	\$4,872,062	\$3,272,062	\$3,272,062
R&R Fund Balance - End of Year	465,384	974,949	576,644	2,303,119	1,951,928	403,817
Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Figure ES-9. Total Existing and Projected Debt Outstanding - Start of Year

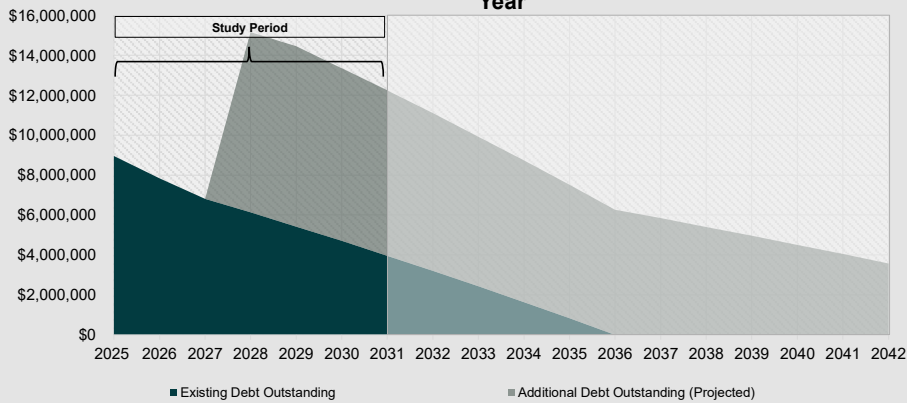


Figure ES-10. Projected SRF Loan Debt Service Coverage

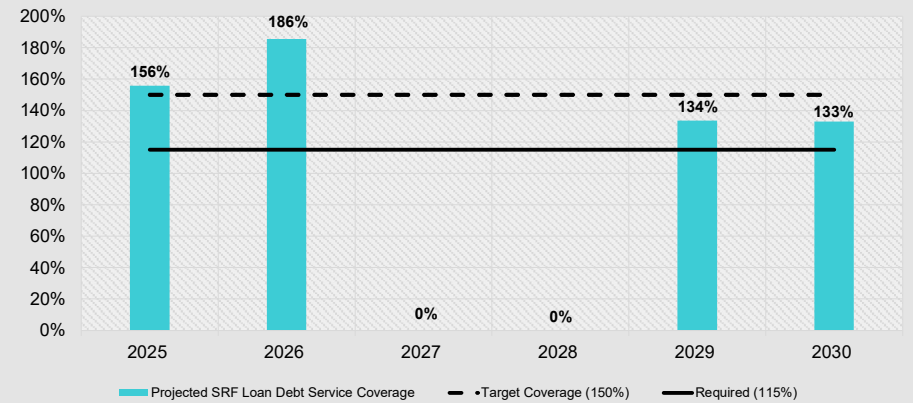


Figure ES-11. Projected All-In Debt Service Coverage

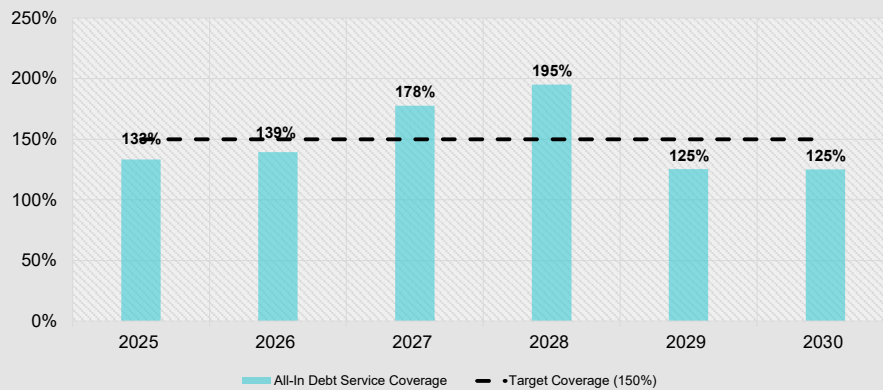
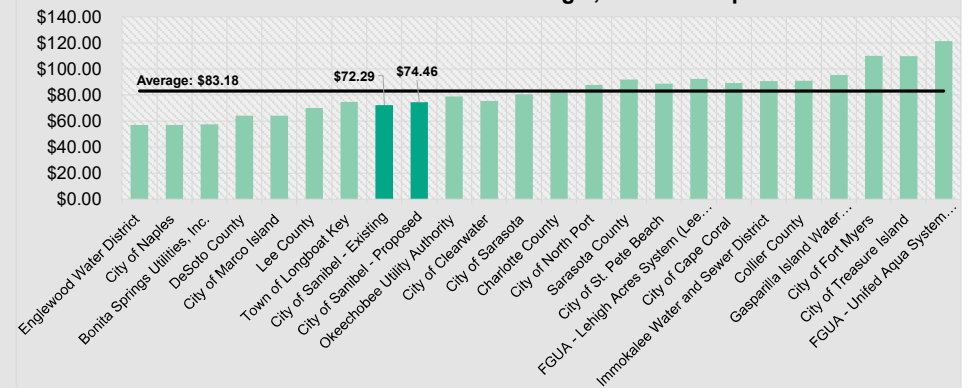
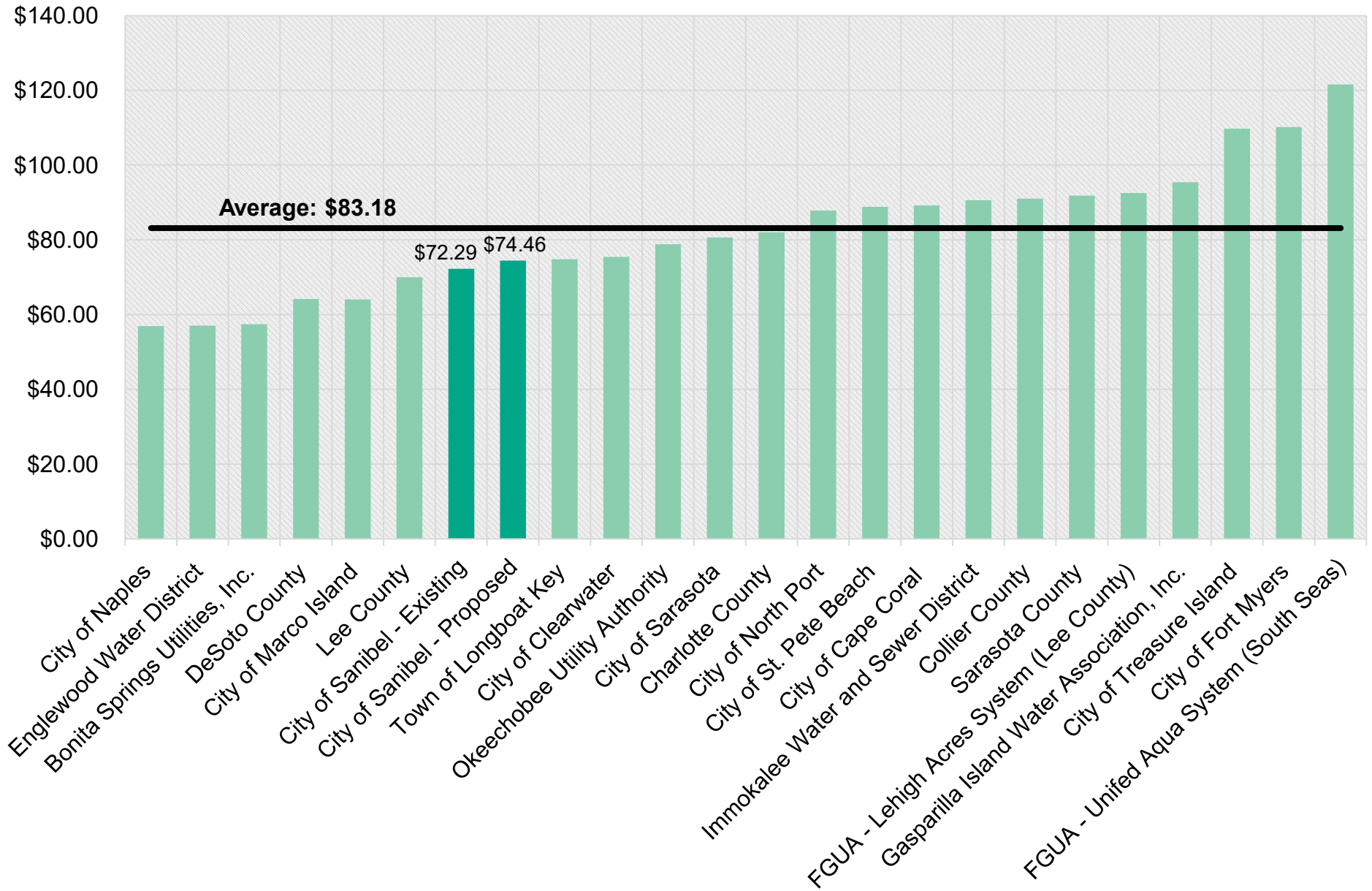


Figure ES-12. Comparison of Monthly Charges for Residential Wastewater Service for Customers Using 6,000 Gallons per Month



Tables ES-3
City of Sanibel, Florida
Comparison of Monthly Charges for Residential Wastewater Service
for Customers Using 6,000 Gallons per Month

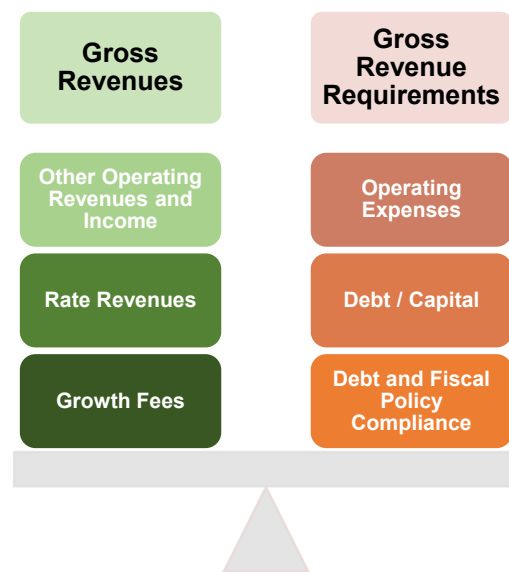


Financial Forecast

Introduction

The foundation of the Study and the primary objective of the utility rates are to reasonably recover the cost of providing service and the cost of infrastructure investment and provide cash flows sufficient to comply with covenants of the outstanding loans and identified or adopted fiscal policies / targets of the City (referred to as the “revenue sufficiency” evaluation). The various components of costs associated with operating and maintaining a utility system, as well as the costs of financing the renewals and replacements of existing facilities and the capital improvements for upgrades and expansions, are generally considered as the revenue requirements of a public utility such as the City’s System (the “revenue requirements”). The sum of these costs, after adjusting for other income and other operating revenues available to the utility, represents the “net revenue requirements” of a utility system required to be funded from user charges or rates. Figure 1 illustrates the approach and components in the development of the revenue requirements for the City’s utility system.

Figure 1. Revenue Requirement Approach



Net revenue requirements signify a minimum level of expenditures required to be recovered from monthly user fees or rates. The development of the net revenue requirements of the System is a critical component of the Study since utility rates should be designed to fully recover the cost of providing service. The estimates of the revenue requirements associated with the City’s wastewater and reclaimed water systems are consistent with methods generally employed by publicly owned utilities that rely on utility debt financing supported by rate revenues to fund capital investment needs. Specifically, and as can be seen in Figure 1, the development of the net revenue requirements was based on the “cash-needs” approach as opposed to the “utility-basis” approach, which is generally used by regulatory commissions and agencies in the establishment of rates for privately owned utilities. The advantages of the “cash-needs” approach include:

- Expenditures presented on a basis that is consistent with and conforms to the City’s budget process and procedures and supports the financial reporting process.
- Is consistent and provides compliance with rate covenants and flow of fund provisions included in i) Resolution No. 14-012 as adopted by the City on February 4, 2014, as amended and supplemented from time to time (collectively, the “Bond Resolution”) that authorized the issuance of System senior lien debt issued in support of the funding of capital projects for the System (note that no senior lien debt is currently outstanding as of the Study); and ii) the loan agreements entered into by the City with the FDEP with respect to securing low-interest loans through the SRF loan program.
- The method is relatively transparent and promotes overall administrative simplicity.
- Provides for the matching of revenue recovery and cash outlay requirements.
- Is easier to explain to the governing councils / commissions (regulators) since it links to the budget and financial reporting process that they oversee on a general government basis as well.

The following is a summary of the net revenue requirements derivation:

+	Cost of Operation and Maintenance
+	Debt Service Payments (Senior and Subordinate)
+	Transfers and Administration Payments
+	Capital Project Financing (from operations)
+	Deposits to Working Capital Reserves / Financial Compliance
–	Other Operating and Available Revenue (e.g., capital assessments and dedicated revenues)
–	Interest Income
–	<u>Use of Working Capital Reserves (Rate Stabilization)</u>
=	<u>Net Revenue Requirements (Funded from User Rates)</u>

The user fee analysis utilizes a forward-looking Forecast Period to assess the adequacy of the System rates. The reclaimed water revenues are considered as a component of the overall wastewater rate revenues. An important objective of the use of a forward-looking study for the City was to establish rates and rate levels that would reflect current and near future costs of providing service to provide continuing and adequate financial resources to fund the revenue requirements of the System. By establishing rates and charges to provide revenues to match near future operating needs and capital funding requirements, the objective of maintaining the System’s financial integrity over the study period is projected to be accomplished. For the purposes of this Study, it was determined that the financial evaluation would be predicated on the projected six (6) fiscal year period of October 1, 2025 through September 30, 2030 (includes the current budget year plus a five- (5) year projected period; previously defined as the “Forecast Period”). A forecast of System operations was prepared to: i) assess the adequacy of utility rates in the near future; ii) recognize potential cost recovery strategies based on the phase-in of any required rate adjustment to meet the projected revenue requirements and finance identified capital expenditure requirements; iii) examine the financial implications of alternatives to funding the System’s capital improvement plan; iv) promote compliance with the rate covenants as delineated in the Bond Resolution and

the FDEP SRF loan agreements, general City policy especially as it relates to the payment of the System's allocation of the debt service for the Capital Improvement Revenue Note, Series 2020 and to maintain a favorable credit rating to allow future access to capital markets at favorable interest rates; and v) promote long-term rate sustainability. The projected revenue requirements include the various generalized cost components described below:

- Operating Expenses: These expenses include the cost of labor, utilities, chemicals, wastewater treatment, operating supplies, repair and maintenance, allocated General Fund administrative costs, and other items necessary for the daily operation and maintenance of the System.
- Capital Reinvestment: Capital reinvestment includes the annual deposits made from rates to fund capital-related expenditures associated with the ongoing renewals, replacements, improvements, rehabilitations, and betterments to the System not financed by the issuance of debt obligations.
- Debt Service: Debt service includes the principal and interest on the City's currently outstanding and any future anticipated debt or loan obligations issued to fund major capital improvements payable from the net operating revenues of the System as well as other pledged revenues.
- Other Revenue Requirements: This component of cost includes any other expenditure and funding requirements from rates including, but not limited to, other transfers to the General Fund, the funding of other financial requirements (e.g., working capital, etc.) to meet the projected fiscal targets of the System, to provide rate-phasing alternatives for the benefit of the System, to comply with the rate covenants as dictated by the Bond Resolution and the SRF loan agreements, and to meet any other payments and transfers to reserves for future year expenditures.

The development of the projected System revenue requirements is shown in Table 1 at the end of this report. The remainder of this report discusses the assumptions recognized to develop the estimated revenue requirements as shown in Table 1.

Existing User Rates

The City's existing retail wastewater and reclaimed water rates were adopted pursuant to Resolution No. 24-055 (the "Rate Resolution"), which was approved by the City Council on September 23, 2024, and became effective for all service rendered on or after October 1, 2024. The current wastewater rates consist of i) for the residential class (which includes both single-family residential and multi-unit residential [e.g., condominiums] dwelling units), a flat rate per dwelling unit that is billed on a quarterly basis and ii) for the commercial class, a service charge (billed quarterly) which increases based on meter size and which is designed to recover a portion of the wastewater utility's fixed costs and a uniform volumetric charge per 1,000 gallons ("kgal"), which is billed based on metered water use. The City does not charge a flat rate to the commercial customers because of the diversity in use and demand among customers within this class (e.g., an office building and a restaurant place very different individual customer wastewater demands on the System). The general reclaimed water rates (excludes contractual service to large users) include a uniform volumetric charge per kgal which is billed based on metered reclaimed water use. Contractual (bulk / large user) service to the golf courses located within the City are based

on the rates as established by contract with each bulk customer, which includes price index provisions in the determination of future rates charged for service.

The existing retail wastewater rates as presented in the Rate Resolution are shown in the table on the following page.

Summary of Existing Wastewater Rates – Per the Rate Resolution	
	Effective 10/1/2024
<u>Wastewater Rates:</u>	
Residential Customer Rates:	
Quarterly Flat Rate per Dwelling Unit	\$216.87
Monthly Flat Rate per Dwelling Unit	72.29
Commercial Customer Rates:	
Quarterly Charge by Meter Size	
5/8" Meter	\$125.88
1" Meter	314.61
1.5" Meter	628.86
2" Meter	901.35
3" Meter	2011.59
4" Meter	3,154.05
Monthly Charge by Meter Size	
5/8" Meter	\$41.96
1" Meter	104.87
1.5" Meter	209.62
2" Meter	300.45
3" Meter	670.53
4" Meter	1,051.35
Commercial Customers Volumetric Charge per 1,000 Gallons	\$10.86

The existing general reclaimed water rates as presented in the Rate Resolution are shown in the table below:

Summary of Existing Reclaimed Water Rates – Per the Rate Resolution	
	Effective 10/1/2024
<u>Reclaimed Water Rates:</u>	
General Customers Volumetric Charge per 1,000 Gallons	\$3.24

The City's Code of Ordinances does provide for the application of an automatic rate increase to the wastewater and general reclaimed water rates to be made annually. Specifically, Section 70-110 of the City's Code of Ordinances has the following language pertaining to automatic wastewater rate increase provision:

Section 70-110. – Automatic rate increase.

- (a) The approved rate schedule shall provide for an automatic increase, effective on October 1 of each year for all rates, fees, and charges contained in this division as required by the bond covenants. The city council hereby directs that on the effective date of each annual increase the city sewer system charge schedule in effect immediately prior to the effective date of such increase shall be revised to include the increase, and that a copy of such revised schedule shall be maintained for public inspection by the city manager to the city council. Said revised city sewer service charge schedule shall also reflect the three percent (3) increase in the sewer connection fee and the guaranteed revenue charge.
- (b) Notwithstanding the provisions of subsection (a) of this section, the city council will review the charge schedule and rates of the city sewer system on an annual basis, at a regularly scheduled council meeting, duly advertised for public notification.

The City's existing retail reclaimed water rates were also adopted pursuant to the Rate Resolution and are effective for all services rendered on or after October 1, 2024. The retail rate class includes high-pressure, delivered service to residential and commercial properties (does not include bulk service customers such as golf courses). The current retail reclaimed water rates consist of a uniform volumetric charge per 1,000 gallons which is billed based on metered usage; there is no base or minimum charge billed by the City for reclaimed water service. The current retail reclaimed water rate is \$3.24 per 1,000 gallons.

The City's Code of Ordinances also provides for an automatic rate increase to the reclaimed water rates to be made annually. Specifically, Section 70-148(b) of the City's Code of Ordinances has the following language pertaining to automatic minimum rate indexing for the reclaimed water rates:

Section 70-148. – Rates.

- (b) The rate set forth in subsection (a) above [Section 70.148 (a)] will be effective on October 1, 2007 and will remain in effect through September 30, 2008. Thereafter, such rate will be subject to an automatic annual three percent rate increase on October 1st of each successive year. A rate schedule shall be maintained by the city manager, or designee, showing the rate in effect for each year. Any rate increase above three percent, or any other reuse rate adjustments deemed necessary by city council, may be approved by a Resolution adopted by city council, after notice to affected reclaimed water rate payors.

The City has three (3) contractual reclaimed water customers (considered as bulk or large users), which include: The Dunes Golf and Country Club, the End Golf Management, LLC, and the Sanctuary Golf Club. The City's rate for the Dunes Golf and Country Club was established on July 30, 1991, pursuant to an agreement between this customer and Sanibel Sewer System Partners, Ltd., which owned the wastewater system prior to the sale of the System to the City. Under the terms of this agreement, the Dunes Golf and Country Club agreed to take and use as much reclaimed water as is feasible and within the maximum permitted limits. For the first 15 years of the agreement, there were no charges associated with the use of the treated wastewater. Beginning in year 16 of the agreement (2007), this customer agreed to pay \$0.05 per 1,000 gallons of treated wastewater used up to the maximum permitted amount on a daily basis. Every three (3) years after, the City had the option to increase

the charge by an amount determined by the City but, after such increase, the charge could not exceed the charge for the previous three- (3) year period, adjusted by the sum of the Federal Bureau of Labor Statistics Consumer Price Index (“CPI”) for each of the three (3) previous years. The City is currently charging the Dunes Golf and Country Club \$0.062 per 1,000 gallons.

The City’s rate for the End Golf Management, LLC was established on May 14, 1990, pursuant to an agreement between Beachview (the prior name of this customer) and Sanibel Sewer System Partners, Ltd., which owned the wastewater system prior to the sale of the System to the City. Under the terms of this agreement as amended, the City agreed to deliver the first 500,000 gallons per day of available treated wastewater to Beachview, the next 300,000 gallons per day to the Dunes Golf and Country Club, and the balance by alternating in 50,000-gallon increments, first to Beachview and then to the Dunes Golf and Country Club. For the first 15 years of the agreement, there were no charges associated with the use of the treated wastewater. Beginning in year 16 of the agreement (2006), this customer agreed to pay \$0.05 per 1,000 gallons of treated wastewater used up to the maximum permitted amount on a daily basis. Every three (3) years after, the City had the option to increase the charge by an amount determined by the City but, after such increase, the charge could not exceed the charge for the previous three- (3) year period, adjusted by the sum of the CPI for each of the three (3) previous years. The City is currently charging the End Golf Management, LLC \$0.062 per 1,000 gallons.

On November 21, 2000, the Sanctuary Golf Club and the City entered into an Easement and Effluent Disposal Agreement under which the City would provide the Sanctuary Golf Club a maximum of 500,000 gallons per day of reclaimed water at a rate of \$0.10 per 1,000 gallons through July 30, 2016. This agreement was amended on December 4, 2007, to enable the City to incrementally increase the rate over time to \$0.50 per 1,000 gallons for the Fiscal Year 2011. The amended agreement enabled the Fiscal Year 2011 rate to be increased by 3% per year through Fiscal Year 2017. In Fiscal Year 2018 the rate was increased to \$0.63 per 1,000 gallons. The second amendment to the agreement was adopted on January 15, 2019, and allows for the rate to be adjusted by the 12-month South Urban Consumer Price Index (CPI), up to a maximum of 3% yearly increase with all rates being rounded to three (3) decimal places. The City is currently charging Sanctuary Golf Club \$0.685 per 1,000 gallons.

Since the reclaimed water rates for the bulk users are considered as being contractual which provide for the application of an annual predetermined index, the forecast of reclaimed water rate revenues assumes the application of the price index equal to the estimated change in the CPI for the Forecast Period (estimated to range from approximately 2.2% to 2.5% annually for the Forecast Period based on projections as published by the Congressional Budget Office as contained in *Additional Information About the Economic Outlook: 2025 to 2035* report published in January 2025, the most recent update published at the time of the analysis, referred to as the “2025 CBO”).

Wastewater and Reclaimed Water Customer Statistics

For Fiscal Year 2025, the System provided service to an estimated average of 4,440 wastewater accounts which consisted of approximately 4,231 residential accounts (both individually served and master-metered served accounts) and 209 commercial accounts. Approximately 7,585 residential dwelling units were associated with the 4,231 residential accounts (recognizes that a number of residential dwelling units are served by a master water meter such as a condominium). For the past few years as a direct result of the impact of Hurricane Ian,

the annual bills rendered (for all classes of customers) and the billed wastewater flow (for the commercial customers which is based on metered water use readings provided by the Island Water Association, Inc., a non-profit, member-owned potable water utility serving the City) were impacted significantly. Specifically, for the accounts billed, the City elected to not bill the customer (base) charge for the first month of Fiscal Year 2023. Additionally, the billed wastewater flows to the commercial class and the reclaimed water billed flows also were impacted significantly which has continued for the Fiscal Year 2025 and which is still ongoing and will affect the Fiscal Year 2026 even with re-development which is occurring within the City. The wastewater customer and sales forecast by class is shown in Table 2 at the end of this report and recognized the following assumptions:

- The average annual residential accounts and corresponding residential dwelling units were based on historical customer billing information through the billing month of June 2025 (three quarters of service). No additional annual residential accounts, except as mentioned below regarding the septic-to-sewer program were recognized during the Forecast Period.
- The City would continue to bill the quarterly customer charge for the residential class on a per dwelling unit basis since each unit has been allocated wastewater capacity for service.
- The forecast recognizes the completion of the Phase 4b septic-to-sewer conversion project with 21 additional single-family customers that are expected to connect to the System over an approximate 30-month period (approximately 15 new accounts are estimated to connect during the Fiscal Years 2025 and 2026).
- The City would continue to bill the quarterly customer charge for the commercial class on a per meter size basis for the service in effect as of the end of the Fiscal Year 2024 since each account has been allocated wastewater capacity for service.
- The billed wastewater flows for the commercial class for the Fiscal Year 2025 were based on annualizing the nine (9) months ended June 30, 2025 billed flows, which resulted in an approximate percent 50% reduction in the total wastewater flow for this customer class when compared to Fiscal Year 2022 billed flows (pre-storm year). It was assumed that it would take an additional four (4) years for this customer class to approach the billed flows at levels recorded during the historical period 2020 to 2022 to allow for redevelopment of the area damaged by Hurricane Ian (note that projected flows after the phase-in period are assumed to be less since all new construction will have conservation promoting fixtures and appliances which would promote water use efficiencies for which the wastewater billed flows are based).

With respect to the reclaimed water system, the System provided service on average to 75 reclaimed water accounts, which consisted of 72 retail (non-contract) customers and the three (3) contractual or bulk (large user) customers as of July 2025. A summary of the reclaimed water customer statistics is shown in Table 3 at the end of this Report.

The reclaimed water customer and sales forecast by class is shown in Table 3 at the end of this report and recognized the following assumptions:

- The average annual retail reclaimed water (i.e., non-contract) accounts were based on historical customer billing information through the billing month of June 2025 (three quarters of service). No additional annual residential general reclaimed water accounts were recognized during the Forecast Period.
- With respect to the billed reclaimed water sales to the retail reclaimed water customers, the billed flow for the Fiscal Year 2025 (based on actual reported sales through June 2025) was approximately 77% of the annual billed flow billed by the City for Fiscal Year 2022. The reclaimed water sales for this customer class were projected to improve (increase) over a four- (4) year period at a lower utilization (sales) level when compared to the sales reported for the historical Fiscal Year period 2020 to 2022 to account for improved efficiencies in use of this discretionary water resource (e.g., installation of drought tolerant native plants, etc.).
- Financial projections for the three bulk service customer accounts were developed utilizing historical billing data through June 2025, representing three quarters of service. Reclaimed water sales volumes for these accounts are projected to remain constant with Fiscal Year 2025 levels, predicated on the observed return of consumption to pre-hurricane usage patterns.

Customer and Sales Forecast

The forecast of wastewater and reclaimed water service revenues were based on a review of recent historical wastewater and reclaimed water system growth, recent historical and Fiscal Year-to-date 2025 customer statistics, assumptions regarding the re-development within the City due to the effects of Hurricane Ian, and discussions with the City staff. The following table provides a summary of the recent historical and projected trends in wastewater customer billing statistics:

(Remainder of page intentionally left blank)

Historical and Projected Wastewater Customer Statistics [1]				
Fiscal Year	Residential		Commercial	
	Average Annual Accounts	Sales (Billed Flow) (000s Gallons)	Average Annual Accounts	Sales (Billed Flow) (000s Gallons)
Historical				
2019	4,160	N/A	210	126,232
2020	4,185	N/A	210	118,732
2021	4,200	N/A	210	114,774
2022	4,206	N/A	211	113,238
2023 [2]	4,206	N/A	209	55,337
2024 [2]	4,220	N/A	209	48,246
Compound Growth Rate 2019 to 2024	0.29%		-0.10%	-17.50%
Projected				
2025 (Est.) [3]	4,231	N/A	209	56,801
2026	4,231	N/A	209	65,455
2027	4,231	N/A	209	86,034
2028	4,231	N/A	209	100,259
2029	4,231	N/A	209	109,225
2030	4,231	N/A	209	109,225
Compound Growth Rate 2025 to 2030	0.04%		0.00%	14.59%
[1] Amounts derived from Table 2 at the end of this report; billed flow is based on metered water sales at the customer premise. No billed flow is reported for the residential class since it is billed on a flat-rate basis. [2] Reduction in billed flows due solely to impact of Hurricane Ian and is projected to approach more normal flow levels as the service area redevelops from the storm. [3] Amounts shown based on nine (9) months of actual information.				

As can be seen above, the City has experienced minor residential and commercial growth in historical years and is expected to continue since the City is essentially in a built-out condition. Based on discussions with the City, the majority of the growth during the recent period shown above resulted from the City's ongoing wastewater management (extension) program as part of its wastewater regionalization efforts (elimination of on-site septic tank disposal systems). Minor growth is projected throughout the Forecast Period which is primarily related to the continuation of the City's service area expansion which is now in the last phase of the program, which is referred to by the City as Phase 4 (there are several subphases, of which the phase under construction is referred to as Phase 4b). The construction for this service area associated with this subphase has been completed with connections assuming to conservatively occur during the Fiscal Years 2025 and 2026. Due to the built-out nature of the City and the uncertainty as to the timing of the implementation of the final subphases of the Phase 4 wastewater extension project, all remaining years having no growth (through the addition of new customers or through re-development activities) once all of the properties associated with the Phase 4b wastewater extension project have connected.

The following table provides a summary of the recent historical and projected trends in reclaimed water customer billing statistics:

Historical and Projected Reclaimed Water Customer Statistics [1]				
Fiscal Year	General Service (Non-contract)		Bulk Service (by Contract)	
	Average Annual Accounts	Sales (000s Gallons)	Average Annual Accounts	Sales (000s Gallons)
Historical				
2019	68	97,853	3	221,318
2020	68	91,574	3	253,927
2021	70	77,742	3	253,180
2022	73	81,754	3	278,158
2023 [2]	1	794	3	183,625
2024	16	24,491	3	186,294
Compound Growth Rate 2019 to 2024	-24.82%	-24.20%	0.00%	-3.39%
Projected				
2025 (Est.) [3]	72	63,335	3	183,608
2026	72	76,002	3	187,207
2027	72	79,802	3	189,187
2028	72	79,802	3	189,187
2029	72	79,802	3	189,187
2030	72	79,802	3	189,187
Compound Growth Rate 2025 to 2030	<u>0.00%</u>	<u>4.73%</u>	<u>0.00%</u>	<u>0.60%</u>

[1] Amounts derived from Table 3 at the end of this report; billed flow is based on metered reclaimed water sales at the customer premise.

[2] Reduction in billed flows due solely to impact of Hurricane Ian and is projected to approach more normal flow levels as the service area redevelops from the storm.

[3] Amounts shown based on nine (9) months of actual information; reduction in average.

The Forecast Period assumes no additional reclaimed water customer accounts which is consistent with year-to-date statistics for Fiscal Year 2025. The reclaimed flows It is assumed that as the service area redevelops, general non-contract reclaimed water service will begin to occur (this is evidenced by the sales occurring during Fiscal Year 2025). Recognizing that reclaimed water sales can be influenced by weather, economic conditions, and other factors, the projected reclaimed water sales were reduced for the Forecast Period that future water use will be more efficient with less demand being required.

The customer projections formed the basis for the determination of revenues from rates and were recognized for the preparation of the financial forecast presented in this report. The customer growth and billed sales assumptions and corresponding forecast are reflected in Tables 2 and 3 at the end of this report for the wastewater system and reclaimed water system, respectively.

Rate Revenues Under Existing Rates

The forecast of revenues from existing wastewater retail user rates and reclaimed water retail rates was based on i) the projection of System customer statistics (i.e., accounts and usage) as shown on Tables 2 and 3 for the wastewater and reclaimed water systems, respectively which was summarized above; and ii) the existing rates for wastewater and reclaimed water service as currently adopted by the City Council as presented in the Rate Resolution. Based on the customer growth and billed flow assumptions recognized for the development of the financial forecast and the recognition of the rates currently in effect, the estimated retail rate revenues under existing rates for the Forecast Period are shown in Tables 4 and 5 at the end of this report and summarized on the table below.

Projected Retail Wastewater and Reclaimed Water User Rate Revenues Under Existing Rates				
Fiscal Year	Wastewater System [1]	General (Non-Contract) Reclaimed Water System [2]	Total Retail User Rate Revenue	Bulk (Contract) Reclaimed System [3]
2024 (Actual)	\$7,046,435	\$117,138	\$7,120,716	\$40,391
2025 (Est.) [4]	7,342,672	239,011	7,547,878	33,806
2026	7,419,565	281,263	7,665,811	35,016
2027	7,602,420	294,151	7,860,979	35,592
2028	7,728,817	294,727	7,987,376	36,168
2029	7,808,484	295,303	8,067,043	36,744
2030	7,808,484	295,878	8,067,043	37,319
Compound Growth Rate 2025 to 2030	1.24%	4.36%	1.34%	2.00%

[1] Amounts derived from Table 4 at the end of this report.

[2] Amounts derived from Table 5 at the end of this report and do not include bulk (contract) reclaimed water service revenues since the respective rates are set specifically by contract.

[3] Revenues include the continued application of the annual price index as provided in each bulk customer agreement for reclaimed service with the index ranging from 2.3% to 2.5% annually based on the projections of the Consumer Price Index recognized in financial forecast.

[4] Amounts based on reported customers and billing statistics for the actual nine (9) months ended June 2025.

The general reclaimed water service revenue shown in the previous table does not include revenue from the City's three (3) contractual (large user) customers – The Dunes Golf and Country Club, the End Golf Management, LLC, and the Sanctuary Golf Club. The revenues from these three (3) customers are based on rates that are established by service agreement or contract which includes a provision to annually index the respective customer rates for inflation which the City plans to do. Since the rates are set by contract, they are separately identified and considered as other operating revenue in the financial forecast. The derivation of the revenue for the three (3) bulk service reclaimed water customers is shown in Table 5 at the end of this report.

Revenue Requirements – Principal Assumptions and Considerations

The revenue requirements summarized on Table 1 at the end of this report reflect certain assumptions and considerations. The primary assumptions and considerations recognized in the development of the projected revenue requirements for the Forecast Period are as follows:

1. Projected retail customer rate revenues from current user rates and charges for the City's System have been based on the schedule of rates and charges as presented in the Rate Resolution and which are currently in effect as of the date of this report. Such rates were applied to the retail customer and sales usage forecast discussed previously.
2. The most recent historical operating results for the Fiscal Year 2024, amended Fiscal Year 2025 operating and capital budget and year to date information, and preliminary Fiscal Year 2026 operating and capital budget estimates associated with the operations, maintenance, and upgrades to the System served as the basis for the expenditure projections for the Fiscal Year 2025 (the "Test Year") and for the Fiscal Year 2026 (the "Pro Forma Year"). Based on a review of expenditure trends and discussions with the City, the underlying assumptions reflected in the development of the preliminary 2026 budget costs were assumed to be reasonable and representative of anticipated operations. Such budgetary amounts represent the most recent financial forecast of the System anticipated to be adopted by the City Council and were adjusted for ratemaking and anticipated changed considerations based on discussions with the City staff and recent expenditure trends.
3. The estimated System operation and maintenance expenses for the Test Year 2026 were projected for the remaining four (4) years of the Forecast Period. These projections are shown in Table 6 at the end of this report. A summary of the escalation factors utilized in the development of the projected operation and maintenance expenses is shown on Table 7 at the end of this report. It should be noted that based on recent historical economic conditions, higher levels of inflation have been seen across the region, the state, and nationally. It is assumed that inflation will return to historical (pre-pandemic) levels and trends during the Forecast Period. The projections were developed for the Study as follows:
 - a. The Test Year 2025 operating expenses were estimated based on Fiscal Year 2025 year to date information as provided by the City. The Pro Forma 2026 operating expenses such as professional services, contractual services, and certain other operating expenses have been projected to increase from current preliminary budgetary levels at annual inflation rates ranging from 2.2% to 2.3% to reflect allowances for inflation and System growth and based on recent expense trends and discussions with City staff. The forecast of inflation was based upon the 2025 CBO forecast.
 - b. Repair and maintenance expenses were escalated at a 4.0% annual rate.
 - c. General Insurance expenses were escalated at an annual rate of 10.0% based on recent trends experienced by the City and discussions with City staff.
 - d. Based on discussions with the City staff, the costs of the System's salaries were increased above Fiscal Year 2026 budgeted amounts by 5.0% per year to account for merit and cost of living adjustments. No additional City personnel were assumed to be added to the System budget for the Forecast Period.

- e. Electricity costs were adjusted to i) reflect any increase in wastewater treated due to System growth coupled with ii) an annual commodity cost escalation factor of 4.43% for the Fiscal Years 2027 to 2030 which accounts for general inflation on the cost of power based on the twenty (20) year average change in the Consumer Price Index for All Urban Consumers for Electricity (CUSR0000SEHF01 – U.S. City Avg.) as published by the Bureau of Labor Statistics as of January 2025 and the growth in wastewater flows assumed during the forecast.
 - f. Chemical costs were adjusted to i) reflect any increase in wastewater treated due to System growth coupled with ii) an annual commodity cost escalation factor of 3.58% for the Fiscal Years 2027 to 2030 to account for general inflation on the cost of chemicals based on the twenty (20) year average change in the Consumer Price Index for All Urban Consumers for Industrial Chemicals (WPU061 – U.S. City Avg.) as published by the Bureau of Labor Statistics as of January 2025 and the growth in wastewater flows assumed during the forecast.
- 4. An allowance for bad debt expenses has been made to recognize that a certain amount of revenues will be considered as uncollectible and written off throughout the year. This expenditure item was estimated at 0.25% of sales revenue result, of which was based on discussions with the City.
 - 5. A contingency allowance ranging from 1.00% of the System total operating expenses was recognized in each fiscal year of the Study Period beginning in Fiscal Year 2027. The allowance has been included to i) recognize unknown or unplanned expenditures that may occur throughout the fiscal year; and ii) provide an allowance for any potential negative changes in the revenues that may occur due to future weather events, conservation, and other factors, including customer adjustments due to changes in rate level. To the extent the contingency allowance is not fully required to meet the projected operating expenses or provide funds for ongoing System operations, such monies would accrue to the benefit of the System and could be used for other purposes such as providing increased funds for pay-as-you-go capital funding to finance renewals, replacements, and upgrades to the System over time or to reduce potential rate adjustments that may be required in the future.
 - 6. Included as an operating expense for the Forecast Period is an allowance for indirect or administrative costs for services accounted for in the City's General Fund which are attributable to the operations of the System. The primary purpose of this expenditure is to reimburse the General Fund for those expenses from other departments that are accounted for in such fund but provide benefit to the System. These expenditures include, but are not limited to, a portion of the salaries, benefits and supplies for the finance, information technology, customer billing, and legal departments as well as management. The indirect cost charge for the Fiscal Year 2026 of \$1,098,923 as determined by the City and was assumed to be increased during the Forecast Period based on the increases in labor costs assumed for the System since labor is one of the primary cost component that comprises the charge as discussed with the City.
 - 7. Although considered a System operating expense for financial reporting purposes, depreciation and amortization expenses have not been recognized as an operating expense for the purposes of this report. These expenditures are non-cash in nature and are also not considered as operating expenses for ratemaking purposes when using the "cash-needs" approach for the determination of the revenue requirements (method commonly used by publicly owned utilities that have incurred debt pledged for repayment from utility rate revenues). Therefore, such amounts have not been recognized as a revenue

requirement to be recovered from rates for the Forecast Period. It should be noted that an allowance for the cash-funding of capital projects, infrastructure renewals and replacements, and/or reserves has been recognized within the Forecast Period.

8. For the determination of the revenue requirements, Raftelis has separated the deposits to and uses of the cash reserves into two (2) separate components, which include an operating component (working capital) and capital component (renewal and replacement). Raftelis would recommend that the City establish, within the utility fund, a renewal and replacement or similar specific capital-related fund which is annually funded from operations and which would serve as a primary funding source for the capital improvement program (“CIP”) that is related to infrastructure and utility asset renewal, replacement, rehabilitation, and upgrade that are attributable to existing customer use of such facilities once established and funded (referred to in this report as the “R&R Fund”). The establishment of this account for the financial forecast helps to distinguish and account for cash reserves which are dedicated to utility capital projects versus cash reserves that represent working capital / operating reserves or amounts available for other City purposes. Pending the immediate needs of the System, Raftelis recommends that the City gradually build up a cash reserve balance in this account to a target amount equal to one (1) year of annual depreciation expense, which by Fiscal Year 2030 is estimated to be approximately \$4.4 million. The financial forecast presented in this report assumes that the City will annually deposit amounts into the R&R Fund (dedicated funding plan) based on a percentage of prior-year gross revenues. The forecast assumes that the City would deposit (or designate funds if cash in on deposit in a “pooled” account) approximately \$500,000 per year, on average during the Forecast Period, into the R&R Fund beginning with Fiscal Year 2025. The following table summarizes the assumed annual dedicated R&R Fund deposit recognized for the Forecast Period.

Dedicated R&R Fund Deposits from Rates – Recognized for the Forecast Period

Fiscal Year	Percent of Prior Year Gross Revenues		R&R Fund Deposit	Additional R&R Fund Deposit	Total R&R Fund Deposit
	Wastewater	Reclaimed Water			
2025	0.00%	0.00%	\$0	\$435,639	\$435,639
2026	3.50%	3.50%	293,087	166,478	459,565
2027	3.50%	3.50%	303,668	341,997	645,665
2028	3.50%	3.50%	310,053	481,572	791,625
2029	3.50%	3.50%	326,794	18,916	345,710
2030	3.40%	3.50%	333,191	8,747	341,938

9. In prior periods, the City established a Disaster Reserve Fund to provide immediate funds for extraordinary expenses or lost revenues due to severe weather and other events such as an extraordinary system failure which Raftelis considers to be prudent. The minimum target balance established by the City is \$1,000,000 and such amount has been recognized in the determination of the estimated fund balances by designation. To the extent an emergency event occurs that was not reimbursed from insurance proceeds, the Federal Emergency Management Agency (“FEMA”), or some other contributory source the City could utilize the fund to provide a financial hedge against the emergency and then replenish the fund from rates and/or from outside agency contributions as needed. Recognizing the recent weather events and the financial impact it created upon the System, the City determined that the minimum target balance should be recognized immediately in the development of the financial forecast and accordingly a

deposit balance in the amount of \$1,000,000 beginning with the Fiscal Year 2025 for disaster / emergency reserves was recognized in the development of the financial forecast.

10. The System also contributes a payment-in-lieu-of-tax (“PILOT”) to the General Fund. For the Fiscal Year 2025, this payment was budgeted at \$7,500 and the Fiscal Year 2025 Budget transfer is also set at \$7,500. For the Forecast Period, the PILOT payment was maintained and held constant at Fiscal Year 2025 and 2026 budgeted levels based on recent historical and current trends and discussions with the City staff.
11. As of October 1, 2025, it is estimate that the City will have outstanding in the principal amount \$7,972,402 of debt obligations to be repaid from utility revenues and other pledged revenues that were originally issued to finance capital improvements for the System (assumes any maturities payable on October 1, 2025 will have been paid and therefore it would not be considered as an outstanding liability). The System-allocated outstanding debt includes general obligation debt issued for City-wide capital improvements, including the System, and low interest State Revolving Fund (“SRF”) loans secured through the Florida Department of Environmental Protection (“FDEP”). The total estimated outstanding debt liability for the System as of October 1, 2025 (beginning of the Fiscal Year 2026 and the rate planning period for the Forecast Period) is summarized below:

Summary of Outstanding Debt Liability of the System – Estimated as of October 1, 2025 [1]	
Issue	As of October 1, 2025
Subordinate Debt:	
State Revolving Fund (SRF) Loans:	
Capital Improvement Revenue Note, Series 2020 (the "Series 2020 Note")	\$7,491,957
State Revolving Fund (SRF) Loans:	
SRF Loan #83512S	\$480,445
Total Outstanding (Existing) System Debt	\$7,972,402
<p>[1] Assumes any October 1 maturities have been paid by the City and are not a liability of the System.</p> <p>[2] Reflects debt of the City that is secured by a covenant to budget and appropriate legally available non-ad valorem revenues of the City. Amount shown represents the System's allocated portion of the debt issued by the City for City-wide capital projects which will be funded from System revenues (as a transfer to the General Fund to pay the Series 2020 Note).</p>	

As shown on the table above, the System Outstanding debt includes a pro rata share of the debt liability associated with the Capital Improvement Revenue Note, Series 2020 (the “Series 2020 Note”), a note secured by the City in the aggregate amount of \$15,054,000 issued for City-wide capital improvements, including wastewater system improvements (i.e., the Donax WRF), for which repayment of the note is from a pledge of non-ad valorem revenues of the City. The amount of capital projects allocated to the System associated with the Series 2020 Note was \$10,000,000; the remaining deposit to the Project Fund from proceeds of the Series 2020 Note in the amount of \$5,000,000 was used to finance the City’s senior center project (a project accounted for in the City’s General Fund). Even though the Series 2020 Note is a General Fund debt secured from non-ad valorem revenues of the City, based on discussions with the City it has been assumed the System will fund the utility allocated debt service requirements of the Series

2020 Note from rate revenues since this component of the loan was issued to fund wastewater improvements at the Donax WRF. Based on the projects funded from the Series 2020 Note, the System will fund 66.67% of the total annual debt repayment requirements on the note until maturity in Fiscal Year 2035. It should be noted that for financial reporting purposes, the portion of the note that is allocated to the System is recognized by the City as a Business-type Activities debt and not a Governmental Activities debt which further supports the recognition of the annual debt service payments of the note from the net revenues of the System.

It should be noted that the debt associated with the issuance of the Sewer System Refunding Revenue Bonds, Series 2014 which were issued pursuant to the Bond Resolution and considered as senior-lien debt matured on August 1, 2021, and are no longer outstanding (there are no bonds outstanding that were issued pursuant to the terms and conditions of the Bond Resolution as of October 1, 2021). The previously issued SRF loans financed the City's Phase 2B, Phase 2C, Phase 3A, and Phase 3B wastewater collection system extensions as part of the City's wastewater management and regionalization program. Payment of the SRF loans is pledged from the Net Revenues of the System as well as special assessments and voter-approved debt service ad valorem taxes (after payment of any senior lien bonds). The projected special assessment revenue and voter-approved debt service ad valorem tax revenue associated with the for the Forecast Period was based on information provided by the City and is shown in Tables 8 and 9 at the end of this report and summarized below.

As previously mentioned, the City is extending wastewater service to a service area referred to as Phase 4.

Projected Special Assessment and Ad Valorem Tax Revenue – For the Forecast Period			
Fiscal Year	Special Assessment Revenues [1]	Debt Service Ad Valorem Tax Revenues [2]	Total
2025 (Est.)	\$278,276	\$71,742	\$350,018
2026	273,280	71,742	345,021
2027	61,134	0	61,134
2028	61,759	0	61,759
2029	60,486	0	60,486
2030	19,235	0	19,235

[1] Amounts derived from Table 8 at the end of this report; includes additional assessment revenues associated with serving the Phase 4, subsection B service area. Includes both principal and interest payments with no early payments made by the property owner for which the assessment was levied.

[2] Amounts derived from Table 9 at the end of this report.

The City had previously completed construction for certain subsections (A and E) of the Phase 4 extension program and has initiated the assessment to customers to recover the allocable cost of the capital infrastructure benefitting the properties in these Phase 4 areas (payments being received beginning in Fiscal Year 2018). The City completed construction of subsection 4B in Fiscal Year 2024 with the corresponding capital recovery assessments being initiated by the City in Fiscal Year 2024. The City does not have a formal implementation plan to complete the construction of the remaining Phase 4 subsections (C, D, and F) due to the general complexity to provide service to those areas. Although anticipated to be

constructed, the remaining Phase 4 subsections extension projects have not been reflected in the development of the financial forecast presented in this report since the timing and capital cost of such projects are not known at this time.

12. The revenue sufficiency analysis recognizes the City issuing one (1) additional Clean Water SRF loan through the FDEP. The SRF loan is anticipated to fund the replacement of a reclaimed water tank at the Wulfert Plant and a process blower replacement and air piping modifications at the Donax plant. Preliminary assumptions for the loans as discussed with the City include the following:

Preliminary Additional SRF Loan Assumptions	
	2027 SRF Loan Issue
Project Cost Amount	\$8,652,000
FDEP Administrative Fee	\$180,588
Capitalized Interest During Construction	\$196,791
Total Loan Amount	\$9,029,379
Term (After Construction Completion)	20 Years
Annual Average Interest Rate	2.00%
Fiscal Year Loan Agreement Approved	Fiscal Year 2027
Initial Year of Loan Repayment	Fiscal Year 2029
Loan Repayment Structure [1]	Level After Project Completion
Estimated Annual Loan Repayment (P + I)	\$549,990

[1] First annual debt service payments estimated to begin in Fiscal Year 2029.

13. The annual debt and loan repayment requirements for the Series 2020 Note and the outstanding and additional SRF Loans assumed for the development of the financial forecast included in this Report is presented in the table below. The debt and loan repayment requirements for the outstanding debt were based on the actual debt and loan repayment schedules for each specific debt borrowing and are based on an accrual basis (assumes monthly deposits to a sinking fund in advance of the required principal and interest payment dates and not when the actual payments are made to the lenders associated with the respective debt and loans [cash basis]). A summary of the annual debt and loan repayment expenditures for the outstanding and additional debt and loans recognized for the Forecast Period for each respective debt liability is shown below:

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Summary of Outstanding and Additional Debt Obligation Repayment Requirements –

For the Forecast Period [1]						
Description	Fiscal Year Ending September 30,					
	2025	2026	2027	2028	2029	2030
Note Payable – Direct Borrowing:						
Series 2020 Note	\$841,258	\$841,078	\$840,893	\$840,704	\$840,511	\$840,314
State Revolving Fund (SRF) Loan Obligations:						
Outstanding Loans						
SRF Loan WW83511L	\$0	0	0	0	0	0
SRF Loan WW83512S	492,731	349,017	0	0	0	0
Additional Loans						
2026 SRF Clean Water Loan	0	0	0	0	549,990	549,990
Total SRF Loans	\$492,731	\$349,017	\$0	\$0	\$549,990	\$549,990
Total Debt Repayment Requirements – All Outstanding and Additional Debt	<u>\$1,333,989</u>	<u>\$1,190,096</u>	<u>\$840,893</u>	<u>\$840,704</u>	<u>\$1,390,502</u>	<u>\$1,390,304</u>

[1] Amounts shown based on an accrual basis (assumes monthly payments to a debt sinking / loan service account from rates to pay the next principal and interest payment due to lenders and investors).

14. The projected capital expenditures for the wastewater and reclaimed water systems were based on the most recent information provided by the City, along with additional information regarding the status of current and anticipated projects and annual departmental capital needs. Table 10 at the end of this report provides a detailed listing of the capital projects for the wastewater and reclaimed water systems as well as anticipated funding sources for such projects within the Forecast Period. The capital funding plan recognized for the financial forecast is summarized as follows:

Forecast Period Capital Improvement Program (CIP) – Estimated Funding Sources [1]								
	Fiscal Year Ending September 30,						Total	
	2025	2026	2027	2028	2029	2030	Amount	Percent
Total Capital Improvement Plan	<u>\$5,050,905</u>	<u>\$14,459,767</u>	<u>\$11,637,970</u>	<u>\$8,348,150</u>	<u>\$6,004,900</u>	<u>\$5,598,050</u>	<u>\$51,099,742</u>	100.0%
Funding Sources:								
Rate Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Operating Reserves	0	0	0	0	0	0	0	0.00%
Grants	4,580,650	14,009,767	4,635,000	3,090,000	3,708,000	3,708,000	33,731,417	66.01%
Renewal and Replacement	470,255	450,000	1,543,970	2,065,150	2,296,900	1,890,050	8,716,325	17.06%
Additional SRF Loan 1	0	0	5,459,000	3,193,000	0	0	8,652,000	16.93%
Total Funding Sources	<u>\$5,050,905</u>	<u>\$14,459,767</u>	<u>\$11,637,970</u>	<u>\$8,348,150</u>	<u>\$6,004,900</u>	<u>\$5,598,050</u>	<u>\$51,099,742</u>	100.00%

[1] Amounts derived from Table 10 at the end of this report.

As indicated in the table above, a significant portion (approximately 66%) of the CIP is due solely to addressing infrastructure damage related to the Hurricane Ian storm event which is projected to be funded from grant proceeds and outside contributions. To the extent that the receipt of grants and contributions

is delayed or if the availability of funds is reduced, this could have a material effect on the recommended rates to the extent other capital expenditures could not be delayed or postponed. Absent these expenditures, the projected CIP is estimated to be \$14,459,767, which is planned to be funded primarily from additional indebtedness coupled with internal funding sources. As previously discussed, it is also projected that the System will issue additional debt through the SRF Loan program which represents almost sixteen percent (17%) of the total identified CIP expenditure needs.

15. Interest income has been recognized as an available revenue source to fund the annual expenditure needs of the System. For the Forecast Period, interest income was based on the estimated balances for all cash accounts or funds anticipated to be on deposit for the System. In development of the estimated interest earnings, an interest rate ranging from 1.25% to 2.50% was applied to the estimated average fund balances in each account maintained by the City during the Forecast Period based on recent earnings performance results of the System, discussions with City staff, and a review of the earnings performance of available investment vehicles related to the City (e.g., Florida Prime – State Board of Administration). The projected interest income assumes that interest rates or yields will reduce over the Forecast Period and the determination of the assumed income is shown in Table 11 at the end of this report.
16. Table 11 at the end of this report provides the projected cash balances for all utility funds based on the forecast of revenues and expenditures / funding requirements assumed for the development of the financial forecast as presented in this report. The projected fund cash balances (end-of-year liquidity position) are as follows:

Summary of Projected Ending Cash Balances by Fund [1]						
	Fiscal Year Ending September 30,					
	2025	2026	2027	2028	2029	2030
Unrestricted Cash Balances:						
Operating Fund	\$8,872,062	\$8,372,062	\$7,872,062	\$4,872,062	\$3,272,062	\$3,272,062
Disaster Reserve Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Renewal and Replacement Fund [2]	465,384	974,949	576,644	2,303,119	1,951,928	403,817
Total Unrestricted Cash Balances	\$10,337,446	\$10,347,011	\$9,448,706	\$8,175,181	\$6,223,991	\$4,675,879
Restricted Cash Balances:						
Debt Service Reserve Account	0	0	0	0	0	0
Total Estimated Cash Balances	\$10,337,446	\$10,347,011	\$9,448,706	\$8,175,181	\$6,223,991	\$4,675,879

[1] Derived from Table 11 at the end of this report and reflects the imposition of the rate phasing plan for all years of the Forecast Period.

[2] Represents fund recommended to be created by the City to account ongoing capital renewals, replacements, betterments, and rehabilitation of System assets to segregate funds from other reserves and to match asset use to capital replacement re-investment.

17. The City collects other revenues such as communication tower leases. Such charges and other operating revenues were held constant for the duration of the Forecast Period based on Fiscal Year 2025 budgeted amounts, historical trends, and discussions with the City.

Summary of System Revenue Requirements

As shown on Table 1 at the end of this report and based on the forecast of sales and revenues for the System and the assumptions and considerations set forth herein with respect to the estimation of the System expenditures or net revenue requirements, the projected existing rate revenue surplus or deficiencies of the System for the Forecast Period are projected to be as follows:

Projected Net Revenue Requirements – For the Forecast Period [1]						
	Fiscal Year Ending September 30,					
	2025	2026	2027	2028	2029	2030
Operating Expenses	\$6,596,774	\$7,026,463	\$7,375,248	\$7,709,598	\$8,059,461	\$8,425,504
Debt Service / Loan Repayment Requirements	1,333,989	1,190,096	840,893	840,704	1,390,502	1,390,304
Other Revenue Requirements [2]	443,139	467,065	653,165	799,125	353,210	349,438
Gross Revenue Requirements	\$8,373,902	\$8,683,623	\$8,869,306	\$9,349,427	\$9,803,172	\$10,165,246
Less Other Income and Funds from Other Sources [3]	\$826,024	\$787,837	\$448,626	\$408,327	\$366,530	\$303,954
Net Revenue Requirements	\$7,547,878	\$7,895,786	\$8,420,681	\$8,941,100	\$9,436,643	\$9,861,292
Rate Revenue Under Existing Rates						
Wastewater Rate Revenue	\$7,342,672	\$7,419,565	\$7,602,420	\$7,728,817	\$7,808,484	\$7,808,484
Reclaimed Water Rate Revenue (Non-contract)	205,206	246,247	258,559	258,559	258,559	258,559
Total Rate Revenue Under Existing Rates	\$7,547,878	\$7,665,811	\$7,860,979	\$7,987,376	\$8,067,043	\$8,067,043
Revenue Surplus / (Deficiency) At Existing Rates	(\$0)	(\$229,974)	(\$559,702)	(\$953,724)	(\$1,369,600)	(\$1,794,249)
Percent of Rate Revenue	(0.00%)	(3.00%)	(7.12%)	(11.94%)	(16.98%)	(22.24%)
Adjustment Recognized:						
Wastewater and Reclaimed Water (Non-contract) Rate Adjustment	0.00%	3.00%	4.00%	4.50%	4.50%	4.50%
Cumulative Rate Adjustment	0.00%	3.00%	4.00%	4.50%	4.50%	4.50%
Additional Rate Revenue from Planned Adjustments	\$0	\$229,974	\$559,702	\$953,724	\$1,369,600	\$1,794,249
Adjusted Revenue Surplus / (Deficiency) After Planned Rate Adjustments	\$0	\$0	\$0	\$0	\$0	\$0

[1] Derived from Table 1.

[2] Includes transfers to a separate R&R Fund or a capital account as recommended in this study, capital funded from rates (e.g., general plant such as vehicles), funding of the Disaster Reserve Fund to City policy balances, and transfers to General Fund.

[3] Includes unrestricted interest earnings, other operating revenue, special assessment revenues, and dedicated ad valorem tax revenues.

As indicated by the preceding table, Raftelis has identified the need to raise wastewater and non-contract reclaimed water rates for each year of the Forecast Period. The financial forecast for the System recognizes that there still exists a lot of uncertainty which could materially affect the financial position of the System. These uncertainties include, but are not limited to: i) the timing and type of development associated with the continued reconstruction of the service area as a result of Hurricane Ian; ii) the potential of increasing the service area customer base by servicing a portion of Captiva Island which is unknown at this time; iii) modifications to the capital plan due to potential changes in priority of needs and regulations and the financing plan assumed for funding the capital plan (i.e., amount, timing and structure of additional debt to fund a portion of the capital plan); iv) the continued impacts of inflation on the cost of service and capital improvements, v) increased

regulations; and vi) other factors. Due to these uncertainties, it is recommended that the City i) only consider the implementation of the rate adjustment planned for the Fiscal Year 2026 and ii) reevaluate the sufficiency of rates each year thereafter to meet then them projected revenue requirements to ensure that financial position is in a favorable position yet rates more accurately match the cost of providing service.

Proposed Wastewater and Reclaimed Water Rates

Based on discussions with City staff, it is proposed that the wastewater and reclaimed water rates currently in effect for the Fiscal Year 2025 be adjusted by 3.00% and applied uniformly or across-the-board consistent with rate adjustments that were previously made by the City. No change is recommend to the rate structure for the billing of wastewater and reclaimed water (non-contract) rates.

The existing Fiscal Year 2025 wastewater and reclaimed water (non-contract) rates (which was adopted on October 1, 2022) and the proposed Fiscal Year 2026 comparable rates are shown as follows:

Summary of Existing and Proposed Wastewater and Reclaimed Water Rates		
	Existing – Effective 10/1/2024	Proposed – Effective 10/1/2025
<u>Wastewater Rates:</u>		
Residential Customer Rates:		
Quarterly Flat Rate per Dwelling Unit	\$216.87	\$223.38
Monthly Flat Rate per Dwelling Unit	72.29	74.46
Commercial Customer Rates:		
Quarterly Charge by Meter Size		
5/8" Meter	\$125.88	\$129.66
1" Meter	314.61	324.05
1.5" Meter	628.86	647.73
2" Meter	901.35	928.39
3" Meter	2,011.59	2,071.94
4" Meter	3,154.05	3,248.67
Monthly Charge by Meter Size		
5/8" Meter	\$41.96	\$43.22
1" Meter	104.87	108.02
1.5" Meter	209.62	215.91
2" Meter	300.45	309.46
3" Meter	670.53	690.65
4" Meter	1,051.35	1,082.89
Volumetric Charge per 1,000 Gallons	10.86	11.19
<u>Reclaimed Water Retail (Non-contract) Rates:</u>		
Consumption Charge per 1,000 Gallons	\$3.24	\$3.34

Rate Comparisons – Neighboring Utilities

To provide the City with additional information regarding the current rates charged for service, a comparison of the City's existing and proposed residential wastewater rates for customers served by a 5/8-inch or 3/4-inch meter (representative of the single-family residential class and a large portion of the commercial class) with charges for similar service by 22 neighboring utilities has been made. It should be noted that when making a comparison of the bills rendered for wastewater service, several factors can affect the levels of rates charged by a public utility. These factors may include, but not be limited to, the following:

1. Level of treatment and effluent disposal methods (and provider) of wastewater service.
2. Plant capacity utilization, age, and assistance in construction by federal or state grants, connection fees, etc.
3. Capital improvement plan requirements and timing of construction needs.
4. General fund and administrative fee transfers made by municipal and county systems.
5. Bond (rate) covenants and funding requirements of the rates.
6. Level of capital improvements / renewals and replacements funded from rates.
7. Customer demand / usage and economic demographics.
8. Time elapsed since last rate review.

For the utilities included in the rate comparisons on Table 12 at the end of this report, no analysis has been made of the above-mentioned factors as they relate to the reported wastewater rates currently being charged by the other utilities surveyed for the purposes of this Study. As shown on Table 12 and as summarized below, the proposed Fiscal Year 2025 wastewater rates for the City produce bills for the average monthly billed wastewater flow for a typical residential household of 6,000 gallons (wastewater flow is generally based on metered water use at a customer premise) that are competitive with those of the surveyed neighboring utilities.

Comparison of Residential Wastewater Rates – 6,000 Gallons of Monthly Service	
Description	Amount
City of Sanibel:	
FY 2025 (Existing) Rates [1]	\$72.29
FY 2026 (Proposed) Rates [2]	74.46
Other Florida Utilities Average [3]	\$83.18

[1] Amounts shown derived from Rate Resolution and reflect rates currently in effect for the System.

[2] Amounts shown represent proposed rates based on the study.

[3] Amounts shown represent average bill for the survey of 22 public or neighboring utilities at an assumed average monthly usage level of 6,000 gallons as shown on Table 12 at the end of this report.

Debt Service Coverage

A major aspect of any utility revenue sufficiency analysis is the determination of whether the rate covenants as contained in any bond resolutions or loan agreements are being met. The City's Bond Resolution associated with the previously issued Series 2014 Bonds contains a covenant under which the City will maintain rates and charges for the services furnished by the System that are sufficient to provide:

"...Net Revenues in each Fiscal Year sufficient to pay one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year and one hundred fifteen percent (115%) of the Bond Service Requirement on all Subordinate Debt in the applicable Bond Year."

The City's current SRF loan agreements contain a covenant under which the City:

"...shall maintain rates and charges for the services furnished by the Sewer System which together with available ad valorem tax proceeds, and Special Assessment Proceeds will be sufficient to provide, in each Fiscal Year, Pledged Revenues equal to or exceeding 1.15 times the sum of the Semiannual Loan Payments due in such Fiscal Year. In addition, the Local Government shall satisfy the coverage requirements of all senior and parity debt obligations."

The Series 2020 Note was issued pursuant to the Loan Agreement by and among Sterling National Bank, the Florida Municipal Loan Council, and the City dated June 1, 2020 (the "Note Agreement"), which provides for, among other thing, that the pledge for repayment is from the non-ad valorem taxes of the City; there is no specific rate covenant. For the purposes of this Study and recognizing that the System will transfer funds annually to the General Fund to finance its annual allocated share of the note repayment requirements when due, this loan has been presented as a Subordinate Debt and included in the debt service coverage calculations. This presentation provides consistency with the presentation of the other debt requirements and in the establishment of the fiscal policies recognized in the development of the net revenue requirements of the System. As can be seen on Table 13 at the end of this report and as shown in the following table, it is projected that the Net Revenues, assuming the implementation of the proposed rate adjustments, will meet the debt service coverage requirements for both senior lien bonds and the subordinate lien loans.

Summary of Projected Debt Service Coverage [1]

Fiscal Year	Senior Lien Coverage 120% Required [2]	Subordinate Lien Coverage 115% Required [2]	SRF Loan Agreement Minimum Coverage 115% Required [4]
2025	N/A	133%	156%
2026	N/A	139%	186%
2027	N/A	178%	N/A
2028	N/A	195%	N/A
2029	N/A	125%	134%
2030	N/A	125%	133%

BMP = Best Management Practice; represents minimum target.

[1] Amounts derived from Table 13 at the end of this report and assume the implementation of all recognized rate adjustments.

[2] No debt is currently outstanding that was issued pursuant to the Bond Resolution and therefore, no debt service coverage is presented.

[3] Reflects coverage on all Debt allocated to and paid from System Pledged Revenues (represents the sum of the System Net Revenues, Ad-valorem tax revenues and assessment revenues) including the Series 2020 Note and the SRF Loans (referred to as "All-in" Debt Coverage).

[4] Represents debt coverage test for the SRF Loans only based on our understanding of the Loan Agreements with the FDEP.

Projected Financial Position and Performance Measures

Included as part of the development of the financial forecast and the review of the overall sufficiency of revenues is an evaluation of System's financial position which recognize the implementation of the proposed and identified rates for each respective Fiscal Year of the Forecast Period. This evaluation includes the development of ratios and financial performance indicators to evaluate "where the System is estimated to be financially" during the Forecast Period and to illustrate the projected financial position of the utility based on the assumptions documented in this report. In the development of the net revenue requirements to be funded from rates, consideration as to the financial performance was recognized. The primary purpose of this additional analysis was to continue to promote a financial plan designed to maintain a favorable credit rating, especially when one recognizes the current financial needs of the System (e.g., need to fund the continuation of the wastewater infrastructure expansion and ongoing capital reinvestment program, etc.). The analysis includes a series of charts and figures prepared to provide the City with a visual representation of the financial and statistical trends in the selected financial ratios or benchmarks anticipated for the System over the Forecast Period.

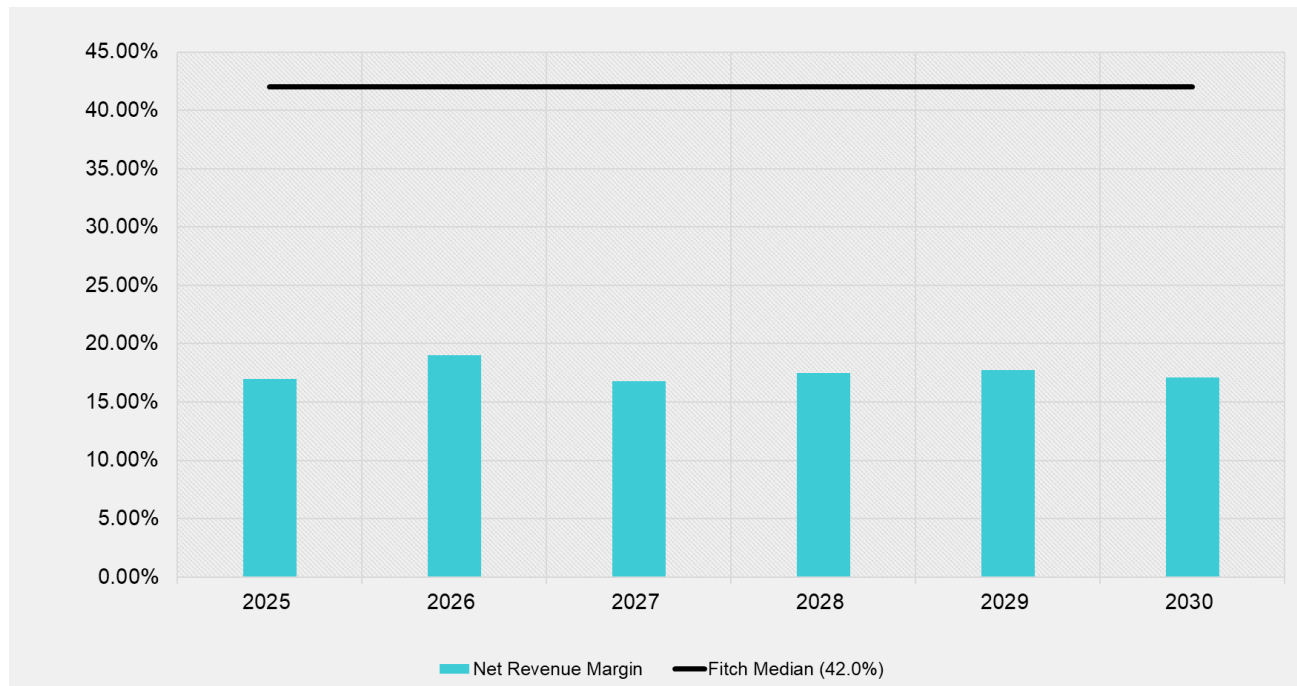
The following is a brief description of key financial ratios and financial results evaluated for the City's consideration. It should be noted that the financial analysis assumes the implementation of all recognized rate adjustments identified in the study.

NET REVENUE MARGIN RATIO

The net revenue ratio is a measure of a utility system's ability to meet its operating expenses and indicates the net contribution margin estimated to be earned by the City after the payment of such expenses. This margin calculation represents the amount of net revenues derived from utility system operations that are available to meet the other expenditure requirements of the System (after the payment of the operating expenses, exclusive of depreciation expense, which is a non-cash expense, and represents funds available for debt service payments, deposits to the wastewater and reclaimed water capital-related accounts, etc.). Since revenues derived from connection fees are considered restricted and were assumed to be used only to fund infrastructure for new development and growth (expansion-related expenditures) and are a one-time revenue (not recurring like revenues received from utility service rates), Raftelis has not recognized the receipt of any connection fee revenues in the evaluation of the net revenue margin ratio. A relatively low net revenue margin ratio (e.g., 25 percent) indicates that a large portion of operating revenue is used to pay operating expenses. A higher net revenue margin ratio (e.g., 45 percent) indicates a greater portion of operating revenues is available for utility system expenditures other than the payment of operating expenses (e.g., capital reinvestment). The target median ratio of 42% recognized in the analysis represents the Fitch Median for all utility credits reported as of 2020. As can be seen below and assuming the implementation of the recommended and identified rate adjustments in this Study, the net revenue margin ratio is projected to increase over during the Forecast Period as the System recovers from the effects of Hurricane Ian and through the implementation of additional rate adjustments. The System's contribution margins for capital financing are projected to remain relatively constant thereby supporting the programmed need of providing a dedicated deposit to the wastewater and reclaimed water capital accounts for ongoing (existing customer) pay-as-you-go ("PAYGO") capital reinvestment financing. Although the projected ratio is planned to be stable as shown on Figure 2, Raftelis considers the ratio to be stable when one considers that the debt repayment is relatively constant for the Forecast Period and that a significant amount of the System infrastructure will be renewed, replaced, or improved due the storm

reconstruction activities (will result in new facilities). We would recommend that the City improve the net revenue margin through increased capital reinvestment funding from rates (which is the plan being developed in the financial forecast in this report). The City should continue to monitor this contribution margin and maintain or increase the projected results to assure the ability provide sufficient recurring funds for ongoing capital financing, which will promote long-term rate sustainability.

Figure 2. Net Revenue Margin



AVAILABLE WORKING CAPITAL AND CASH BALANCES

Another important component of the evaluation of the System operations is the resulting ending cash balance or cash position of the utility. The estimated cash flows (deposits and withdrawals) and projected ending cash balances for the Forecast Period are shown in detail on Table 11 at the end of this report. In the evaluation of System liquidity, the cash balances were segregated as either i) operating reserves (not restricted to debt payment and capital expenditures); ii) capital reserves dedicated for ongoing and future capital improvements, replacements, upgrades, and betterments; or iii) restricted for specific purposes (i.e., Disaster Reserve Fund).

The financial forecast reflects that at minimum unrestricted cash balances or reserves should target i) 120 days of rate revenue plus ii) one (1) year of projected annual depreciation expense (the “target reserve”). As shown on Figure 3, it is projected that the System may not meet the minimum target balance after the Fiscal Year 2025 due to the increased level of capital improvements being funded by reserves coupled with the reduction in rate revenues which need to be re-established over time due to the impact of Hurricane Ian.

By the end of the Forecast Period the target balance is predicted to not be met due to the limited amount of capital reserves being accrued over the Forecast Period (funds that are accruing from operations are subsequently being spent on capital re-investment to limit the amount of new debt to be issued to limit the amount of new debt being issued). It should be noted that the operating reserve component of the cash balance is essentially being maintained at or above the target level, which is important to the System (see discussion regarding operating reserves balance). Overall and considering the circumstances, Raftelis is of the opinion that the level of cash balances projected to be maintained during the Forecast Period is stable and the proposed rate plan is anticipated to support the City's ability to limit the financial risk to the utility in the future while attempting to maintain affordable utility rates.

Figure 3. Ending Unrestricted Cash Balances – Operating Fund, Renewal / Replacement Fund and Disaster Reserve Fund

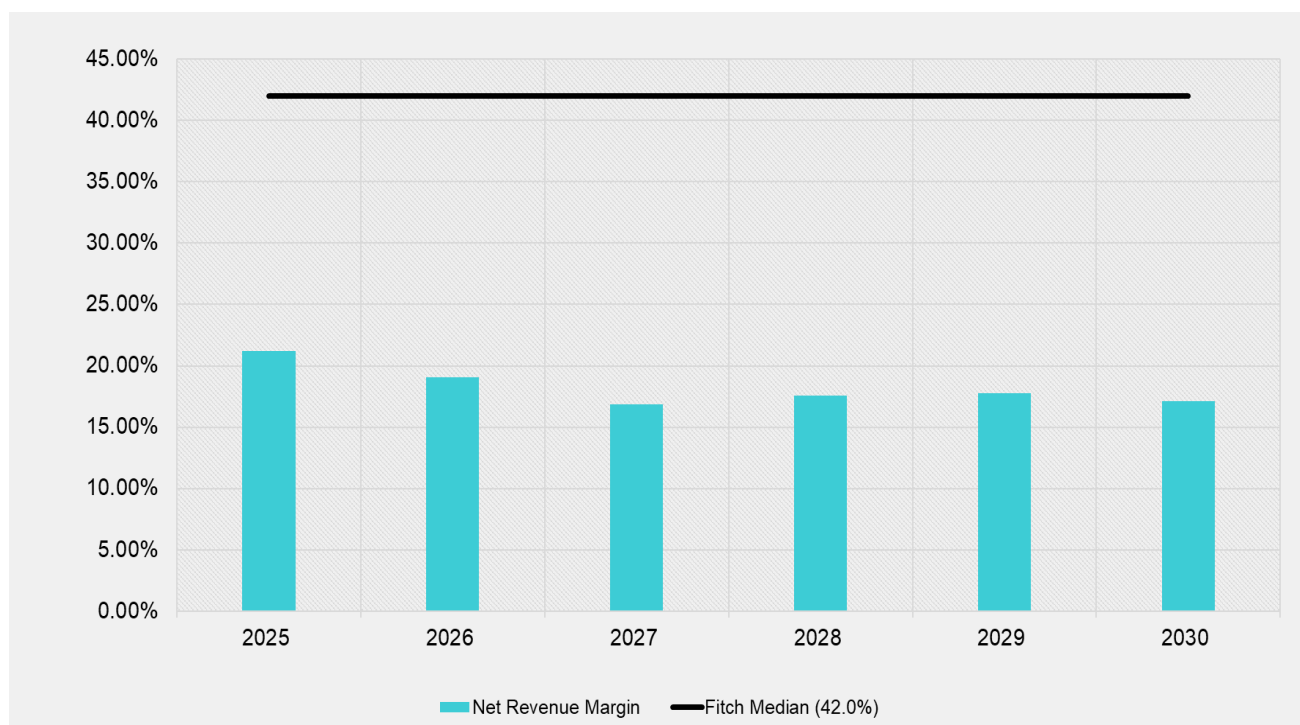
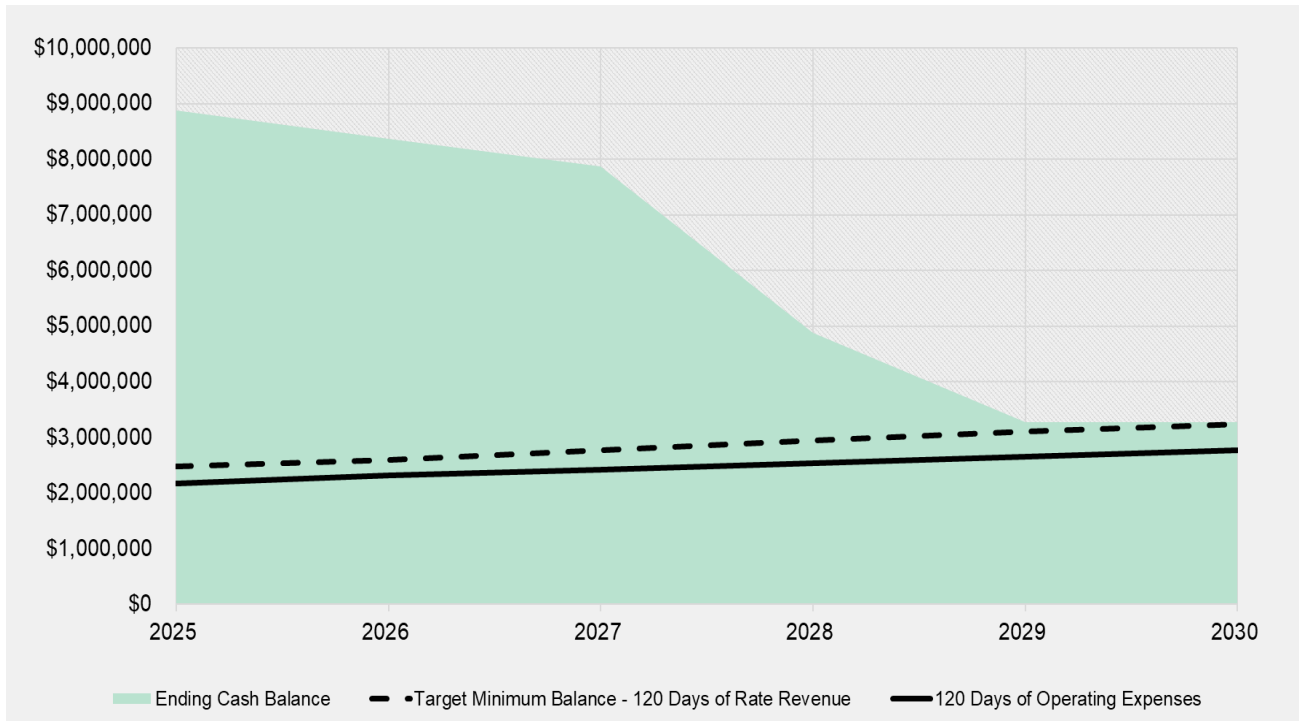


Figure 4 presents only the operating reserves (which is exclusive of capital-related funds) on an individual basis to illustrate the ability to meet the operating reserve target of 120 days of rate revenue. As can be seen from the following figure and as was previously discussed, the target is projected to be met essentially for all years of the Forecast Period although the reserve balance is anticipated to decline. The reduction in reserves projected for the Forecast Period is due to the use of funds for capital expenditures and the need to use the reserves as a “rate stabilization account” to allow the wastewater service area to be re-established following the effects of Hurricane Ian and allow rate adjustments to be phased-in over time. Overall and considering the circumstances, Raftelis is of the opinion that the level of operating cash balances projected to be maintained during the Forecast Period is stable and generally meets 120 days of rate revenue.

Figure 4. Ending Cash Balance – Operating Fund

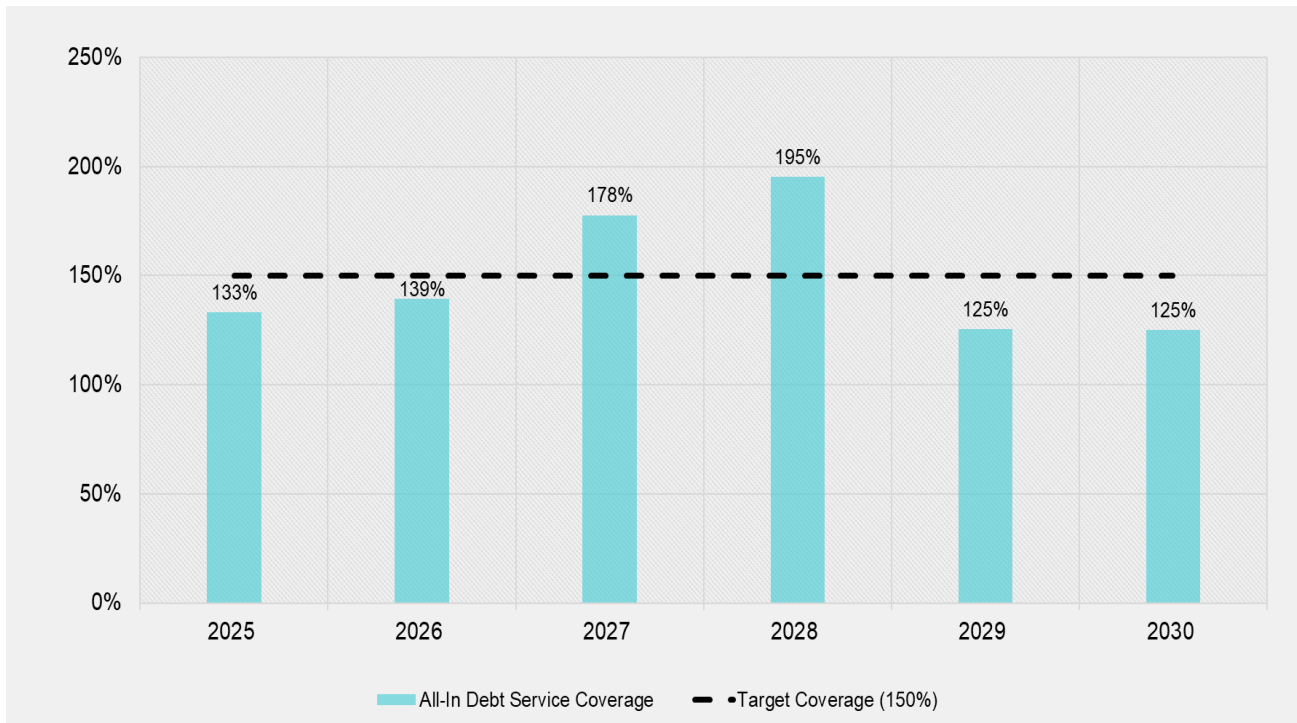


ALL-IN DEBT SERVICE COVERAGE

In addition to the debt service coverage ratio by individual category (priority) of bonds as discussed earlier in this report, an evaluation of the debt service coverage on a combined or “all-in” basis was prepared. This calculation presents the debt service coverage for the aggregate of all System debt and loans paid from System revenues, which more accurately reflects the ability of the net revenues of System to fund the annual debt service requirements. Additionally, the credit rating agencies rely on this ratio in the review of utility credits since it links to the total ability to pay debt from ongoing revenues of the utility over the life of the repayment term of such debt and presents the overall leveraging capability of such utility. The “all-in” debt service coverage ratio for the Forecast Period is presented on Figure 5 below:

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Figure 5. Projected All-in Debt Service Coverage



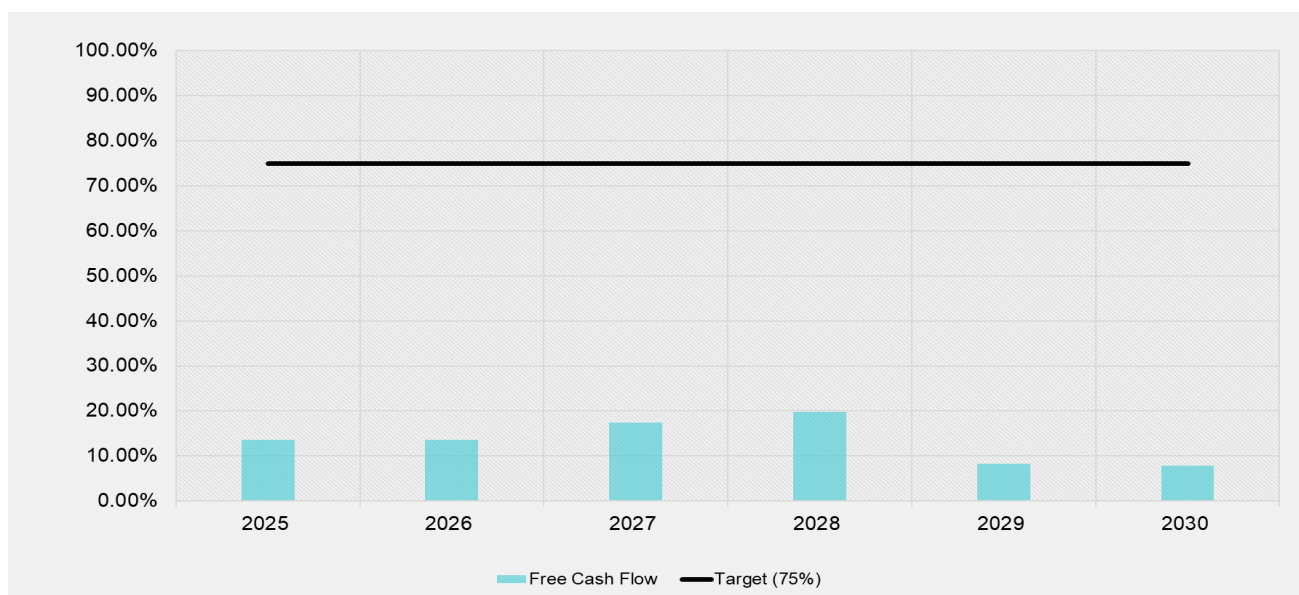
Raftelis recommends that City should aim to maintain a minimum “all-in” debt coverage ratio determined on a net revenue basis, which would include capital assessments and voter-approved debt ad valorem contributions since such funds are dedicated to the payment of debt associated with the wastewater extension program, at a minimum target level ranging from 150% to 200%. This range was based on the median debt service coverage ratio as reported by credit rating agencies that are typical for an “AAA”-rated utility. As can be seen on Figure 5, it is projected that upon re-establishing the utility service area coupled with the implementation of the proposed rate phasing plan, the projected net revenues are anticipated to meet this minimum target threshold (i.e., 150%) for the Forecast Period and is therefore considered by Raftelis to be favorable and should support the City’s ability to issue additional bonds or debt as may be required and to limit the financial risk to the utility. It should be noted that the projected coverage drops with the projected issuances of an additional debt to fund two projects (Donax WRF Blower and Wulfert Plant Tank) within the CIP.

FREE CASH TO DEPRECIATION RATIO

Figure 6 illustrates the amount of funds available for equity capital funding or for other System purposes after the payment of operating expenses, the annual debt service requirements, and any other required cash deposits or funding needs. This ratio is a key ratio of the credit rating agencies since it provides a measure of the annual financial capacity to maintain utility plant facilities at current levels of service (which assumes that such assets will allow for the continuation of service and the ability to generate revenues without a significant rate adjustment associated with unfunded infrastructure needs). As can be seen from the following chart the amount of capital re-investment from rates appears to be low and does not appear to provide the required transfer to maintain a reasonable capital reinvestment rate for ongoing equity capital funding and the avoidance of future long-term debt. However, this does not recognize that the System anticipates receiving a significant amount of

cost-free capital (grants) to fund approximately \$33.7 million in capital improvements during the Forecast Period (which is in addition to funds already received and expended on infrastructure reconstruction) which replaces the need to fund a higher deposit level from rates. Raftelis is of the opinion that a higher funding level will need to occur in the future but can be phased-in over time due to the infusion of cost-free capital. The decrease in the target for the last two fiscal years of the Forecast Period as shown in the figure below is due to the assumed issuance of additional debt to fund capital improvement projects. To the extent that this debt issue could be reduced due to the reprioritization of the project needs or if the funding of projects can be deferred, this would improve the financial metric. Additionally, if the City were to increase the rates for service above what is presented in this report to improve the overall cash reserve position, this would also improve the financial metric. We are also of the opinion that the capital reinvestment rate will need to be closely monitored as it is lower than what is being experienced by other utilities, but as previously mentioned a significant amount of the System utility assets is relatively new (e.g., the Donax WRF expansion and upgrade coupled with the assets being replaced due to Hurricane Ian) and the immediate need for a high capital reinvestment rate is not yet warranted.

Figure 6. Free Cash Flow to Depreciation

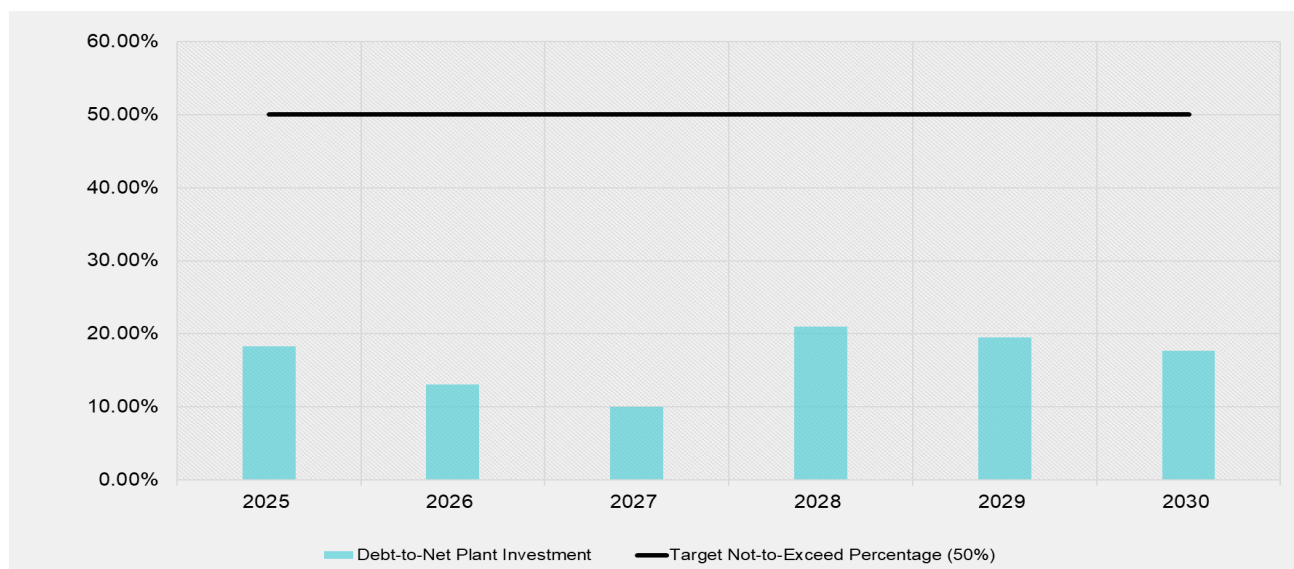


With respect to the annual funding of the capital needs, Raftelis recommends that the City should consider maintaining a minimum cash flow ratio over the long-term ranging from 90% to 110% of the annual depreciation expense for the City-owned utility assets (which assumes that the depreciation service lives used for financial reporting for the City are reasonable and relate to the service parameters actually being experienced by the System). This range was based on discussions with the financial community, median cash flow ratios as reported by credit rating agencies that are typical for an “AAA”-rated utility, the level of PAYGO capital funding identified for the Forecast Period, and the level of depreciation expense recognized for financial reporting purposes. The projected ratio anticipated for the Forecast Period is considered to be average by Raftelis but is explainable and that the general trend in capital reinvestment funding is generally positive during the latter part of the Forecast Period and should positively improve the City’s ability to fund capital improvements on a pay-as-you-go basis and limit the financial risk to the utility over the long run.

DEBT OUTSTANDING TO NET PLANT INVESTMENT (DEBT) RATIO

This ratio presents the net equity of the utility (in terms of plant investment) and provides an indication of the reliance on debt to fund existing assets as well as the flexibility in terms of funding future capital assets with debt (indicates potential leveraging capability) and overall rate stability. This figure illustrates the aggregate principal amount of outstanding System debt that has been issued by the City to finance infrastructure additions which become a component of the net plant investment to meet the wastewater and reclaimed water demands of the System service area. Generally, the higher the ratio, the greater the need to have a larger portion of the rate revenues being dedicated to principal retirement and the payment of the cost of carry (interest) for the financing of capital improvements to the System. The 2020 median debt outstanding to net plant investment ratio (the “Debt Ratio”) is approximately 39% as reported by Fitch Ratings for water and wastewater utilities (note that this is an average and Raftelis believes that the Debt Ratio for “low growth” systems should have a lower debt ratio with a greater emphasis on capital re-investment being funded from a pay-as-you-go program – i.e., deposits to the Renewal and Replacement Fund). Figure 7 presents the Debt Ratio projected for the Forecast Period.

Figure 7. Debt to Net Plant Investment



With respect to the City, we have identified a maximum target for this ratio equal to 50% of the total net plant investment to maintain a sustainable funding relationship of infrastructure (not relying totally on debt) and recognizing that a significant amount of the capital needs was for the construction of the Donax WRF expansion and upgrade and for ongoing renewals and replacements allocable to existing assets which should be limited as to the amount of debt issued to fund such investment. Our experience has indicated that utilities that have a debt to net plant investment ratio of 50% or greater tend to have higher utility rates for service due to the recovery of increased financing charges coupled with reduced flexibility resulting from reduced cash flow for capital reinvestment (reference the previous figure illustrating the projected free cash to depreciation ratio). This maximum threshold was based on discussions with the financial community, median liquidity ratios as reported by credit rating agencies that are typical for an “AAA”-rated utility, and our experience serving the

utility industry. As can be seen and based on the capital financing plan recognized in the development of the financial forecast, the amount of the System net fixed assets funded by debt is projected to be well below the maximum target range and is considered as being favorable by Raftelis and based on our estimates of the debt to net plant investment ratio, the System is not considered by Raftelis to be “over leveraged” from a debt liability perspective.

Conclusions and Recommendations

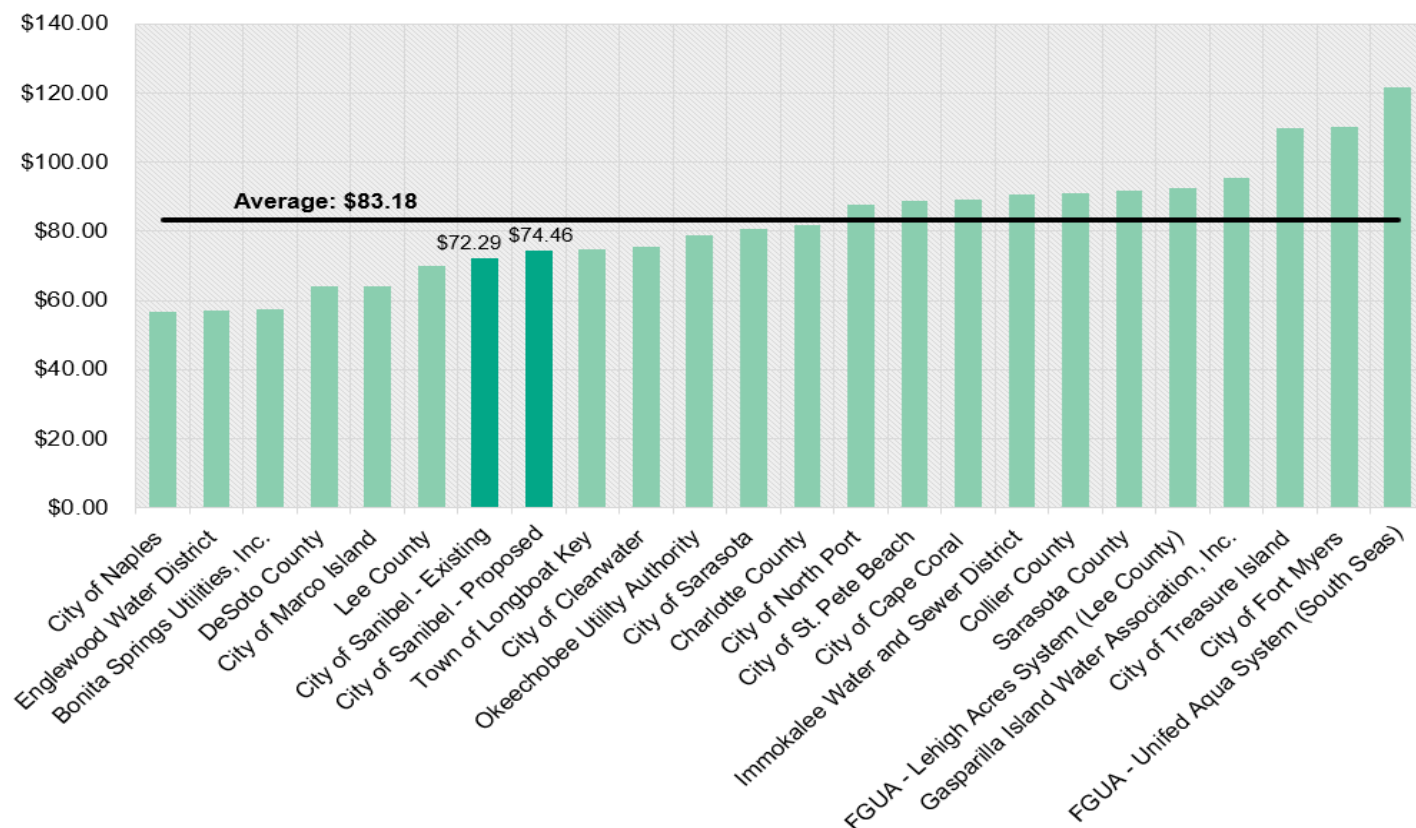
Based on our studies, assumptions, considerations, and analyses as summarized herein, we are of the opinion that:

1. The anticipated System total rate revenues for the Fiscal Year 2025 are expected to be approximately \$190,000 or 2% less than the rate revenues realized in Fiscal Year 2022 due to the continued impact of the Hurricane Ian storm event. The financial forecast does assume a continued rebound in the utility rate revenues due to reconstruction or redevelopment after the storm, but it is anticipated by the City to take years to get back to pre-storm conditions. This change in service territory demographics has affected the financial position of the utility which are expected by the City to continue due to continued inflation on the cost of providing service and construction of capital investment, limited growth in the service area, and other factors.
2. The System revenues under existing rates are not anticipated to recover the projected System revenue requirements for the Fiscal Years 2026 through 2030 based on the assumptions reflected in this Study.
3. Recognizing i) the continued redevelopment and rebuilding efforts occurring in the System service area and overall needs of the community; and ii) the need to improve the financial position of the System yet recognize the affordability needs of its customers; Raftelis recommends that wastewater and reclaimed water rates be increased by a 3.0% inflationary increase fund the revenue requirements of the System. The revenue requirements are based on the City’s estimated cash expenditure and funding needs and reflect the cost of operations, the financing of capital improvements including renewals and replacements, the payment of debt service on the City’s existing and anticipated utility indebtedness, and the maintenance of adequate operating reserves for the System for the Fiscal Year 2026.
4. Although future rate adjustments have been identified in this study, Raftelis is not recommending that the City adopt rates to be implemented beyond the Fiscal Year 2026. The financial forecast for the System recognizes that there still exists a lot of uncertainty which could materially affect the financial position of the System. These uncertainties include, but are not limited to: i) the timing and type of development associated with the continued reconstruction of the service area as a result of Hurricane Ian; ii) the potential of increasing the service area customer base by servicing a portion of Captiva Island which is unknown at this time; iii) modifications to the capital plan due to potential changes in priority of needs and regulations and the financing plan assumed for funding the capital plan (i.e., amount, timing and structure of additional debt to fund a portion of the capital plan); iv) the continued impacts of inflation on the cost of service and capital improvements, v) increased regulations; and vi) other factors. Due to these uncertainties, it is recommended that the City i) only consider the implementation of the rate adjustment planned for the Fiscal Year 2027 of 4% and ii) reevaluate the sufficiency of rates each year

thereafter to meet then their projected revenue requirements to ensure that financial position is in a favorable position yet rates more accurately match the cost of providing service.

5. If the City implements an increase to the rates for service in the future, the City will need to provide advance notice of the public hearing to consider adopting the proposed increase (date, time, and place of the meeting of the City Council at which such increase will be considered) to each customer of the utility through the utility's billing process as required by Florida Statutes, Chapter 180.136.
6. The maintenance of the existing rates as reflected in the Study are projected to be adequate to meet the annual rate covenant requirements (e.g., debt service coverage) on the City's outstanding SRF loans as contained in the respective SRF Loan Agreements with the FDEP but will not be adequate to fully fund any deposits for asset replacement for the Fiscal Year 2026. It should be noted that the rate phasing plan subsequent to the Fiscal Year 2026 does provide for the funding of capital re-investment which is recommended to promote long-term rate sustainability.
7. The proposed System wastewater rates for the Fiscal Year 2025 are considered by Raftelis to be competitive when compared to the rates (bills) charged based on a survey of twenty-two (22) neighboring utilities. Figure 8 below provides a summary of this comparison, which contains a residential bill comparison for customers using 6,000 gallons, the average typical use for a single-family household, per month.

Figure 8. Existing and Proposed Wastewater Rate Comparison – Residential Wastewater Service for Customers Using 6,000 Gallons per Month



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**City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study**

Development of Net Revenue Requirements for the Wastewater System

Line No.	Description	2025	2026	2027	2028	2029	2030
Operating Expenses:							
1	Total Operating Expenses	\$6,596,774	\$7,026,463	\$7,375,248	\$7,709,598	\$8,059,461	\$8,425,504
Other Revenue Requirements:							
Debt Service							
Senior Lien							
2	Capital Improvement Revenue Note, Series 2020	\$841,258	\$841,078	\$840,893	\$840,704	\$840,511	\$840,314
3	Total Senior Lien	841,258	841,078	840,893	840,704	840,511	840,314
SRF Loans							
4	SRF Loan - #835090	\$0	\$0	\$0	\$0	\$0	\$0
5	SRF Loan - #83511L	0	0	0	0	0	0
6	SRF Loan - #83510L	0	0	0	0	0	0
7	SRF Loan - #83512S	492,731	349,017	0	0	0	0
8	2027 SRF Loan Issue	0	0	0	0	549,990	549,990
9	Total SRF Loans	492,731	349,017	0	0	549,990	549,990
10	Total Debt Service	\$1,333,989	\$1,190,096	\$840,893	\$840,704	\$1,390,502	\$1,390,304
Other Miscellaneous Revenue Requirements:							
11	Transfer to Operating Reserves	\$0	\$0	\$0	\$0	\$0	\$0
12	Payment-in-Lieu-of-Taxes (PILOT)	7,500	7,500	7,500	7,500	7,500	7,500
13	Departmental Capital Funded from Rate Revenues	0	0	0	0	0	0
14	Transfer to Renewal and Replacement Fund	0	293,087	303,668	310,053	326,794	333,191
15	Additional Transfer to Renewal and Replacement Fund	435,639	166,478	341,997	481,572	18,916	8,747
16	Transfer to Disaster Reserve Fund	0	0	0	0	0	0
17	Total Other Miscellaneous Revenue Requirements	\$443,139	\$467,065	\$653,165	\$799,125	\$353,210	\$349,438
18	Gross Revenue Requirements	\$8,373,902	\$8,683,623	\$8,869,306	\$9,349,427	\$9,803,172	\$10,165,246
19		\$435,639.00	\$459,564.55	\$645,665.25	\$791,624.89	\$345,709.73	\$341,938.22
Less Other Income and Funds from Other Sources:							
20	Unrestricted Interest Earnings	\$267,200	\$212,800	\$176,900	\$135,400	\$94,300	\$72,400
21	Ad Valorem Fund Dedication	71,742	71,742	0	0	0	0
22	Special Assessment Revenues	278,276	273,280	61,134	61,759	60,486	19,235
23	Other Revenues	175,000	195,000	175,000	175,000	175,000	175,000
24	Contracted Reclaimed Water Rate Revenue	33,806	35,016	35,592	36,168	36,744	37,319
25	Use of Connection Fees to Pay Debt Service	0	0	0	0	0	0
26	Transfer from Operating Reserves	0	0	0	0	0	0
27	Total Other Income	\$826,024	\$787,837	\$448,626	\$408,327	\$366,530	\$303,954
28	Total Net Revenue Requirements	\$7,547,878	\$7,895,786	\$8,420,681	\$8,941,100	\$9,436,643	\$9,861,292
29	Revenue Under Existing Rates - Wastewater	\$7,342,672	\$7,419,565	\$7,602,420	\$7,728,817	\$7,808,484	\$7,808,484
30	Prior Year Rate Adjustments	0	0	228,073	550,292	932,364	1,325,702
31	Total Applicable Wastewater Rate Revenue	\$7,342,672	\$7,419,565	\$7,830,493	\$8,279,108	\$8,740,848	\$9,134,187
32	Rate Adjustments	0.00%	3.00%	4.00%	4.50%	4.50%	4.50%
33	Effective Months	12	12	12	12	12	12
34	Percent of Current Year Effective	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
35	Revenue From Current Rate Adjustment	\$0	\$222,587	\$313,220	\$372,560	\$393,338	\$411,038
36	Total Wastewater Rate Revenue	\$7,342,672	\$7,642,152	\$8,143,712	\$8,651,668	\$9,134,187	\$9,545,225
37	Revenue Under Existing Rates - Reclaimed	\$205,206	\$246,247	\$258,559	\$258,559	\$258,559	\$258,559
38	Prior Year Rate Adjustments	0	0	7,757	18,409	30,873	43,897
39	Total Applicable Reclaimed Rate Revenue	\$205,206	\$246,247	\$266,316	\$276,968	\$289,432	\$302,456
40	Rate Adjustments	0.00%	3.00%	4.00%	4.50%	4.50%	4.50%
41	Effective Months	12	12	12	12	12	12
42	Percent of Current Year Effective	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
43	Revenue From Current Rate Adjustment	\$0	\$7,387	\$10,653	\$12,464	\$13,024	\$13,611
44	Total Reclaimed Water Rate Revenue	\$205,206	\$253,634	\$276,968	\$289,432	\$302,456	\$316,067
Revenue Surplus/(Deficiency) Under Proposed Rates							
45	Amount	\$0	\$0	\$0	\$0	\$0	\$0
46	% Rate Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Table 2

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Wastewater System Historical and Projected Customer Statistics

Line No.	Description	ERC Factor	Fiscal Year Ending September 30,										
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
WASTEWATER SYSTEM													
Residential Single and Multi-family													
Dwelling Units													
1	Normal Growth							11	0	0	0	0	0
	Incremental Growth								0	0	0	0	0
	Total Dwelling Unit Growth		26	13	13	0	(38)		0	0	0	0	0
2	Total Residential Average Annual Accounts		4,185	4,200	4,206	4,206	4,220	4,231	4,231	4,231	4,231	4,231	4,231
3	Total Residential Average Annual Dwelling Units	1.00	7,587	7,600	7,613	7,613	7,575	7,585	7,585	7,585	7,585	7,585	7,585
4	Total Residential Annual Average ERCs		7,587	7,600	7,613	7,613	7,575	7,585	7,585	7,585	7,585	7,585	7,585
Commercial													
Accounts													
Normal Growth													
5	5/8"							0	0	0	0	0	0
6	1"							0	0	0	0	0	0
7	1.5"							0	0	0	0	0	0
8	2"							0	0	0	0	0	0
9	3"							0	0	0	0	0	0
10	4"							0	0	0	0	0	0
11	Subtotal Commercial Normal Growth							0	0	0	0	0	0
Incremental Growth													
12	5/8"							0	0	0	0	0	0
13	1"							0	0	0	0	0	0
14	1.5"							0	0	0	0	0	0
15	2"							0	0	0	0	0	0
16	3"							0	0	0	0	0	0
17	4"							0	0	0	0	0	0
18	Subtotal Commercial Incremental Growth							0	0	0	0	0	0
19	Total Commercial Account Growth		0	(0)	1	(2)	0	0	0	0	0	0	0
Total Annual Average Accounts													
20	5/8"	1.00	111	111	111	110	110	110	110	110	110	110	110
21	1"	2.50	57	57	58	57	57	57	57	57	57	57	57
22	1.5"	5.00	27	27	27	27	27	27	27	27	27	27	27
23	2"	8.00	14	14	14	14	14	14	14	14	14	14	14
24	3"	16.00	0	0	0	0	0	0	0	0	0	0	0
25	4"	25.00	1	1	1	1	1	1	1	1	1	1	1
26	Total Annual Avg. Accounts		210	210	211	209	209	209	209	209	209	209	209
27	Total Annual Avg. ERCs		526	526	528	525	525	525	525	525	525	525	525

Table 2

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Wastewater System Historical and Projected Customer Statistics

Line No.	Description	ERC Factor	Fiscal Year Ending September 30,										
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Sales												
	Normal Monthly Avg. Revenue-Gallons												
28	5/8"		11,570	12,811	14,296	5,971	5,489	7,858	9,036	13,103	13,103	13,103	13,103
29	1"		44,852	46,243	48,769	24,909	19,591	24,131	30,164	39,213	45,095	45,095	45,095
30	1.5"		89,133	85,528	85,386	44,043	41,364	38,066	39,969	53,960	75,543	86,873	86,873
31	2"		178,649	146,119	116,887	59,869	57,750	87,746	100,911	116,048	116,048	116,048	116,048
32	3"		0	0	0	0	0	0	0	0	0	0	0
33	4"		1,145,833	1,146,500	1,086,333	507,417	374,750	237,444	249,333	411,417	678,833	1,120,083	1,120,083
	Other		0	0	0	0	0	0	0	0	0	0	0
	Wastewater Gallons (kgal)												
34	5/8"		15,411	16,988	18,957	7,882	7,245	10,372	11,928	17,296	17,296	17,296	17,296
35	1"		30,679	31,769	33,943	17,038	13,400	16,505	20,632	26,822	30,845	30,845	30,845
36	1.5"		28,879	27,711	27,665	14,270	13,402	12,333	12,950	17,483	24,476	28,147	28,147
37	2"		30,013	24,548	19,637	10,058	9,702	14,741	16,953	19,496	19,496	19,496	19,496
38	3"		0	0	0	0	0	0	0	0	0	0	0
39	4"		13,750	13,758	13,036	6,089	4,497	2,849	2,992	4,937	8,146	13,441	13,441
	Other		0	0	0	0	0	0	0	0	0	0	0
40	Total Wastewater Sales (kgal)		118,732	114,774	113,238	55,337	48,246	56,801	65,455	86,034	100,259	109,225	109,225
41	Annual Average Use per ERC		14.636	14.125	13.910	6.800	5.957	7.004	8.071	10.609	12.363	13.469	13.469
42	TOTAL WASTEWATER ACCOUNTS		4,395	4,410	4,417	4,415	4,429	4,440	4,440	4,440	4,440	4,440	4,440
43	TOTAL WASTEWATER DWELLING UNITS		7,797	7,810	7,824	7,822	7,784	7,794	7,794	7,794	7,794	7,794	7,794
44	TOTAL WASTEWATER ERCs		8,113	8,126	8,141	8,138	8,100	8,110	8,110	8,110	8,110	8,110	8,110
45	TOTAL WASTEWATER SYSTEM SALES (kgal)		118,732	114,774	113,238	55,337	48,246	56,801	65,455	86,034	100,259	109,225	109,225

Table 3

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Reclaimed Water System Historical and Projected Customer Statistics

Line No.	Description	ERC Factor	Fiscal Year Ended September 30,								Fiscal Year Ending September 30,					
			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
RECLAIMED WATER SYSTEM																
Non-Contract Accounts																
1	Normal Growth										16	0	0	0	0	0
2	Incremental Growth										0	0	0	0	0	0
3	Total Account Growth										16	0	0	0	0	0
4	Total Annual Avg. Accounts	1.00	66	67	68	68	70	73	0.5	16	72	72	72	72	72	72
5	Total Annual Avg. ERCs		66	67	68	68	70	73	1	16	72	72	72	72	72	72
Sales																
6	Monthly Avg. Use Per Account (gallons)		112,750	116,463	119,918	112,223	92,550	93,326	132,333	124,980	73,304	87,965	92,364	92,364	92,364	92,364
7	Adjusted Flow Percentage											20.00%	5.00%	0.00%	0.00%	0.00%
8	Total Reclaimed Water Sales (kgal)		89,298	93,636	97,853	91,574	77,742	81,754	794	24,491	63,335	76,002	79,802	79,802	79,802	79,802
											\$0.77					
The Sanctuary Golf Club Accounts																
9	Normal Growth										0	0	0	0	0	0
10	Incremental Growth										0	0	0	0	0	0
11	Total Account Growth										0	0	0	0	0	0
12	Total Annual Average Accounts	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1
13	Total Annual Avg. ERCs		1	1	1	1	1	1	1	1	1	1	1	1	1	1
Sales																
14	Normal Monthly Avg. Use (gallons)		6,425,917	5,232,000	5,875,750	5,978,833	6,455,333	6,725,417	5,063,250	4,023,917	2,999,222	2,999,222	2,999,222	2,999,222	2,999,222	2,999,222
15	Adjusted Flow Percentage											0.00%	0.00%	0.00%	0.00%	0.00%
16	Total Reclaimed Water Sales (kgal)		77,111	62,784	70,509	71,746	77,464	80,705	60,759	48,287	35,991	35,991	35,991	35,991	35,991	35,991
The Dunes Golf and Country Club Accounts																
17	Normal Growth										0	0	0	0	0	0
18	Incremental Growth										0	0	0	0	0	0
19	Total Account Growth										0	0	0	0	0	0
20	Total Annual Average Accounts	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1
21	Total Annual Average ERCs		1	1	1	1	1	1	1	1	1	1	1	1	1	1
Sales																
22	Normal Monthly Avg. Use		7,347,583	8,158,750	5,925,167	8,279,333	8,194,250	8,345,833	5,315,000	6,235,500	7,040,556	7,040,556	7,040,556	7,040,556	7,040,556	7,040,556
23	Adjusted Flow Percentage											0.00%	0.00%	0.00%	0.00%	0.00%
24	Total Reclaimed Water Revenue-Gallons (kgal)		88,171	97,905	71,102	99,352	98,331	100,150	63,780	74,826	84,487	84,487	84,487	84,487	84,487	84,487

Table 3

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Reclaimed Water System Historical and Projected Customer Statistics

Line No.	Description	ERC Factor	Fiscal Year Ended September 30,								Fiscal Year Ending September 30,					
			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	The End Golf Management LLC															
	Accounts															
25	Normal Growth										0	0	0	0	0	0
26	Incremental Growth										0	0	0	0	0	0
27	Total Account Growth										0	0	0	0	0	0
28	Total Annual Average Accounts	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1
29	Total Annual Average ERCs		0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sales															
30	Normal Monthly Avg. Use		83	83	83	83	83	83	83	83	83	83	83	83	83	83
31	Adjusted Flow Percentage											0.00%	0.00%	0.00%	0.00%	0.00%
32	Total Reclaimed Water Revenue-Gallons (kgal)		87,708	79,364	79,707	82,829	77,385	97,303	59,086	63,181	63,131	63,131	63,131	63,131	63,131	63,131
33	TOTAL RECLAIMED WATER SYSTEM ACCOUNTS		87,776	79,433	79,777	82,899	77,457	97,378	59,089	63,199	63,205	63,205	63,205	63,205	63,205	63,205
34	TOTAL RECLAIMED WATER SYSTEM ERCs		68	69	70	70	72	75	3	18	74	74	74	74	74	74
35	TOTAL RECLAIMED WATER SYSTEM SALES (kgal)		342,288	333,689	319,171	345,501	330,922	359,912	184,419	210,785	246,943	259,610	263,410	263,410	263,410	263,410

Table 4
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study
Wastewater System Projected User Rate Revenues Under Existing Rates

Line No.	Description	Historical			Fiscal Year Ending September 30,																	
		2024			2025			2026			2027			2028			2029			2030		
		Historical Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue
WASTEWATER SYSTEM																						
FLAT RATE CHARGE																						
1	Residential Single Family Billing Units	\$210.55	7,575	\$6,379,704	\$216.87	7,585	\$6,579,836	\$216.87	7,585	\$6,579,836	\$216.87	7,585	\$6,579,836	\$216.87	7,585	\$6,579,836	\$216.87	7,585	\$6,579,836	\$216.87	7,585	\$6,579,836
2	Total		7,575	\$6,379,704		7,585	\$6,579,836		7,585	\$6,579,836		7,585	\$6,579,836		7,585	\$6,579,836		7,585	\$6,579,836		7,585	\$6,579,836
Commercial																						
3	5/8" Billing Units	\$122.22	110	\$53,777	\$125.88	110	\$55,387	\$125.88	110	\$55,387	\$125.88	110	\$55,387	\$125.88	110	\$55,387	\$125.88	110	\$55,387	\$125.88	110	\$55,387
4	1" Billing Units	305.46	57	69,645	314.61	57	71,731	314.61	57	71,731	314.61	57	71,731	314.61	57	71,731	314.61	57	71,731	314.61	57	71,731
5	1.5" Billing Units	610.53	27	65,937	628.86	27	67,917	628.86	27	67,917	628.86	27	67,917	628.86	27	67,917	628.86	27	67,917	628.86	27	67,917
6	2" Billing Units	875.10	14	49,006	901.35	14	50,476	901.35	14	50,476	901.35	14	50,476	901.35	14	50,476	901.35	14	50,476	901.35	14	50,476
7	3" Billing Units	1,953.00	0	0	2,011.59	0	0	2,011.59	0	0	2,011.59	0	0	2,011.59	0	0	2,011.59	0	0	2,011.59	0	0
8	4" Billing Units	3,062.19	1	12,249	3,154.05	1	12,616	3,154.05	1	12,616	3,154.05	1	12,616	3,154.05	1	12,616	3,154.05	1	12,616	3,154.05	1	12,616
9	Total		209	\$250,613		209	\$258,127		209	\$258,127		209	\$258,127		209	\$258,127		209	\$258,127		209	\$258,127
10	TOTAL SERVICE CHARGES			\$6,630,317			\$6,837,963			\$6,837,963			\$6,837,963			\$6,837,963			\$6,837,963			\$6,837,963
			413,252																			
11	Commercial Block 1	\$10.54	48,246	\$508,513	\$10.86	56,801	\$616,862	\$10.86	65,455	\$710,841	\$10.86	86,034	\$934,329	\$10.86	100,259	\$1,088,813	\$10.86	109,225	\$1,186,184	\$10.86	109,225	\$1,186,184
12	Total		48,246	\$508,513		56,801	\$616,862		65,455	\$710,841		86,034	\$934,329		100,259	\$1,088,813		109,225	\$1,186,184		109,225	\$1,186,184
13	TOTAL USAGE CHARGES			\$508,513			\$616,862			\$710,841			\$934,329			\$1,088,813			\$1,186,184			\$1,186,184
14	Irrigation Credits			(\$95,261)			(\$112,153)			(\$129,239)			(\$169,872)			(\$197,959)			(\$215,662)			(\$215,662)
15	Residential Hurricane Ian Credit			\$0			\$0			\$0			\$0			\$0			\$0			\$0
16	Commercial Hurricane Ian Credit			\$0			\$0			\$0			\$0			\$0			\$0			\$0
17	TOTAL WASTEWATER SYSTEM REVENUES			\$7,043,569			\$7,342,672			\$7,419,565			\$7,602,420			\$7,728,817			\$7,808,484			\$7,808,484
18	Revenue Adjustment			0.0%			0.0%			0.0%			0.0%			0.0%			0.0%			0.0%
19	ADJUSTED WASTEWATER SYSTEM REVENUES			\$7,043,569			\$7,342,672			\$7,419,565			\$7,602,420			\$7,728,817			\$7,808,484			\$7,808,484

Table 5
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Reclaimed Water System Projected User Rate Revenues Under Existing Rates

Line No.	Description	Historical			Fiscal Year Ending September 30,																	
		2024			2025			2026			2027			2028			2029			2030		
		Historical Rates	Billing Determinants	Revenue	Existing Rates	Billing Determinants	Revenue	Indexed Rates	Billing Determinants	Revenue	Indexed Rates	Billing Determinants	Revenue	Indexed Rates	Billing Determinants	Revenue	Indexed Rates	Billing Determinants	Revenue	Indexed Rates	Billing Determinants	Revenue
RECLAIMED WATER SYSTEM																						
USAGE CHARGES																						
Non-Contract																						
1	Block 1	\$3.15	24,491	\$77,147	\$3.24	63,335	\$205,206	\$3.24	76,002	\$246,247	\$3.24	79,802	\$258,559	\$3.24	79,802	\$258,559	\$3.24	79,802	\$258,559	\$3.24	79,802	\$258,559
2	Total		24,491	77,147		63,335	205,206		76,002	246,247		79,802	258,559		79,802	258,559		79,802	258,559		79,802	258,559
The Sanctuary Golf Club																						
3	Block 1	\$0.665	48,287	32,111	\$0.685	35,991	24,654	\$0.701	35,991	\$25,229	\$0.717	35,991	\$25,805	\$0.733	35,991	\$26,381	\$0.749	35,991	\$26,957	\$0.765	35,991	\$27,533
4	Total		48,287	32,111		35,991	24,654		35,991	25,229		35,991	25,805		35,991	26,381		35,991	26,957		35,991	27,533
The Dunes Golf and Country Club																						
5	Block 1	\$0.06	74,826	4,490	\$0.06	84,487	5,238	\$0.07	84,487	\$5,601	\$0.07	84,487	\$5,601	\$0.07	84,487	\$5,601	\$0.07	84,487	\$5,601	\$0.07	84,487	\$5,601
6	Total		74,826	4,490		84,487	5,238		84,487	5,601		84,487	5,601		84,487	5,601		84,487	5,601		84,487	5,601
The End Golf Management LLC																						
7	Block 1	\$0.06	63,181	3,791	\$0.06	63,131	3,914	\$0.07	63,131	\$4,185	\$0.07	63,131	\$4,185	\$0.07	63,131	\$4,185	\$0.07	63,131	\$4,185	\$0.07	63,131	\$4,185
8	Total		63,181	3,791		63,131	3,914		63,131	4,185		63,131	4,185		63,131	4,185		63,131	4,185		63,131	4,185
9	TOTAL USAGE CHARGES			\$117,538			\$239,011			\$281,263			\$294,151			\$294,727			\$295,303			\$295,878
10	TOTAL RECLAIMED WATER SYSTEM REVENUES			\$117,538			\$239,011			\$281,263			\$294,151			\$294,727			\$295,303			\$295,878
11	Revenue Adjustment			0.0%			0.0%			0.0%			0.0%			0.0%			0.0%			0.0%
12	ADJUSTED RECLAIMED WATER SYSTEM REVENUES			\$117,538			\$239,011			\$281,263			\$294,151			\$294,727			\$295,303			\$295,878
13	Non-Contract Reclaimed Water Revenue			\$77,147			\$205,206			\$246,247			\$258,559			\$258,559			\$258,559			\$258,559
14	Contracted Reclaimed Water Revenue			40,391			33,806			35,016			35,592			36,168			36,744			37,319
15	Total Reclaimed Water Revenue			\$117,538			\$239,011			\$281,263			\$294,151			\$294,727			\$295,303			\$295,878

Table 6

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Operating Expenses

Line No.	Object Code	Description	Adjusted	Escalation	Fiscal Year Ending September 30,				
			2025	Reference	2026	2027	2028	2029	2030
<u>OPERATING EXPENSES:</u>									
Sewer System Division									
Personnel Services:									
1	412000	Salaries	\$0	Labor	\$0	\$0	\$0	\$0	\$0
2	412100	Salaries - Full Time	\$1,281,984	Labor	\$1,452,500	\$1,525,124	\$1,601,380	\$1,681,449	\$1,765,522
3	414000	Overtime	165,000	Labor	190,000	199,500	209,475	219,949	230,946
4	414010	Call Out Pay	0	Labor	0	0	0	0	0
5	415010	Incentive Pay	0	Labor	0	0	0	0	0
6	415020	Holiday Pay	0	Labor	0	0	0	0	0
7	415050	Differential Pay	0	Labor	0	0	0	0	0
8	415090	Retirement Health Savings	0	Labor	0	0	0	0	0
9	421010	OASDI	95,595	MedIns	96,293	101,108	106,163	111,471	117,045
10	421020	Medicare	23,519	MedIns	23,817	25,008	26,258	27,571	28,950
11	422000	General Employee Pension	107,750	MedIns	25,916	27,212	28,572	30,001	31,501
12	422410	401A	51,679	MedIns	73,131	76,788	80,627	84,658	88,891
13	423010	Cafeteria Benefits	194,968	MedIns	250,456	262,979	276,128	289,934	304,431
14	423010	Cafeteria Benefits	177,405	MedIns	170,400	178,920	187,866	197,259	207,122
15	424000	Workers' Compensation	48,750	Labor	55,538	58,315	61,231	64,292	67,507
16	425000	Unemployment Compensation	0	Labor	0	0	0	0	0
17	426000	OPEB Benefits	0	Labor	0	0	0	0	0
18	427000	Other Allowances	15,660	Labor	11,820	12,411	13,032	13,683	14,367
19	AddPers	Additional Personnel	0	Input	0	0	0	0	0
20		Total Personnel Services	\$2,162,310		\$2,349,871	\$2,467,364	\$2,590,732	\$2,720,268	\$2,856,282
Operating Expenses:									
21	431000	Professional Services	\$78,000	Inflation	23,000	23,529	24,047	24,576	25,116
22	431000	Professional Services	0	Inflation	0	0	0	0	0
23	431100	Data Processing/Computer Service	27,026	Inflation	97,368	59,607	60,919	62,259	63,629
24	431500	Engineering Services	87,000	Inflation	75,000	76,725	78,413	80,138	81,901
25	434000	Other Contractual Services	538,142	Labor	776,900	815,745	856,532	899,359	944,327
26	440000	Travel/Per Diem - In State	13,283	Inflation	13,628	13,941	14,248	14,562	14,882
27	440001	Travel/Per Diem - Out Of State	250	Inflation	250	256	261	267	273
28	440100	Living Allowance	0	Inflation	0	0	0	0	0
29	441000	Communication Services	6,920	Inflation	5,580	5,708	5,834	5,962	6,093
30	441001	Communication Services - Internet/iPad	17,538	Inflation	16,635	17,018	17,392	17,775	18,166
31	442000	Postage Freight Delivery	1,500	Inflation	1,500	1,535	1,568	1,603	1,638
32	443000	Utilities	365,400	Electric	365,400	381,579	398,475	416,119	434,544
33	444000	Rentals/Leases - Office Equipment	30,536	Inflation	12,600	12,890	13,173	13,463	13,759
34	445110	Flood Insurance	29,700	GenIns	9,700	10,670	11,737	12,911	14,202
35	445160	Property/Auto/Liability Insurance	5,000	GenIns	5,000	5,500	6,050	6,655	7,321
36	446000	Repair & Maintenance	1,492,500	Repair	1,330,600	1,383,824	1,439,177	1,496,744	1,556,614
37	447000	Printing	1,000	Inflation	1,000	1,023	1,046	1,069	1,092
38	449000	Other Current Charges	3,725	Inflation	3,725	3,811	3,895	3,980	4,068
39	449010	Credit Card Accept Fees	80,000	Inflation	75,000	76,725	78,413	80,138	81,901
40	449350	Bad Debt Expense	18,870	Input	19,183	19,698	20,046	20,277	20,311
41	449990	Indirect Cost Charges	1,098,923	Labor	1,098,923	1,153,869	1,211,563	1,272,141	1,335,748
42	451000	Office Supplies	4,400	Inflation	5,000	5,115	5,228	5,343	5,460
43	452000	Operating Supplies	471,547	Chemicals	492,600	510,235	528,501	547,422	567,020
44	453000	SSS Road Materials & Supplies	4,000	Inflation	4,000	4,092	4,182	4,274	4,368
45	454000	Books Publications Subscr	10,350	Inflation	13,500	13,811	14,114	14,425	14,742
46	455100	Training & Education	0	Inflation	0	0	0	0	0
47	456000	Fuel & Oil - Generating Power	3,560	Gas	14,000	14,295	14,597	14,905	15,220
48	456001	Fuel & Oil - Motor Vehicle	37,794	Gas	44,000	44,928	45,876	46,844	47,833
49		Total Operating Expenses	\$4,426,964		\$4,506,092	\$4,658,176	\$4,857,378	\$5,065,346	\$5,282,411
Departmental Capital Outlay:									
661000		Land	\$0	Eliminate	0	0	\$0	\$0	\$0
662000		Building	0	Eliminate	0	0	0	0	0
663000		Improvements Other Than Buildings	0	Eliminate	0	0	0	0	0
663000		Improvements Other Than Buildings	0	Eliminate	0	0	0	0	0
663000		Improvements Other Than Buildings	0	Eliminate	0	0	0	0	0
663036		Improvements Other Than Buildings - Treatment	0	Eliminate	0	0	0	0	0
664000		Furniture & Equipment	0	Eliminate	0	0	0	0	0
665000		Motorized Vehicles/Boats	0	Eliminate	0	0	0	0	0
		Total Departmental Capital Outlay	\$0		\$0	\$0	\$0	\$0	\$0
Transfers									
886000		Payment In Lieu Of Taxes	0	Eliminate	0	0	0	0	0
995001		Transfer to F-115 Hurricane Ian	0	Eliminate	0	0	0	0	0
991001		Transfer to the General Fund	7,500	Constant	7,500	7,500	7,500	7,500	7,500
		Total Transfers	\$7,500		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Debt Service									
771000		Principal	\$0	Eliminate	\$0	\$0	\$0	\$0	\$0
771052		Principal P1	0	Eliminate	0	0	0	0	0
771054		Principal P3A	0	Eliminate	0	0	0	0	0
771056		Principal Sewer Plant	0	Eliminate	0	0	0	0	0
771057		Principal P2B	0	Eliminate	0	0	0	0	0
771059		Principal P2C	0	Eliminate	0	0	0	0	0

Table 6
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Operating Expenses

Line No.	Object Code	Description	Adjusted 2025	Escalation Reference	Fiscal Year Ending September 30,				
					2026	2027	2028	2029	2030
	771060	Principal P3B	0	Eliminate	0	0	0	0	0
	772000	Interest	0	Eliminate	0	0	0	0	0
	772052	Interest P1	0	Eliminate	0	0	0	0	0
	772054	Interest P3A	0	Eliminate	0	0	0	0	0
	772056	Interest Sewer Plant	0	Eliminate	0	0	0	0	0
	772057	Interest P2B	0	Eliminate	0	0	0	0	0
	772059	Interest P2C	0	Eliminate	0	0	0	0	0
	772060	Interest P3B	0	Eliminate	0	0	0	0	0
	773000	Other Debt Service	0	Eliminate	0	0	0	0	0
	773050	Amortization of Bond Issue Costs	0	Eliminate	0	0	0	0	0
		Total Debt Service	\$0		\$0	\$0	\$0	\$0	\$0
		Reserve							
	999110	Reserve For Compensation Adjustments	\$0	Labor	\$163,000	\$171,150	\$179,708	\$188,693	\$198,128
	999180	Reserve For Disasters	0	Eliminate	0	0	0	0	0
		Total Reserve	\$0		\$163,000	\$171,150	\$179,708	\$188,693	\$198,128
		Other Adjustments							
		Contingency	\$0	Input	\$0	\$71,058	\$74,281	\$77,653	\$81,184
		Overall Operating Cost Reduction	\$0	Input	\$0	\$0	\$0	\$0	\$0
		Total Other Adjustments	\$0		\$0	\$71,058	\$74,281	\$77,653	\$81,184
50		TOTAL OPERATING EXPENSES FOR UTILITY FUND	\$6,596,774		\$7,026,463	\$7,375,248	\$7,709,598	\$8,059,461	\$8,425,504

Table 7

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Escalation Factors

Line No.	Description	Escalation Reference	Fiscal Year Ending September 30,				
			2026	2027	2028	2029	2030
	Operating Escalation Factors						
1	Constant Factor	Constant	1.0000	1.0000	1.0000	1.0000	1.0000
2	Inflation (Core CPI Price Index) [*]	Inflation	1.0240	1.0230	1.0220	1.0220	1.0220
3	Marginal	Marginal	1.0100	1.0100	1.0100	1.0100	1.0100
4	Labor	Labor	1.0500	1.0500	1.0500	1.0500	1.0500
5	Repair and Maintenance	Repair	1.0400	1.0400	1.0400	1.0400	1.0400
6	Insurance - Medical	MedIns	1.0500	1.0500	1.0500	1.0500	1.0500
7	Insurance - General	GenIns	1.1000	1.1000	1.1000	1.1000	1.1000
8	Electricity Commodity	Electric	1.0803	1.0443	1.0443	1.0443	1.0443
9	Gas and Fuel	Gas	1.0211	1.0211	1.0211	1.0211	1.0211
10	Chemicals Commodity	Chemicals	1.0718	1.0358	1.0358	1.0358	1.0358
11	Elimination Factor	Eliminate	0.0000	0.0000	0.0000	0.0000	0.0000

Footnotes:

[*] Estimates based on projections contained in "The Budget and Economic Outlook: 2025 to 2035" published by the Congressional Budget Office in January 2025

Table 8

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Projected Special Assessment Revenues

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
Existing Special Assessments - Sewer Expansion Project							
Phase 1							
Assessment End Year		2020	2020	2020	2020	2020	2020
Beginning Assessment Balance		\$151	\$0	\$0	\$0	\$0	\$0
Payoffs		151	0	0	0	0	0
Principal Payment		0	0	0	0	0	0
Interest Rate		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest Payment		0	0	0	0	0	0
Total Assessment Payment		\$0	\$0	\$0	\$0	\$0	\$0
Ending Assessment Balance		\$0	\$0	\$0	\$0	\$0	\$0
Phase 2A							
Assessment End Year		2020	2020	2020	2020	2020	2020
Beginning Assessment Balance		\$133	\$0	\$0	\$0	\$0	\$0
Payoffs		133	0	0	0	0	0
Principal Payment		0	0	0	0	0	0
Interest Rate		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest Payment		0	0	0	0	0	0
Total Assessment Payment		\$0	\$0	\$0	\$0	\$0	\$0
Ending Assessment Balance		\$0	\$0	\$0	\$0	\$0	\$0

Table 8

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Projected Special Assessment Revenues

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
<u>Phase 2B</u>							
<u>Assessment End Year</u>		2022	2022	2022	2022	2022	2022
Beginning Assessment Balance		\$292	\$0	\$0	\$0	\$0	\$0
Payoffs		292	0	0	0	0	0
Principal Payment		0	0	0	0	0	0
Interest Rate		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest Payment		0	0	0	0	0	0
Total Assessment Payment		\$0	\$0	\$0	\$0	\$0	\$0
Ending Assessment Balance		\$0	\$0	\$0	\$0	\$0	\$0
<u>Phase 2C</u>							
<u>Assessment End Year</u>		2028	2028	2028	2028	2028	2028
Beginning Assessment Balance		\$1,828	\$1,281	\$1,281	\$1,281	\$1,281	\$1,281
Payoffs		114	0	0	0	0	0
Principal Payment		434	0	0	0	0	0
Interest Rate		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest Payment		62	45	0	0	0	0
Total Assessment Payment		\$498	\$457	\$674	\$1,326	\$0	\$0
Ending Assessment Balance		\$1,281	\$1,281	\$1,281	\$1,281	\$1,281	\$1,281

Table 8

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Projected Special Assessment Revenues

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
	<u>Phase 3A</u>						
	<u>Assessment End Year</u>	2026	2026	2026	2026	2026	2026
1	Beginning Assessment Balance	\$162,814	\$84,115	\$0	\$0	\$0	\$0
2	Payoffs	(1,308)	0	0	0	0	0
3	Principal Payment	80,007	84,115	0	0	0	0
4	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
5	Interest Payment	5,698	2,944	0	0	0	0
6	Total Assessment Payment	\$85,705	\$87,059	\$0	\$0	\$0	\$0
7	Ending Assessment Balance	\$84,115	\$0	\$0	\$0	\$0	\$0
	<u>Phase 3B</u>						
	<u>Assessment End Year</u>	2026	2026	2026	2026	2026	2026
8	Beginning Assessment Balance	\$250,319	\$129,091	\$0	\$0	\$0	\$0
9	Payoffs	(1,779)	0	0	0	0	0
10	Principal Payment	123,007	129,091	0	0	0	0
11	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
12	Interest Payment	8,761	4,518	0	0	0	0
13	Total Assessment Payment	\$131,768	\$133,609	\$0	\$0	\$0	\$0
14	Ending Assessment Balance	\$129,091	\$0	\$0	\$0	\$0	\$0

Table 8

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Projected Special Assessment Revenues

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
	<u>Phases 4a/e</u>						
	<u>Assessment End Year</u>	2038	2038	2038	2038	2038	2038
15	Beginning Assessment and Connection Fee Balance	\$34,527	\$24,552	\$23,121	\$21,625	\$20,063	\$18,430
16	Payoffs	8,151	0	0	0	0	0
17	Principal Payment	1,823	1,431	1,496	1,562	1,633	1,706
18	Interest Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
19	Interest Payment	1,554	1,105	1,040	973	903	829
20	Total Assessment Payment	\$3,377	\$2,536	\$2,536	\$2,535	\$2,536	\$2,535
21	Ending Assessment and Connection Fee Balance	\$24,552	\$23,121	\$21,625	\$20,063	\$18,430	\$16,724
	<u>Phases 4b/c/d/f</u>						
	<u>Assessment End Year</u>	2044	2044	2044	2044	2044	2044
22	Beginning Assessment Balance	\$288,532	\$241,749	\$234,593	\$227,649	\$220,392	\$212,809
23	Payoffs	37,586	0	0	0	0	0
24	Principal Payment	9,197	7,156	6,944	7,257	7,583	7,924
25	Interest Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
26	Interest Payment	12,984	10,879	10,557	10,244	9,918	9,576
27	Total Assessment Payment	\$22,181	\$18,035	\$17,501	\$17,501	\$17,501	\$17,501
28	Ending Assessment Balance	\$241,749	\$234,593	\$227,649	\$220,392	\$212,809	\$204,885

Table 8

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Projected Special Assessment Revenues

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
	<u>Phase 5</u>						
	<u>Assessment End Year</u>	2029	2029	2029	2029	2029	2029
29	Beginning Assessment Balance	\$209,233	\$157,835	\$120,388	\$81,631	\$41,517	\$0
30	Payoffs	12,380	0	0	0	0	0
31	Principal Payment	39,018	37,447	38,757	40,114	41,517	0
32	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
33	Interest Payment	7,323	5,524	4,214	2,857	1,453	0
34	Total Assessment Payment	\$46,341	\$42,971	\$42,971	\$42,971	\$42,970	\$0
35	Ending Assessment Balance	\$157,835	\$120,388	\$81,631	\$41,517	\$0	\$0
36	Accelerated Payoffs	\$0	\$0	\$0	\$0	\$0	\$0
37	Early Prepayment Discount Percent	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
38	Early Prepayment Discount	(\$11,595)	(\$11,387)	(\$2,547)	(\$2,573)	(\$2,520)	(\$801)
39	Total Special Assessment Revenue	\$278,276	\$273,280	\$61,134	\$61,759	\$60,486	\$19,235

Table 9

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Summary of Projected Voter Approved Ad Valorem Tax Collections Applied to Debt Service Payments

Line No.	Description	Percent Eligible	Fiscal Year Ending September 30,					
			2025	2026	2027	2028	2029	2030
	<u>Debt Service Eligible for Voter Debt</u>							
1	SRF Loan - #835090		\$0	\$0	\$0	\$0	\$0	\$0
2	SRF Loan - #83510L		0	0	0	0	0	0
3	SRF Loan - #83511L		0	0	0	0	0	0
4	SRF Loan - #83512S		492,731	492,731	0	0	0	0
5	Total Debt Service Eligible for Voter Debt		\$492,731	\$492,731	\$0	\$0	\$0	\$0
	<u>Ad Valorem Taxes Recognized</u>							
6	SRF Loan - #835090	50.00%	\$0	\$0	\$0	\$0	\$0	\$0
7	SRF Loan - #83510L	50.00%	0	0	0	0	0	0
8	SRF Loan - #83511L	50.00%	0	0	0	0	0	0
9	SRF Loan - #83512S	14.56%	71,742	71,742	0	0	0	0
10	Subtotal Ad Valorem Taxes Recognized		\$71,742	\$71,742	\$0	\$0	\$0	\$0
11	Adjustments - Additional Collections		0	0	0	0	0	0
12	Total Ad Valorem Taxes Recognized		\$71,742	\$71,742	\$0	\$0	\$0	\$0

Table 10

**City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study**

Estimated Multi-Year Capital Improvement Program and Funding Sources

Line No.	Description	Escalation Factor	Funding Source	Projected Fiscal Year Ending September 30,						Six-Year Total
				2025	2026	2027	2028	2029	2030	
CAPITAL IMPROVEMENT PROGRAM										
Combined Sewer and Reclaimed Water System										
1	[GRANT] Donax WRF - Ian Repair & Mitigation (Insurance/FEMA)	ENR	SGrants	\$282,000	\$2,100,000	\$0	\$0	\$0	\$0	\$2,382,000
2	[GRANT] Effluent Disposal Pond Apple Site Repairs (FDEP Grant)	ENR	SGrants	28,000	253,000	0	0	0	0	281,000
3	[GRANT] Force Main from MLS 3 to 16-Inch Force Main Connection (FDEP Grant)	ENR	SGrants	330,000	1,869,625	0	0	0	0	2,199,625
4	[GRANT] Lift Station Control Panel Replacement (FDEP Grant/FEMA)	ENR	SGrants	1,900,000	6,200,000	3,090,000	3,090,000	3,708,000	3,708,000	21,696,000
5	[GRANT] Reuse System Repairs (FDEP Grant)	ENR	SGrants	40,650	0	0	0	0	0	40,650
6	[GRANT] Wastewater Collection System Repairs/INI (FDEP Grant/FEMA)	ENR	SGrants	2,000,000	3,587,142	1,545,000	0	0	0	7,132,142
7	Cured-in-Place Pipe (CIPP) Lining of Clay Gravity Sewers	ENR	SR&R	0	0	515,000	515,000	515,000	515,000	2,060,000
8	Donax WRF Existing System Improvements	ENR	Operating	0	0	0	0	0	0	0
9	Donax WRF Process Blower Replacement & Air Piping Modifications	ENR	SD1	0	0	309,000	3,193,000	0	0	3,502,000
10	Effluent Disposal Capacity Expansion Project	ENR	Operating	0	0	0	0	0	0	0
11	Generator Storage Building	ENR	SR&R	0	0	0	0	0	0	0
12	Metal 500,000-Gallon Tank Replacement Wulfert Plant	ENR	SD1	0	0	5,150,000	0	0	0	5,150,000
13	Replacement 1 1/2-Ton Crane Truck (701)	ENR	SR&R	0	0	0	0	195,700	0	195,700
14	Replacement 1 1/2-Ton Crane Truck (702)	ENR	SR&R	135,000	0	0	0	0	200,850	335,850
15	Replacement 1 1/2-Ton Crane Truck (703)	ENR	SR&R	0	0	0	0	0	200,850	200,850
16	Replacement 1 1/2-Ton Crane Truck (707)	ENR	SR&R	0	0	0	190,550	0	0	190,550
17	Replacement 1 1/2-Ton Crane Truck (753)	ENR	SR&R	0	0	0	0	0	0	0
18	Replacement 1 1/2-Ton Crane Truck (760)	ENR	SR&R	0	0	185,400	0	0	0	185,400
19	Replacement 1/2-Ton Electric Pickup Truck (759)	ENR	SR&R	44,847	0	0	0	0	0	44,847
20	Replacement 1/2-Ton Pickup Truck (700)	ENR	SR&R	0	0	0	0	0	0	0
21	Replacement 1/2-Ton Pickup Truck (751)	ENR	SR&R	43,484	0	0	0	0	0	43,484
22	Replacement 3,000-Gallon Vacuum Truck (757)	ENR	SR&R	0	300,000	0	0	0	0	300,000
23	Replacement Backhoe	ENR	SR&R	49,940	0	0	0	0	0	49,940
24	Replacement Portable Generators and Portable Diesel Bypass Pumps	ENR	SR&R	141,984	150,000	159,650	164,800	169,950	175,100	961,484
25	Replacement Generators at Master Lift Stations	ENR	SR&R	0	0	0	1,004,250	618,000	618,000	2,240,250
26	Replacement Sewer Jetter	ENR	SR&R	55,000	0	0	0	0	0	55,000
27	Replacement Sodium Hypochlorite Storage Tank	ENR	SR&R	0	0	0	0	0	180,250	180,250
28	Replacement Vacuum Truck (748)	ENR	SR&R	0	0	0	0	0	0	0
29	Telehandler	ENR	SR&R	0	0	139,050	0	0	0	139,050
30	Utility Vehicle	ENR	SR&R	0	0	24,720	0	0	0	24,720
31	West & East Wastewater System Flow & Pressure Monitoring	ENR	SR&R	0	0	520,150	139,050	139,050	0	798,250
32	West & East Wastewater System Pump and Miscellaneous Upgrades	ENR	SR&R	0	0	0	51,500	659,200	0	710,700
33	TOTAL CAPITAL IMPROVEMENT PROGRAM			\$5,050,905	\$14,459,767	\$11,637,970	\$8,348,150	\$6,004,900	\$5,598,050	\$51,099,742
FUNDING SOURCES:										
Combined Wastewater and Reclaimed Water System Funding Sources										
34	Operating Revenue		SRates	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35	Operating Fund (Reserves)		Operating	0	0	0	0	0	0	0
36	Renewal and Replacement Fund		SR&R	470,255	450,000	1,543,970	2,065,150	2,296,900	1,890,050	8,716,325
	Wastewater Connection Fees		SImpact	0	0	0	0	0	0	0
37	Grants		SGrants	4,580,650	14,009,767	4,635,000	3,090,000	3,708,000	3,708,000	33,731,417
	Contributions		SCont	0	0	0	0	0	0	0
	Existing Debt Proceeds		SExistDebt	0	0	0	0	0	0	0
	Existing Bond Proceeds		ExistBonds	0	0	0	0	0	0	0
38	Additional SRF Loan 1		SD1	0	0	5,459,000	3,193,000	0	0	8,652,000
	Additional SRF Loan 2		SD2	0	0	0	0	0	0	0
	Available Debt Issue 3		SD3	0	0	0	0	0	0	0

Table 10

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Estimated Multi-Year Capital Improvement Program and Funding Sources

Line No.	Description	Escalation Factor	Funding Source	Projected Fiscal Year Ending September 30,						Six-Year Total
				2025	2026	2027	2028	2029	2030	
	Available Debt Issue 4		SD4	0	0	0	0	0	0	0
	Unfunded		SUNF	0	0	0	0	0	0	0
39	TOTAL WASTEWATER AND RECLAIMED WATER SYSTEM FUNDING SOURCES			<u>\$5,050,905</u>	<u>\$14,459,767</u>	<u>\$11,637,970</u>	<u>\$8,348,150</u>	<u>\$6,004,900</u>	<u>\$5,598,050</u>	<u>\$51,099,742</u>
	Combined Wastewater and Reclaimed Water System Funding Sources									
	Operating Revenue			\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Operating Fund			-	-	-	-	-	-	-
	Renewal and Replacement			470,255	450,000	1,543,970	2,065,150	2,296,900	1,890,050	8,716,325
	Connection Fees			-	-	-	-	-	-	-
	Grants			4,580,650	14,009,767	4,635,000	3,090,000	3,708,000	3,708,000	33,731,417
	Contributions			-	-	-	-	-	-	-
	Existing Debt Proceeds			-	-	-	-	-	-	-
	Existing Bond Proceeds			-	-	-	-	-	-	-
	Additional SRF Loan 1			-	-	5,459,000	3,193,000	-	-	8,652,000

Table 11

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Cash Balances By Fund and Interest Earnings

Line No.	Description	Investment Reference [*]	Fiscal Year Ending September 30,					
			2025	2026	2027	2028	2029	2030
ENDING CASH BALANCE BY FUND SUMMARY								
1	OPERATING FUND	(U)	\$8,872,062	\$8,372,062	\$7,872,062	\$4,872,062	\$3,272,062	\$3,272,062
2	DISASTER RESERVE FUND	(U)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
3	DEBT SERVICE RESERVE ACCOUNTS	(R)	0	0	0	0	0	0
4	RENEWAL AND REPLACEMENT FUND	(U)	465,384	974,949	576,644	2,303,119	1,951,928	403,817
5	TOTAL PROJECTED YEAR-END BALANCE		<u>\$10,337,446</u>	<u>\$10,347,011</u>	<u>\$9,448,706</u>	<u>\$8,175,181</u>	<u>\$6,223,991</u>	<u>\$4,675,879</u>
OPERATING FUND								
6	Beginning Balance		\$9,372,062	\$8,872,062	\$8,372,062	\$7,872,062	\$4,872,062	\$3,272,062
7	Transfers In - Operations		\$0	\$0	\$0	\$0	\$0	\$0
8	Total Funds Available		<u>\$9,372,062</u>	<u>\$8,872,062</u>	<u>\$8,372,062</u>	<u>\$7,872,062</u>	<u>\$4,872,062</u>	<u>\$3,272,062</u>
9	Transfers Out - CIP		\$0	\$0	\$0	\$0	\$0	\$0
10	Transfers Out - Operations		0	0	0	0	0	0
11	Transfers Out - Renewal and Replacement Fund		500,000	500,000	500,000	3,000,000	1,600,000	0
12	Total Transfers Out of Fund		<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$3,000,000</u>	<u>\$1,600,000</u>	<u>\$0</u>
13	Transfer In / (Out) - Surplus / (Deficiency)		\$0	\$0	\$0	\$0	\$0	\$0
14	Interest Rate		2.50%	2.00%	1.75%	1.50%	1.25%	1.25%
15	Interest Income on Fund		228,100	172,400	142,100	95,600	50,900	40,900
16	Use of Interest Income to Fund Revenue Requirements	(U)	228,100	172,400	142,100	95,600	50,900	40,900
17	Ending Balance		<u>\$8,872,062</u>	<u>\$8,372,062</u>	<u>\$7,872,062</u>	<u>\$4,872,062</u>	<u>\$3,272,062</u>	<u>\$3,272,062</u>
18	Target - Days of Rate Revenue		120	120	120	120	120	120
19	Target Minimum Available Cash		\$2,481,494	\$2,595,875	\$2,768,443	\$2,939,540	\$3,102,458	\$3,242,069
20	Target Minimum Cash Balance Met - Yes or No		Yes	Yes	Yes	Yes	Yes	Yes
21	Calculated Days of Rate Revenue		429	387	341	199	127	121
22	Target - Days of Operating Expenses		120	120	120	120	120	120
23	Target Minimum Available Cash		\$2,168,802	\$2,310,070	\$2,424,739	\$2,534,662	\$2,649,686	\$2,770,029
24	Target Minimum Cash Balance Met - Yes or No		Yes	Yes	Yes	Yes	Yes	Yes
25	Calculated Days of Operating Expenses		491	435	390	231	148	142

Table 11
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Cash Balances By Fund and Interest Earnings

Line No.	Description	Investment Reference [*]	Fiscal Year Ending September 30,					
			2025	2026	2027	2028	2029	2030
26			\$7,203,260.14					
	SINKING FUND							
27	Sinking Fund Deposit		\$1,333,989	\$1,190,096	\$840,893	\$840,704	\$1,390,502	\$1,390,304
28	Average Balance (25% of Annual Debt Service)		333,497	297,524	210,223	210,176	347,625	347,576
29	Interest Rate		2.50%	2.00%	1.75%	1.50%	1.25%	1.25%
30	Interest Income on Fund		\$8,300	\$6,000	\$3,700	\$3,200	\$4,300	\$4,300
31	Use of Interest Income to Fund Revenue Requirements	(U)	8,300	6,000	3,700	3,200	4,300	4,300
	DISASTER RESERVE FUND							
32	Beginning Balance		\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
33	Transfer In - Operations		0	0	0	0	0	0
34	Total Funds Available		\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
35	Transfer Out - Operations		0	0	0	0	0	0
36	Total Transfers Out of Funds		\$0	\$0	\$0	\$0	\$0	\$0
37	Interest Rate		2.50%	2.00%	1.75%	1.50%	1.25%	1.25%
38	Interest Income on Fund		25,000	20,000	17,500	15,000	12,500	12,500
39	Use of Interest Income to Fund Revenue Requirements	(U)	25,000	20,000	17,500	15,000	12,500	12,500
40	Ending Balance		<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>
	DEBT SERVICE RESERVE ACCOUNTS							
41	Beginning Balance		\$0	\$0	\$0	\$0	\$0	\$0
42	Transfers In- Operations		0	0	0	0	0	0
43	Total Funds Available		\$0	\$0	\$0	\$0	\$0	\$0
44	Transfers Out - Release of Reserve for Final Payments		0	0	0	0	0	0
45	Total Transfers Out of Funds		\$0	\$0	\$0	\$0	\$0	\$0
46	Interest Rate		2.50%	2.00%	1.75%	1.50%	1.25%	1.25%
47	Interest Income on Fund		-	-	-	-	-	-
48	Use of Interest Income to Fund Revenue Requirements	(U)	-	-	-	-	-	-
49	Ending Balance		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Table 11
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Cash Balances By Fund and Interest Earnings

Line No.	Description	Investment Reference [*]	Fiscal Year Ending September 30,					
			2025	2026	2027	2028	2029	2030
RENEWAL AND REPLACEMENT FUND								
50	Beginning Balance		\$0	\$465,384	\$974,949	\$576,644	\$2,303,119	\$1,951,928
51	Transfers In - Operations		435,639	459,565	645,665	791,625	345,710	341,938
	Transfers In - Revenue Fund		500,000	500,000	500,000	3,000,000	1,600,000	0
53	Total Funds Available		\$935,639	\$1,424,949	\$2,120,614	\$4,368,269	\$4,248,828	\$2,293,867
54	Transfers Out - Capital Expenditures		470,255	450,000	1,543,970	2,065,150	2,296,900	1,890,050
55	Total Transfers Out of Funds		\$470,255	\$450,000	\$1,543,970	\$2,065,150	\$2,296,900	\$1,890,050
56	Interest Rate		2.50%	2.00%	1.75%	1.50%	1.25%	1.25%
57	Interest Income on Fund		5,800	14,400	13,600	21,600	26,600	14,700
58	Use of Interest Income to Fund Revenue Requirements	(U)	5,800	14,400	13,600	21,600	26,600	14,700
59	Ending Balance		\$465,384	\$974,949	\$576,644	\$2,303,119	\$1,951,928	\$403,817
INTEREST INCOME SUMMARY								
60	Unrestricted Interest Income		\$267,200	\$212,800	\$176,900	\$135,400	\$94,300	\$72,400
61	Restricted Interest Income		\$0	\$0	\$0	\$0	\$0	\$0
62	Total Interest Income		\$267,200	\$212,800	\$176,900	\$135,400	\$94,300	\$72,400

Footnotes:

[*] (U) = Interest earnings unrestricted and assumed to be available to meet System expenditure requirements.

(R) = Interest earnings restricted and assumed to not be available to meet System expenditure requirements.

Table 12

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Comparison of Typical Monthly Residential Bills for Wastewater Service

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter [*]							
		0 Gallons	2,000 Gallons	4,000 Gallons	6,000 Gallons	7,000 Gallons	10,000 Gallons	12,000 Gallons	20,000 Gallons
City of Sanibel, Florida									
1	Current Monthly Rates (Billed Quarterly)	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29	\$72.29
2	Proposed Monthly Rates (Billed Quarterly) - FY 2025	74.46	74.46	74.46	74.46	74.46	74.46	74.46	74.46
3	Difference - Amount	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
4	Difference - Percent	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Other Southeast Florida Utilities:									
5	Bonita Springs Utilities, Inc.	\$32.27	\$40.65	\$49.03	\$57.41	\$61.60	\$74.17	\$82.55	\$99.31
6	City of Cape Coral	26.65	47.51	68.37	89.23	99.66	130.95	151.81	235.25
7	Charlotte County	44.67	57.11	69.55	81.99	88.21	106.87	106.87	106.87
8	City of Clearwater	37.71	37.71	50.28	75.42	87.99	125.70	150.84	251.40
9	Collier County	49.36	63.24	77.12	91.00	97.94	118.76	132.64	153.46
10	DeSoto County	28.17	40.17	52.17	64.17	70.17	88.17	100.17	148.17
11	City of Fort Myers	20.79	50.59	80.39	110.19	125.09	169.79	199.59	318.79
12	Englewood Water District	32.32	40.56	48.80	57.04	61.16	73.52	81.76	114.72
13	FGUA - Lehigh Acres System (Lee County)	30.15	50.93	71.71	92.49	92.49	92.49	92.49	92.49
14	Gasparilla Island Water Association, Inc.	47.53	63.49	79.45	95.41	103.39	127.33	143.29	167.23
15	Immokalee Water and Sewer District	45.19	60.33	75.47	90.61	98.18	120.89	136.03	158.74
16	Lee County	25.76	40.50	55.24	69.98	77.35	99.46	99.46	99.46
17	Town of Longboat Key	22.78	40.12	57.46	74.80	83.47	109.48	109.48	109.48
18	City of Marco Island	29.32	40.90	52.48	64.06	64.06	64.06	64.06	64.06
19	City of Naples	26.30	36.50	46.70	56.90	62.00	77.30	77.30	77.30
20	City of North Port	38.08	54.66	71.24	87.82	96.11	120.98	137.56	137.56
21	Okeechobee Utility Authority	27.49	44.59	61.69	78.79	87.34	112.99	130.09	198.49
22	City of Sarasota	28.29	44.77	61.25	80.65	90.35	119.45	138.85	216.45
23	Sarasota County	23.48	46.26	69.04	91.82	103.21	137.38	137.38	137.38
24	City of St. Pete Beach	44.65	44.65	59.38	88.84	103.57	147.76	177.22	295.06
25	FGUA - Unifed Aqua System (South Seas)	47.75	72.35	96.95	121.55	121.55	121.55	121.55	121.55
26	City of Treasure Island	21.00	48.47	79.09	109.71	125.02	170.95	201.57	324.05
27	Other Florida Utilities' Average	\$33.17	\$48.46	\$65.13	\$83.18	\$90.91	\$114.09	\$126.03	\$164.88
28	Minimum	20.79	36.50	46.70	56.90	61.16	64.06	64.06	64.06
29	Maximum	49.36	72.35	96.95	121.55	125.09	170.95	201.57	324.05

Footnotes:

- [*] Unless otherwise noted, amounts shown reflect residential rates in effect August 2025 and are exclusive of taxes, franchise fees or water restriction surcharges, if any, and reflect rates charged for in the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be complete listing of all rates and charges offered by each listed utility.

Table 13

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Debt Service Coverage

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
Gross Revenues:							
Sales Revenues							
1	Wastewater System Sales Revenue - Existing Rates	\$7,342,672	\$7,419,565	\$7,602,420	\$7,728,817	\$7,808,484	\$7,808,484
2	Reclaimed System Sales Revenue - Existing Rates	205,206	246,247	258,559	258,559	258,559	258,559
Additional Rate Revenue							
3	Wastewater Rate Increases	\$0	\$222,587	\$541,292	\$922,852	\$1,325,702	\$1,736,741
4	Reclaimed Water Rate Increases	0	7,387	18,409	30,873	43,897	57,508
5	Total Sales Revenues	\$7,547,878	\$7,895,786	\$8,420,681	\$8,941,100	\$9,436,643	\$9,861,292
Other Revenues							
6	Unrestricted Interest Earnings	\$267,200	\$212,800	\$176,900	\$135,400	\$94,300	\$72,400
7	Contracted Reclaimed Water Revenue	33,806	35,016	35,592	36,168	36,744	37,319
8	Other Revenues	175,000	195,000	175,000	175,000	175,000	175,000
9	Total Other Revenues	\$476,006	\$442,816	\$387,492	\$346,568	\$306,044	\$284,719
10	Total Gross Revenues	\$8,023,884	\$8,338,602	\$8,808,173	\$9,287,668	\$9,742,687	\$10,146,011
11	Cost of Operation and Maintenance	\$6,596,774	\$7,026,463	\$7,375,248	\$7,709,598	\$8,059,461	\$8,425,504
12	Less Transfer for Extraordinary Circumstance - Hurricane Ian	0	0	0	0	0	0
13	Net Cost of Operation and Maintenance	\$6,596,774	\$7,026,463	\$7,375,248	\$7,709,598	\$8,059,461	\$8,425,504
14	Total System Net Revenues	1,427,110	1,312,139	1,432,925	1,578,070	1,683,226	1,720,508
15	Connection Fees	0	0	0	0	0	0
BOND RESOLUTION COVERAGE TESTS:							
Senior Debt Service:							
16	Sewer System Refunding Revenue Bonds, Series 2014	\$0	\$0	\$0	\$0	\$0	\$0
17	Capital Improvement Revenue Note, Series 2020	841,258	841,078	840,893	840,704	840,511	840,314
18	Additional Existing Senior Lien Debt 2	0	0	0	0	0	0
19	Additional Existing Senior Lien Debt 3	0	0	0	0	0	0
20	Additional Existing Senior Lien Debt 5	0	0	0	0	0	0
21	Additional Existing Senior Lien Debt 6	0	0	0	0	0	0
22	Proposed Debt 1	0	0	0	0	0	0
23	Proposed Debt 2	0	0	0	0	0	0
24	Available Debt Issue 3	0	0	0	0	0	0
25	Proposed Debt 4	0	0	0	0	0	0
26	Total Senior Lien Debt Service	\$841,258	\$841,078	\$840,893	\$840,704	\$840,511	\$840,314
27	Required Coverage	120%	120%	120%	120%	120%	120%
28	Calculated Coverage	170%	156%	170%	188%	200%	205%
AND							
SRF LOAN COVERAGE TESTS:							
29	Net Revenues After Payment of Senior Lien Debt Service	\$585,852	\$471,061	\$592,031	\$737,366	\$842,714	\$880,194
30	Less Allowance for Senior Lien Debt Service Coverage (20%)	(168,252)	(168,216)	(168,179)	(168,141)	(168,102)	(168,063)
31	Net Revenues Available for SRF Loan Debt	417,600	302,845	423,853	569,225	674,612	712,131
Revenues for SRF Debt							
32	Dedicated Ad Valorem Revenues	\$71,742	\$71,742	\$0	\$0	\$0	\$0
33	Special Assessment Revenues	278,276	273,280	61,134	61,759	60,486	19,235
34	Revenues Available for SRF Coverage	\$767,618	\$647,866	\$484,987	\$630,984	\$735,098	\$731,366

Table 13

City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected Debt Service Coverage

Line No.	Description	Fiscal Year Ending September 30,					
		2025	2026	2027	2028	2029	2030
SRF Loan Debt Service:							
35	SRF Loan - #835090	\$0	\$0	\$0	\$0	\$0	\$0
36	SRF Loan - #83511L	0	0	0	0	0	0
37	SRF Loan - #83510L	0	0	0	0	0	0
38	SRF Loan - #83512S	492,731	349,017	0	0	0	0
39	Additional Existing SRF Loan 1	0	0	0	0	0	0
40	Additional Existing SRF Loan 2	0	0	0	0	0	0
41	Additional Existing SRF Loan 3	0	0	0	0	0	0
42	2027 SRF Loan Issue	0	0	0	0	549,990	549,990
43	Available Debt Issue 2	0	0	0	0	0	0
44	Available Debt Issue 3	0	0	0	0	0	0
45	Available Debt Issue 4	0	0	0	0	0	0
46	Total SRF Loan Debt Service	\$492,731	\$349,017	\$0	\$0	\$549,990	\$549,990
47	Required Coverage	115%	115%	115%	115%	115%	115%
48	Calculated Coverage (115% Required)	156%	186%	0%	0%	134%	133%
All In Debt Service Coverage							
49	Net Revenues and Connection Fees After Payment of Senior Lien Debt Service	\$1,427,110	\$1,312,139	\$1,432,925	\$1,578,070	\$1,683,226	\$1,720,508
	Additional Pledged Revenues						
50	Dedicated Ad Valorem Revenues	71,742	71,742	0	0	0	0
51	Special Assessment Revenues	278,276	273,280	61,134	61,759	60,486	19,235
52	Total Revenue for All In Debt Service Coverage Test	\$1,777,128	\$1,657,160	\$1,494,059	\$1,639,830	\$1,743,712	\$1,739,742
Total System Debt Service							
53	Senior Lien Debt	\$841,258	\$841,078	\$840,893	\$840,704	\$840,511	\$840,314
54	SRF Loans	492,731	349,017	0	0	549,990	549,990
55	Subordinated Debt Requirement	1,333,989	1,190,096	840,893	840,704	1,390,502	1,390,304
56	All In Target Coverage	115%	115%	115%	115%	115%	115%
57	All In Calculated Coverage	133%	139%	178%	195%	125%	125%
58	Amount Available for Capital Outlay and Other Purposes	(\$398,119)	(\$374,014)	(\$187,728)	(\$41,579)	(\$487,302)	(\$490,876)