



MEMORANDUM

DATE: September 13, 2021

TO: Honorable Mayor and City Councilmembers

VIA: Judie A. Zimomra, City Manager

FROM: Steven C. Chaipel, Finance Director

SUBJECT: Fiscal Year 2021 Wastewater and Reclaimed Water Revenue Sufficiency Study

City Staff and Raftelis Financial Consultants, Inc. have completed the annual revenue sufficiency study (Study) for the Sanibel Sewer System (System). Based on financial results and forecasts, a 1.0% increase in wastewater and reclaimed water rates are recommended for the fiscal year beginning October 1, 2021 (FY 2022). This recommendation is lower than the increase that was projected in the prior year due to additional grants received from the State of Florida and better than expected debt terms for the loan recently issued. This increase is required to meet the projected operating and capital costs to maintain the City's investment in the treatment plant and sewer system and enable the System to meet its debt coverage requirements and covenants.

Summary of Pertinent Information

- The Executive Summary begins on page 1 (pdf page 9) of the Study
- Proposed rate adjustments are presented on page 3 and Table ES-1
- Approximately \$16.8 million in capital requirements are included in the Study (page 2)
- Disaster reserves and renewal/replacement fund have been included in the ending cash balance of the Sewer fund (Table ES-2)
- Total existing System debt is \$17.5 million (page 10)
- Rate comparisons to other utilities are presented in Table ES-3

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

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

circumstances. The well documented financial management plan, as summarized in the Study must be monitored carefully to ensure that the desired results are achieved.

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

The Study is the first part of the annual process the City undertakes to review its sewer rates to ensure the System operates effectively and efficiently. A timeline of the actions related to the process are detailed below:

- August 16, 2021: Existing sewer customers are billed for quarterly sewer service. A notice on each bill will state that a proposed rate increase will be included at the City Council meeting on September 13, 2021 at 9 a.m.;
- September 13, 2021 City Council Regular Meeting: The proposed rate increase and study are included in the City Council agenda for approval. If determined to be appropriate by the City Council, rates are adjusted by resolution;
- October 1, 2021: If passed by resolution, new rates take effect.

Cc: Keith Williams, Community Services Director
John Agnew, City Attorney