

CITY OF **SANIBEL**

Wastewater and Reclaimed Water Revenue Sufficiency Study

Draft Report / September 3, 2021



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September 3, 2021

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

Subject: Fiscal Year 2021 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 System operations 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 funding needs for the System and referred to as the "revenue requirements") for the Fiscal Years 2021 through 2026 (the "Study Period", with the Fiscal Year defined as the accounting 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 recently secured long-term debt to finance 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. A primary goal of the Study is to assure that the System has sufficient funds to repay the debt associated with the financing of this project. Other goals and objectives considered in the Study include the following:

- The proposed rates should promote and maintain an acceptable financial position consistent with performance criteria used by credit rating agencies and the utility industry to minimize financial risk. This guideline entails 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 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

Nick T. Smith, CGFM
Senior Consultant

RJO/dc
Attachments

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

Executive Summary and Recommendations

Executive Summary

The City of Sanibel's (the "City") wastewater and reclaimed water utility enterprise system (the "System") provides an essential service on a continuous basis to over 4,300 residential and non-residential (commercial) wastewater customers and 70 reclaimed water customers. Potable water service is provided by the Island Water Association, Inc., which is a non-profit organization in Sanibel, and therefore is not discussed or evaluated in this report. The City's utility operates in a highly regulated environment. Regulatory agencies for the utility 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 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") and ii) for the Subordinate Debt, loans secured through the State Revolving Fund (SRF) low-interest loan program as administered by the FDEP. Most recently, 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 WRF), 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 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 as a utility enterprise fund. 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 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 revenues (financial resources) at least equal to the costs 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

Fiscal Years 2021 through 2026 (the "Study 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 2026 for the City's consideration.

Based on 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 Study 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. Providing sufficient revenues to fund the six-year capital improvement program ("CIP") of the System as identified by the City. Approximately \$16.8 million in capital needs have been identified for the Study Period, and approximately \$11.1 million or 66% of these needs relate to the continued construction of the expansion to and corresponding process improvements at the Donax Water Reclamation Facility (the "Donax WRF"). The City is pursuing treatment improvements 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"). It should be noted and is shown in the table below, that the City secured grant funding from the FDEP to supplement the financing of the Donax WRF Project. The remainder of the CIP consists of: i) necessary and ongoing renewals, replacements, and upgrades to utility assets reaching the end of their service lives; ii) 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 iii) the purchase of general plant such as vehicles, equipment, and other departmental (budgetary) capital. The projected funding of the capital program during the Study Period is summarized as follows:

Projected Funding Sources for Multi-Year CIP [1]		
Description	Amount	Percent
Identified Capital Improvements	\$16,843,182	
Assumed Funding Sources:		
Rate Revenues (annual operations)	\$1,329,042	7.9%
Operating Reserves [2]	13,505,840	80.2%
Grants	2,008,300	11.9%
Total Funding Sources	\$16,843,182	100.0%
[1] Amounts derived from Table 10 at the end of this report.		
[2] Amounts shown include proceeds associated with the issuance of Series 2020 Note allocable to the System.		

2. Continuing to fund increased costs of operations. Operating and maintenance expenses are projected to continue to increase during the Study 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. 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.

With respect to ongoing inflation on the cost of operations, the Congressional Budget Office has projected the national consumer price index ("CPI") to increase by approximately 2.4% per year during the Study Period based on projections published as of July 2021.

3. 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). Raftelis has recognized target (minimum) cash or reserve balances equal to: i) 120 days of rate revenue for working capital (operating reserves); ii) one year of annual depreciation expense for 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) \$1,500,000, which is an increase from the previous target of \$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.
4. 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 over \$90 million in depreciable assets (gross utility plant investment, includes construction-work-in-progress) as of the end of Fiscal Year 2020 (as reported in the 2020 Comprehensive Annual 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 Study Period.

For the City's wastewater and reclaimed system, this Study recognizes the following annual rate revenue adjustments:

Summary of Recognized Annual Rate Revenue Adjustments [1]		
Fiscal Year	Wastewater and Retail Reclaimed Water Revenue Adjustments	Effective Monthly Increase for Typical Residential Customer [2]
2022	1.0%	\$0.67
2023	1.5%	1.03
2024	1.5%	1.03
2025	1.5%	1.06
2026	1.5%	1.07

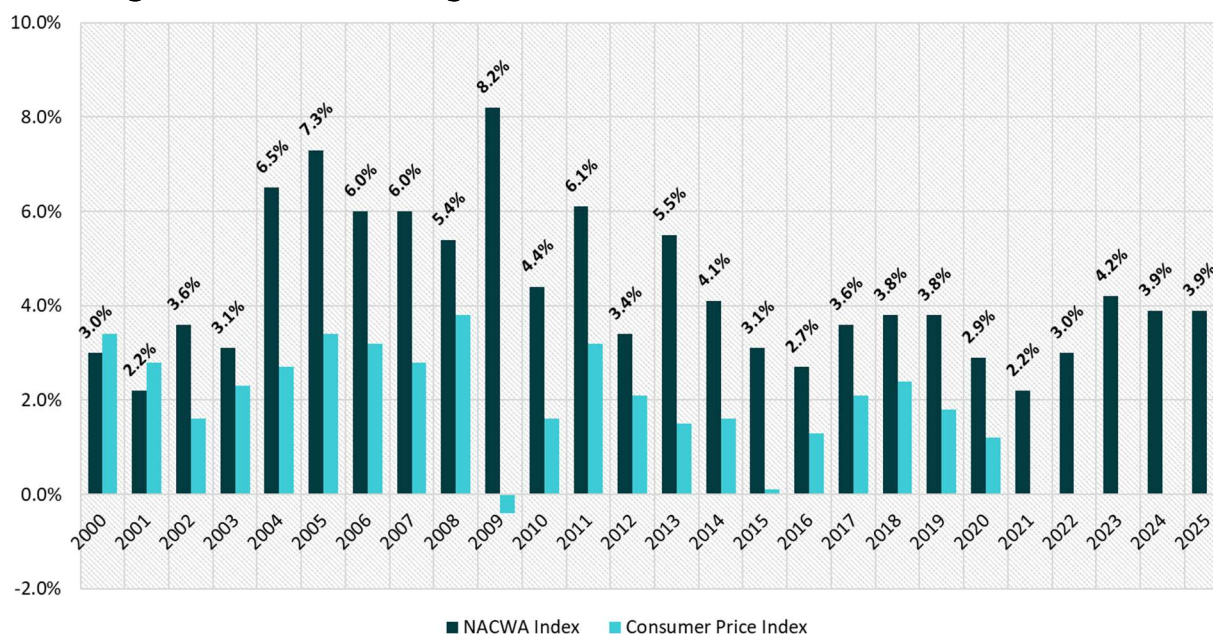
[1] The presentation of the revenue sufficiency analysis and results in the report assume that the rate adjustments shown above become effective on October 1 (beginning) of each Fiscal Year.

[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-month service period). Typical monthly residential bill assumed to require a billed wastewater flow of 6,000 gallons.

Since the City evaluates its rates on an annual basis, only the Fiscal Year 2022 adjustment is recommended for adoption at this time. The Fiscal Year 2022 adjustment is recommended to have an effective date of October 1, 2021.

As can be seen on the above table, the recommended rate adjustment for the Fiscal Year 2022 is proposed to be 1.0%. 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. Figure ES-1 provides a national indication of the recent trends in rate adjustments (referred to as the NACWA Index, which is based on a composite of 174 utilities serving 104 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 and a forecast in rate adjustments ranging from 2.2% to 4.2% over the next five years are anticipated by the surveyed utilities. The projected increases for the System over the next five Fiscal Years are below the projected increases as identified by NACWA, as shown on Figure ES-1, and illustrates the overall reasonableness in the rate adjustments being proposed for the System.

Figure ES-1. Annual Change in NACWA 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 2022 rates are shown in Table ES-1 at the end of this section.

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The proposed 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 and proposed 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 [4]	7,000	10,000	12,000
City of Sanibel: [2]							
Existing FY 2021	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47
Proposed FY 2022	68.14	68.14	68.14	68.14	68.14	68.14	68.14
Difference	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67
Utility Survey: [3]							
Survey Average	\$27.14	\$39.66	\$53.46	\$68.51	\$73.33	\$94.64	\$138.97
Minimum	15.35	28.80	37.53	45.73	49.83	59.90	59.90
Maximum	40.49	56.29	72.09	97.25	110.90	151.85	179.15

[1] Based on metered water usage. The detailed 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. Amounts shown reflect effective monthly rate since the majority of the surveyed utilities bill on a monthly basis for utility service.

[3] Based on a survey of 21 neighboring utilities as discussed in this report and reflect rates that are currently in effect as of July 2021; the majority of the surveyed utilities employ a rate structure that includes a base and volumetric or flow charge). The rates reflected in the development of the utility survey have not been adjusted for any possible or approved rate adjustments anticipated for the Fiscal Year 2022; several utilities included in the survey are anticipating an increase in rates for 2022 through the application of a price index or as identified through a rate study process which should subsequently improve the comparison to the City proposed rates.

[4] 6,000 gallons represents the average monthly usage level for the typical residential customer.

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. Maintenance of adequate debt service coverage which also meets the minimum rate covenants as contained in the Bond Resolution (senior lien debt) and the Loan Agreements with the FDEP associated with securing low-interest loans through the State Revolving Fund ("SRF") loan program.
2. Maintenance of adequate operating reserves (liquidity).
3. Maintenance of an adequately leveraged system (debt to outstanding utility plant).
4. Maintenance of adequate net revenue margins necessary for debt repayment and capital reinvestment.

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 utility is projected to remain in a positive financial position throughout the Study Period.

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Conclusions and Recommendations

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

1. The City's revenues under existing rates are not anticipated to recover the projected System revenue requirements for the Fiscal Years 2021 through 2026.
2. The City should consider adopting the wastewater and reclaimed water rate adjustments proposed herein for the Fiscal Year 2022 which are anticipated to be sufficient to fully fund the projected System revenue requirements for such Fiscal Year. 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 2022.
3. The proposed wastewater and reclaimed water rates for the Fiscal Year 2022 should be implemented for service rendered on or after October 1, 2021. Since the recommended rates reflect an overall increase in the amount charged to System customers, 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.
4. The implementation of the proposed rates as reflected in the Study are projected to be adequate to meet the rate covenant requirements (e.g., debt service coverage) of the City's outstanding and anticipated utility indebtedness (both senior lien and subordinate lien debt).
5. The proposed wastewater rates for the Fiscal Year 2022 are considered to be competitive when compared with those of 21 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 report contains supporting information regarding the financial forecast and proposed rates.

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List of Tables

Table ES-1	Summary of Existing and Proposed Wastewater and Reclaimed Water Rates
Table ES-2	Utility System Financial Overview
Table ES-3	Comparison of Monthly Charges for Residential Wastewater Service for Customers Using 6,000 Gallons per Month

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 2021	Proposed Fiscal Year 2022
Wastewater System Rates			
<u>Residential Customer Rates</u>			
1	Quarterly Flat Rate Per Dwelling Unit	\$202.41	\$204.43
2	Monthly Flat Rate Per Dwelling Unit	67.47	68.14
<u>Commercial Customer Rates</u>			
Quarterly Charge By Meter Size			
3	5/8" Meter	\$117.52	\$118.70
4	1" Meter	293.60	296.54
5	1.5" Meter	586.88	592.75
6	2" Meter	841.22	849.63
7	3" Meter	1,877.34	1,896.11
8	4" Meter	2,943.57	2,973.01
Monthly Charge By Meter Size			
9	5/8" Meter	\$39.17	\$39.57
10	1" Meter	97.87	98.85
11	1.5" Meter	195.63	197.58
12	2" Meter	280.41	283.21
13	3" Meter	625.78	632.04
14	4" Meter	981.19	991.00
15	Commercial Customers Consumption Charge per 1,000	\$10.13	\$10.23
Reclaimed Water System Rates			
16	Consumption Charge per 1,000 Gallons	\$3.03	\$3.06



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

Utility System Financial Overview

	Fiscal Year Ending September 30,					
	2021	2022	2023	2024	2025	2026
CURRENT YEAR REVENUE ADJUSTMENTS						
Wastewater System	0.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Reclaimed Water System	0.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Effective Months	12	12	12	12	12	12
Unrestricted Cash Position - End of Year -Working Capital, R&R, and Disaster Reserve	\$4,954,681	\$3,407,706	\$4,593,680	\$5,797,770	\$6,981,504	\$7,974,197
Working Capital Balance - End of Year	\$3,954,681	\$2,407,706	\$2,935,110	\$3,314,752	\$3,519,413	\$3,551,613
R&R Fund Balance - End of Year	0	0	533,570	1,233,018	2,087,090	2,922,584
Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,125,000	1,250,000	1,375,000	1,500,000

Figure ES-1. Revenue Requirements

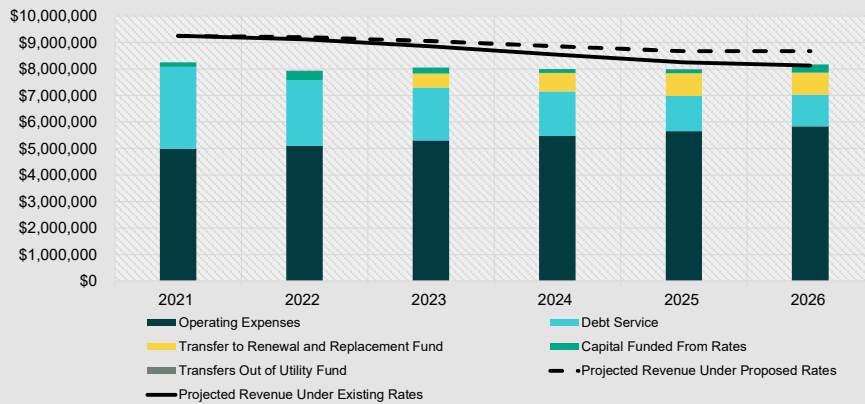


Figure ES-2. Ending Unrestricted Cash Balances - Operating Fund, Renewal / Replacement Fund, and Disaster Reserve Fund

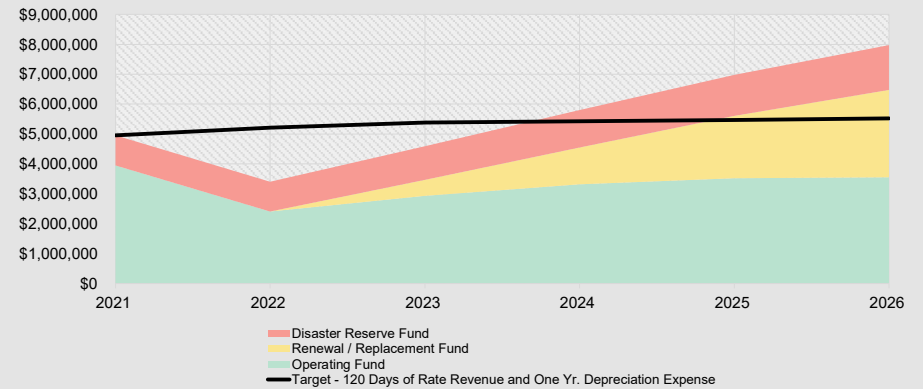


Figure ES-3. Ending Cash Balance - Operating Fund

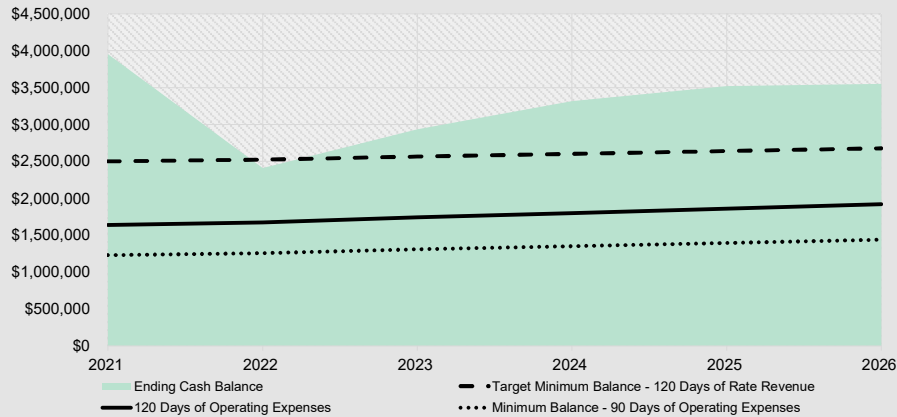


Figure ES-4. Six-Year Capital Improvement Program Projected Funding Sources (Total CIP = \$16,843,182)

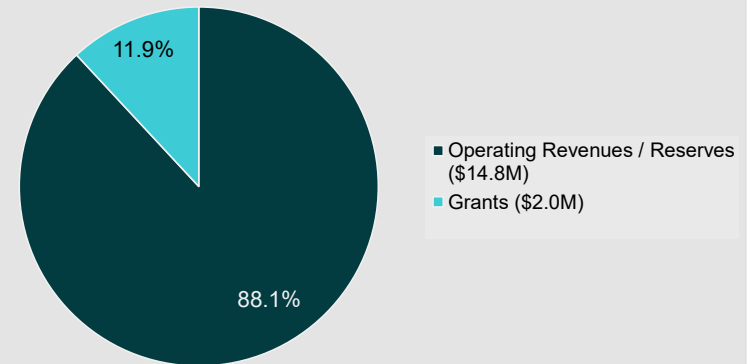




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Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,125,000	1,250,000	1,375,000	1,500,000

Figure ES-5. Capital Improvement Program Spending Curve

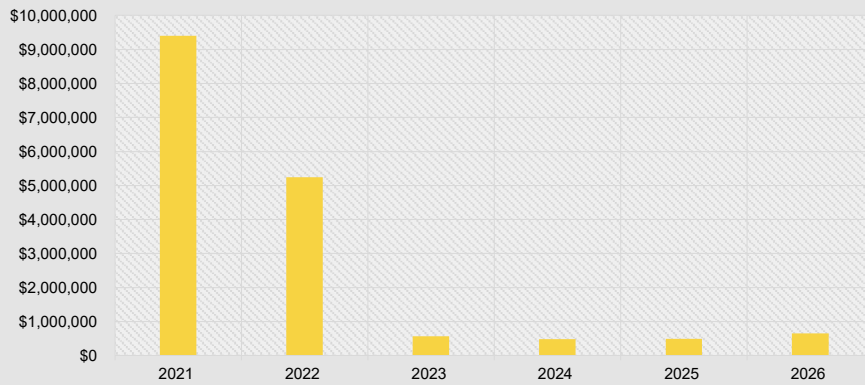


Figure ES-6. Debt to Net Plant Investment

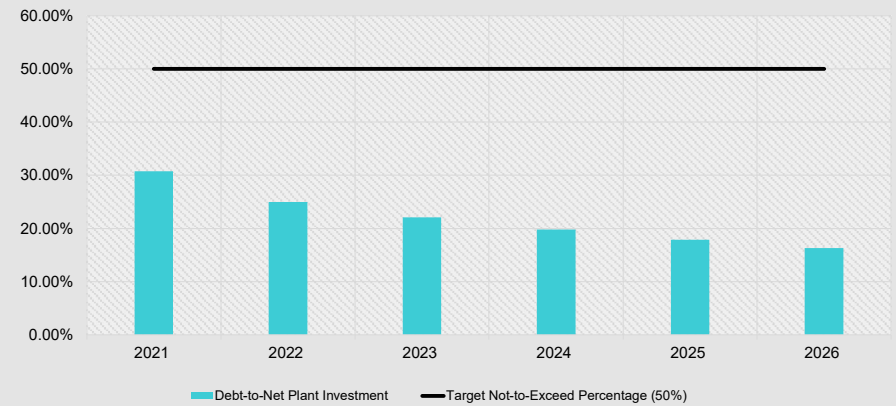


Figure ES-7. Free Cash Flow to Depreciation

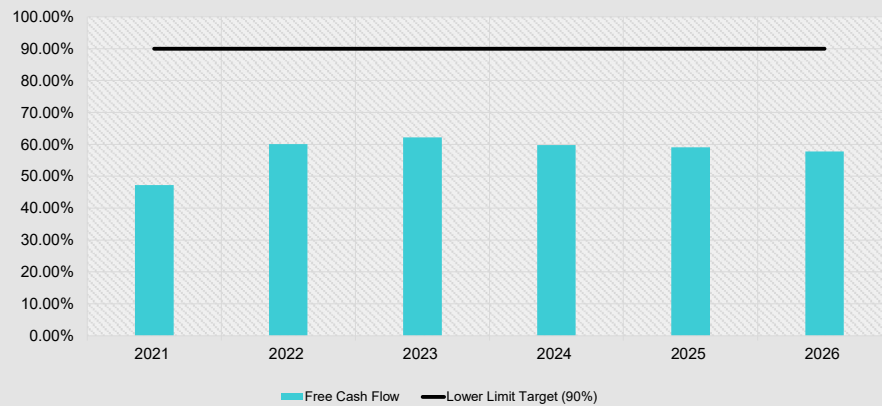


Figure ES-8. Net Revenue Margin

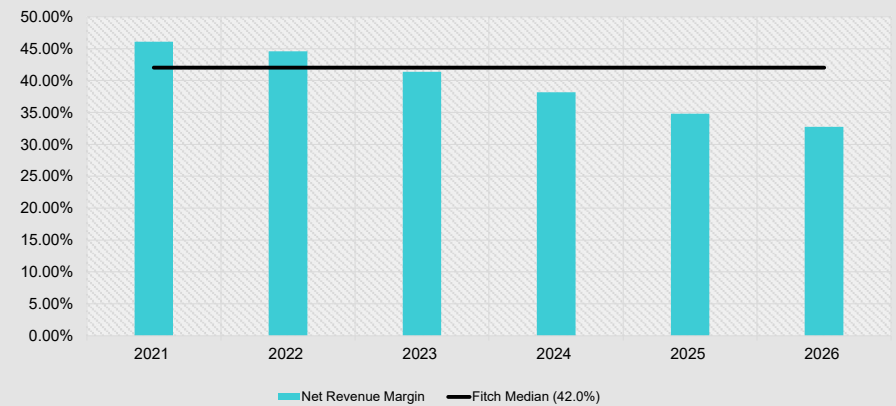




Table ES-2
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

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Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,125,000	1,250,000	1,375,000	1,500,000

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

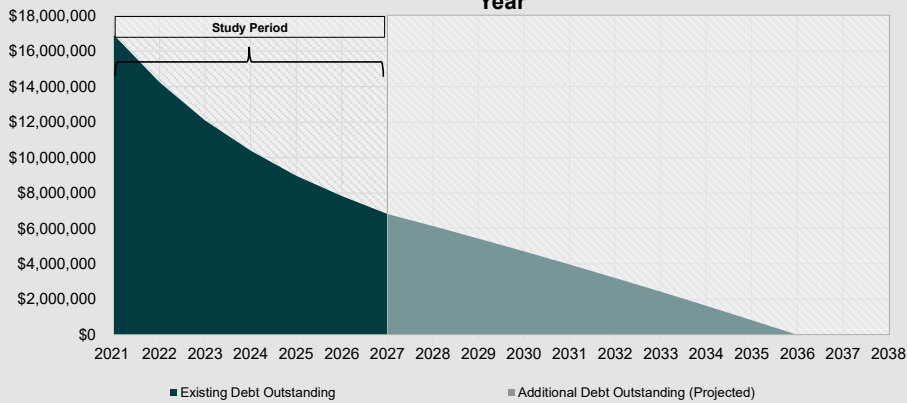


Figure ES-10. Projected Senior Lien Debt Service Coverage - Bond Resolution

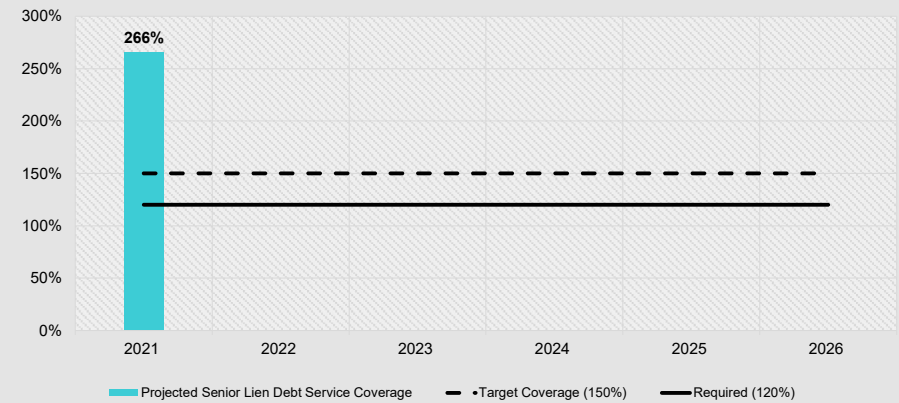


Figure ES-11. Projected Subordinate Lien Debt Service Coverage - Bond Resolution

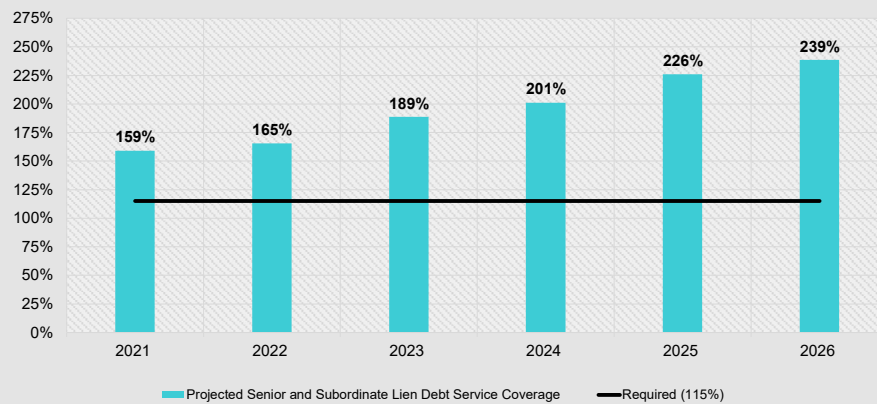


Figure ES-12. Projected SRF Loan Debt Service Coverage

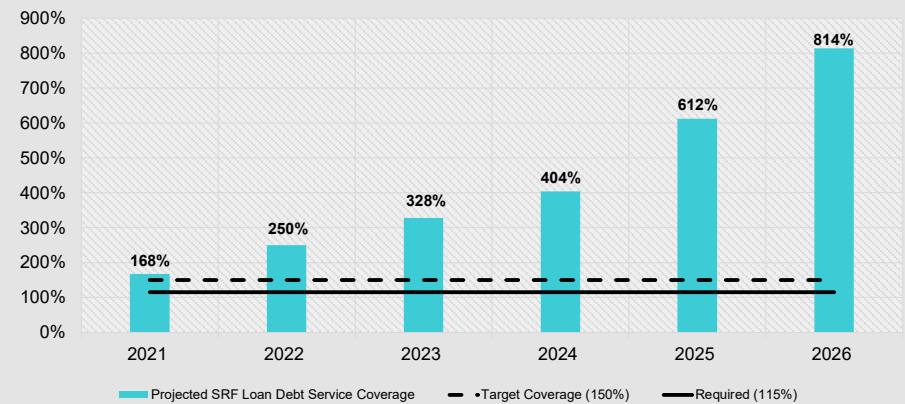




Table ES-2
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Utility System Financial Overview

	Fiscal Year Ending September 30,					
	2021	2022	2023	2024	2025	2026
CURRENT YEAR REVENUE ADJUSTMENTS						
Wastewater System	0.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Reclaimed Water System	0.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Effective Months	12	12	12	12	12	12
Unrestricted Cash Position - End of Year -Working Capital, R&R, and Disaster Reserve	\$4,954,681	\$3,407,706	\$4,593,680	\$5,797,770	\$6,981,504	\$7,974,197
Working Capital Balance - End of Year	\$3,954,681	\$2,407,706	\$2,935,110	\$3,314,752	\$3,519,413	\$3,551,613
R&R Fund Balance - End of Year	0	0	533,570	1,233,018	2,087,090	2,922,584
Disaster Reserve Fund Balance - End of Year	1,000,000	1,000,000	1,125,000	1,250,000	1,375,000	1,500,000

Figure ES-13. Projected All-In Debt Service Coverage

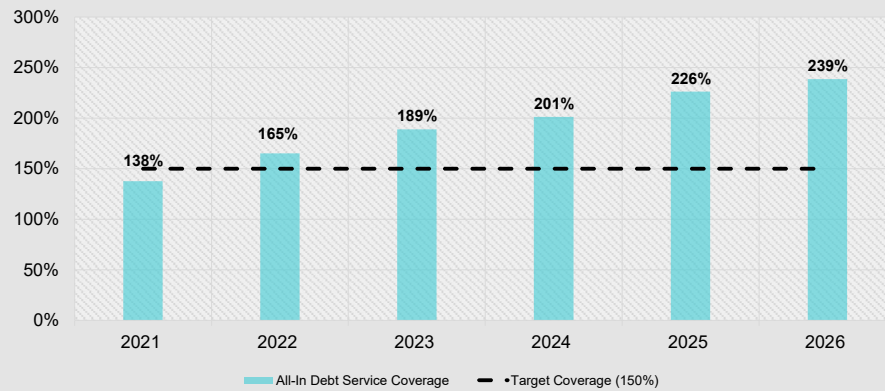
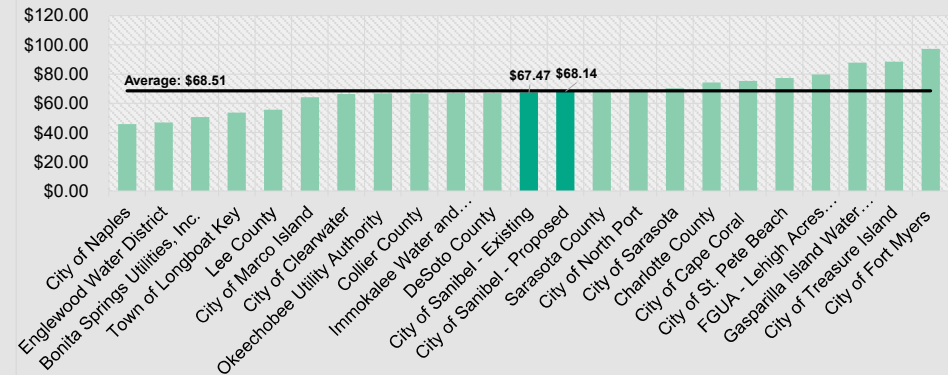
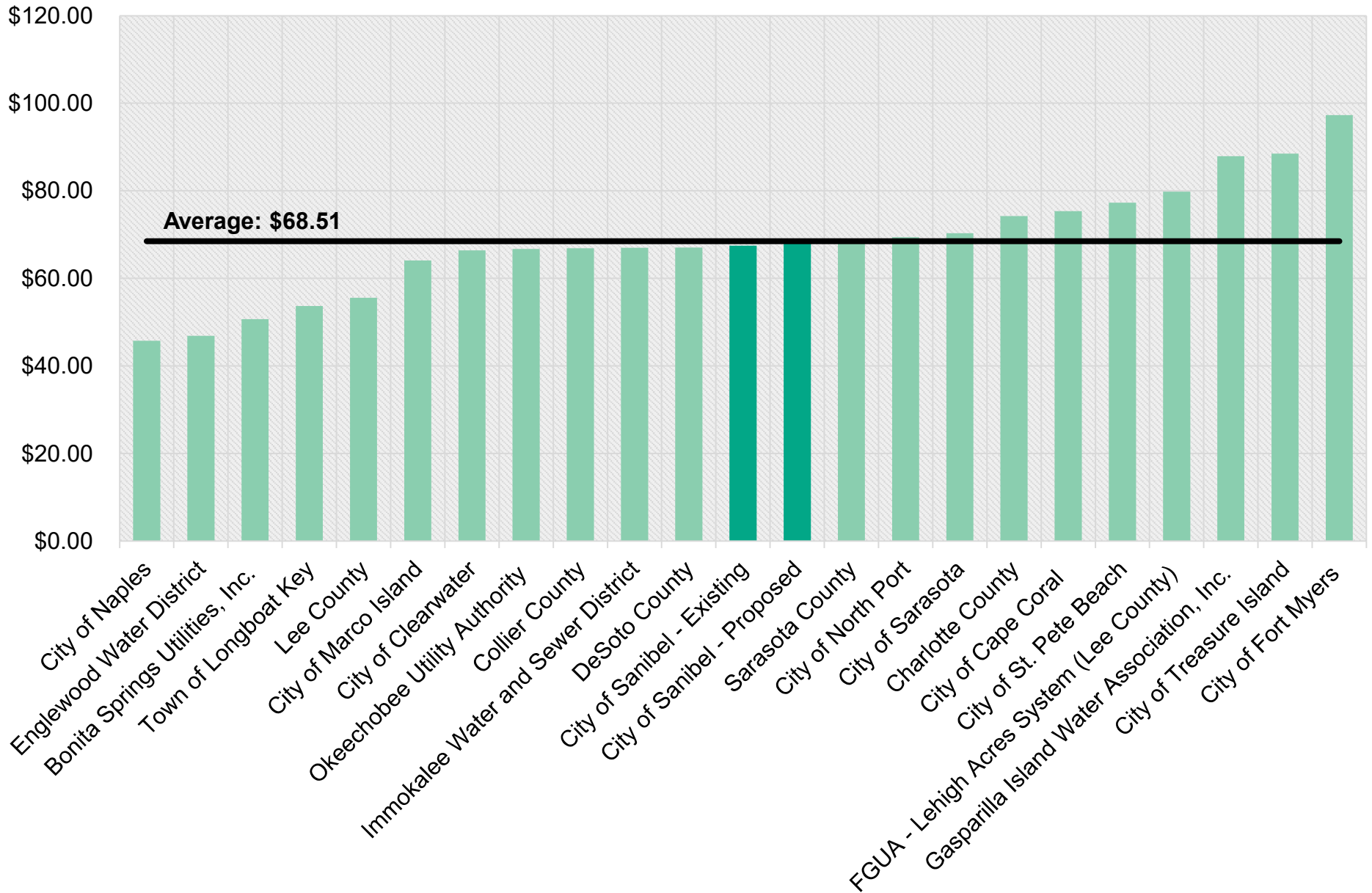


Figure ES-14. Comparison of Monthly Charges for Residential Wastewater Service for Customers Using 6,000 Gallons per Month



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



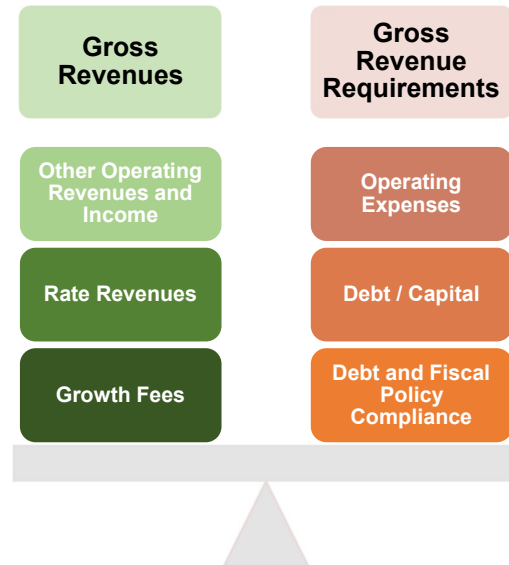
FINANCIAL FORECAST

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 revenue bond financing 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; 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 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:

$$\begin{aligned} &+ \text{Cost of Operation and Maintenance} \\ &+ \text{Debt Service Payments (Senior and Subordinate)} \\ &+ \text{Transfers and Administration Payments} \\ &+ \text{Capital Project Financing (from operations)} \\ &+ \text{Working Capital Reserves / Financial Compliance} \\ &- \text{Other Operating and Available Revenue} \\ &- \text{Interest Income} \\ \hline &= \text{Net Revenue Requirements (Funded from User Rates)} \end{aligned}$$

The user fee analysis herein utilizes a forward-looking study 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 ensure continuing and adequate financial resources. 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 long-term is projected be accomplished. For the purposes of this Study, it was determined that the financial evaluation contained in this Study would be predicated on the projected six Fiscal Year period of October 1, 2020 through September 30, 2026 (includes the current budget year plus a five-year projected period; previously defined as the "Study 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; and iv) promote compliance with the Bond Resolution, FDEP SRF loan agreements, general City policy especially as it relates to the payment of is allocation of the debt service for the Capital Improvement Revenue Note, Series 2020 as discussed later in this Study, to maintain a strong credit rating to allow future access to capital markets at a reduced interest rates, and to 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 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.) in order to meet the projected financial targets of the System, provide rate-phasing alternatives for the benefit of the System, to comply with the rate covenants as dictated by the Bond Resolution and SRF loan agreements, and other payments and transfers to reserves for future year expenditures.

The development of the projected System revenue requirements is shown on 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 rates were adopted pursuant to Resolution No. 20-063 (the "Rate Resolution"), which was approved by the City Council on September 8, 2020 and became effective for all service rendered on or after October 1, 2020. The current wastewater rates consist of i) for the residential class, 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 diversity in use and demand among customers within this class (e.g., an office and a restaurant place very different demands on the System). The existing retail wastewater rates as presented in the Rate Resolution are shown in the following table:

Summary of Existing Wastewater Rates – per the Rate Resolution	
	Effective 10/1/2020
<u>Wastewater Rates:</u>	
Residential Customer Rates:	
Quarterly Flat Rate per Dwelling Unit	\$202.41
Monthly Flat Rate per Dwelling Unit	67.47
Commercial Customer Rates:	
Quarterly Charge by Meter Size	
5/8" Meter	\$117.52
1" Meter	293.60
1.5" Meter	586.88
2" Meter	841.22
3" Meter	1,877.34
4" Meter	2,943.57
Monthly Charge by Meter Size	
5/8" Meter	\$39.17
1" Meter	97.87
1.5" Meter	195.63
2" Meter	280.41
3" Meter	625.78
4" Meter	981.19
Commercial Customers Volumetric Charge per 1,000 Gallons	\$10.13

The City's Code of Ordinances does provide for an automatic rate increase to the wastewater 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 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.
- (c) (Code 1981, § 19-90; Ord. No. 97-12, § 4, 6-17-1997; Ord. No. 00-21, § 1, 9-19-2000; Ord. No. 00-24, § 1, 11-7-2000)

The City's existing retail reclaimed water rates were also adopted pursuant to the Rate Resolution and are effective for all service rendered on or after October 1, 2020. The retail rate class includes high-pressure, delivered service to residential and commercial properties (does not represent low-pressure, large user service 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 \$3.03 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 contractual reclaimed water customers (considered as 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 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-year period, adjusted by the sum of the Federal Bureau of Labor Statistics Consumer Price Index (“CPI”) for each of the three previous years. The City is currently charging the Dunes Golf and Country Club \$0.06 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 fifteen (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 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-year period, adjusted by the sum of the CPI for each of the three previous years. The City is currently charging the End Golf Management, LLC \$0.06 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 CPI, up to a maximum of 3% yearly increase with all rates being rounded to three decimal places. The City is currently charging Sanctuary Golf Club \$0.646 per 1,000 gallons.

Since the reclaimed water rates for the large users are considered as being contractual, no adjustments to these rates are reflected in the Study.

Wastewater and Reclaimed Water Customer Statistics

For Fiscal Year 2020 the System provided service to an estimated average of 4,395 wastewater accounts which consisted of 4,185 residential accounts (both individually served and master-metered served accounts) and 210 commercial accounts. Approximately 7,587 residential dwelling units were associated with the 4,160 residential accounts (represents a significant amount of residential dwelling units that are served by a master water meter such as a condominium). A summary of the wastewater customer statistics by class is shown in Table 2 at the end of this report.

With respect to the reclaimed water system, the System provided service to 71 reclaimed water accounts which consisted of 68 retail customers and the 3 contractual or large user customers previously discussed during the Fiscal Year 2020. A summary of the reclaimed water customer statistics is shown in Table 3 at the end of this report.

Customer and Sales Forecast

The forecast of wastewater and reclaimed water service revenues were based on a review of recent historical wastewater system growth, year-to-date customer statistics, and discussions with the City staff. The following table provides a summary of the recent historical and projected trends in wastewater customer billing statistics:

Historical and Projected Wastewater Customer Statistics [1]				
Fiscal Year	Residential		Commercial	
	Average Annual Accounts	Sales (000s Gallons)	Average Annual Accounts	Sales (000s Gallons)
Historical				
2017	4,107	N/A	210	129,045
2018	4,131	N/A	209	121,049
2019	4,160	N/A	210	126,232
2020	4,185	N/A	210	118,732
Projected				
2021 (Est.) [2]	4,200	N/A	210	112,795
2022	4,200	N/A	210	112,233
2023	4,220	N/A	210	111,947
2024	4,220	N/A	210	111,384
2025	4,220	N/A	210	110,830
2026	4,220	N/A	210	110,276
Compound Growth Rate 2020 to 2026	0.14%	N/A	0.00%	(1.22%)
[1] Amounts derived from Table 2 at the end of this report.				
[2] Amounts shown based on nine months of actual information.				

As can be seen above, the City has experienced minor residential and commercial growth in historical years with the majority of the growth resulting from the City's ongoing wastewater management (extension) program as part of its wastewater regionalization efforts based on discussions with staff. Minor growth is projected throughout the Study Period, 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. This service area is anticipated to be connected to the wastewater system in subsections (i.e., a phased approach), with connections anticipated by the City to occur in Fiscal Year 2023. The remainder of the Phase 4 wastewater extension project is anticipated by the City to result in the addition of approximately 20 customer accounts. Due to the built-out nature of the City, no additional customer growth (through the addition of new customers or through re-development activities) has been assumed for the Study Period once the Phase 4 wastewater extension project has been completed. Additionally, wastewater sales (which is based on metered water use and is applicable only to the commercial customer class; residential service is billed at a flat rate with no bill charged for estimated wastewater flows) decreased in Fiscal Year 2020 and is assumed to be due to temporary and permanent closures due from the ongoing COVID-19 pandemic. Based on year-to-date statistics for Fiscal Year 2021 wastewater sales continue to be below historical averages and an increase or recovery in sales is not assumed for the Study Period. Wastewater sales were assumed marginally decline throughout the Study period to reflect a lower level of billed wastewater usage based on recent historical trends and the assumption of continued water conservation efforts which directly relates to the billed wastewater flow for the commercial customer class.

The Study Period assumes no additional growth related to reclaimed water customer accounts which is consistent with historical trends. Reclaimed water sales increased in Fiscal Year 2020 and were above the five-year historical average. Recognizing that reclaimed water sales can be influence by weather, economic conditions, and other factors, the projected reclaimed water sales were reduced for Study Period to reflect

sales based on the five-year historical average.

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 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 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; 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 as assumed for the purposes of this financial forecast and the recognition of the rates currently in effect, the estimated retail rate revenues under existing rates for the Study Period are shown in Tables 4 and 5 at the end of this report and summarized as follows:

Projected Retail Wastewater and Reclaimed Water User Rate Revenues Under Existing Rates			
Fiscal Year	Wastewater System [1]	Retail Reclaimed Water System [2]	Total Retail User Rate Revenue
2020 (Actual)	\$7,276,083	\$271,975	\$7,548,058
2021 (Est.) [3]	\$7,364,171	\$240,558	\$7,604,729
2022	7,358,606	240,558	7,599,164
2023	7,371,594	240,558	7,612,151
2024	7,366,023	240,558	7,606,580
2025	7,360,541	240,558	7,601,098
2026	7,355,059	240,558	7,595,616
Compound Growth Rate 2020 to 2026	0.18%	(2.03%)	0.10%

[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 does not include contractual reclaimed water service revenues.

[3] Increase in wastewater system rate revenue due to increase in customers served as a result of the City's continued implementation of the wastewater management program and ii) the application of a 2.0% rate adjustment at the beginning of the Fiscal Year. The reduction in reclaimed water sales is attributable to the decline in billed reclaimed water use as shown on Table 5.

The reclaimed water revenue shown in the previous table does not include revenue from the City's three contractual customers – The Dunes Golf and Country Club, the End Golf Management, LLC, and the Sanctuary Golf Club. The revenues from these three customers totaled \$56,777 in Fiscal Year 2020 and the projected reclaimed water revenue from the three contractual customers was projected to average approximately \$59,000 annually for the Fiscal Years 2021 through 2026. The derivation of the revenue for the three contractual 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 Study Period are as follows:

1. Projected 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 customer and sales usage forecast discussed previously.
2. The amended Fiscal Year 2021 operating and capital budget, actual Fiscal Year-to-date ended July 2021 results, and preliminary Fiscal Year 2022 operating and capital budget estimates associated with the operations, maintenance, and upgrades to the System served as the basis for the expenditure projections. The underlying assumptions reflected in the amended and adjusted 2021 budget were assumed to be reasonable and representative of anticipated operations. Such budgetary amounts represent the most recent financial forecast of the System as 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 operation and maintenance expenses for the System for the Fiscal Year 2021 were projected for the remaining five years of the Study Period. These projections are displayed on Table 6 at the end of this report. A summary of the escalation factors utilized is shown on Table 7 at the end of this report. The projections were developed for the Study as follows:
 - a. Budgeted Fiscal Year 2021 operating expenses such as professional services, contractual services, and certain other operating expenses have been projected to increase from current budgetary levels at annual inflation rates ranging from 2.3% to 2.7% to reflect allowances for inflation and growth and based on recent expense trends and discussions with City staff. The forecast of inflation was based upon CPI adjustment estimates published by the Congressional Budget Office in July 2021.
 - b. Repair and maintenance expenses were escalated at a 4.0% annual rate.
 - c. Insurance expenses were escalated at a 5.0% annual rate.
 - d. Based on discussions with the City staff, the costs of the System's salaries were increased above Fiscal Year 2021 budgeted amounts by 3.0% per year to account for merit and cost of living adjustments.
 - e. Electricity costs were adjusted to i) reflect any increase in wastewater treated due to System growth coupled with ii) an annual basis commodity escalation factor of 2.5% for the Fiscal Years 2022 to 2026 to account for general inflation on the cost of power. Based on discussions with City staff, an incremental electrical cost increase of approximately \$100,000 per year is anticipated once the Donax WRF process improvements are completed and placed into service during Fiscal Year 2022.
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 which was based on discussions with the City and which is consistent with trends statewide.
5. Based on discussions with City staff and year-to-date operating results and projections, no contingency allowances were assumed during the Study Period.
6. Based on discussions with City staff, no additional personnel were assumed to be hired or removed from employment during the Study Period.

7. Included as an operating expense for the Study 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 2021 of \$623,963 as determined by the City was assumed to be increased during the Study Period based on the increases in labor costs assumed for the System since labor is the primary cost component that comprises the charge as discussed with the City.
8. For the purposes of this Study, amounts associated with depreciation and amortization expenses have not been recognized in this analysis. 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 Study Period. It should be noted that an allowance for the cash-funding of capital projects, renewals and replacements, and/or reserves has been recognized within the Study Period.
9. Based on discussions with City staff, Raftelis recommends 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 would help the City 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. Raftelis recommends that the City gradually build up a cash balance in this account to a target amount equal to one year of annual depreciation expense, which by Fiscal Year 2026 is approximately \$2.8 million. The financial forecast presented in this report assumes that the City will annually deposit amounts into the R&R Fund based on a percentage of prior year gross revenues. The forecast assumes that the City would deposit approximately \$730,6500 per year, on average, into the R&R Fund beginning in Fiscal Year 2022. Below is a summary of the assumed R&R Fund deposits throughout the Study Period:

R&R Fund Deposits		
Fiscal Year	Percent of Prior Year Gross Revenues	R&R Fund Deposit
2022	0.0%	\$0
2023	6.0%	533,570
2024	8.0%	699,456
2025	10.0%	854,083
2026	10.0%	835,493

10. The City in prior periods 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 current balance in the fund is \$1,000,000 which is the current target level established by the City. Based on discussions with City staff, the City would like to increase the target cash balance of \$1,500,000. For Fiscal Years 2023 through 2026 additional deposits to the Disaster Reserve Fund of \$175,000 per year were assumed and no use of the fund was required. To the extent an emergency event occurred that was not reimbursed from insurance proceeds, the Federal Emergency Management Agency ("FEMA"), or

some other sources and the City desired to replenish the fund or needed additional funds associated with the emergency condition, the user rates as presented in this Study may need to be modified.

11. The System also contributes a payment-in-lieu-of-taxes ("PILOT") to the General Fund; for the Fiscal Year 2021, this payment was budgeted at \$7,500. For the Study Period, the PILOT payment was maintained and held constant at Fiscal Year 2021 budgeted levels based on discussions with the City staff.
12. As of September 30, 2020, the City had outstanding in the principal amount \$10,360,654 of debt obligations to be repaid from utility revenues and other pledged revenues. Additionally, on June 19, 2020 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 WRF), for which repayment of the note is from a pledge of non-ad valorem revenues of the City (a general obligation debt 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 for 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 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 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.

A summary of the estimated outstanding and allocated debt obligations (i.e., principal liability outstanding) is shown as follows:

Summary of Debt Service Allocable to City's Utility System			
Description	Amount Outstanding	Fiscal Year 2021 Debt Service	Fiscal Year of Final Maturity
Senior Lien Bonds:			
Sanibel Sewer System Refunding Revenue Bonds, Series 2014 (the "Series 2014 Bonds")	\$1,324,668	\$1,338,893	2021
Subordinate Debt:			
State Revolving Fund (SRF) Loans:			
SRF Loan #835090	\$683,396	\$354,955	2022
SRF Loan #83510L	1,528,526	537,113	2023
SRF Loan #83511L	1,350,169	358,134	2024
SRF Loan #83512S	2,654,054	492,731	2026
Total SRF Loans	\$6,216,145	\$1,742,932	
Other Subordinate Debt:			
Capital Improvement Revenue Note, Series 2020 (the "Series 2020 Note")	\$10,036,000	\$234,842	2035
Total Subordinate Debt	\$16,252,145	\$1,977,774	
Total Existing System Debt	\$17,576,813	\$3,316,667	

The Series 2014 Bonds were issued to refinance the then outstanding debt that was initially issued to finance the acquisition of the System from Sanibel Sewer System Partners, Ltd. during the Fiscal Year 1991 in order to achieve interest rate (debt service) savings for the benefit of the System. The 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 Bond Service Requirement associated with the Series 2014 Bonds is pledged essentially from the Net Revenues of the System as defined in the City's Master Sewer System Bond Resolution No. 14-012 Bond Resolution as amended and supplemented (the "Bond Resolution"). 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 the senior lien bonds). The projected special assessment revenue and ad valorem tax revenue associated with the for the Study 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 as follows:

Projected Special Assessment and Ad Valorem Tax Revenue			
Fiscal Year	Special Assessment Revenues [1]	Debt Service Ad Valorem Tax Revenues [2]	Total
2021 (Estimated)	\$594,489	\$696,842	\$1,291,332
2022	539,702	696,842	1,236,544
2023	445,242	519,365	964,607
2024	389,069	250,809	639,878
2025	257,966	71,742	329,707
2026	136,091	71,742	207,833

[1] Amounts derived from Table 8 at the end of this report.

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

As previously mentioned, the City is extending wastewater service to a service area referred to as Phase 4, which consists of six subsections referred to as Phases 4A to 4F. The City has completed construction for Phase 4 subsections A and E and have assessed customers with payments being received beginning in Fiscal Year 2018. It is estimated that the City will complete construction for the remaining subsections (B, C, D, and F) and begin assessing customers in Fiscal Year 2024.

13. Based on the existing and projected senior and subordinate lien debt assumed to be outstanding during the Study Period, the annual debt service and loan payments to be funded from the revenues received by the System were estimated as follows for the Study Period:

Estimated Annual Senior and Subordinate Lien Debt Payments	
Fiscal Year	Annual Debt Payments [*)
2021	\$3,093,519
2022	2,481,178
2023	1,983,407
2024	1,677,376
2025	1,333,989
2026	1,190,096

[*) Amounts shown derived from Table 1 at the end of this report and represent payments as accrued.

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 Study Period. The capital funding plan recognized for the financial forecast is summarized as follows:

Capital Improvement Program (CIP) - Estimated Funding Sources [*]								
	Fiscal Year Ending September 30,						Total	
	2021	2022	2023	2024	2025	2026	Amount	Percent
Total CIP	\$9,406,530	\$5,244,652	\$566,500	\$485,500	\$490,500	\$649,500	\$16,843,182	
Funding Sources:								
Rate Revenues	\$170,042	\$347,000	\$221,500	\$140,500	\$145,500	\$304,500	\$1,329,042	7.9%
Operating Reserves	9,136,488	2,989,352	345,000	345,000	345,000	345,000	13,505,840	80.2%
Grants	100,000	1,908,300	0	0	0	0	2,008,300	11.9%
Total Funding Sources	\$9,406,530	\$5,244,652	\$566,500	\$485,500	\$490,500	\$649,500	\$16,843,182	100.0%

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

As indicated in the preceding table, a significant portion (88%) of the CIP is projected to be funded from internal funding sources. Additionally, 12% of the capital plan is funded through grants.

15. Interest income has been recognized as an available revenue source to fund the annual expenditure needs of the System. For the Study 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 of 1.25% was applied to the estimated average fund balances in each account maintained by the City during the Study 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 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. 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,					
	2021	2022	2023	2024	2025	2026
Unrestricted Cash Balances:						
Operating Fund	\$3,954,681	\$2,407,706	\$2,935,110	\$3,314,752	\$3,519,413	\$3,551,613
Disaster Reserve Fund	1,000,000	1,000,000	1,125,000	1,250,000	1,375,000	1,500,000
Renewal and Replacement Fund [2]	0	0	\$533,570	\$1,233,018	\$2,087,090	\$2,922,584
Total Unrestricted Cash Balances	\$4,954,681	\$3,407,706	\$4,593,680	\$5,797,770	\$6,981,504	\$7,974,
Restricted Cash Balances:						
Debt Service Reserve Account [3]	243,131	66,539	66,539	66,539	66,539	66,539
Total Estimated Cash Balances	\$5,197,812	\$3,474,245	\$4,660,219	\$5,864,309	\$7,048,043	\$8,040,736

[1] Derived from Table 11 at the end of this report.

[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.

[3] Amounts on deposit in Debt Service Revenue Fund are assumed to be released and deposited in the Operating Fund once the associated debt has matured.

17. The City collects other revenues such as communication tower leases. Such charges were generally held constant for the duration of the Study Period.

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 Study Period are projected to be as follows:

Projected Net Revenue Requirements [1]						
	Fiscal Year Ending September 30,					
	2021	2022	2023	2024	2025	2026
Operating Expenses	\$4,984,061	\$5,093,266	\$5,305,251	\$5,475,494	\$5,652,200	\$5,834,899
Debt Service	3,093,519	2,481,178	1,983,407	1,677,376	1,333,989	1,190,096
Other Revenue Requirements [2]	177,542	354,500	887,570	972,448	1,132,073	1,272,493
Gross Revenue Requirements	\$8,255,121	\$7,928,944	\$8,176,228	\$8,125,319	\$8,118,261	\$8,297,488
Less Other Income and Funds from Other Sources [3]	\$1,639,660	\$1,519,573	\$1,245,035	\$935,106	\$640,135	\$532,361
Net Revenue Requirements	\$6,615,462	\$6,409,371	\$6,931,193	\$7,190,213	\$7,478,126	\$7,765,127
Rate Revenue Under Existing Rates						
Wastewater Rate Revenue	\$7,364,171	\$7,358,606	\$7,371,594	\$7,366,023	\$7,360,541	\$7,355,059
Retail Reclaimed Water Rate Revenue	240,558	240,558	240,558	240,558	240,558	240,558
Total Rate Revenue Under Existing Rates	\$7,604,729	\$7,599,164	\$7,612,151	\$7,606,580	\$7,601,098	\$7,595,616
Revenue Surplus/(Deficiency)	\$989,267	\$1,189,793	\$680,958	\$416,368	\$122,972	(\$169,511)
Percent of Rate Revenue	13.01%	15.66%	8.95%	5.47%	1.62%	-2.23%
Adjustment Recognized:						
Wastewater Rate Adjustment	0.00%	1.00%	1.50%	1.50%	1.50%	1.50%
Reclaimed Water Rate Adjustment	0.00%	1.00%	1.50%	1.50%	1.50%	1.50%

[1] Derived from Table 1.

[2] Includes transfers to R&R Fund or a capital account as recommended in this study, capital funded from rates (e.g., general plant such as vehicles), and transfers to General Fund.

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

As indicated by the preceding table, Raftelis recommends that rates anticipated to increase the wastewater revenues by 1.00% and the reclaimed water retail revenues by 1.00% should be placed into effect for service rendered on or after October 1, 2021, or as soon as practical. Raftelis has identified the need for additional wastewater and reclaimed water retail rate increases beyond the Fiscal Year 2022 that should be validated during the City's annual rate review process.

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Proposed Wastewater and Reclaimed Water Rates

Based on discussions with City staff, it is proposed that the wastewater and reclaimed water rates be increased uniformly or across-the-board consistent with the revenue increases discussed previously. The proposed Fiscal Year 2022 wastewater and reclaimed water rates are shown as follows:

Summary of Existing and Proposed Wastewater and Reclaimed Water Rates		
	Existing Effective 10/1/2020	Proposed Effective 10/1/2021
<u>Wastewater Rates:</u>		
Residential Customer Rates:		
Quarterly Flat Rate per Dwelling Unit	\$202.41	\$204.43
Monthly Flat Rate per Dwelling Unit	67.47	68.14
Commercial Customer Rates:		
Quarterly Charge by Meter Size		
5/8" Meter	\$117.52	\$118.70
1" Meter	293.60	296.54
1.5" Meter	586.88	592.75
2" Meter	841.22	849.63
3" Meter	1,877.34	1,896.11
4" Meter	2,943.57	2,973.01
Monthly Charge by Meter Size		
5/8" Meter	\$39.17	\$39.57
1" Meter	97.87	98.85
1.5" Meter	195.63	197.58
2" Meter	280.41	283.21
3" Meter	625.78	632.04
4" Meter	981.19	991.00
Volumetric Charge per 1,000 Gallons	\$10.13	\$10.23
<u>Reclaimed Water Retail Rates:</u>		
Consumption Charge per 1,000 Gallons	\$3.03	\$3.06

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Rate Comparisons – Neighboring Utilities

In order 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 21 neighboring utilities has been made. It should be noted that when making comparison for wastewater service, several factors can affect the levels of rates charged. These factors may include:

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. General fund and administrative fee transfers made by municipal and county systems.
4. Bond (rate) covenants and funding requirements of the rates.
5. Level of capital improvements / renewals and replacements funded from rates.
6. Customer demand / usage and economic demographics.
7. 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. However as shown on Table 12 and as summarized below, the proposed wastewater rates of the City produce bills at the average water usage level of 6,000 gallons (typical use of a residential household) 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 2021 (Existing) Rates [1]	\$67.47
FY 2022 (Proposed) Rates [2]	68.14
Other Florida Utilities Average [3]	
	\$68.51
<p>[1] Amounts shown derived from Rate Resolution and reflect rates currently in effect for the System.</p> <p>[2] Amounts shown represent proposed rates based on the Study and are assumed to become effective on or about October 1, 2021 (the 2022 rates).</p> <p>[3] Amounts shown represent average bill for the survey of 21 public or neighboring utilities at an average monthly usage level of 6,000 gallons as shown on Table 12 at the end of this report.</p>	

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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 outstanding Series 2014 Bonds contain 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 "Loan 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 evaluations. 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	Bond Resolution Coverage		SRF Loan Coverage 115% Required [3]
	Senior Lien Coverage 120% Required	Subordinate Lien Coverage 115% Required [2]	
2021	266%	159%	168%
2022	N/A	165%	250%
2023	N/A	189%	328%
2024	N/A	201%	404%
2025	N/A	226%	612%
2026	N/A	239%	814%

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

[2] Reflects coverage on all Subordinate Debt, including the Series 2020 Note, and represents estimated debt coverage after payment of the Senior Lien Bonds.

[3] Represents debt coverage test for the SRF Loans only based on our understanding of the Loan Agreements with the FDEP whereby the amounts shown are after the payment of the Senior Lien Bonds plus an allowance of 20% equal to the minimum debt service coverage on the Senior Lien Bonds.

Projected Financial Position and Performance Measures

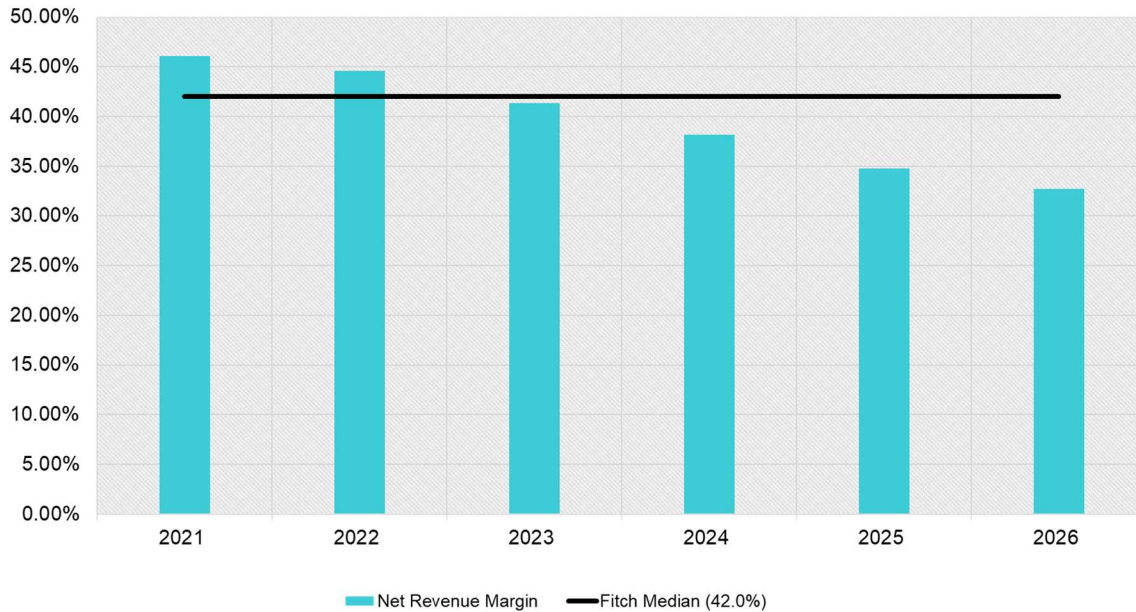
Included as part of the development of the financial forecast and the review of the overall sufficiency of revenues is an evaluation of System's financial position which recognize the implementation of the proposed and identified rates for each respective Fiscal Year of the Study Period. This evaluation includes the development of ratios and financial performance indicators to evaluate "where the System is estimated to be financially" during the Study 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 strong credit rating, especially when one recognizes the current financial needs of the System (e.g., continued capital infrastructure expansion and 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 Study Period. The following is a brief description of key financial ratios and financial results evaluated for the City's consideration.

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 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 remain at approximately the target level during the Study Period which indicates that the System contribution margins for capital financing will 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 declining as shown on Figure 2, Raftelis considers the ratio to be favorable when one considers the amount of debt issued for the System (coupled with a declining Bond Service Requirement funded from rates) and the capital reinvestment relative to depreciation expense as discussed later. 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.

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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 Study 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 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 in Fiscal Years 2022 and 2023 due to the increased level of capital improvements being funded by reserves.

The projected fund balance is projected to be higher than this target in the latter years of the Study Period which assumes the rate phasing plan outlined in this report appears warranted with the resulting trend being considered as favorable by Raftelis; the proposed rate plan is anticipated to support the City's ability to limit the financial risk to the utility in the future.

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

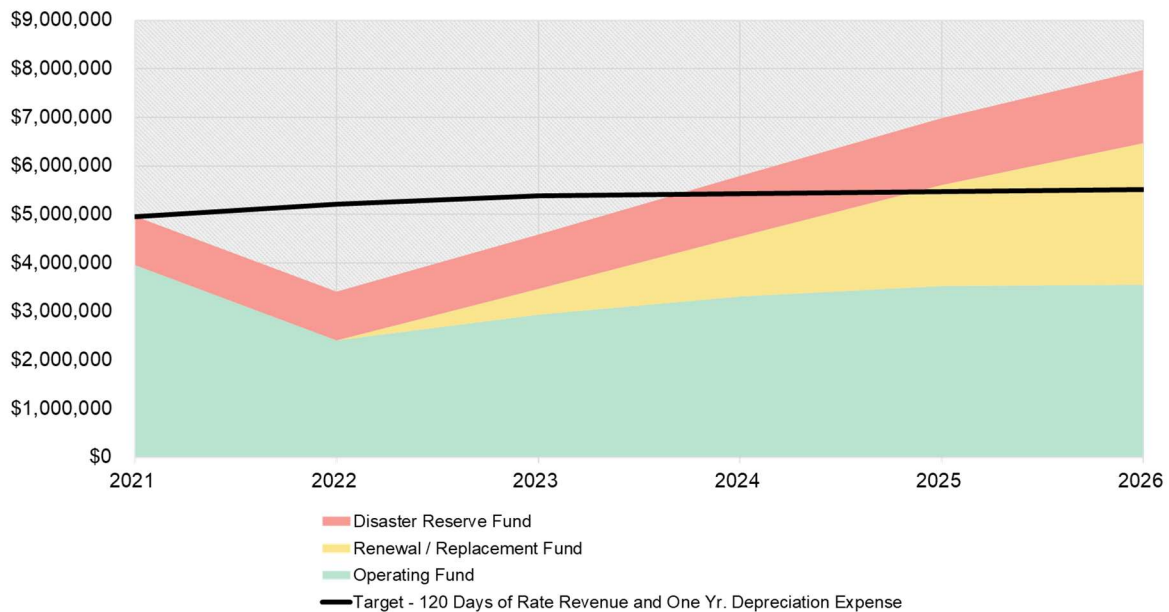
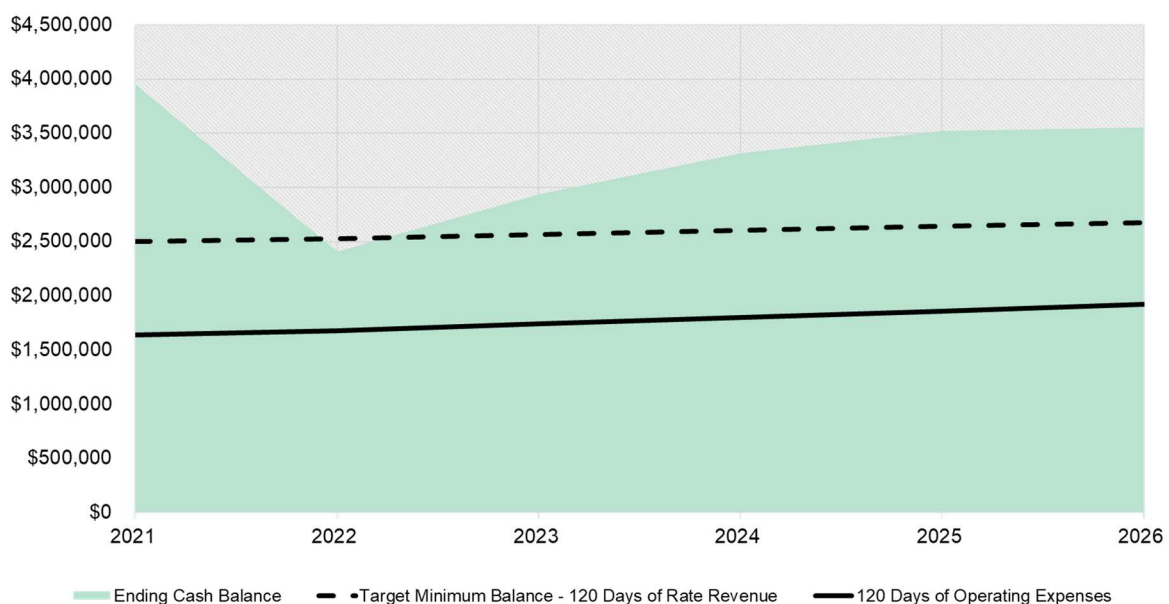


Figure 4 presents only the operating reserves on an individual basis to illustrate the ability to meet the operating reserve target of 120 days of rate revenue. As can be seen below and as was previously discussed, the target is not projected to be met in Fiscal Year 2022 but the projected financial results, which includes the implementation of an ongoing rate phasing program, is projected to be favorable.

Figure 4. Ending Cash Balance – Operating Fund

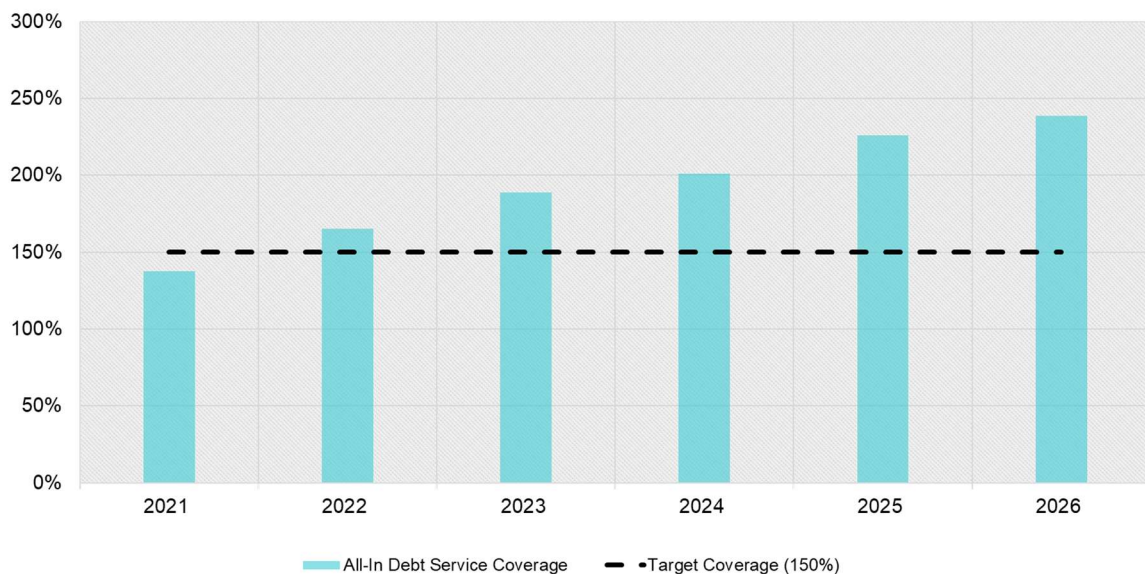


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ALL-IN DEBT SERVICE COVERAGE

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 Study Period is presented on Figure 5 on the following page:

Figure 5. Projected All-In Debt Service Coverage



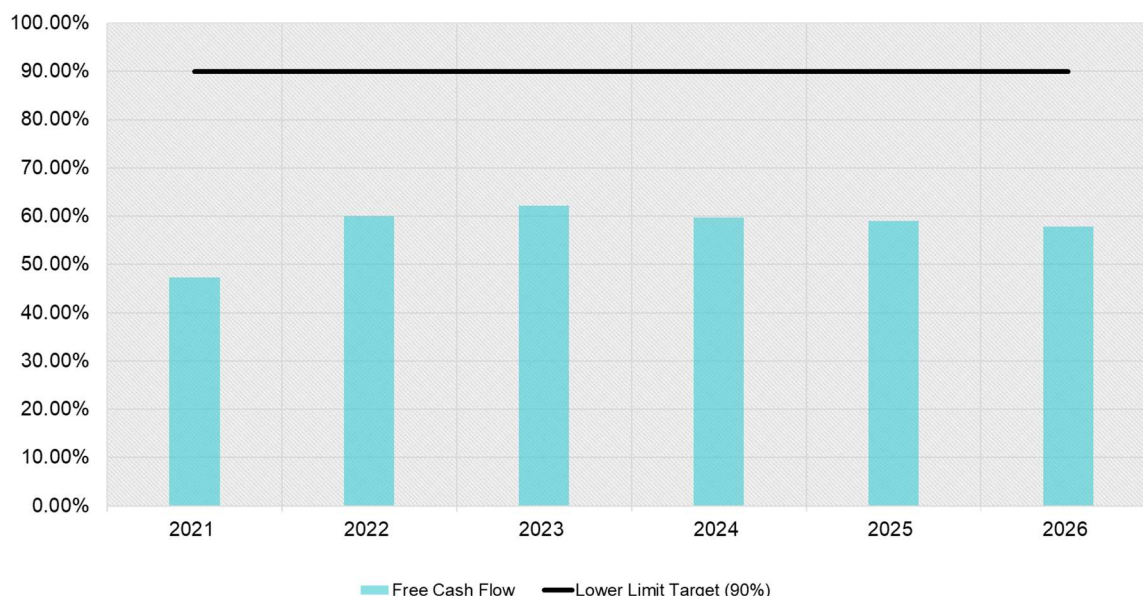
Raftelis recommends that City should aim to maintain a minimum "all-in" debt coverage ratio determined on a net revenue basis, which would include capital assessments and voter-approved debt ad valorem contributions since such funds are dedicated to the payment of debt associated with the wastewater 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 the net revenues will be below the target for Fiscal Year 2021. However, after the Series 2014 Bonds mature in 2021 and the debt repayment is no longer represent a revenue requirement, the System Net Revenues are anticipated to meet this minimum target threshold for the remainder of the Study Period and is therefore considered by Raftelis to be favorable and should support the City's ability to issue additional bonds as may be required and to limit the financial risk to the utility.

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 and when recognizing the additional funds derived from the capital assessments and the voter-approved debt service ad valorem taxes applied towards the payment of debt, the System is producing

funds after all required transfers to maintain a reasonable capital reinvestment rate for ongoing equity capital funding and the avoidance of future long-term debt. This capital reinvestment rate will need to be closely monitored as it is lower than what is being experienced by other utilities however it must be mentioned that a significant amount to the System utility assets are relatively new (e.g., the Donax WRF expansion and upgrade) and the immediate need for a high capital reinvestment rate is not yet warranted.

Figure 6. Free Cash Flow to Depreciation

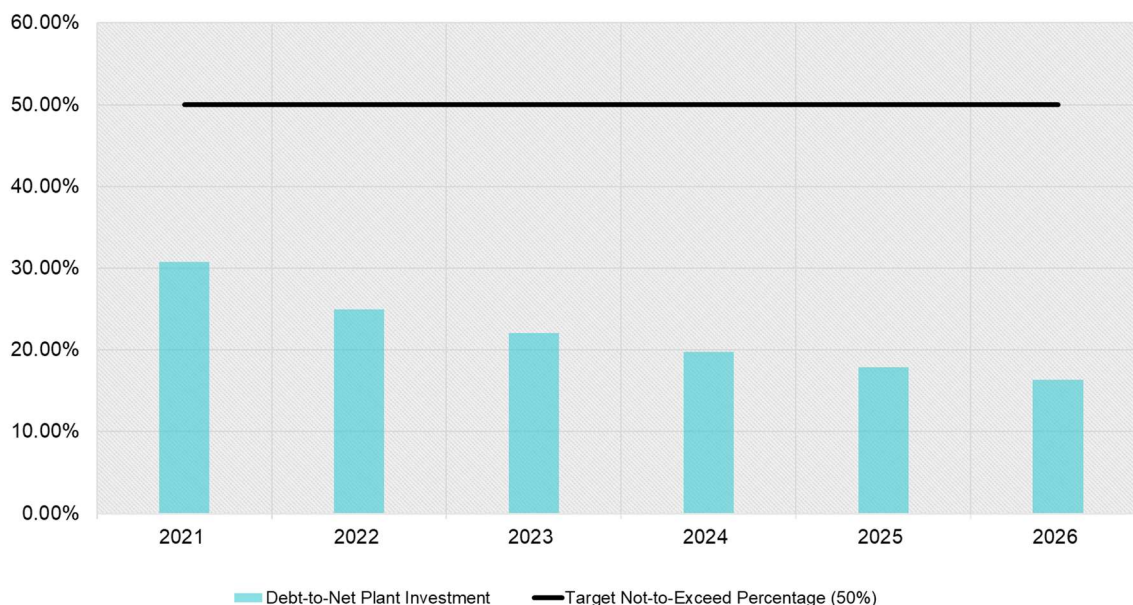


With respect to the annual funding of the capital needs, Raftelis recommends that the City should consider maintaining a minimum cash flow ratio over the long-term ranging from 90% to 110% of the annual depreciation expense for the City-owned utility assets. This range was based on discussions with the 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 Study Period, and the level of depreciation expense recognized for financial reporting purposes. The projected ratio anticipated for the Study Period is considered average by Raftelis but the trend in capital reinvestment is positive during the latter part of the Study Period and should support the City's ability to 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 reinvestment 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 Study 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 is for 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 below the maximum target range and is considered as being favorable by Raffelis and based on our estimates of the debt to net plant investment ratio, the System is not considered by Raffelis to be "over leveraged" from a debt liability perspective.

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Table 1
City of Sanibel, Florida
Wastewater and Reclaimed Water Revenue Sufficiency Study

Projected System Net Revenue Requirements

Line No.	Description	Fiscal Year Ending September 30,					
		2021	2022	2023	2024	2025	2026
Operating Expenses:							
1	Total Operating Expenses	\$4,984,061	\$5,093,266	\$5,305,251	\$5,475,494	\$5,652,200	\$5,834,899
Other Revenue Requirements:							
Debt Service							
Senior Lien							
2	Sewer System Refunding Revenue Bonds, Series 2014	\$1,115,744	\$0	\$0	\$0	\$0	\$0
SRF Loans							
3	SRF Loan - #835090	354,955	251,426	0	0	0	0
4	SRF Loan - #83511L	358,134	358,134	358,134	343,212	0	0
5	SRF Loan - #83510L	537,113	537,113	290,936	0	0	0
6	SRF Loan - #83512S	492,731	492,731	492,731	492,731	492,731	349,017
Other Subordinate Lien							
7	Capital Improvement Revenue Note, Series 2020	\$234,842	\$841,774	\$841,606	\$841,434	\$841,258	\$841,078
8	Total Debt Service	\$3,093,519	\$2,481,178	\$1,983,407	\$1,677,376	\$1,333,989	\$1,190,096
Other Miscellaneous Revenue Requirements:							
9	Payment-in-Lieu-of-Taxes (PILOT)	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
10	Departmental Capital Funded from Rate Revenues	170,042	347,000	221,500	140,500	145,500	304,500
11	Transfer to Renewal and Replacement Fund	0	0	533,570	699,448	854,073	835,493
12	Transfer to Disaster Reserve Fund	0	0	125,000	125,000	125,000	125,000
13	Total Other Miscellaneous Revenue Requirements	\$177,542	\$354,500	\$887,570	\$972,448	\$1,132,073	\$1,272,493
14	Gross Revenue Requirements	\$8,255,121	\$7,928,944	\$8,176,228	\$8,125,319	\$8,118,261	\$8,297,488
Less Other Income and Funds from Other Sources:							
15	Unrestricted Interest Earnings	\$119,400	\$54,100	\$51,500	\$66,300	\$81,500	\$95,600
16	Ad Valorem Assessment Revenues	696,842	696,842	519,365	250,809	71,742	71,742
17	Special Assessment Revenues	594,489	539,702	445,242	389,069	257,966	136,091
18	Other Revenues	170,000	170,000	170,000	170,000	170,000	170,000
19	Contracted Reclaimed Water Rate Revenue	58,928	58,928	58,928	58,928	58,928	58,928
20	Use of Connection Fees to Pay Debt Service	0	0	0	0	0	0
21	Total Other Income	\$1,639,660	\$1,519,573	\$1,245,035	\$935,106	\$640,135	\$532,361
22	Total Net Revenue Requirements	\$6,615,462	\$6,409,371	\$6,931,193	\$7,190,213	\$7,478,126	\$7,765,127
Revenue Under Existing Rates							
23	Wastewater Rate Revenue	\$7,364,171	\$7,358,606	\$7,371,594	\$7,366,023	\$7,360,541	\$7,355,059
24	Reclaimed Water Rate Revenue	240,558	240,558	240,558	240,558	240,558	240,558
25	Total Revenue Under Existing Rates	\$7,604,729	\$7,599,164	\$7,612,151	\$7,606,580	\$7,601,098	\$7,595,616
Prior Year Rate Adjustments							
26	Wastewater Prior Year Adjustments	\$0	\$0	\$73,716	\$185,255	\$298,302	\$412,877
27	Reclaimed Water Prior Year Adjustments	0	0	2,406	6,050	9,749	13,504
28	Total Prior Year Rate Adjustments	\$0	\$0	\$76,122	\$191,305	\$308,052	\$426,381
Applicable Rate Revenue							
29	Wastewater Applicable Rate Revenue	\$7,364,171	\$7,358,606	\$7,445,310	\$7,551,278	\$7,658,843	\$7,767,936
30	Reclaimed Water Applicable Rate Revenue	240,558	240,558	242,963	246,608	250,307	254,062
31	Total Applicable Rate Revenue	\$7,604,729	\$7,599,164	\$7,688,273	\$7,797,886	\$7,909,150	\$8,021,998

Table 1

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

Projected System Net Revenue Requirements

Line No.	Description	Fiscal Year Ending September 30,					
		2021	2022	2023	2024	2025	2026
32	Wastewater Rate Adjustment	0.00%	1.00%	1.50%	1.50%	1.50%	1.50%
33	Reclaimed Water Rate Adjustment	0.00%	1.00%	1.50%	1.50%	1.50%	1.50%
34	Combined Rate Adjustment	0.00%	1.00%	1.50%	1.50%	1.50%	1.50%
35	Effective Months	12	12	12	12	12	12
36	Percent of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
37	Revenue From Current Rate Adjustment	\$0	\$75,992	\$115,324	\$116,968	\$118,637	\$120,330
38	Total Rate Revenue	<u>\$7,604,729</u>	<u>\$7,675,156</u>	<u>\$7,803,597</u>	<u>\$7,914,854</u>	<u>\$8,027,787</u>	<u>\$8,142,328</u>
Revenue Surplus/(Deficiency) Under Proposed Rates							
39	Amount	<u>\$989,267</u>	<u>\$1,265,785</u>	<u>\$872,404</u>	<u>\$724,642</u>	<u>\$549,661</u>	<u>\$377,200</u>
40	% Rate Increase	<u>13.01%</u>	<u>16.49%</u>	<u>11.18%</u>	<u>9.16%</u>	<u>6.85%</u>	<u>4.63%</u>

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 Ended September 30,					Fiscal Year Ending September 30,					
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
WASTEWATER SYSTEM													
Residential Single and Multi-family													
Dwelling Units													
1	Normal Growth							0	0	0	0	0	0
2	Incremental Growth							15	0	20	0	0	0
3	Total Dwelling Unit Growth		36	27	27	58	57	15	0	20	0	0	0
4	Total Residential Average Annual Accounts		4,083	4,107	4,131	4,160	4,185	4,200	4,200	4,220	4,220	4,220	4,220
5	Total Residential Average Annual Dwelling Units	1.00	7,476	7,503	7,530	7,561	7,587	7,602	7,602	7,622	7,622	7,622	7,622
6	Total Residential Annual Average ERCs		7,476	7,503	7,530	7,561	7,587	7,602	7,602	7,622	7,622	7,622	7,622
Commercial													
Accounts													
Normal Growth													
7	5/8"							0	0	0	0	0	0
8	1"							0	0	0	0	0	0
9	1.5"							0	0	0	0	0	0
10	2"							0	0	0	0	0	0
11	3"							0	0	0	0	0	0
12	4"							0	0	0	0	0	0
13	Subtotal Commercial Normal Growth							0	0	0	0	0	0
Incremental Growth													
14	5/8"							0	0	0	0	0	0
15	1"							0	0	0	0	0	0
16	1.5"							0	0	0	0	0	0
17	2"							0	0	0	0	0	0
18	3"							0	0	0	0	0	0
19	4"							0	0	0	0	0	0
20	Subtotal Commercial Incremental Growth							0	0	0	0	0	0
21	Total Commercial Account Growth		1	2	(1)	0	1	0	0	0	0	0	0
Total Annual Average Accounts													
22	5/8"	1.00	133	128	112	111	111	111	111	111	111	111	111
23	1"	2.50	52	53	56	57	57	57	57	57	57	57	57
24	1.5"	5.00	10	15	26	27	27	27	27	27	27	27	27
25	2"	8.00	12	13	14	14	14	14	14	14	14	14	14
26	3"	16.00	0	0	0	0	0	0	0	0	0	0	0
27	4"	25.00	1	1	1	1	1	1	1	1	1	1	1
28	Total Annual Avg. Accounts		208	210	209	210	210	210	210	210	210	210	210
29	Total Annual Avg. ERCs		434	465	519	526	526	526	526	526	526	526	526

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 Ended September 30,					Fiscal Year Ending September 30,					
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Sales												
	Normal Monthly Avg. Revenue-Gallons												
30	5/8"		20,427	19,378	14,425	12,998	11,570	10,991	10,936	10,908	10,854	10,800	10,745
31	1"		59,526	59,519	44,969	48,980	44,852	42,610	42,398	42,289	42,077	41,868	41,659
32	1.5"		119,967	107,044	91,365	90,586	89,133	84,676	84,253	84,037	83,614	83,198	82,781
33	2"		205,313	189,654	183,810	196,411	178,649	169,716	168,869	168,440	167,595	166,762	165,929
34	3"		0	0	0	0	0	0	0	0	0	0	0
35	4"		1,009,750	1,047,667	1,004,750	1,089,083	1,145,833	1,088,542	1,083,083	1,080,333	1,074,917	1,069,583	1,064,250
	Wastewater Revenue-Gallons (kgal)												
36	5/8"		32,540	29,765	19,387	17,314	15,411	14,640	14,567	14,530	14,457	14,385	14,313
37	1"		37,144	37,854	30,219	33,502	30,679	29,145	29,000	28,926	28,781	28,638	28,495
38	1.5"		14,396	19,268	28,506	29,350	28,879	27,435	27,298	27,228	27,091	26,956	26,821
39	2"		29,565	29,586	30,880	32,997	30,013	28,512	28,370	28,298	28,156	28,016	27,876
40	3"		0	0	0	0	0	0	0	0	0	0	0
41	4"		12,117	12,572	12,057	13,069	13,750	13,063	12,997	12,964	12,899	12,835	12,771
42	Total Wastewater Sales (kgal)		125,762	129,045	121,049	126,232	118,732	112,795	112,233	111,947	111,384	110,830	110,276
43	Annual Average Use per ERC		15.900	16.196	15.039	15.610	14.636	13.878	13.809	13.740	13.671	13.603	13.535
44	TOTAL WASTEWATER ACCOUNTS		4,291	4,317	4,340	4,370	4,395	4,410	4,410	4,430	4,430	4,430	4,430
45	TOTAL WASTEWATER DWELLING UNITS		7,684	7,713	7,739	7,771	7,797	7,812	7,812	7,832	7,832	7,832	7,832
46	TOTAL WASTEWATER ERCs		7,910	7,968	8,049	8,087	8,113	8,128	8,128	8,148	8,148	8,148	8,148

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,					
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
RECLAIMED WATER SYSTEM													
Non-Contract													
Accounts													
1	Normal Growth							1	0	0	0	0	0
2	Incremental Growth							0	0	0	0	0	0
3	Total Account Growth							1	0	0	0	0	0
4	Total Annual Avg. Accounts	1.00	65	66	67	68	68	69	69	69	69	69	69
5	Total Annual Avg. ERCs		65	66	67	68	68	69	69	69	69	69	69
Sales													
6	Normal Monthly Avg. Use (gallons)		98,087	112,750	116,463	119,918	112,223	95,884	95,884	95,884	95,884	95,884	95,884
7	Total Reclaimed Water Sales (kgal)		76,508	89,298	93,636	97,853	91,574	79,392	79,392	79,392	79,392	79,392	79,392
The Sanctuary Golf Club													
Accounts													
8	Normal Growth							0	0	0	0	0	0
9	Incremental Growth							0	0	0	0	0	0
10	Total Account Growth							0	0	0	0	0	0
11	Total Annual Average Accounts	1.00	1	1	1	1	1	1	1	1	1	1	1
12	Total Annual Avg. ERCs		1	1	1	1	1	1	1	1	1	1	1
Sales													
13	Normal Monthly Avg. Use (gallons)		7,361,167	6,425,917	5,232,000	5,875,750	5,978,833	6,301,181	6,301,181	6,301,181	6,301,181	6,301,181	6,301,181
14	Total Reclaimed Water Sales (kgal)		88,334	77,111	62,784	70,509	71,746	75,614	75,614	75,614	75,614	75,614	75,614
The Dunes Golf and Country Club													
Accounts													
15	Normal Growth							0	0	0	0	0	0
16	Incremental Growth							0	0	0	0	0	0
17	Total Account Growth							0	0	0	0	0	0
18	Total Annual Average Accounts	1.00	1	1	1	1	1	1	1	1	1	1	1
19	Total Annual Average ERCs		1	1	1	1	1	1	1	1	1	1	1
Sales													
20	Normal Monthly Avg. Use		7,027,750	7,347,083	8,158,750	5,425,167	8,279,333	7,671,750	7,671,750	7,671,750	7,671,750	7,671,750	7,671,750
21	Total Reclaimed Water Revenue-Gallons (kgal)		84,333	88,165	97,905	65,102	99,352	92,061	92,061	92,061	92,061	92,061	92,061

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,					
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	The End Golf Management LLC												
	Accounts												
22	Normal Growth							0	0	0	0	0	0
23	Incremental Growth							0	0	0	0	0	0
24	Total Account Growth							0	0	0	0	0	0
25	Total Annual Average Accounts	1.00	1	1	1	1	1	1	1	1	1	1	1
26	Total Annual Average ERCs		1	1	1	1	1	1	1	1	1	1	1
	Sales												
27	Normal Monthly Avg. Use		4,949,000	7,309,000	6,613,667	6,642,250	6,902,417	6,330,208	6,330,208	6,330,208	6,330,208	6,330,208	6,330,208
28	Total Reclaimed Water Revenue-Gallons (kgal)		59,388	87,708	79,364	79,707	82,829	75,963	75,963	75,963	75,963	75,963	75,963
29	TOTAL RECLAIMED WATER SYSTEM ACCOUNTS		68	69	70	71	71	72	72	72	72	72	72
30	TOTAL RECLAIMED WATER SYSTEM ERCs		68	69	70	71	71	72	72	72	72	72	72
31	TOTAL RECLAIMED WATER SYSTEM SALES (kgal)		308,563	342,282	333,689	313,171	345,501	323,030	323,030	323,030	323,030	323,030	323,030

Table 4

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

Wastewater System Projected User Rate Revenues Under Existing Rates

		Fiscal Year Ending September 30,																	
Line No.	Description	2021			2022			2023			2024			2025			2026		
		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	\$202.41	7,602	\$6,154,883	\$202.41	7,602	\$6,154,883	\$202.41	7,622	\$6,171,076	\$202.41	7,622	\$6,171,076	\$202.41	7,622	\$6,171,076	\$202.41	7,622	\$6,171,076
2	Total		7,602	\$6,154,883		7,602	\$6,154,883		7,622	\$6,171,076		7,622	\$6,171,076		7,622	\$6,171,076		7,622	\$6,171,076
Commercial																			
3	5/8" Billing Units	\$117.52	111	\$52,179	\$117.52	111	\$52,179	\$117.52	111	\$52,179	\$117.52	111	\$52,179	\$117.52	111	\$52,179	\$117.52	111	\$52,179
4	1" Billing Units	293.60	57	66,941	293.60	57	66,941	293.60	57	66,941	293.60	57	66,941	293.60	57	66,941	293.60	57	66,941
5	1.5" Billing Units	586.88	27	63,383	586.88	27	63,383	586.88	27	63,383	586.88	27	63,383	586.88	27	63,383	586.88	27	63,383
6	2" Billing Units	841.22	14	47,108	841.22	14	47,108	841.22	14	47,108	841.22	14	47,108	841.22	14	47,108	841.22	14	47,108
7	3" Billing Units	1,877.34	0	0	1,877.34	0	0	1,877.34	0	0	1,877.34	0	0	1,877.34	0	0	1,877.34	0	0
8	4" Billing Units	2,943.57	1	11,774	2,943.57	1	11,774	2,943.57	1	11,774	2,943.57	1	11,774	2,943.57	1	11,774	2,943.57	1	11,774
9	Total		210	\$241,385		210	\$241,385		210	\$241,385		210	\$241,385		210	\$241,385		210	\$241,385
10	TOTAL SERVICE CHARGES			\$6,396,269			\$6,396,269			\$6,412,461			\$6,412,461			\$6,412,461			\$6,412,461
Commercial Block 1																			
11	Block 1	\$10.13	112,795	1,142,617	\$10.13	112,233	1,136,920	\$10.13	111,947	1,134,023	\$10.13	111,384	1,128,320	\$10.13	110,830	1,122,708	\$10.13	110,276	1,117,096
12	Total		112,795	1,142,617		112,233	1,136,920		111,947	1,134,023		111,384	1,128,320		110,830	1,122,708		110,276	1,117,096
13	TOTAL USAGE CHARGES			\$1,142,617			\$1,136,920			\$1,134,023			\$1,128,320			\$1,122,708			\$1,117,096
14	TOTAL WASTEWATER SYSTEM REVENUES			\$7,538,886			\$7,533,189			\$7,546,485			\$7,540,781			\$7,535,169			\$7,529,557
15	Revenue Adjustment			0.0%			0.0%			0.0%			0.0%			0.0%			0.0%
16	Irrigation Credits			(\$174,715)			(\$174,583)			(\$174,891)			(\$174,759)			(\$174,629)			(\$174,499)
17	ADJUSTED WASTEWATER SYSTEM REVENUES			\$7,364,171			\$7,358,606			\$7,371,594			\$7,366,023			\$7,360,541			\$7,355,059

Table 5

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

Reclaimed Water System Projected User Rate Revenues Under Existing Rates

[illegible]

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,				
			2021	Reference	2022	2023	2024	2025	2026
<u>OPERATING EXPENSES:</u>									
Sewer System Division									
Personnel Services:									
1	412100	Salaries - Full Time	\$860,220	Labor	\$886,027	\$912,606	\$939,985	\$968,184	\$997,230
2	412500	Salaries - Part Time	65,038	Labor	66,989	68,999	71,069	73,201	75,397
5	412990	Vacancy Cost	296,857	Labor	305,763	314,936	324,384	334,115	344,139
7	414000	Overtime	170,000	Labor	175,100	180,353	185,764	191,336	197,077
10	421010	OASDI	68,888	Labor	70,955	73,083	75,276	77,534	79,860
11	421020	Medicare	16,111	MedIns	16,917	17,762	18,650	19,583	20,562
12	422000	General Employee Pension	110,599	Labor	113,917	117,334	120,855	124,480	128,215
13	422410	401A	47,585	Labor	49,013	50,483	51,997	53,557	55,164
14	423010	Cafeteria Benefits	201,775	Labor	207,828	214,063	220,485	227,100	233,913
15	424000	Workers' Compensation	34,362	Labor	35,393	36,455	37,548	38,675	39,835
18	427000	Other Allowances	15,840	Labor	16,315	16,805	17,309	17,828	18,363
20		Total Personnel Services	\$1,887,275		\$1,944,215	\$2,002,879	\$2,063,321	\$2,125,593	\$2,189,753
Operating Expenses:									
21	431000	Professional Services	\$27,000	Inflation	\$27,729	\$28,367	\$29,019	\$29,716	\$30,429
22	431100	Data Processing/Computer Service	19,285	Inflation	19,806	20,261	20,727	21,225	21,734
23	431500	Engineering Services	75,000	Inflation	77,025	78,797	80,609	82,544	84,525
24	434000	Other Contractual Services	443,939	Inflation	455,925	466,412	477,139	488,590	500,317
25	440000	Travel/Per Diem - In State	12,998	Inflation	13,349	13,656	13,970	14,305	14,649
26	440001	Travel/Per Diem - Out Of State	250	Inflation	257	263	269	275	282
28	441000	Communication Services	17,658	Inflation	18,135	18,552	18,979	19,434	19,900
29	441001	Communication Services - Internet/iPad	3,240	Inflation	3,327	3,404	3,482	3,566	3,651
30	442000	Postage Freight Delivery	1,500	Inflation	1,541	1,576	1,612	1,651	1,690
31	443000	Utilities	355,320	ElecIncrement	414,203	473,308	485,141	497,269	509,701
32	444000	Rentals/Leases - Office Equipment	13,496	Inflation	13,860	14,179	14,505	14,853	15,210
33	445110	Flood Insurance	9,700	GenIns	10,185	10,694	11,229	11,790	12,380
34	445120	Windstorm Insurance	15,129	GenIns	15,885	16,680	17,514	18,389	19,309
35	445160	Property/Auto/Liability Insurance	3,940	GenIns	4,137	4,344	4,561	4,789	5,029
36	446000	Repair & Maintenance	1,121,592	Repair	1,166,456	1,213,114	1,261,638	1,312,104	1,364,588
37	447000	Printing	1,000	Inflation	1,027	1,051	1,075	1,101	1,127
38	448000	Promotional Activities	2,000	Inflation	2,054	2,101	2,150	2,201	2,254
39	449000	Other Current Charges	13,725	Inflation	14,096	14,420	14,751	15,105	15,468
40	449010	Credit Card Accept Fees	8,000	Inflation	8,216	8,405	8,598	8,805	9,016
41	449350	Bad Debt Expense	19,012	Input	19,004	19,046	19,041	19,037	19,032
42	449990	Indirect Cost Charges	623,963	Labor	642,682	661,962	681,821	702,276	723,344
43	451000	Office Supplies	4,400	Inflation	4,519	4,623	4,729	4,843	4,959
44	452000	Operating Supplies	240,600	ChemTreatS	252,491	265,663	278,793	292,575	307,038

Table 6

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

Projected Operating Expenses

Line No.	Object Code	Description	Adjusted 2021	Escalation Reference	Fiscal Year Ending September 30,				
					2022	2023	2024	2025	2026
45	453000	SSS Road Materials & Supplies	4,000	Inflation	4,108	4,202	4,299	4,402	4,508
46	454000	Books Publications Subscr	19,614	Inflation	20,144	20,607	21,081	21,587	22,105
47	456000	Fuel & Oil - Generating Power	12,600	Gas	13,230	13,892	14,586	15,315	16,081
48	456001	Fuel & Oil - Motor Vehicle	27,825	Gas	29,216	30,677	32,211	33,821	35,513
49		Total Operating Expenses	<u>\$3,096,786</u>		<u>\$3,252,606</u>	<u>\$3,410,254</u>	<u>\$3,523,530</u>	<u>\$3,641,569</u>	<u>\$3,763,838</u>
Other Adjustments									
50		Overall Operating Cost Reduction	\$0	Input	(\$103,556)	(\$107,882)	(\$111,356)	(\$114,963)	(\$118,691)
		Total Other Adjustments	<u>\$0</u>		<u>(\$103,556)</u>	<u>(\$107,882)</u>	<u>(\$111,356)</u>	<u>(\$114,963)</u>	<u>(\$118,691)</u>
51		TOTAL OPERATING EXPENSES FOR UTILITY FUND	<u><u>\$4,984,061</u></u>		<u><u>\$5,093,266</u></u>	<u><u>\$5,305,251</u></u>	<u><u>\$5,475,494</u></u>	<u><u>\$5,652,200</u></u>	<u><u>\$5,834,899</u></u>

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,				
			2022	2023	2024	2025	2026
	Operating Escalation Factors						
1	Constant Factor	Constant	1.0000	1.0000	1.0000	1.0000	1.0000
2	Inflation (CPI Price Index) [*]	Inflation	1.0270	1.0230	1.0230	1.0240	1.0240
3	Labor	Labor	1.0300	1.0300	1.0300	1.0300	1.0300
4	Repair and Maintenance	Repair	1.0400	1.0400	1.0400	1.0400	1.0400
5	Insurance - Medical	MedIns	1.0500	1.0500	1.0500	1.0500	1.0500
6	Insurance - General	GenIns	1.0500	1.0500	1.0500	1.0500	1.0500
7	Electricity Commodity	Electric	1.0250	1.0250	1.0250	1.0250	1.0250
8	Electricity - Incremental	ElecIncrement	1.1657	1.1427	1.0250	1.0250	1.0250
9	Gas and Fuel	Gas	1.0500	1.0500	1.0500	1.0500	1.0500
10	Chemicals - Wastewater Treatment	ChemTreatS	1.0494	1.0522	1.0494	1.0494	1.0494
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: An Update" published by the Congressional Budget Office in July 2021.

Table 8

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

Summary of Projected Special Assessment Revenues

Line		Fiscal Year Ending September 30,					
No.	Description	2021	2022	2023	2024	2025	2026
Existing Special Assessments - Sewer Expansion Project							
Phase 1							
1	Beginning Assessment Balance	\$13,201	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
2	Payoffs	0	0	0	0	0	0
3	Principal Payment	13,201	0	0	0	0	0
4	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
5	Interest Payment	0	0	0	0	0	0
6	Total Assessment Payment	\$13,201	\$0	\$0	\$0	\$0	\$0
7	Ending Assessment Balance	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Phase 2A							
8	Beginning Assessment Balance	\$23,717	\$0	\$0	\$0	\$0	\$0
9	Payoffs	0	0	0	0	0	0
10	Principal Payment	23,717	0	0	0	0	0
11	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
12	Interest Payment	0	0	0	0	0	0
13	Total Assessment Payment	\$23,717	\$0	\$0	\$0	\$0	\$0
14	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,					
		2021	2022	2023	2024	2025	2026
	<u>Phase 2B</u>						
15	Beginning Assessment Balance	\$145,775	\$64,251	\$0	\$0	\$0	\$0
16	Payoffs	0	0	0	0	0	0
17	Principal Payment	81,524	64,251	0	0	0	0
18	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
19	Interest Payment	4,009	1,130	0	0	0	0
20	Total Assessment Payment	\$85,533	\$65,381	\$0	\$0	\$0	\$0
21	Ending Assessment Balance	\$64,251	\$0	\$0	\$0	\$0	\$0
	<u>Phase 2C</u>						
22	Beginning Assessment Balance	\$221,881	\$140,557	\$56,341	\$2,167	\$0	\$0
23	Payoffs	0	0	0	0	0	0
24	Principal Payment	81,324	84,216	54,175	2,167	0	0
25	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
26	Interest Payment	7,034	4,141	1,168	0	0	0
27	Total Assessment Payment	\$88,357	\$88,357	\$55,342	\$2,167	\$0	\$0
28	Ending Assessment Balance	\$140,557	\$56,341	\$2,167	\$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,					
		2021	2022	2023	2024	2025	2026
	<u>Phase 3A</u>						
29	Beginning Assessment Balance	\$595,355	\$459,217	\$318,236	\$172,242	\$31,813	\$0
30	Payoffs	0	0	0	0	0	0
31	Principal Payment	136,138	140,980	145,995	140,429	31,813	0
32	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
33	Interest Payment	17,036	12,194	7,179	2,024	0	0
34	Total Assessment Payment	\$153,174	\$153,174	\$153,174	\$142,453	\$31,813	\$0
35	Ending Assessment Balance	\$459,217	\$318,236	\$172,242	\$31,813	\$0	\$0
	<u>Phase 3B</u>						
36	Beginning Assessment Balance	\$778,607	\$645,398	\$507,451	\$364,597	\$216,662	\$63,466
37	Payoffs	0	0	0	0	0	0
38	Principal Payment	133,209	137,947	142,854	147,935	153,196	63,466
39	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
40	Interest Payment	27,520	22,782	17,876	12,795	7,533	2,124
41	Total Assessment Payment	\$160,730	\$160,730	\$160,730	\$160,730	\$160,730	\$65,590
42	Ending Assessment Balance	\$645,398	\$507,451	\$364,597	\$216,662	\$63,466	\$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,					
		2021	2022	2023	2024	2025	2026
	<u>Phases 4a/e</u>						
43	Beginning Assessment and Connection Fee Balance	\$49,646	\$37,740	\$25,288	\$12,263	\$0	\$0
44	Payoffs	0	0	0	0	0	0
45	Principal Payment	11,906	12,453	13,025	12,263	0	0
46	Interest Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
47	Interest Payment	13,214	12,667	12,095	11,497	0	0
48	Total Assessment Payment	\$25,120	\$25,120	\$25,120	\$23,760	\$0	\$0
49	Ending Assessment and Connection Fee Balance	\$37,740	\$25,288	\$12,263	\$0	\$0	\$0
	<u>Phases 4b/c/d/f</u>						
50	Beginning Assessment Balance	\$0	\$0	\$0	\$87,724	\$84,928	\$82,006
51	Payoffs	0	0	0	0	0	0
52	Principal Payment	0	0	0	2,796	2,922	3,054
53	Interest Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
54	Interest Payment	0	0	0	3,948	3,822	3,690
55	Total Assessment Payment	\$0	\$0	\$0	\$6,744	\$6,744	\$6,744
56	Ending Assessment Balance	\$0	\$0	\$0	\$84,928	\$82,006	\$78,952

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,					
		2021	2022	2023	2024	2025	2026
	<u>Phase 5</u>						
57	Beginning Assessment Balance	\$448,693	\$396,880	\$343,224	\$287,660	\$230,120	\$170,533
58	Payoffs	0	0	0	0	0	0
59	Principal Payment	51,813	53,656	55,564	57,540	59,587	61,706
60	Interest Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
61	Interest Payment	17,615	15,772	13,864	11,887	9,841	7,722
62	Total Assessment Payment	\$69,428	\$69,428	\$69,428	\$69,428	\$69,428	\$69,428
63	Ending Assessment Balance	\$396,880	\$343,224	\$287,660	\$230,120	\$170,533	\$108,827
64	Accelerated Payoffs	\$0	\$0	\$0	\$0	\$0	\$0
65	Early Prepayment Discount Percent	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
66	Early Prepayment Discount	(\$24,770)	(\$22,488)	(\$18,552)	(\$16,211)	(\$10,749)	(\$5,670)
67	Total Special Assessment Revenue	<u>\$594,489</u>	<u>\$539,702</u>	<u>\$445,242</u>	<u>\$389,069</u>	<u>\$257,966</u>	<u>\$136,091</u>

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,					
			2021	2022	2023	2024	2025	2026
	<u>Debt Service Eligible for Voter Debt</u>							
1	SRF Loan - #835090	50.00%	\$354,955	\$354,955	\$0	\$0	\$0	\$0
2	SRF Loan - #83510L	50.00%	537,113	537,113	537,113	0	0	0
3	SRF Loan - #83511L	50.00%	358,134	358,134	358,134	358,134	0	0
4	SRF Loan - #83512S	14.56%	492,731	492,731	492,731	492,731	492,731	492,731
5	Total Debt Service Eligible for Voter Debt		\$1,742,932	\$1,742,932	\$1,387,978	\$850,865	\$492,731	\$492,731
	<u>Ad Valorem Taxes Recognized</u>							
6	SRF Loan - #835090		\$177,477	\$177,477	\$0	\$0	\$0	\$0
7	SRF Loan - #83510L		268,557	268,557	268,557	0	0	0
8	SRF Loan - #83511L		179,067	179,067	179,067	179,067	0	0
9	SRF Loan - #83512S		71,742	71,742	71,742	71,742	71,742	71,742
10	Subtotal Ad Valorem Taxes Recognized		\$696,842	\$696,842	\$519,365	\$250,809	\$71,742	\$71,742
11	Adjustments - Additional Collections		0	0	0	0	0	0
12	Total Ad Valorem Taxes Recognized		\$696,842	\$696,842	\$519,365	\$250,809	\$71,742	\$71,742

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	Funding Source	Projected Fiscal Year Ending September 30,						
			2021	2022	2023	2024	2025	2026	Six-Year Total
CAPITAL IMPROVEMENT PROGRAM									
System Improvements									
1	Pipeline Relocations	Operating	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$30,000
2	New Service Laterals	Operating	5,000	5,000	5,000	5,000	5,000	5,000	30,000
3	Lift Station Improvements (Including Odor Control)	Operating	25,000	25,000	25,000	25,000	25,000	25,000	150,000
4	Generator Storage Building	Operating	50,000	50,000	0	0	0	0	100,000
5	Donax Plant Improvements (Grit Removal)	Operating	0	500,000	200,000	200,000	200,000	200,000	1,300,000
6	Insertion Valves for Forcemains	Operating	30,000	30,000	30,000	30,000	30,000	30,000	180,000
7	Forcemain Upgrades	Operating	84,118	80,000	80,000	80,000	80,000	80,000	484,118
8	Donax Process Improvements - Engineering and Design	Operating	300,000	200,000	0	0	0	0	500,000
9	Donax Process Improvements - Construction	Operating	8,571,355	1,240,367	0	0	0	0	9,811,722
10	Donax Process Improvements - Construction (Split Funding)	SGrants	100,000	712,500	0	0	0	0	812,500
11	Phase 4B Sewer - Engineering	Operating	20,000	0	0	0	0	0	20,000
12	Phase 4B Sewer - Engineering - Split Funding	SGrants	0	83,300	0	0	0	0	83,300
13	Phase 4B Sewer - Construction	SGrants	0	1,000,000	0	0	0	0	1,000,000
14	Metal Tank Replacement - Wulfert Plant	Operating	46,015	853,985	0	0	0	0	900,000
15	Subtotal - System Improvements		\$ 9,236,488	\$ 4,785,152	\$ 345,000	\$ 345,000	\$ 345,000	\$ 345,000	\$ 15,401,640
Machinery / Vehicles / Equipment									
16	Ethernet Routing Switch / Server	SRates	\$30,000	\$0	\$0	\$0	\$0	\$0	\$30,000
17	Master Station Replacement Pump	SRates	40,194	45,000	45,000	45,000	45,000	45,000	265,194
18	Replacement Vacuum Trucks - 748 and 757	SRates	0	0	0	0	0	200,000	200,000
19	Replacement Crane Truck - 746	SRates	99,848	0	0	0	0	0	99,848
20	Replacement Crane Truck - 749	SRates	0	115,000	0	0	0	0	115,000
21	Replacement Crane Truck (3/4 Ton) - 747	SRates	0	115,000	0	0	0	0	115,000
22	Replacement Crane Truck (1 1/2 Ton) - 760	SRates	0	0	117,000	0	0	0	117,000
23	Replacement Pickup Truck (3/4 Ton) - 751	SRates	0	0	0	0	41,000	0	41,000
24	Replacement Portable Generators	SRates	0	0	50,000	50,000	50,000	50,000	200,000
25	Replacement CI2 Pumps	SRates	0	7,500	7,500	7,500	7,500	7,500	37,500
26	Emergency Chart Recorder Replacement	SRates	0	2,000	2,000	2,000	2,000	2,000	10,000
26	Replacement Pickup Truck (1/2 ton) - 758	SRates	0	0	0	36,000	0	0	36,000
27	Wulfert Emergency Generator	SRates	0	62,500	0	0	0	0	62,500
28	Wulfert Emergency Generator (Split Funding)	SGrants	0	112,500	0	0	0	0	112,500
29	Subtotal - Machinery / Vehicles / Equipment		\$170,042	\$459,500	\$221,500	\$140,500	\$145,500	\$304,500	\$1,441,542
30	TOTAL CAPITAL IMPROVEMENT PROGRAM		\$9,406,530	\$5,244,652	\$566,500	\$485,500	\$490,500	\$649,500	\$16,843,182

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	Funding Source	Projected Fiscal Year Ending September 30,						
			2021	2022	2023	2024	2025	2026	Six-Year Total
FUNDING SOURCES:									
Combined Wastewater and Reclaimed Water System Funding Sources									
31	Operating Revenue	SRates	\$170,042	\$347,000	\$221,500	\$140,500	\$145,500	\$304,500	\$1,329,042
32	Operating Fund	Operating	9,136,488	2,989,352	345,000	345,000	345,000	345,000	13,505,840
33	Grants	SGrants	100,000	1,908,300	0	0	0	0	2,008,300
34	TOTAL WASTEWATER AND RECLAIMED WATER SYSTEM FUNDING SOURCES		\$9,406,530	\$5,244,652	\$566,500	\$485,500	\$490,500	\$649,500	\$16,843,182

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,					
			2021	2022	2023	2024	2025	2026
ENDING CASH BALANCE BY FUND SUMMARY								
1	OPERATING FUND	(U)	\$3,954,681	\$2,407,706	\$2,935,110	\$3,314,752	\$3,519,413	\$3,551,613
2	DISASTER RESERVE FUND	(U)	1,000,000	1,000,000	1,125,000	1,250,000	1,375,000	1,500,000
3	DEBT SERVICE RESERVE ACCOUNTS	(R)	243,131	66,539	66,539	66,539	66,539	66,539
4	RENEWAL AND REPLACEMENT FUND	(U)	0	0	533,570	1,233,018	2,087,090	2,922,584
5	TOTAL PROJECTED YEAR-END BALANCE		<u>\$5,197,812</u>	<u>\$3,474,245</u>	<u>\$4,660,219</u>	<u>\$5,864,309</u>	<u>\$7,048,043</u>	<u>\$8,040,736</u>
OPERATING FUND								
6	Beginning Balance		\$12,101,902	\$3,954,681	\$2,407,706	\$2,935,110	\$3,314,752	\$3,519,413
7	Transfers In - Operations		\$0	\$0	\$0	\$0	\$0	\$0
8	Transfers In - Reserve Requirement		0	176,592	0	0	0	0
9	Total Funds Available		<u>\$12,101,902</u>	<u>\$4,131,273</u>	<u>\$2,407,706</u>	<u>\$2,935,110</u>	<u>\$3,314,752</u>	<u>\$3,519,413</u>
10	Transfers Out - CIP		\$9,136,488	\$2,989,352	\$345,000	\$345,000	\$345,000	\$345,000
11	Transfers Out - Operations		0	0	0	0	0	0
12	Total Transfers Out of Fund		<u>\$9,136,488</u>	<u>\$2,989,352</u>	<u>\$345,000</u>	<u>\$345,000</u>	<u>\$345,000</u>	<u>\$345,000</u>
13	Transfer In / (Out) - Surplus / (Deficiency)		\$989,267	\$1,265,785	\$872,404	\$724,642	\$549,661	\$377,200
14	Interest Rate		1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
15	Interest Income on Fund		94,200	31,900	27,900	34,500	39,300	41,800
16	Use of Interest Income to Fund Revenue Requirements	(U)	94,200	31,900	27,900	34,500	39,300	41,800
17	Ending Balance		<u>\$3,954,681</u>	<u>\$2,407,706</u>	<u>\$2,935,110</u>	<u>\$3,314,752</u>	<u>\$3,519,413</u>	<u>\$3,551,613</u>
18	Target - Days of Rate Revenue		120	120	120	120	120	120
19	Target Minimum Available Cash		\$2,500,185	\$2,523,339	\$2,565,566	\$2,602,144	\$2,639,273	\$2,676,930
20	Target Minimum Cash Balance Met - Yes or No		Yes	No	Yes	Yes	Yes	Yes
21	Calculated Days of Rate Revenue		190	115	137	153	160	159
22	Target - Days of Operating Expenses		120	120	120	120	120	120
23	Target Minimum Available Cash		\$1,638,595	\$1,674,498	\$1,744,192	\$1,800,163	\$1,858,257	\$1,918,323
24	Target Minimum Cash Balance Met - Yes or No		Yes	Yes	Yes	Yes	Yes	Yes
25	Calculated Days of Operating Expenses		290	173	202	221	227	222

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,					
			2021	2022	2023	2024	2025	2026
SINKING FUND								
26	Sinking Fund Deposit		\$3,093,519	\$2,481,178	\$1,983,407	\$1,677,376	\$1,333,989	\$1,190,096
27	Average Balance (25% of Annual Debt Service)		773,380	620,294	495,852	419,344	333,497	297,524
28	Interest Rate		1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
29	Interest Income on Fund		\$9,700	\$7,800	\$6,200	\$5,200	\$4,200	\$3,700
30	Use of Interest Income to Fund Revenue Requirements	(U)	9,700	7,800	6,200	5,200	4,200	3,700
DISASTER RESERVE FUND								
31	Beginning Balance		\$1,000,000	\$1,000,000	\$1,000,000	\$1,125,000	\$1,250,000	\$1,375,000
32	Transfer In - Operations		0	0	125,000	125,000	125,000	125,000
33	Total Funds Available		\$1,000,000	\$1,000,000	\$1,125,000	\$1,250,000	\$1,375,000	\$1,500,000
34	Transfer Out - Operations		0	0	0	0	0	0
35	Total Transfers Out of Funds		\$0	\$0	\$0	\$0	\$0	\$0
36	Interest Rate		1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
37	Interest Income on Fund		12,500	12,500	13,300	14,800	16,400	18,000
38	Use of Interest Income to Fund Revenue Requirements	(U)	12,500	12,500	13,300	14,800	16,400	18,000
39	Ending Balance		\$1,000,000	\$1,000,000	\$1,125,000	\$1,250,000	\$1,375,000	\$1,500,000
DEBT SERVICE RESERVE ACCOUNTS								
40	Beginning Balance		\$243,131	\$243,131	\$66,539	\$66,539	\$66,539	\$66,539
41	Transfers In- Operations		0	0	0	0	0	0
42	Total Funds Available		\$243,131	\$243,131	\$66,539	\$66,539	\$66,539	\$66,539
43	Transfers Out - Release of Reserve for Final Payments		0	176,592	0	0	0	0
44	Total Transfers Out of Funds		\$0	\$176,592	\$0	\$0	\$0	\$0
45	Interest Rate		1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
46	Interest Income on Fund		3,000	1,900	800	800	800	800
47	Use of Interest Income to Fund Revenue Requirements	(U)	3,000	1,900	800	800	800	800
48	Ending Balance		\$243,131	\$66,539	\$66,539	\$66,539	\$66,539	\$66,539

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,					
			2021	2022	2023	2024	2025	2026
RENEWAL AND REPLACEMENT FUND								
49	Beginning Balance		\$0	\$0	\$0	\$533,570	\$1,233,018	\$2,087,090
50	Transfers In - Operations		0	0	533,570	699,448	854,073	835,493
51	Total Funds Available		\$0	\$0	\$533,570	\$1,233,018	\$2,087,090	\$2,922,584
52	Transfers Out - Capital Expenditures		0	0	0	0	0	0
53	Total Transfers Out of Funds		\$0	\$0	\$0	\$0	\$0	\$0
54	Interest Rate		1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
55	Interest Income on Fund		0	0	3,300	11,000	20,800	31,300
56	Use of Interest Income to Fund Revenue Requirements	(U)	0	0	3,300	11,000	20,800	31,300
57	Ending Balance		\$0	\$0	\$533,570	\$1,233,018	\$2,087,090	\$2,922,584
INTEREST INCOME SUMMARY								
58	Unrestricted Interest Income		\$119,400	\$54,100	\$51,500	\$66,300	\$81,500	\$95,600
59	Restricted Interest Income		\$0	\$0	\$0	\$0	\$0	\$0
60	Total Interest Income		\$119,400	\$54,100	\$51,500	\$66,300	\$81,500	\$95,600

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)	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47	\$67.47
2	Proposed Monthly Rates (Billed Quarterly) - FY 2022	68.14	68.14	68.14	68.14	68.14	68.14	68.14	68.14
3	Difference - Amount	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67
4	Difference - Percent	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Southeast Florida Utilities:									
5	Bonita Springs Utilities, Inc.	\$28.48	\$35.88	\$43.28	\$50.68	\$54.38	\$65.48	\$72.88	\$87.68
6	City of Cape Coral	21.07	39.15	57.23	75.31	84.35	111.47	129.55	201.87
7	Charlotte County	40.41	51.67	62.93	74.19	79.82	96.71	96.71	96.71
8	City of Clearwater	33.18	33.18	44.24	66.36	77.42	110.60	132.72	221.20
9	Collier County	36.25	46.45	56.65	66.85	71.95	87.25	97.45	112.75
10	DeSoto County	31.04	43.04	55.04	67.04	73.04	91.04	103.04	151.04
11	City of Fort Myers	15.35	42.65	69.95	97.25	110.90	151.85	179.15	288.35
12	Englewood Water District	26.58	33.34	40.10	46.86	50.24	60.38	67.14	94.18
13	FGUA - Lehigh Acres System (Lee County)	26.02	43.94	61.86	79.78	79.78	79.78	79.78	79.78
14	Gasparilla Island Water Association, Inc.	40.49	56.29	72.09	87.89	95.79	119.49	119.49	119.49
15	Immokalee Water and Sewer District	33.41	44.59	55.77	66.95	72.54	89.31	100.49	117.26
16	Lee County	20.45	32.15	43.85	55.55	61.40	73.10	73.10	73.10
17	Town of Longboat Key	16.36	28.80	41.24	53.68	59.90	59.90	59.90	59.90
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	21.13	29.33	37.53	45.73	49.83	62.13	62.13	62.13
20	City of North Port	30.09	43.19	56.29	69.39	75.94	95.59	108.69	108.69
21	Okeechobee Utility Authority	23.27	37.75	52.23	66.71	73.95	95.67	110.15	168.07
22	City of Sarasota	24.65	39.01	53.37	70.27	78.72	104.07	120.97	188.57
23	Sarasota County	17.69	34.61	51.53	68.45	76.91	102.29	102.29	102.29
24	City of St. Pete Beach	38.82	38.82	51.63	77.25	90.06	128.49	154.11	256.59
25	City of Treasure Island	15.79	38.13	63.29	88.45	101.03	138.77	163.93	264.57
26	Other Florida Utilities' Average	\$27.14	\$39.66	\$53.46	\$68.51	\$75.33	\$94.64	\$104.65	\$138.97
27	Minimum	15.35	28.80	37.53	45.73	49.83	59.90	59.90	59.90
28	Maximum	40.49	56.29	72.09	97.25	110.90	151.85	179.15	288.35

Footnotes:

- [*] Unless otherwise noted, amounts shown reflect residential rates in effect July 2021 and are exclusive of taxes, franchise fees or water restriction surcharges, if any, and reflect rates charged for inside 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 a 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,					
		2021	2022	2023	2024	2025	2026
Gross Revenues:							
Sales Revenues							
1	Wastewater System Sales Revenue - Existing Rates	\$7,364,171	\$7,358,606	\$7,371,594	\$7,366,023	\$7,360,541	\$7,355,059
2	Reclaimed System Sales Revenue - Existing Rates	240,558	240,558	240,558	240,558	240,558	240,558
Additional Rate Revenue							
3	Wastewater Rate Increases	\$0	\$73,586	\$185,396	\$298,525	\$413,185	\$529,396
4	Reclaimed Water Rate Increases	0	2,406	6,050	9,749	13,504	17,315
5	Total Sales Revenues	\$7,604,729	\$7,675,156	\$7,803,597	\$7,914,854	\$8,027,787	\$8,142,328
Other Revenues							
6	Unrestricted Interest Earnings	\$119,400	\$54,100	\$51,500	\$66,300	\$81,500	\$95,600
7	Contracted Reclaimed Water Revenue	58,928	58,928	58,928	58,928	58,928	58,928
8	Other Revenues	170,000	170,000	170,000	170,000	170,000	170,000
9	Total Other Revenues	\$348,328	\$283,028	\$280,428	\$295,228	\$310,428	\$324,528
10	Total Gross Revenues	\$7,953,057	\$7,958,184	\$8,084,025	\$8,210,082	\$8,338,215	\$8,466,856
11	Cost of Operation and Maintenance	\$4,984,061	\$5,093,266	\$5,305,251	\$5,475,494	\$5,652,200	\$5,834,899
12	Total System Net Revenues	2,968,996	2,864,918	2,778,774	2,734,588	2,686,016	2,631,956
13	Connection Fees	0	0	0	0	0	0
BOND RESOLUTION COVERAGE TESTS:							
Senior Debt Service:							
14	Sewer System Refunding Revenue Bonds, Series 2014	\$1,115,744	\$0	\$0	\$0	\$0	\$0
15	Total Senior Lien Debt Service	\$1,115,744	\$0	\$0	\$0	\$0	\$0
16	Required Coverage	120%	120%	120%	120%	120%	120%
17	Calculated Coverage	266%	N/A	N/A	N/A	N/A	N/A
AND							
Subordinated Debt Requirement							
18	Net Revenues and Connection Fees After Payment of Senior Lien Debt Service	\$1,853,252	\$2,864,918	\$2,778,773.90	\$2,734,588	\$2,686,016	\$2,631,956
Additional Pledged Revenues							
19	Dedicated Ad Valorem Revenues	696,842	696,842	519,365	250,809	71,742	71,742
20	Special Assessment Revenues	594,489	539,702	445,242	389,069	257,966	136,091
21	Total Revenue for Subordinated Debt Service Coverage Test	\$3,144,584	\$4,101,463	\$3,743,381	\$3,374,466	\$3,015,723	\$2,839,789
Subordinate Debt Service							
22	Capital Improvement Revenue Note, Series 2020	\$234,842	\$841,774	\$841,606	\$841,434	\$841,258	\$841,078
23	SRF Loans	1,742,932	1,639,404	1,141,801	835,942	492,731	349,017
24	Subordinated Debt Requirement	1,977,775	2,481,178	1,983,407	1,677,376	1,333,989	1,190,096
25	Required Coverage	115%	115%	115%	115%	115%	115%
26	Calculated Coverage	159%	165%	189%	201%	226%	239%
SRF LOAN COVERAGE TESTS:							
27	Net Revenues After Payment of Senior Lien Debt Service	\$1,853,252	\$2,864,918	\$2,778,774	\$2,734,588	\$2,686,016	\$2,631,956
28	Less Allowance for Senior Lien Debt Service Coverage (20%)	(223,149)	0	0	0	0	0
29	Net Revenues Available for SRF Loan Debt	1,630,104	2,864,918	2,778,774	2,734,588	2,686,016	2,631,956
Revenues for SRF Debt							
30	Dedicated Ad Valorem Revenues	\$696,842	\$696,842	\$519,365	\$250,809	\$71,742	\$71,742
31	Special Assessment Revenues	594,489	539,702	445,242	389,069	257,966	136,091
32	Revenues Available for SRF Coverage	\$2,921,435	\$4,101,463	\$3,743,381	\$3,374,466	\$3,015,723	\$2,839,789

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,					
		2021	2022	2023	2024	2025	2026
	SRF Loan Debt Service:						
33	SRF Loan - #835090	\$354,955	\$251,426	\$0	\$0	\$0	\$0
34	SRF Loan - #83511L	358,134	358,134	358,134	343,212	0	0
35	SRF Loan - #83510L	537,113	537,113	290,936	0	0	0
36	SRF Loan - #83512S	492,731	492,731	492,731	492,731	492,731	349,017
37	Total SRF Loan Debt Service	\$1,742,932	\$1,639,404	\$1,141,801	\$835,942	\$492,731	\$349,017
38	Required Coverage	115%	115%	115%	115%	115%	115%
39	Calculated Coverage (115% Required)	168%	250%	328%	404%	612%	814%
40	Amount Available for Capital Outlay and Other Purposes	\$1,401,652	\$2,462,059	\$2,601,580	\$2,538,523	\$2,522,992	\$2,490,772