

Immokalee Water and Sewer District

Water and Wastewater Revenue Sufficiency Study

Executive Summary

Prepared on: August 19, 2025



Summary of Study Objective and Tasks

- District staff requested that Raftelis evaluate the sufficiency of the monthly service rates
 - › Develop a financial forecast through FY30, including a projection of:
 - Customers and revenues
 - Operating expenses
 - Capital improvement requirements and funding
 - Debt service payments and required transfers
 - › Estimate the revenue requirements to be recovered from water and wastewater monthly service rates
 - › Identify the need for rate adjustments during the study period

Held a workshop on 8/18/2025 with the following discussion topics:

Existing Financial Condition

Major Study Assumptions

Proposed Funding of the Capital Plan

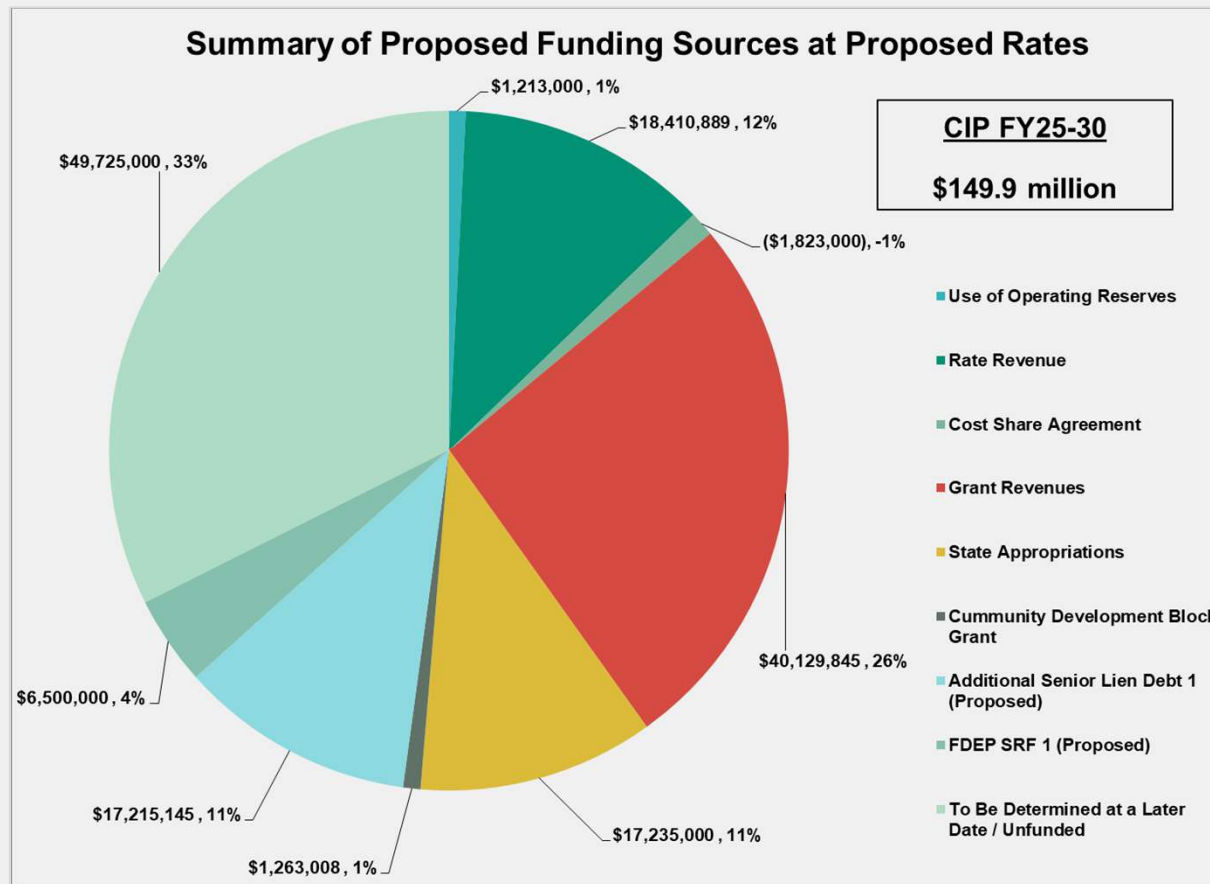
Rate Covenant Compliance

Working Capital Considerations

Summary of Cost Recovery Strategy

Sufficiency of Proposed Water and Wastewater Rates

Summary of Proposed Capital Funding



Summary of Observations

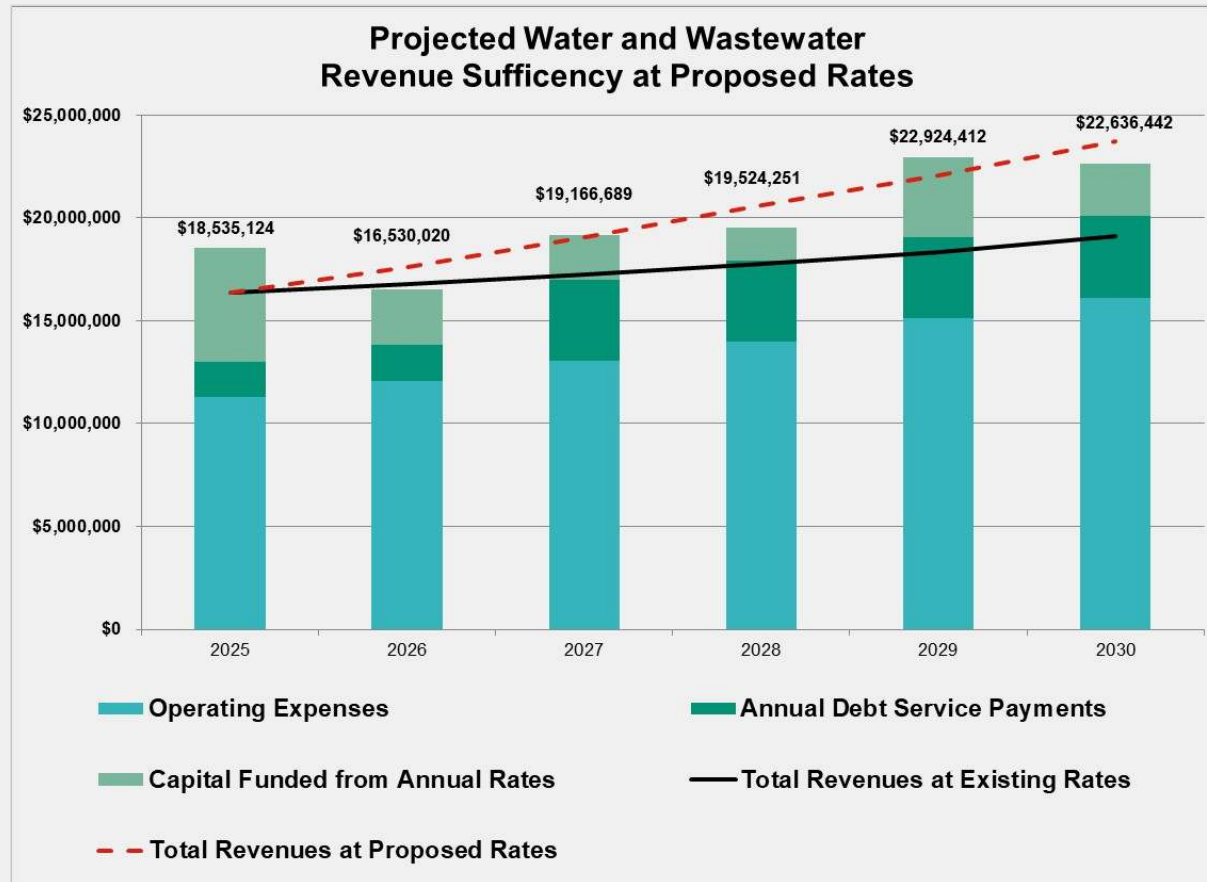
- The District's existing rates are not adequate to meet the projected revenue requirements and estimated debt service coverage commitments over the study period
 - › Principal cost drivers include:
 - Allowances and adjustments for future inflation
 - Need for new staffing positions
 - Proposed new debt to finance certain capital projects
 - Need to maintain working capital to meet the operating needs of the system and to provide a contingency to respond to natural disasters or other unforeseen events

Proposed Cost Recovery Option (Increases to Residential Monthly Bill)

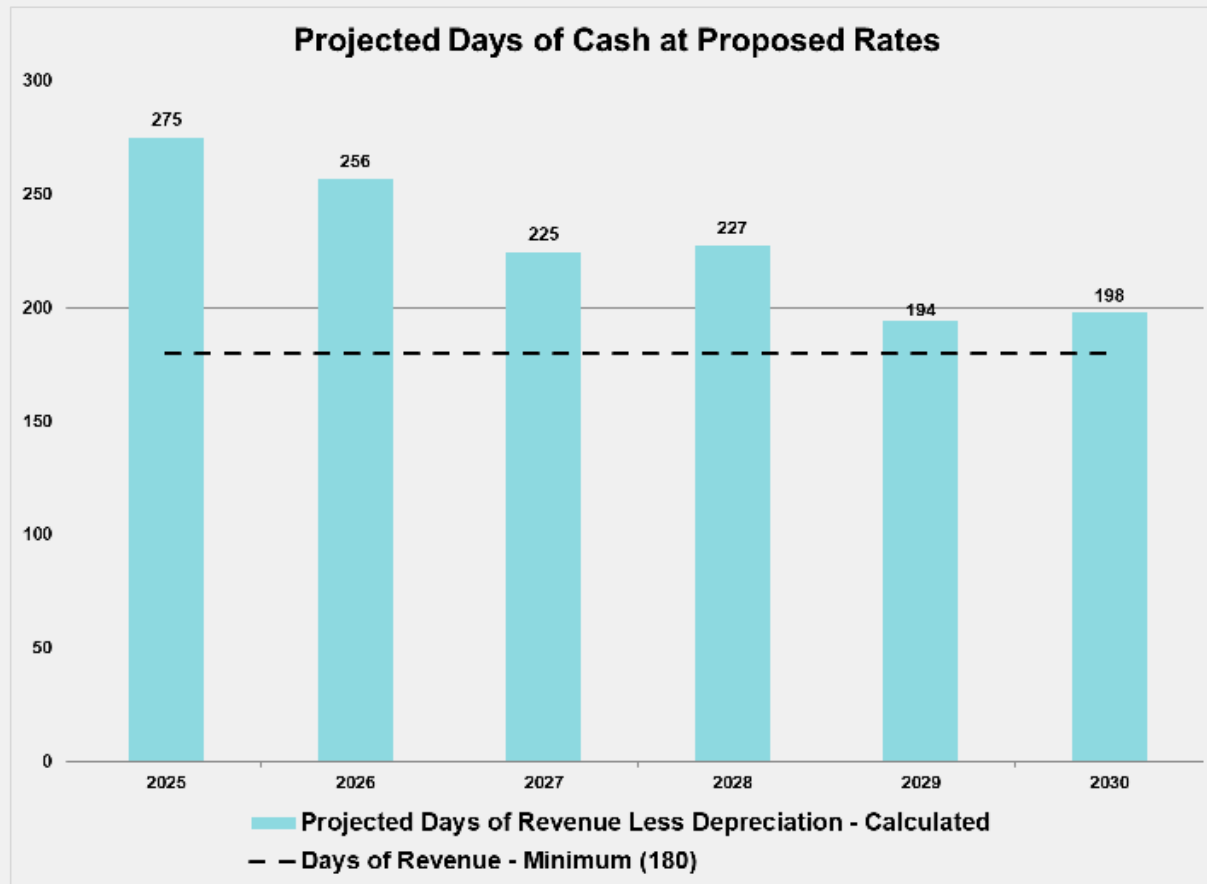
Description	Existing	FY26	FY27	FY28	FY29	FY30
Increase to Typical Residential Bill						
Percent Rate Increase		5.5%	5.5%	5.5%	3.5%	3.5%
Increase in Residential Water and Wastewater Bill (7,000 Gallons)		<u>\$8.81</u>	<u>\$9.31</u>	<u>\$9.76</u>	<u>\$6.55</u>	<u>\$6.81</u>
Existing/Proposed Residential Bill	\$159.81	\$168.62	\$177.93	\$187.69	\$194.24	\$201.05

- The Board of Commissioners should consider adopting a new 3-Year Rate Plan
- This study should be updated within two or three years or when actual results and/or planning assumptions may differ significantly from the projections

Projected Adequacy of Proposed Rates



Projected Days of Cash



BOARD DISCUSSION

Appendix

Workshop Presentation



Immokalee Water and Sewer District

Water and Wastewater Revenue Sufficiency Study

Prepared on: August 11, 2025 (Presented on August 18, 2025)



Background

- The District last completed a revenue sufficiency study in September of 2022
 - › The Board of Commissioners (Board) adopted annual water and wastewater rate increases of 9.5% per year for FY23 through FY25
 - › Rate adjustments beyond FY25 were estimated at 3.25% per year
- Recently, the Board adopted water and wastewater connection fees, a type of impact fee, that will become effective on and after October 1, 2025
 - › Fees paid by new developments that create demand for system capacity
 - › Fees are used to pay for project costs or debt service associated with growth-related facilities and major equipment
 - › Avoids burdening existing customers with growth-related costs
 - Helps ensure growth pays for growth

Background (cont.)

- Ongoing challenges
 - › Maintain service reliability and safeguard public health and safety by addressing:
 - Aging infrastructure associated with clay sewer pipes and other line replacements
 - Water system looping improvements
 - › Meet regulatory requirements enforced by FDEP through ongoing lift station upgrades and lining of manholes that mitigate sewer infiltration and inflow
 - › Increase service capacity within the distribution and collection systems / upsizing the system to meet the needs of new development
 - › Respond to FDOT directives to relocate and upgrade infrastructure
 - › Prioritize external funding sources and execution of capital improvements to minimize impacts on affordability of services

Major Capital Needs

- Total capital needs FY25-30 estimated at \$149.9 million
- Major improvements include, but not limited to, the following:
 - › Water Softening
 - › WWTP Office Building
 - › Septic Tank Replacement Program
 - › IFAS Tank and Booster Station
 - › Automated Metering Infrastructure (AMI)
 - › Lift Station Upgrades and Force Main Extensions
 - › SR29 Main Relocation

Study Objective and Tasks

- Based on the updated planning criteria, District staff requested that Raftelis evaluate the sufficiency of the monthly service rates
 - › Develop a financial forecast through FY30, including a projection of:
 - Customers and revenues
 - Operating expenses
 - Capital improvement requirements and funding
 - Debt service payments and required transfers
 - › Estimate the revenue requirements to be recovered from water and wastewater monthly service rates
 - › Identify the need for rate adjustments during the study period

Discussion Topics

Existing Financial Condition

Major Study Assumptions

Proposed Funding of the Capital Plan

Rate Covenant Compliance

Working Capital Considerations

Summary of Cost Recovery Strategy

Sufficiency of Proposed Water and Wastewater Rates

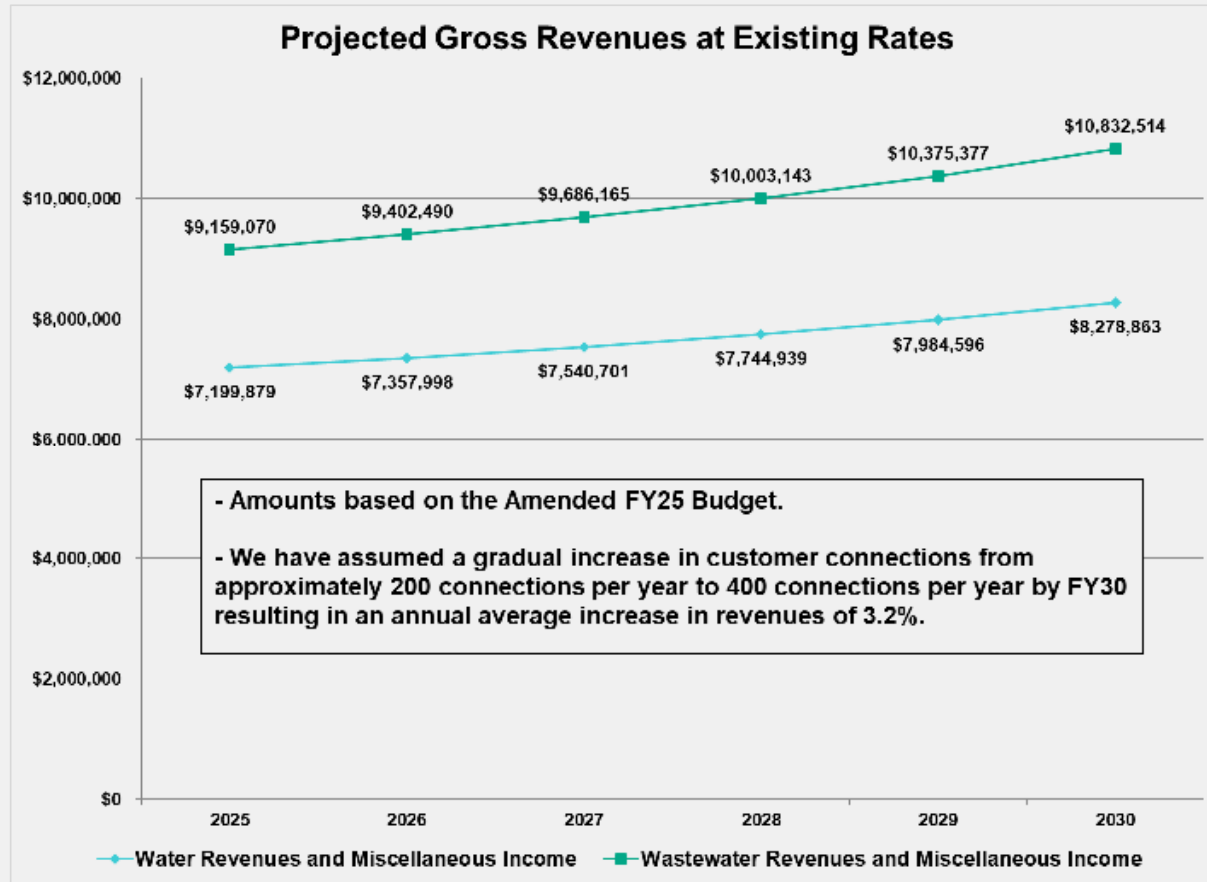
Existing Financial Condition

- Working Capital Balance - \$17.3 million (As of 09/30/2024)
 - › \$12.6 million unrestricted (approx. 286 days of revenue less depreciation)
 - › \$4.7 million restricted (*includes \$1.9 million Maximum Debt Service Reserve Fund*)
- FY25 Gross Revenues - \$16.4 million
- FY25 Annual Expenditures - \$18.5 million
 - › Operating Expenses - \$11.3 million
 - › Debt Service Payments - \$1.7 million
 - › Capital Funded from Rates and use of Reserves - \$5.5 million
- Projected \$2.2 million cash flow deficiency based on the amended budget assumptions or approximately 13% of gross revenues
- The Amended FY25 Budget served as the primary basis for the projected results over the study period among other planning assumptions provided by District staff
 - › Estimates also align with current FY26 budget assumptions

Major Study Assumptions



Summary of Projected Gross Revenues

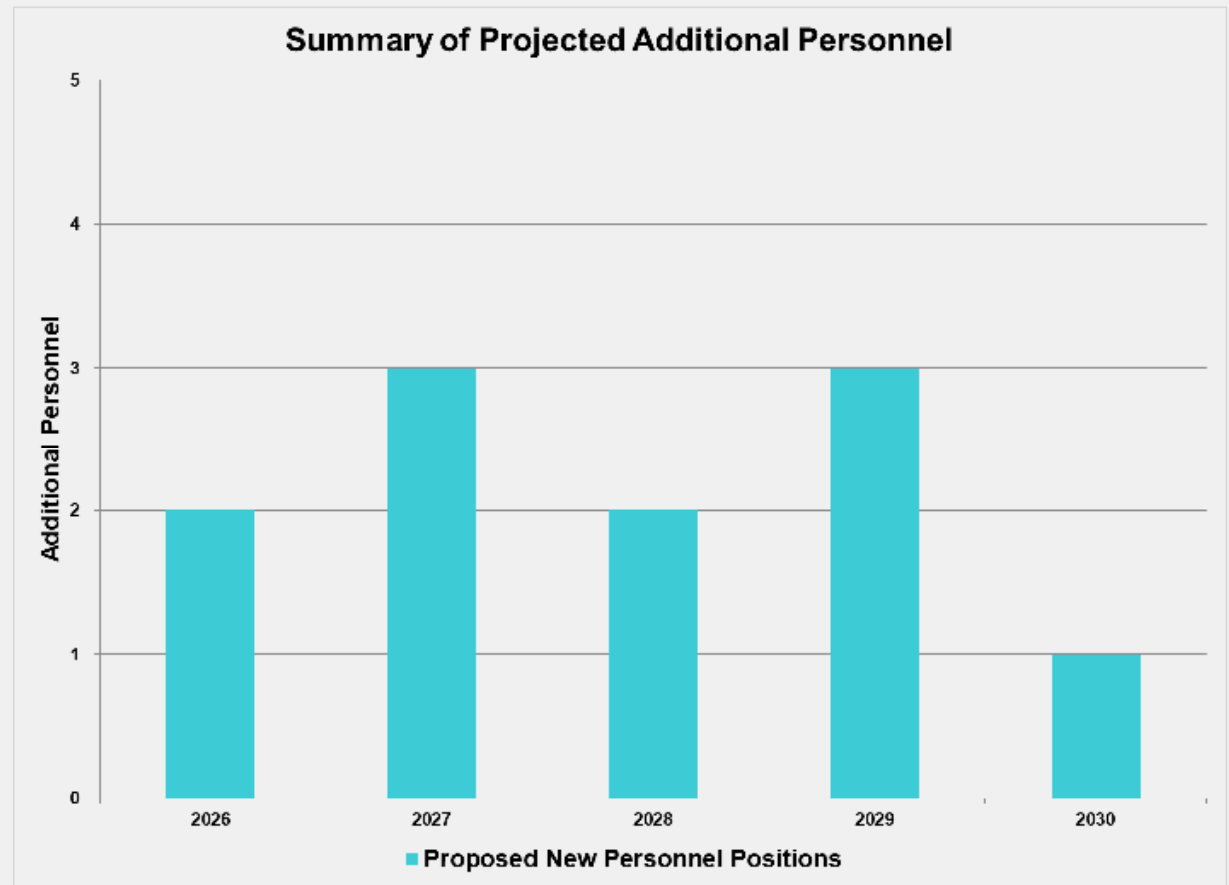


Operating Expense Assumptions

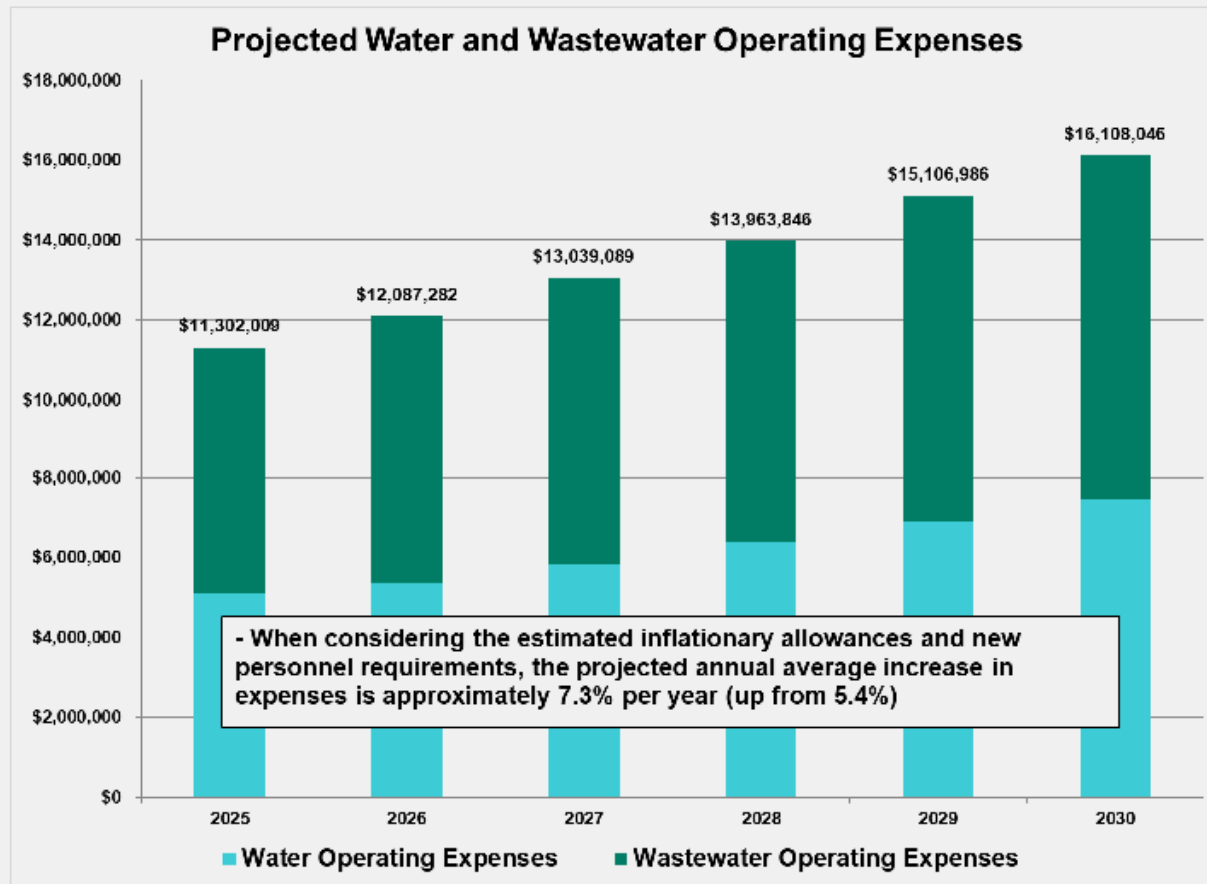
- Based on the Amended FY25 Budget
 - › Includes an allowance for bad debt of 0.2% of revenues or approximately \$30,000
 - › No other operating contingencies have been assumed
- Amounts beyond FY25 estimated to increase by 5.4% per year on average based on the following inflationary allowances:
 - › Labor: 5% per year
 - › Health Insurance: 10% per year
 - › Workers' Compensation Insurance: 5% per year
 - › Property & Liability Insurance: 3% per year
 - › Utilities & Fuel: 5% per year + growth
 - › Chemicals: 8% per year + growth
 - › Repairs & Maintenance: 3% per year
 - › Consumer Price Index: 2.5% per year on average

Operating Expense Assumptions (cont.)

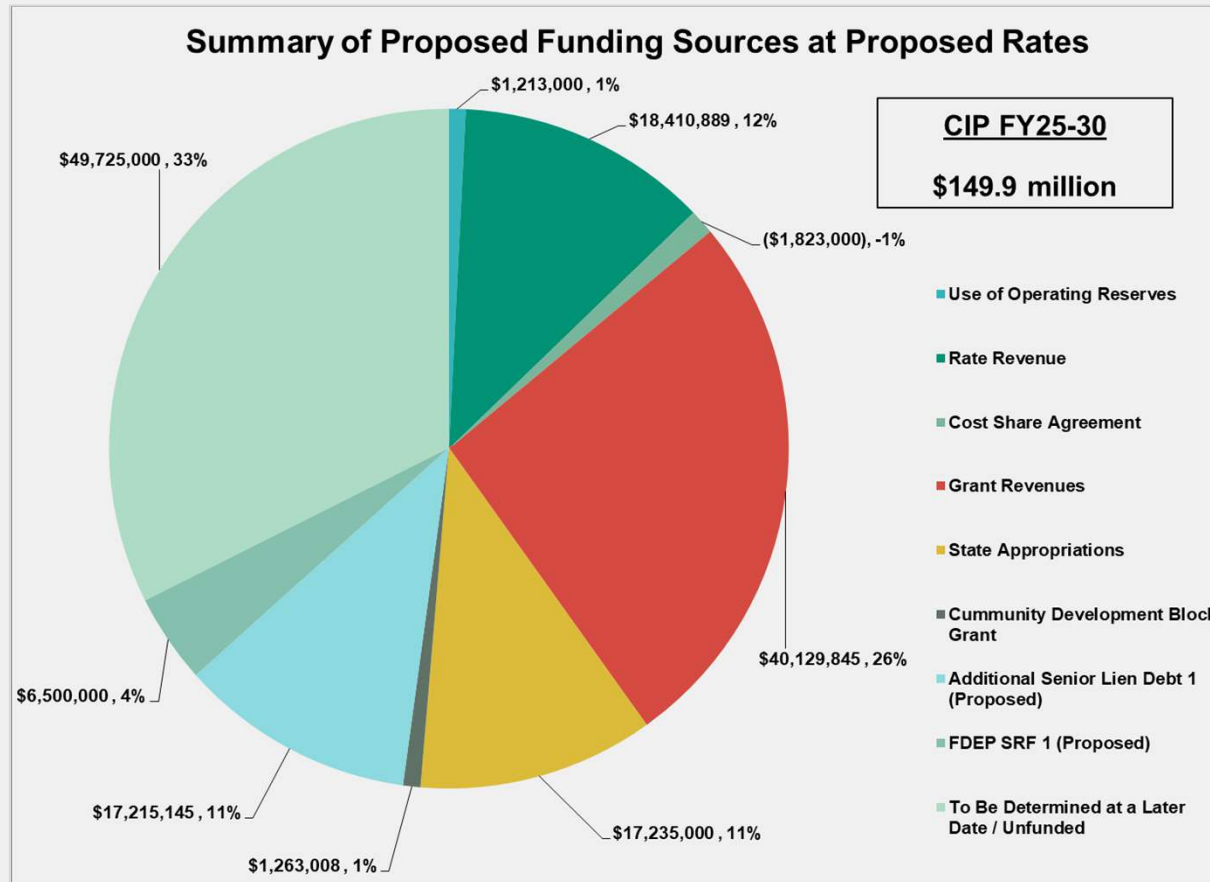
- New Water Positions
 - › WTP Operator (2)
 - › Distribution Technician (2)
- New Wastewater Positions
 - › WWTP Operator (1)
 - › Collections Technician (2)
- New Shared Resources
 - › HR Director (1)
 - › Maintenance Tech (2)
 - › IT / Procurement (1)



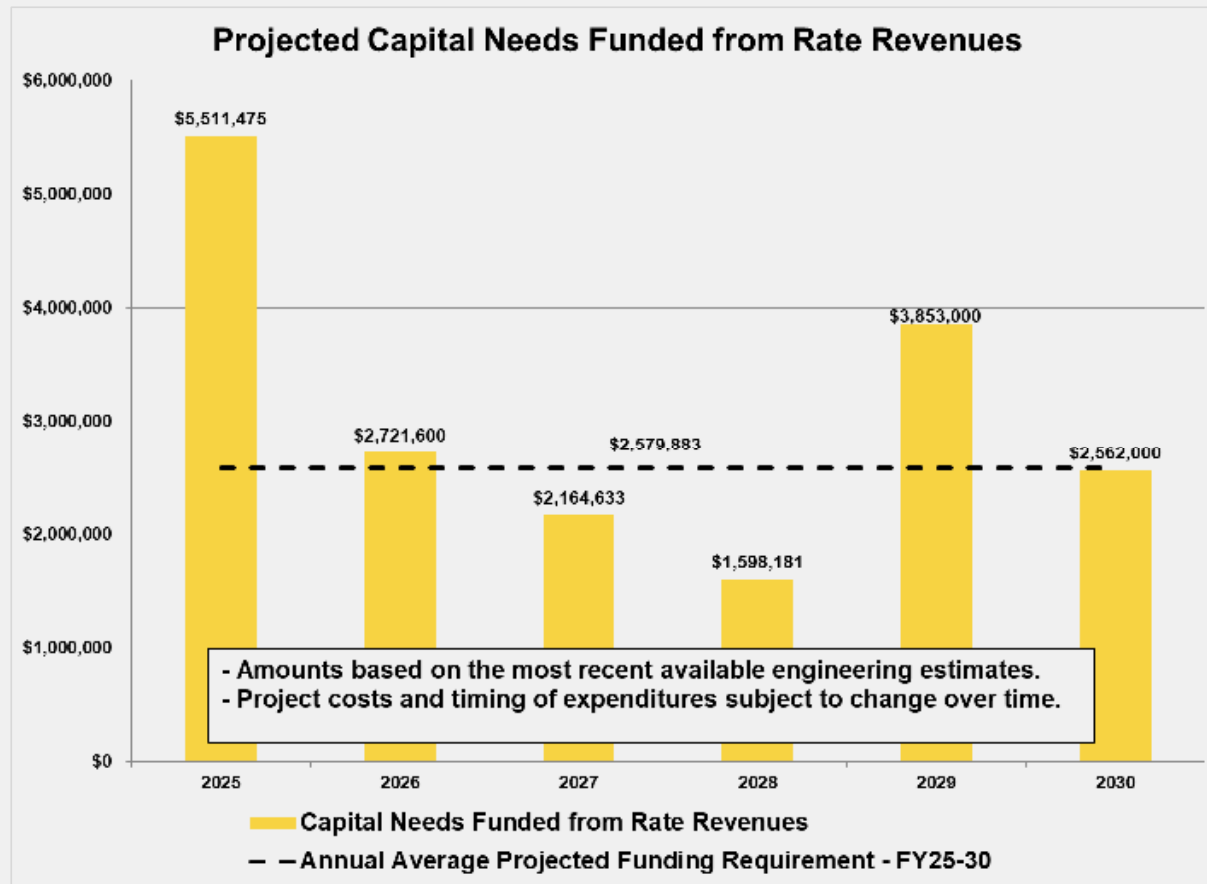
Summary of Projected Operating Expenses



Proposed Capital Funding



Summary of Capital Needs Funded from Rates



Future Debt Assumptions

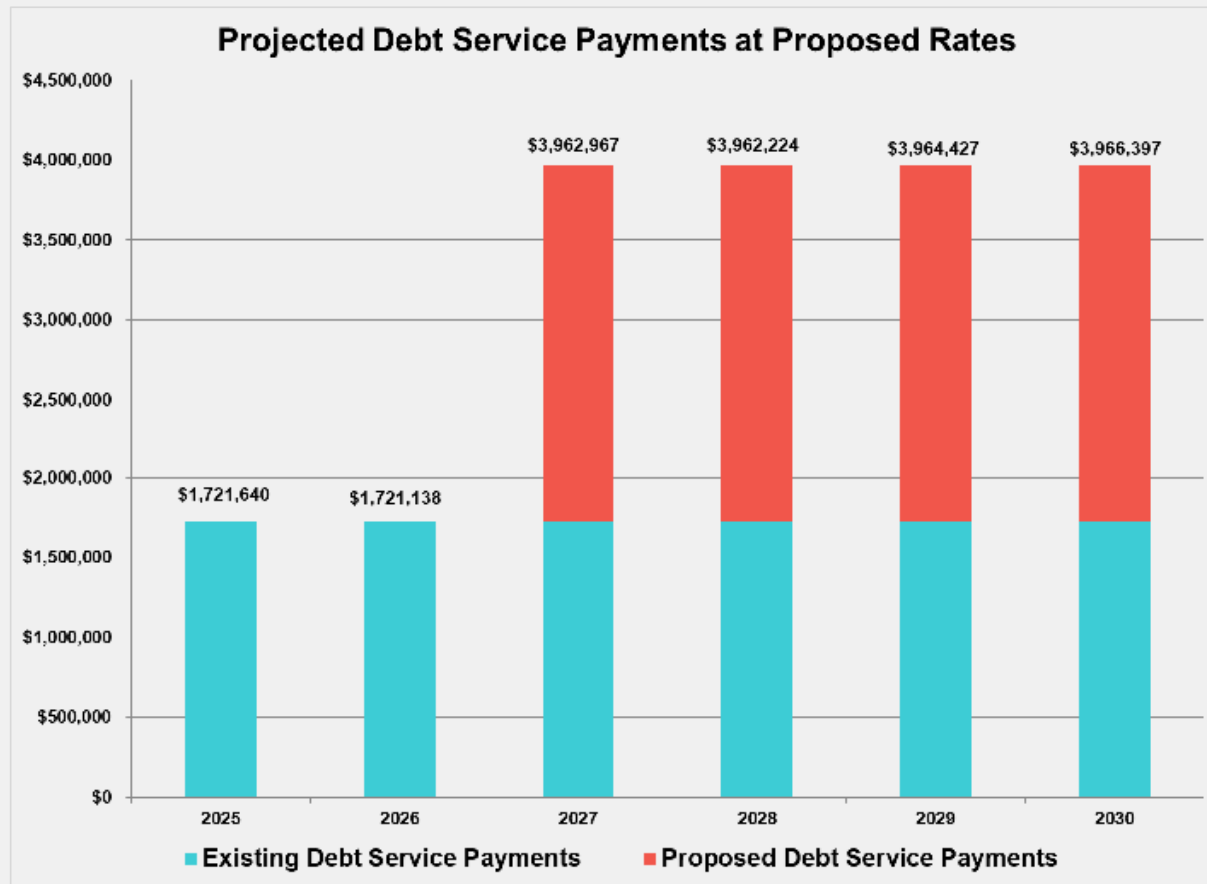
- Existing Debt Service Payments - \$1.7 million per year
 - › Senior Lien - \$1,675,000 per year
 - › Junior Lien - \$50,000 per year
- Proposed Debt Service Payments - \$2.2 million per year
 - › Series 2026 SRF Loan #1 (AMI) - \$400,000 per year starting FY27 ^[1] ^[2]
 - › Series 2027 Bank Loan #2 - \$1.8 million per year starting FY27 ^[2] ^[3]
 - Borrowing may be required if grant revenues and reserves are not adequate to fund the following:
 - SR29 Main Relocations and Extensions
 - IFAS Tank and Booster Station
 - New Administration Building
- Priority capital needs identified by District staff are fully funded under the proposed rates (excludes \$49.7 million in project costs: TBD)

[1] The District should consider engaging an Independent Registered Municipal Advisor to be informed on the best financing options available to the utility.

[2] Assumed 20-years at 2.0% annual interest cost.

[3] Assumed 15-years at 6.0% annual interest cost.

Summary of Projected Debt Service



Minimum Rate Covenant Compliance

- Based on the existing USDA Loan Agreements:
 - › Senior Lien Coverage Test – Gross Revenues after payment of Operating & Maintenance Expenses must equal 110% of the Senior Lien Annual Debt Service

AND

- › Budget Covenant – Gross Revenues in each year must equal 100% of:
 - Operating & Maintenance Expenses
 - Senior Lien Annual Debt Service
 - Annual Debt Service Reserve Deposits, if any
 - Minimum Required Transfer to the Maintenance Reserve Fund
 - And any other required transfers, if any

Working Capital Considerations

- Days of Cash Reserves - Bond Rating Criteria by Fitch Ratings
 - › Compares unrestricted cash and investments to annual operating expenses less depreciation
 - Strong financial position: 365+ days
 - Midrange financial position: 180 days
 - Weaker financial position: Less than 90 days
- Based on the District's current policy, rate plan targets a minimum unrestricted reserve balance of not less than 180 days of revenues less depreciation
 - › Such target is equal to more than 200 days of operating expenses less depreciation
 - › Provides a realistic goal considering that some appropriations are carried forward each year
 - › Target satisfies USDA's expectations for managing the utility
- Unrestricted reserves as of 09/30/2024 exceeded 280 days of revenue less depreciation
 - › Based on the study assumptions, without the use of future debt, the proposed capital requirements would exceed the available reserves

Proposed Maintenance of Reserve Funds

- Minimum unrestricted reserve balance of not less than 180 days of revenues less depreciation consisting of the following amounts:
 - › Designated Emergency Reserve Fund – Not to exceed \$1.0 million
 - › Designated Vehicle Replacement and Capital Equipment Fund – Not to exceed 1-year’s need or approximately \$1.5 million
 - › Designated Maintenance Reserve Fund – Not to exceed 1-year’s depreciation expense or approximately \$2.5 million
 - › Operating Reserve Fund – Maintain working capital between 90 and 120 days of revenue less depreciation
- \$3.3 million of excess funds from the designated accounts were assumed to be transferred to the Operating Reserve Fund to offset current FY2025 deficiencies

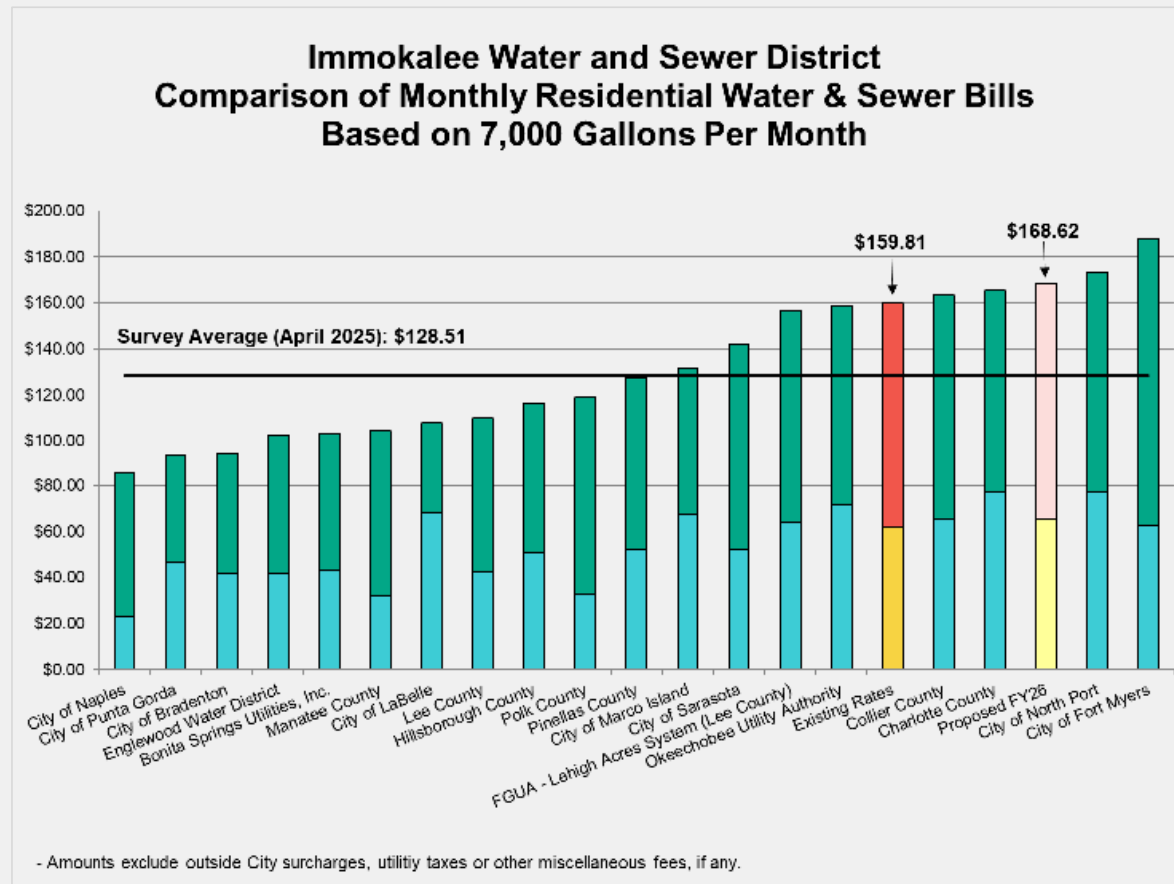
Summary of Proposed Rate Adjustments



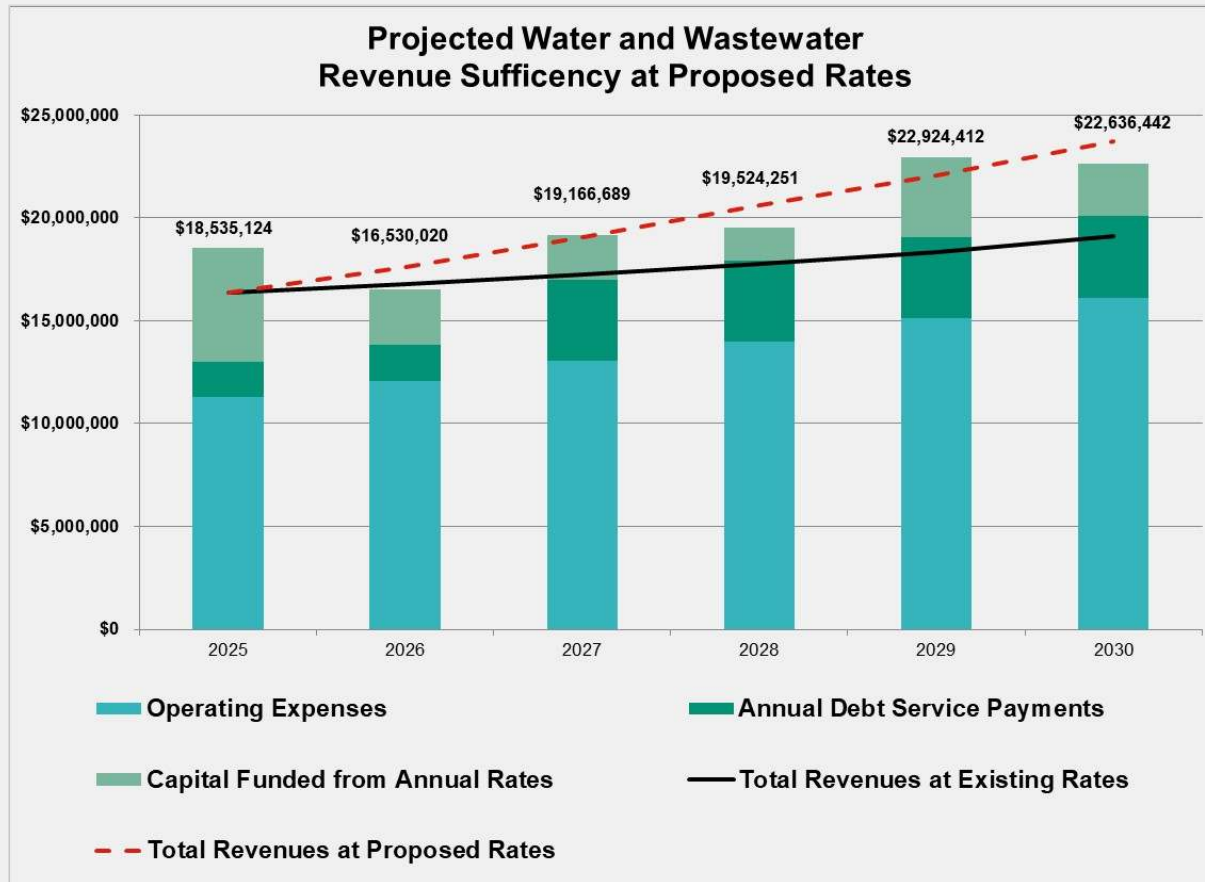
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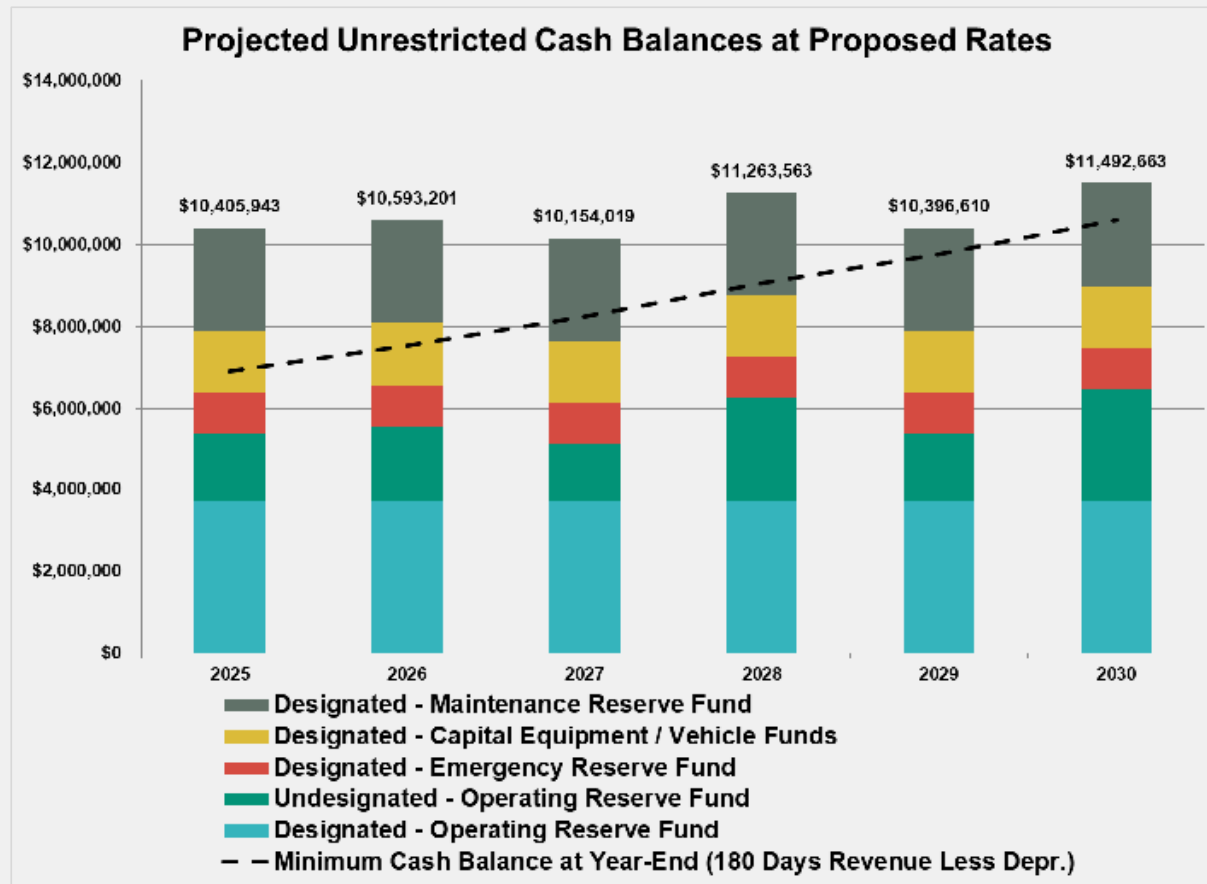
Comparison of Residential Monthly Bills



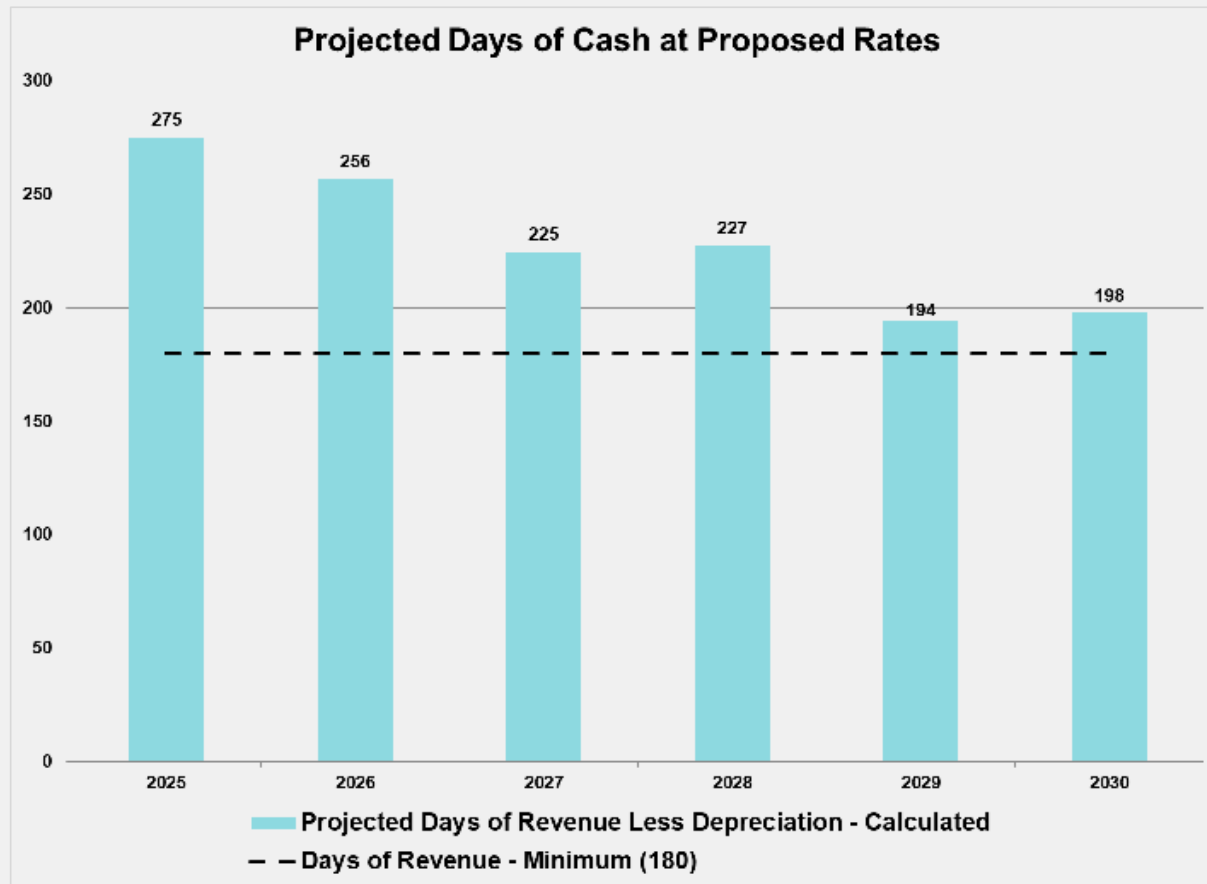
Projected Adequacy of Proposed Rates



Projected Reserve Balances



Projected Days of Cash



Conclusion and Recommendations

- The District's existing rates are not adequate to meet the projected revenue requirements and estimated debt service coverage commitments over the study period
 - › Principal cost drivers include:
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Conclusion and Recommendations (cont.)

- The Board of Commissioners should consider adopting a new 3-Year Rate Plan
 - › The proposed rates should be effective on or after October 1, 2025 (FY26) and for each year thereafter through FY28
- This study should be updated within two or three years or when actual results and/or planning assumptions may differ significantly from the projections

Q&A



Thank you!

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