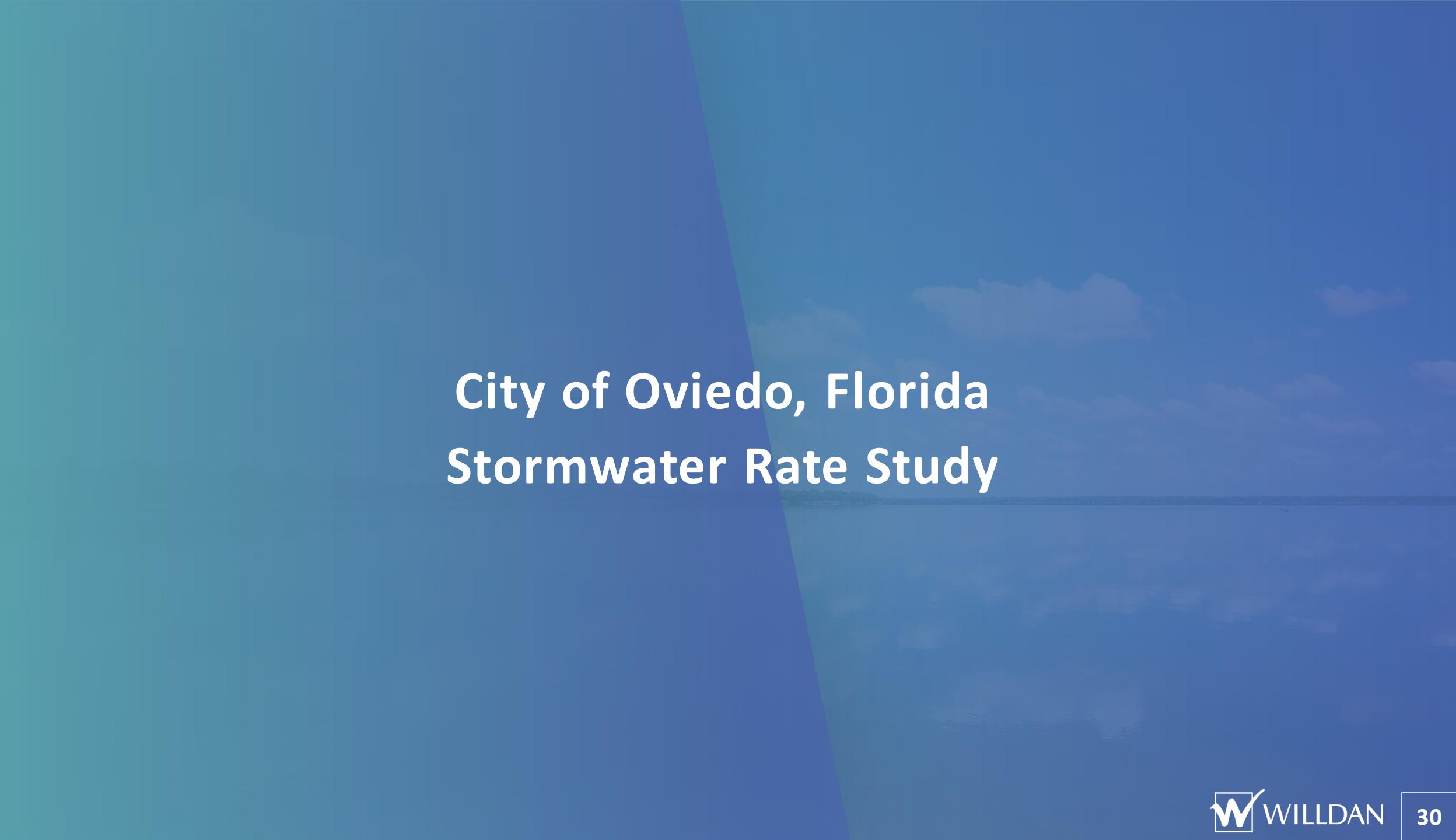


City of Oviedo

Stormwater Rate Study Water, Sewer, and Reclaimed Water Rate Study

Presentation
January 21, 2025





City of Oviedo, Florida

Stormwater Rate Study

Stormwater: Key Objectives

- Identify total revenue requirements
 - Operating and maintenance expenses
 - Annual debt service payments and debt service coverage requirements
 - Planned capital expenditures
 - Vehicle and equipment replacements
 - Reserve requirements
- Understand financial projections under existing rates (Status Quo)
- Develop projected rate adjustments

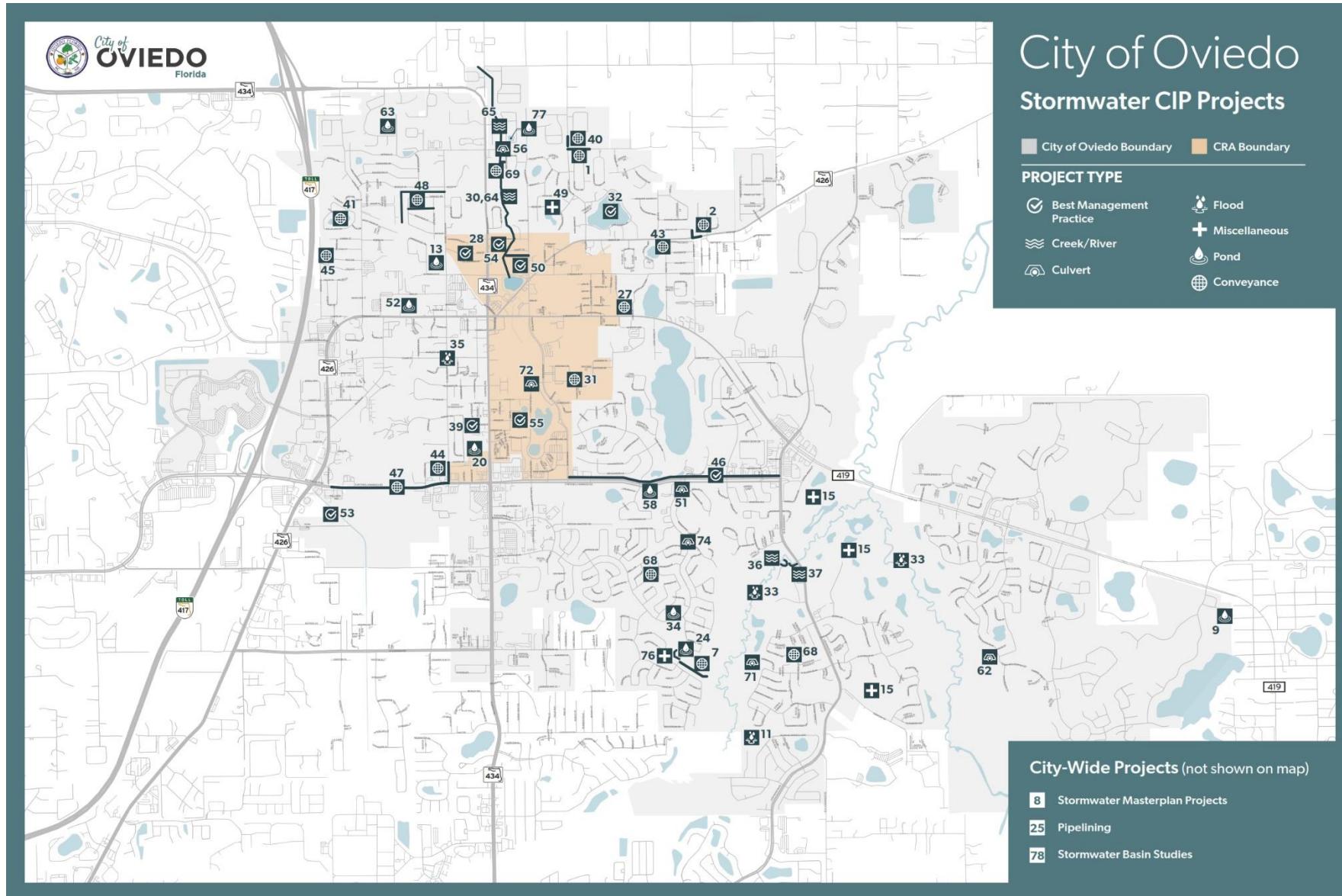
Stormwater: Data Sources

- Audited financial reports
- Historical financial information for FY 2018-2023
- Budgeted financial information for FY 2024 and FY 2025
- Existing debt service schedules
- Capital Improvement Plan (CIP)

Stormwater: General Assumptions

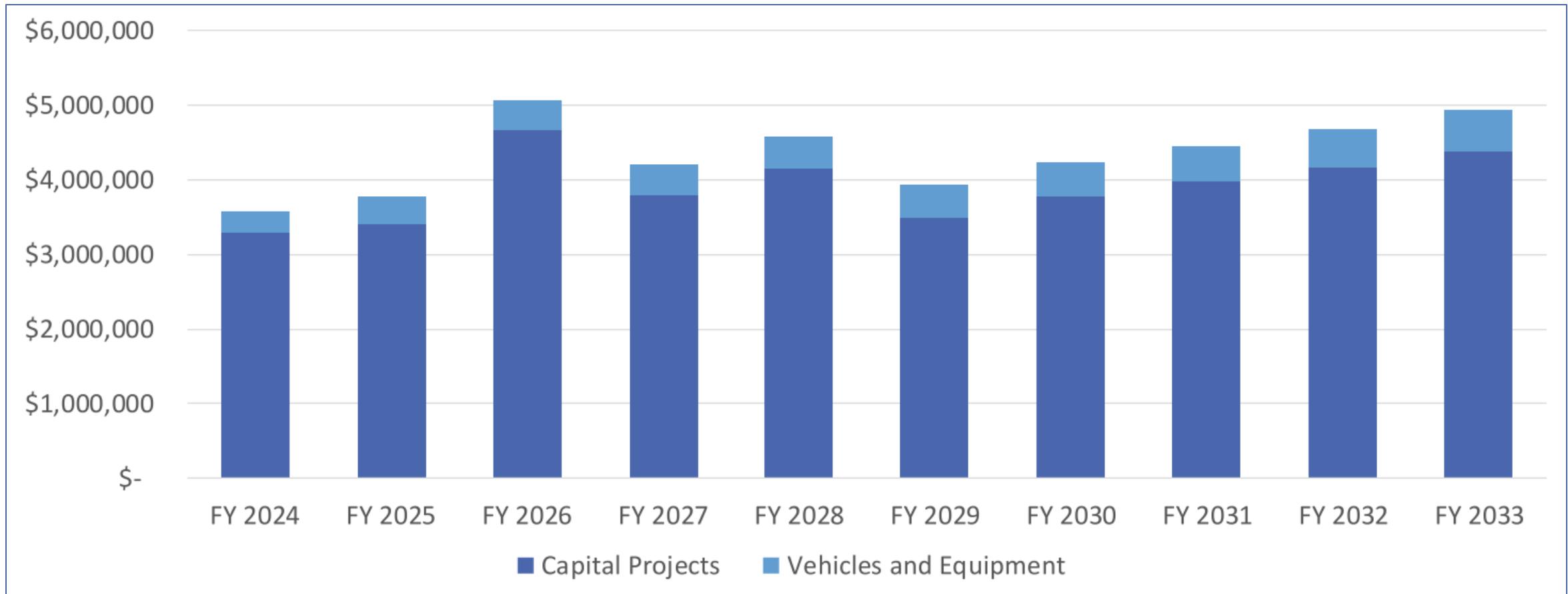
- Expenditures are escalated annually to account for customer growth and inflation
- Labor costs include additional crew beginning in FY 2026
- Annual Operating Reserves target of a minimum of 120 days (cash on hand) to cover operating expenses
- Transfers to Vehicle Replacement Fund and Renewal and Replacement Fund
- FY 2024 Beginning Reserve Fund Balance - \$355,000

Stormwater: Capital Improvement Plan



Stormwater: Capital Improvement Plan

- Total 10-Year CIP \$43,455,886 (including Vehicles and Equipment)

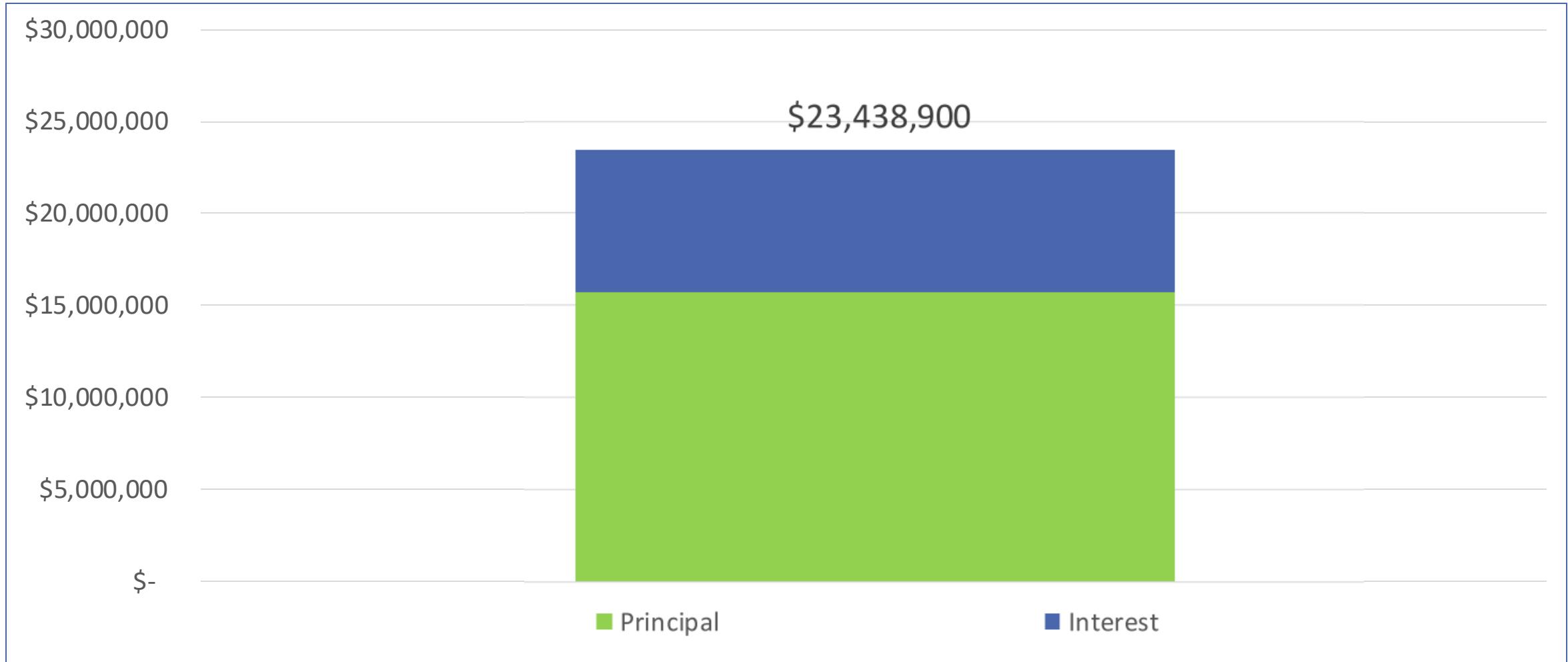


Stormwater: Debt Financing

- Debt Covenants assumed same as current senior debt with combined Utility System Pledge (Water/Sewer/Stormwater)
- Short-Term Debt
 - First Quarter FY 2025
 - Fund Approximately \$9.5 million in capital projects
 - Interest only payments of outstanding principal, 5.0% annual interest rate
- Long-Term Debt
 - First Quarter FY 2027 in conjunction with Water and Sewer debt issuance
 - Refinance \$9.5 million short-term borrowing plus additional \$8 million for CIP
 - Principal and Interest Payments, 5.5% annual interest rate
- Remaining CIP for FY 2029 through FY 2033 to be paid with cash

Note: Debt assumptions provided by City's Financial Advisor.

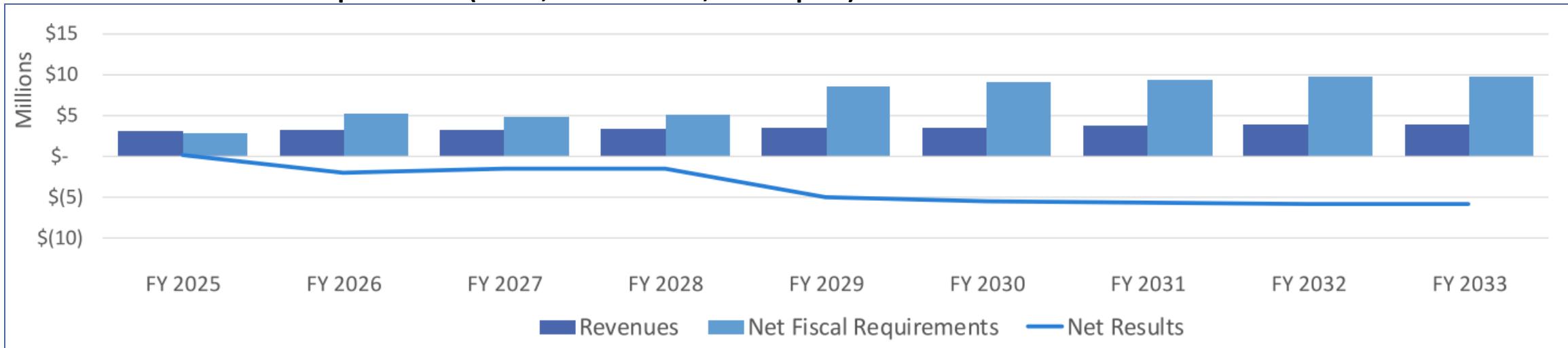
Stormwater: Total Financing Costs (Principal and Interest)



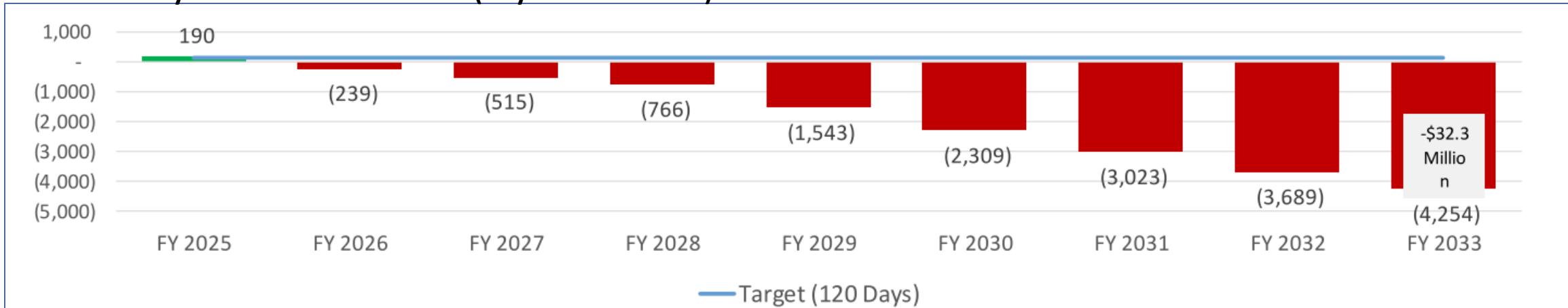
Note: Total cost of debt provided by City's Financial Advisor.

Stormwater: Status Quo (2.0%)

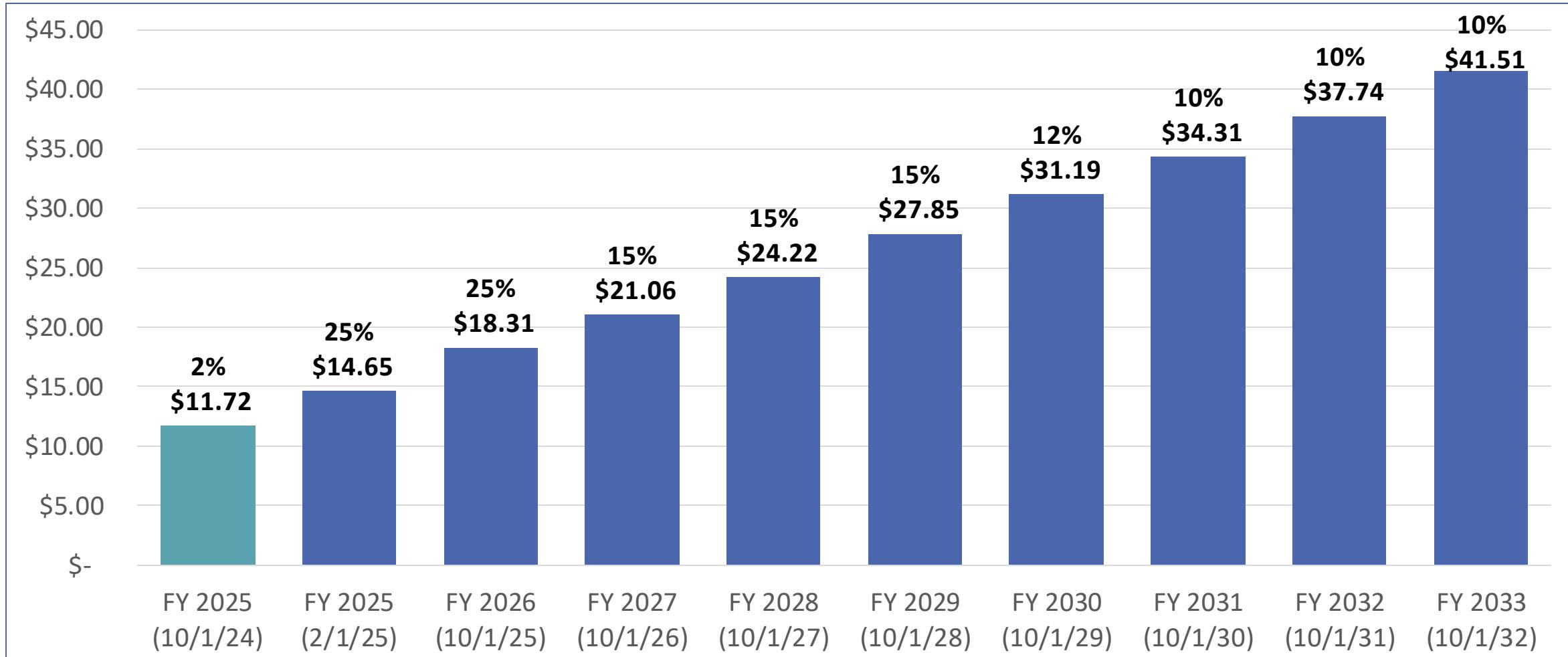
Revenues and Net Fiscal Requirements (O&M, Debt Service, and Capital)



Number of Days O&M in Cash Reserves (Days Cash on Hand)

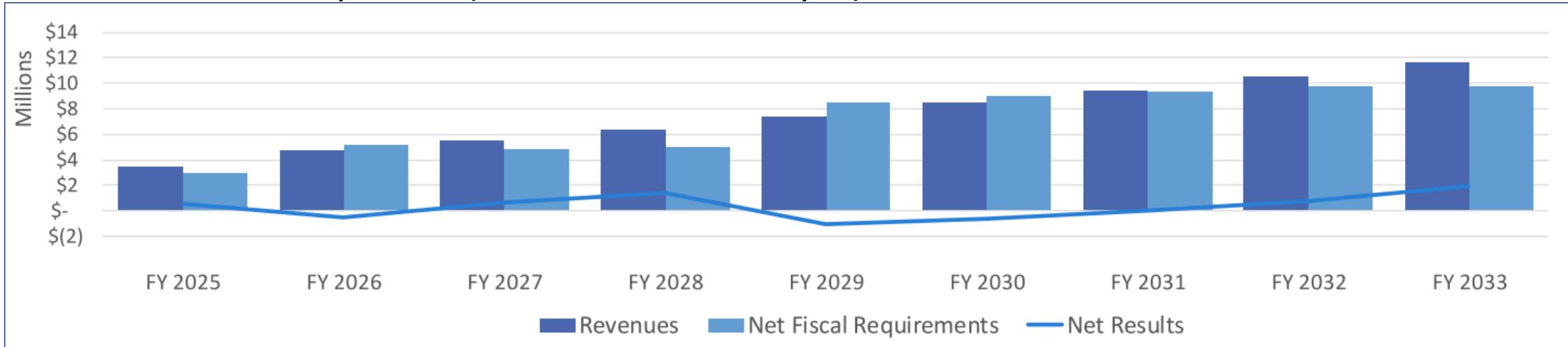


Stormwater: Monthly Rate per ERC

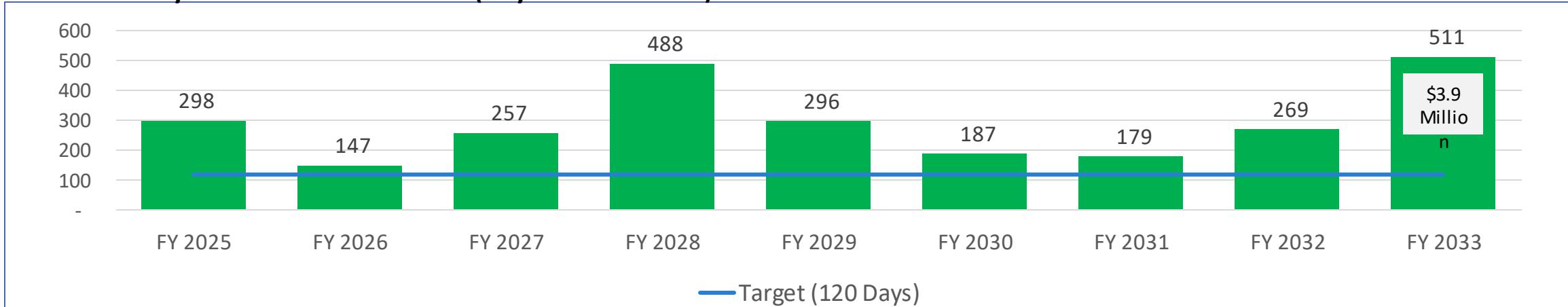


Stormwater: With Proposed Adjustments

Revenues and Net Fiscal Requirements (O&M, Debt Service, and Capital)



Number of Days O&M in Cash Reserves (Days Cash on Hand)



— Target (120 Days)

Stormwater: Findings and Conclusions

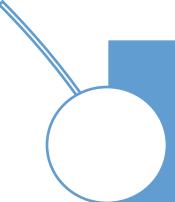
Sizable capital improvement costs

New debt service obligations (short-term and long-term) to fund portion of capital improvements

Rising operating and maintenance and personnel costs, additional staffing needed

Rate adjustments needed to satisfy financial goals and meet defined metrics (debt service coverage, days cash on hand, etc.)

Stormwater: Recommendations



Adopt the proposed annual rate adjustments and rate plan with the first increase effective February 1, 2025. The first annual adjustment for stormwater is 25.0%.



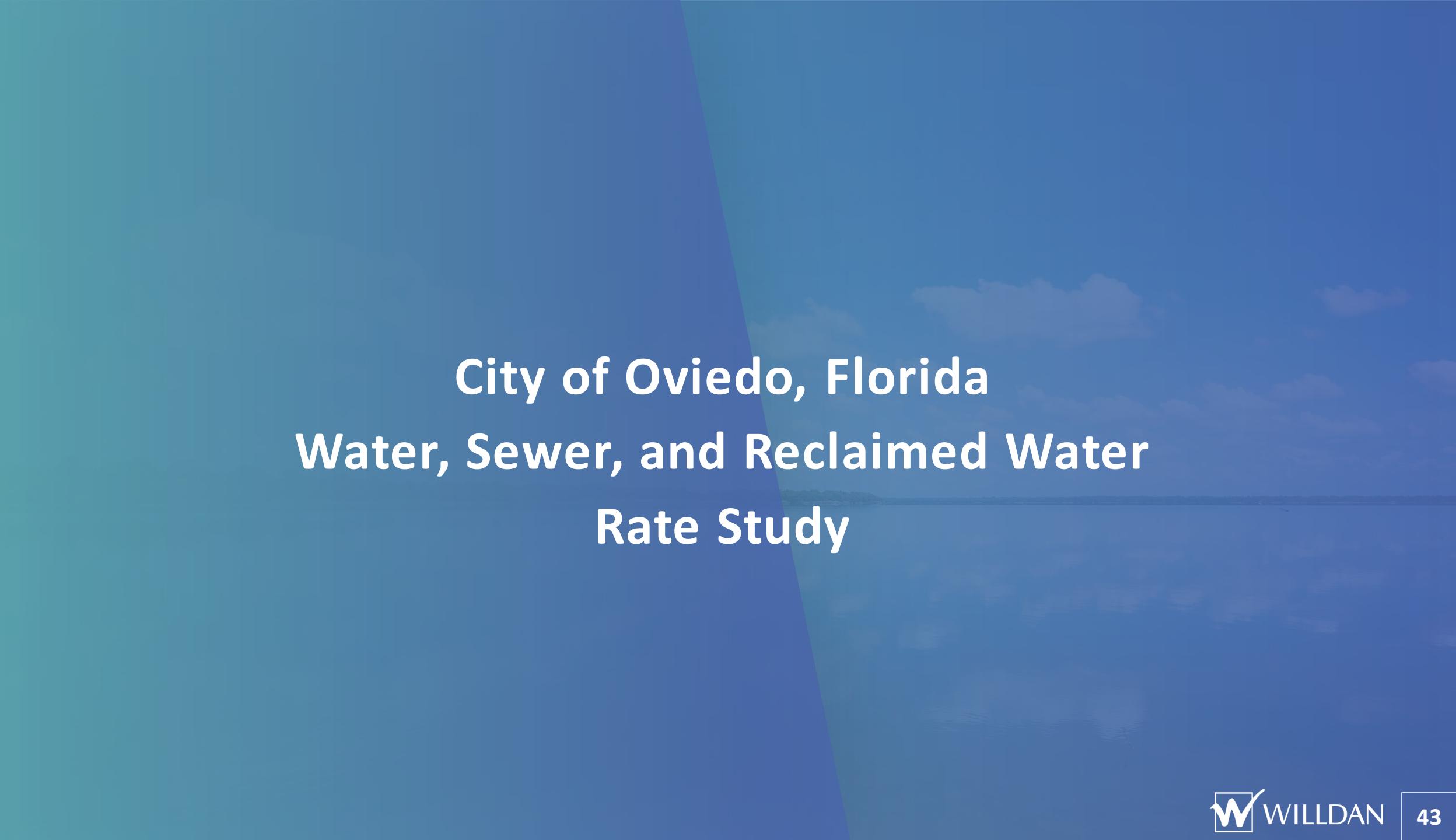
Adopt provisions for renewal and replacement reserve fund transfers for Stormwater.



Monitor annual changes in the Consumer Price Index. Adjust rates as necessary.



Comprehensive review of the Stormwater Rates minimum of every 5 years, or when significant changes occur in costs, debt service, utility regulations, technical aspects, or method of delivery of utility services.



City of Oviedo, Florida

Water, Sewer, and Reclaimed Water

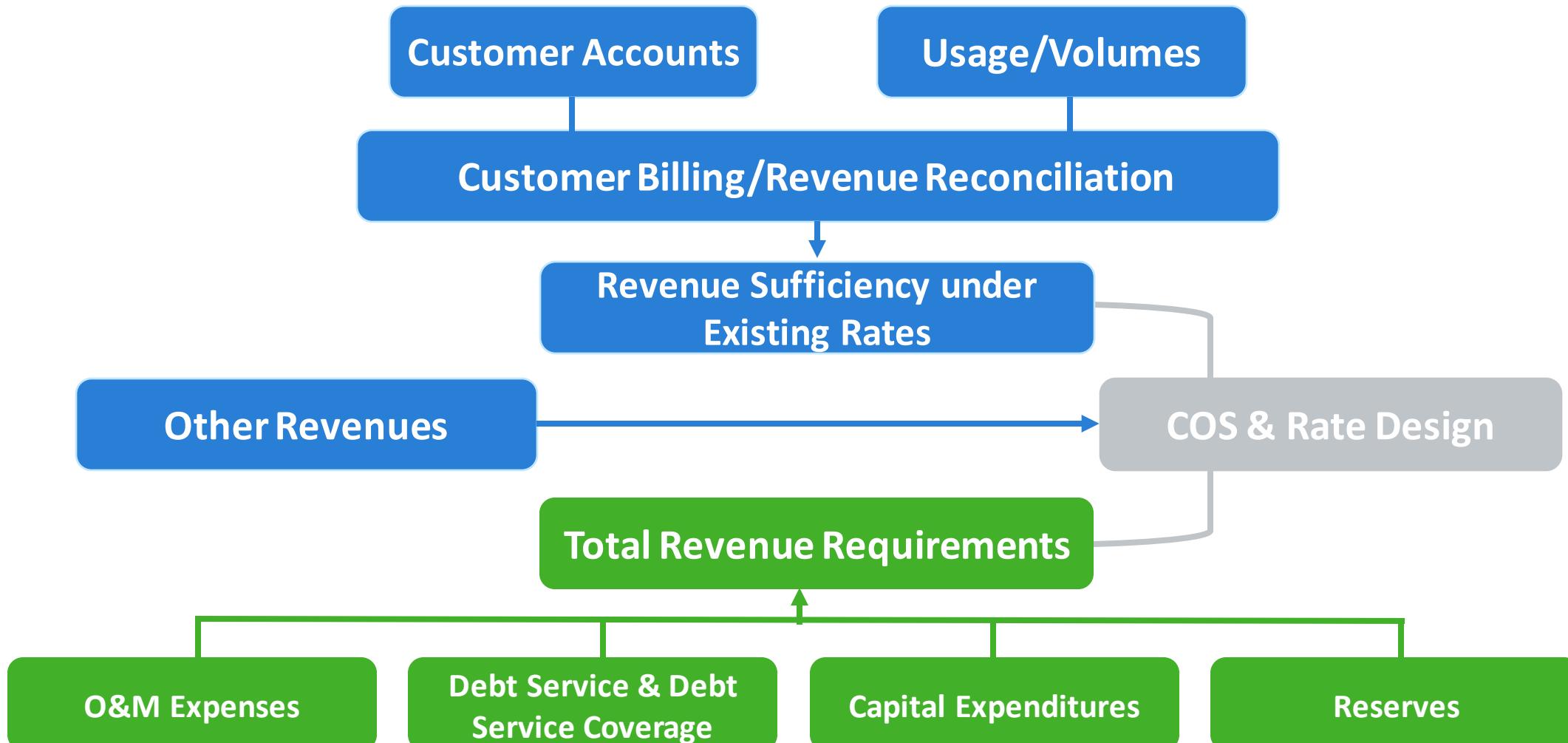
Rate Study



Water & Sewer: Key Objectives

- Identify total revenue requirements
 - Operating and maintenance expenses
 - Annual debt service payments and debt service coverage requirements
 - Planned capital expenditures
 - Vehicle and equipment replacements
 - Reserve requirements
- Equitable, cost-based rate structure (consolidation of sewer rate)
- Understand financial projections under existing rates (Status Quo)
- Develop projected rate adjustments

Water & Sewer: General Rate Study Methodology





Water & Sewer: Factors Driving Financial Plan

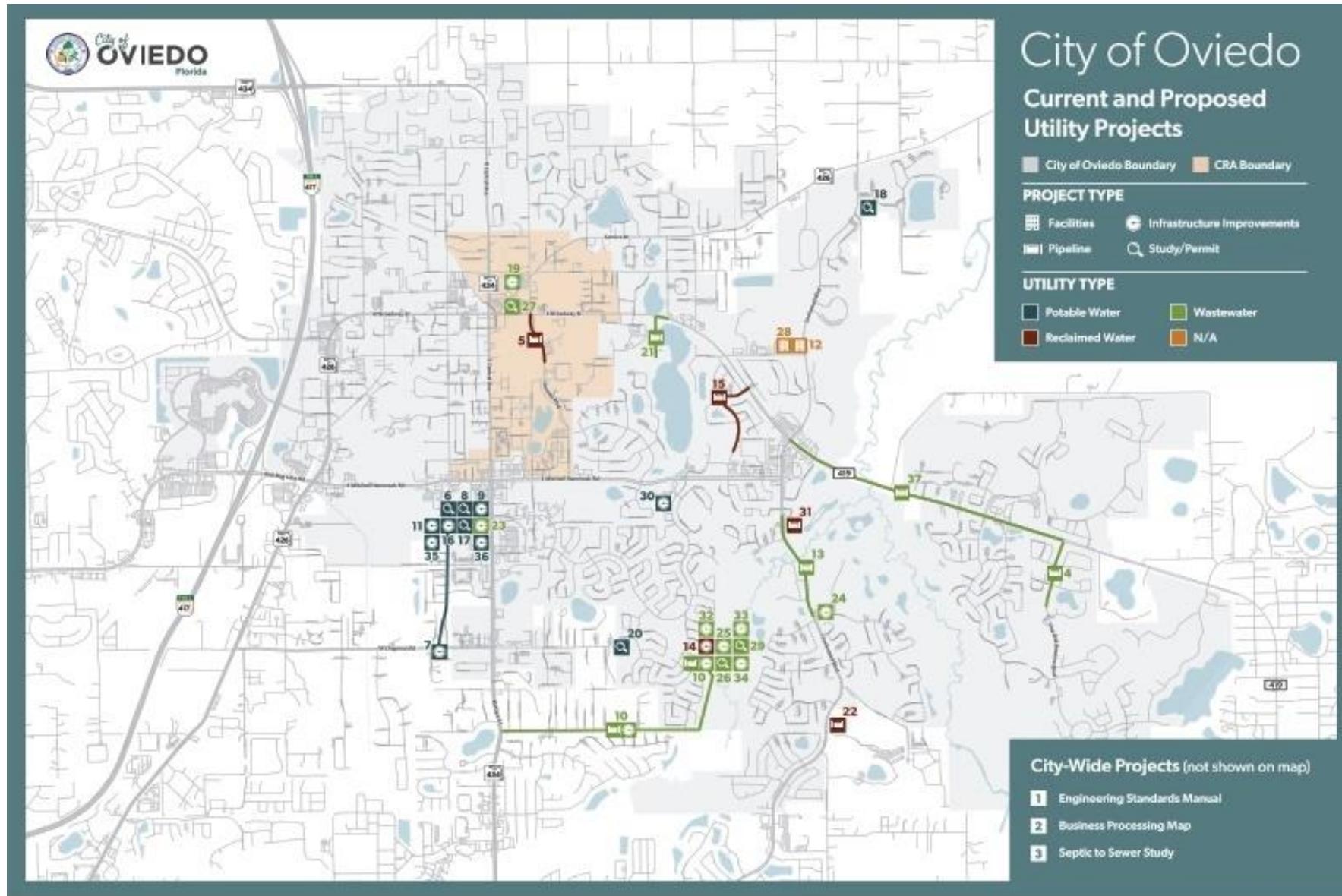
- Rising operating costs (equipment, supplies, treatment, etc.)
- Rising personnel costs (labor, benefits, etc.)
- Meeting debt service coverage to maintain compliance with debt covenants
- Funding ongoing water and sewer R&R and capital projects to provide adequate level of service
- Funding \$50.7 million Advanced Water Treatment System expansion/upgrade



Water & Sewer: General Assumptions

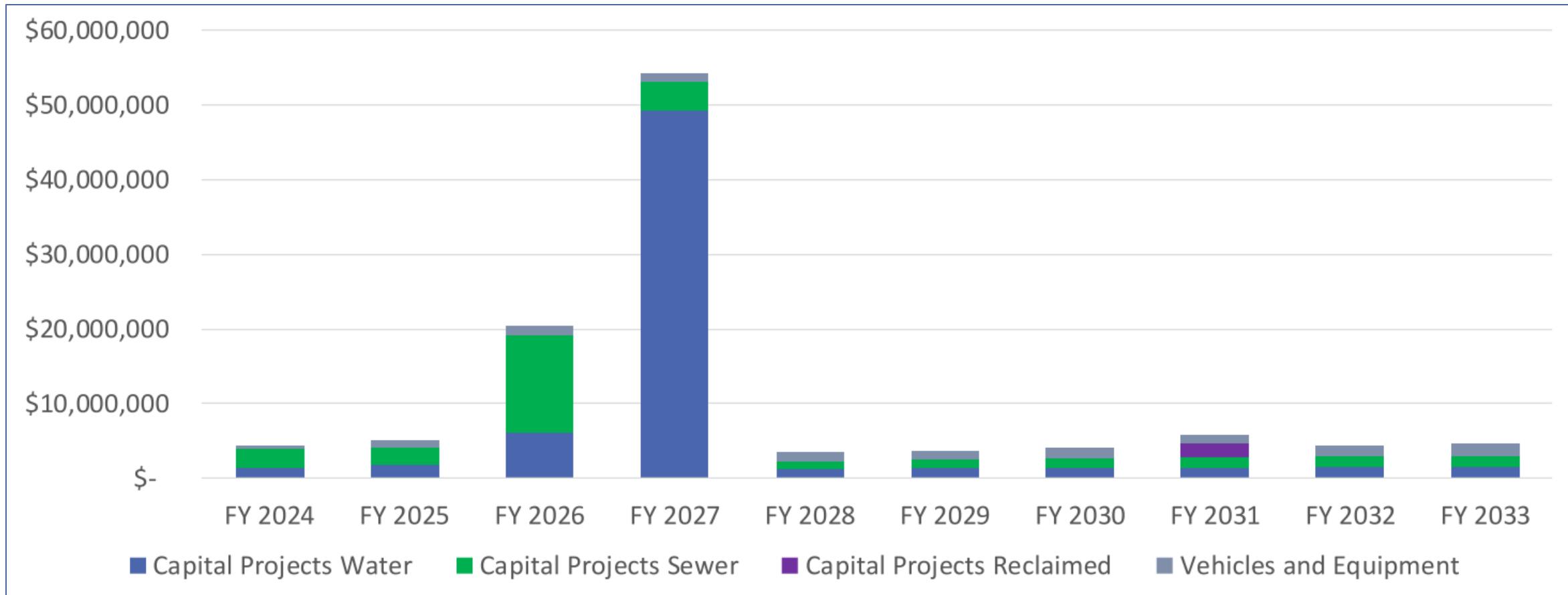
- Expenditures are escalated annually to account for customer growth and inflation
- Labor costs include 1 additional staff added in FY 2026 and FY 2027
- Projections include additional operating and labor expenses beginning in FY 2030 once new Water Treatment System complete
- Annual Operating Reserves target of a minimum of 120 days (cash on hand) to cover operating expenses
- Additional Transfers to Vehicle Replacement Fund and Renewal and Replacement Fund

Water & Sewer: Capital Improvement Plan



Water & Sewer: Capital Improvement Plan

- Total 10-Year CIP \$110,272,415 (including Vehicles and Equipment)

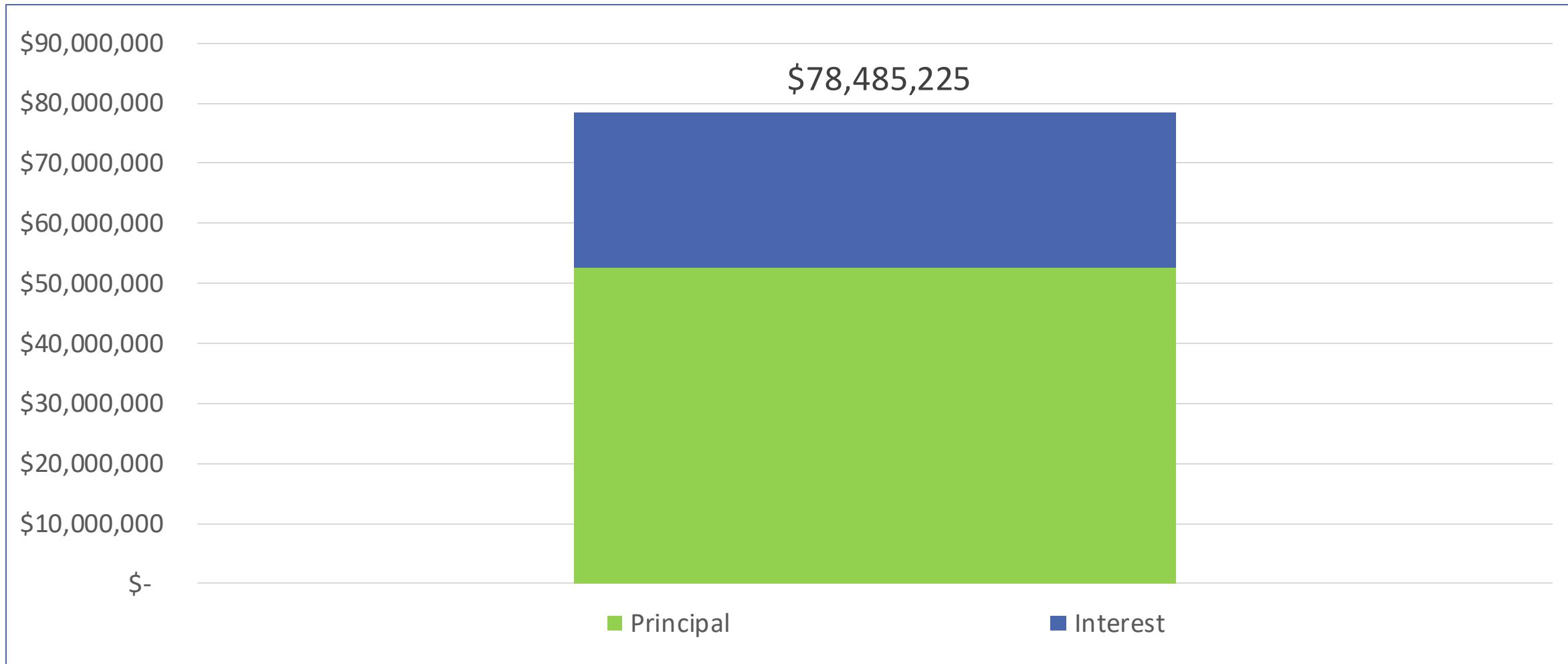


Water & Sewer: Debt Financing and Rate Design

- Debt Covenants assumed same as current senior debt with combined Utility System Pledge (Water/Sewer/Stormwater)
- Long-Term Debt
 - First Quarter FY 2027 in conjunction with Stormwater debt issuance
 - Principal \$58.6 million (water and sewer portion)
 - 5.5% annual interest rate
- Rate Design: Consolidation of the City's separate sewer rates for the Alafaya System customers and Oviedo System Customers into a combined rate (base charge and gallonage rate)

Note: Debt assumptions provided by City's Financial Advisor.

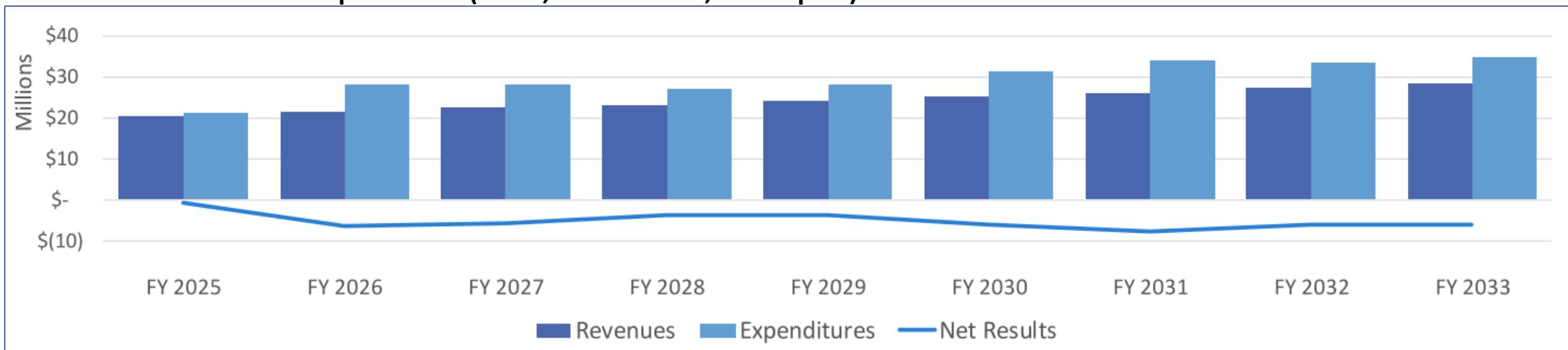
Water & Sewer: Total Financing Costs (Principal and Interest)



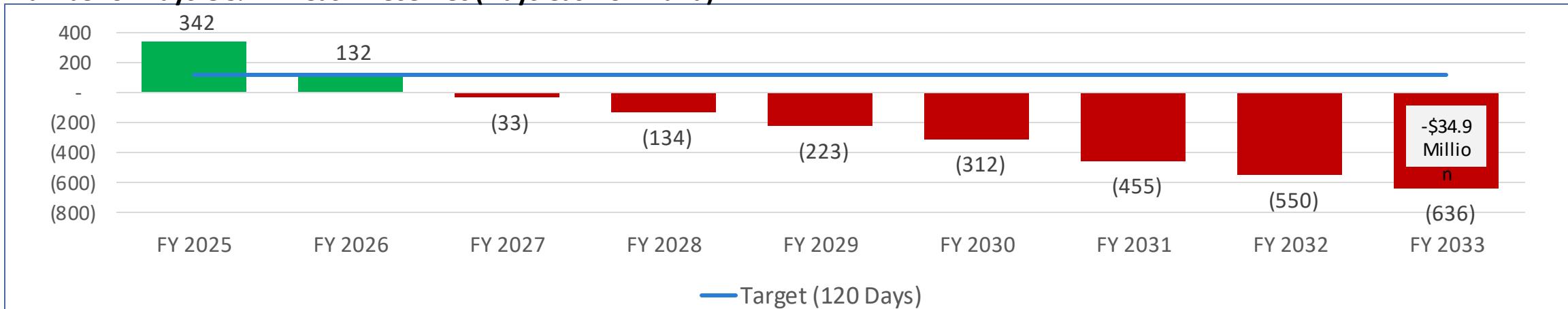
Note: Total cost of debt provided by City's Financial Advisor.

Water & Sewer: Status Quo (3.0%)

Revenues and Net Fiscal Requirements (O&M, Debt Service, and Capital)

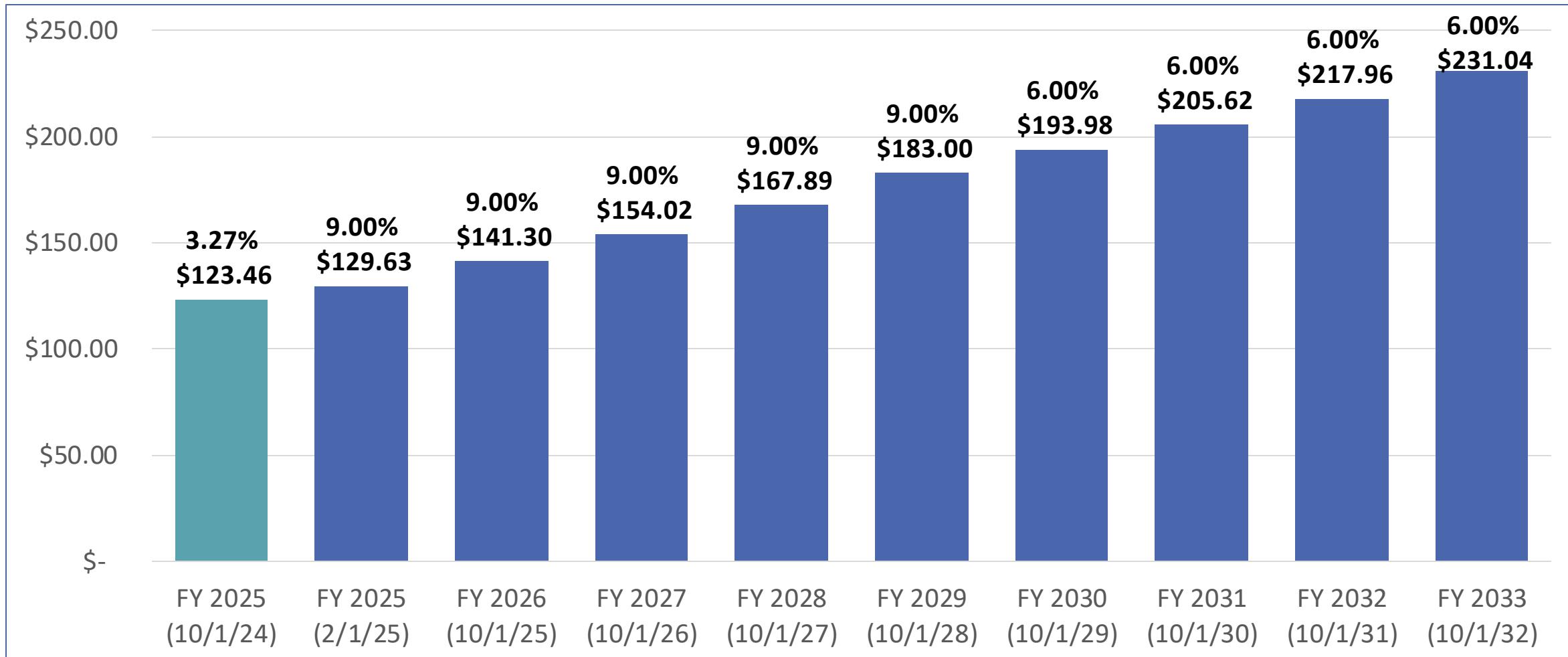


Number of Days O&M in Cash Reserves (Days Cash on Hand)



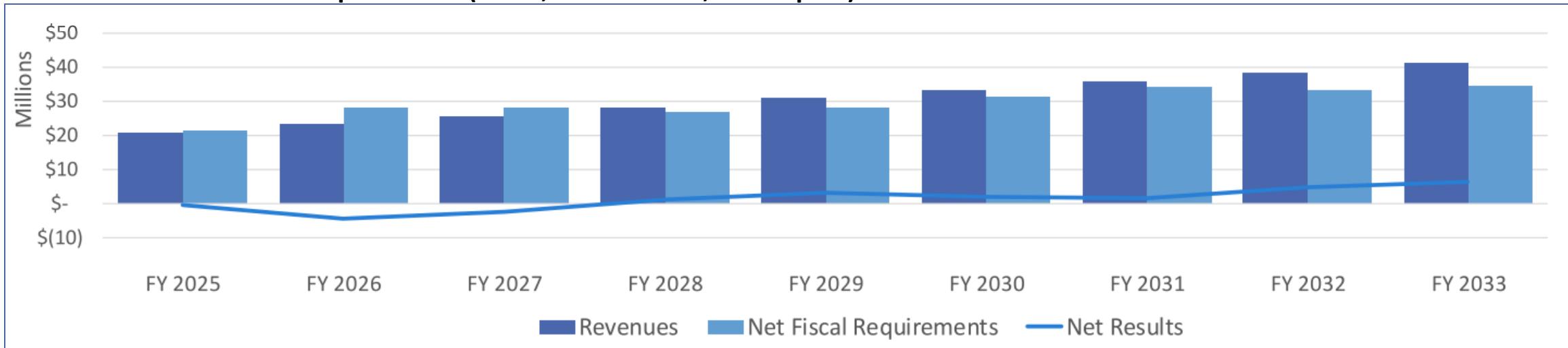
— Target (120 Days)

Water & Sewer: Monthly Bill (8,000 gallons)

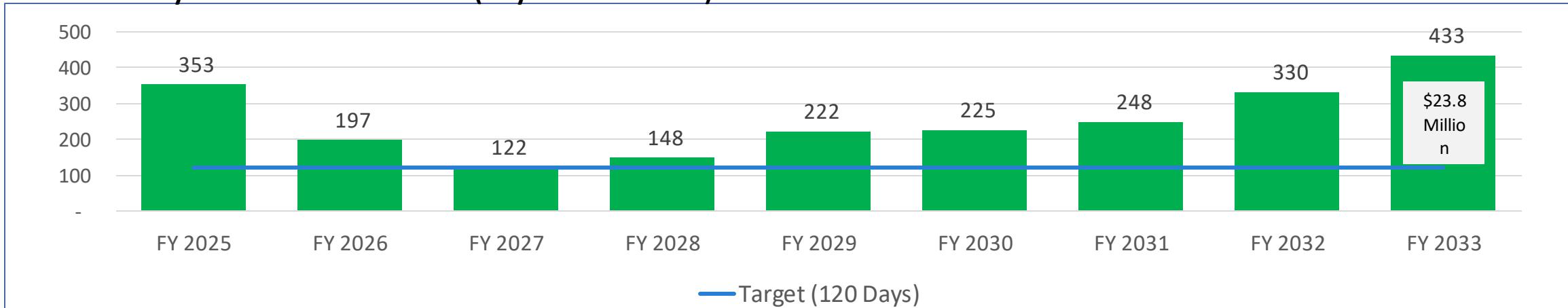


Water & Sewer: With Proposed Adjustments

Revenues and Net Fiscal Requirements (O&M, Debt Service, and Capital)



Number of Days O&M in Cash Reserves (Days Cash on Hand)



Water & Sewer: Findings and Conclusions

Sizable capital improvement costs including upgrades for advance water treatment capacity

New debt service obligations to fund portion of capital improvements

Rising operating and maintenance and personnel costs, additional staffing and operating costs associated with new treatment capacity

Rate adjustments needed to satisfy financial goals and meet defined metrics (debt service coverage, days cash on hand, etc.)

Water & Sewer: Recommendations

Adopt the proposed annual rate adjustments with the first increase effective February 1, 2025. The annual adjustment for water and wastewater is 9.0%.

Implement consolidation of the sewer system rates (Alafaya and Oviedo Systems) with an effective date of February 1, 2025.

Monitor annual changes in the Consumer Price Index. Adjust rates as necessary.

Comprehensive review of the Water and Sewer System Rates minimum of every 5 years, or when significant changes occur in costs, debt service, utility regulations, technical aspects, customer demand, or method of delivery of utility services.

Questions
