

St. Lucie West Services District

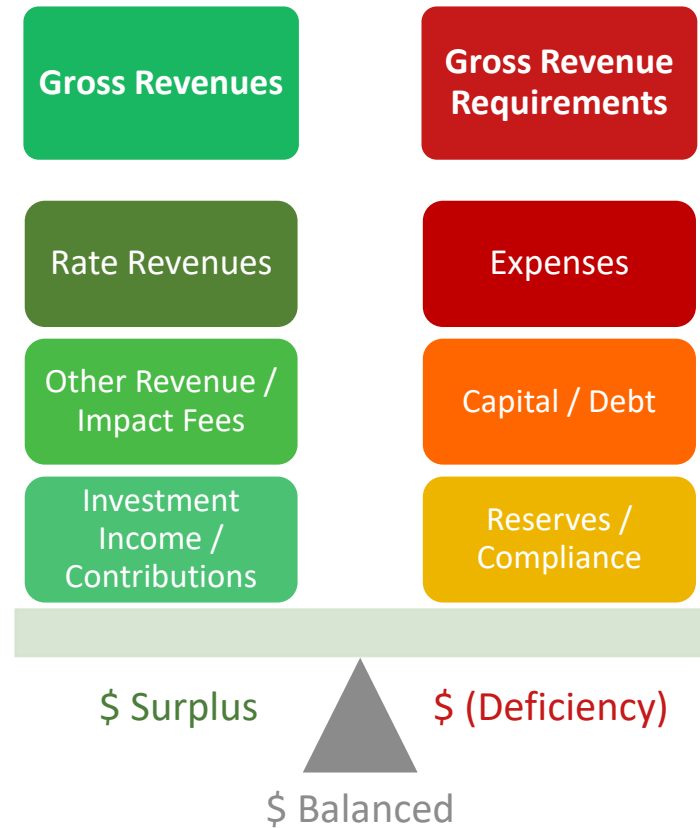
Water, Wastewater, and Irrigation System
2022 Revenue Sufficiency Update and Review

Presented on August 30, 2021



Purpose of Update

- Determine revenue requirements
- Monitor system trends and financial position
- Support budget process
- Rate covenant compliance
- Promote full cost recovery
- Identify potential future rate adjustments



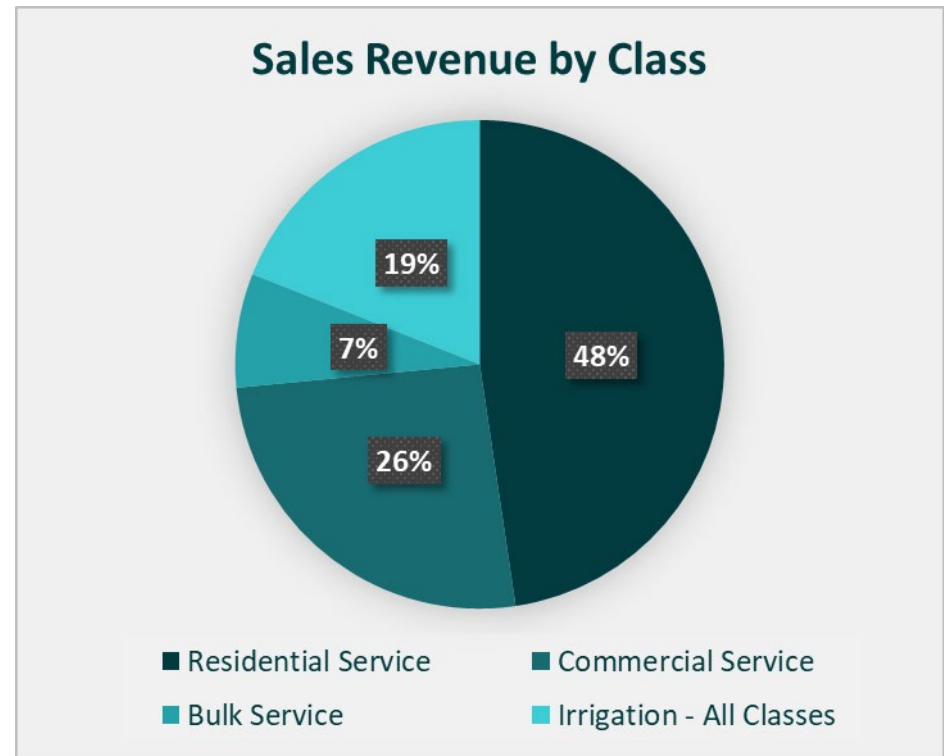
Basis for Financial Forecast

- Five-year financial forecast– fiscal years 2022-2026
- Proposed 2022 budget
- 2021 year-to-date operating results
- District's six-year capital improvement program
- District's financial policies
- Debt service schedules and covenants
 - › 110% coverage requirement (minimum)
 - › Flow of funds



System Overview

- Residential service majority of sales
- Approx. 82% of retail customers have irrigation service
- Bulk service – The Reserve CDD
- System serves about 6,800 retail accounts
- Minimal customer growth (less than 1% annually)



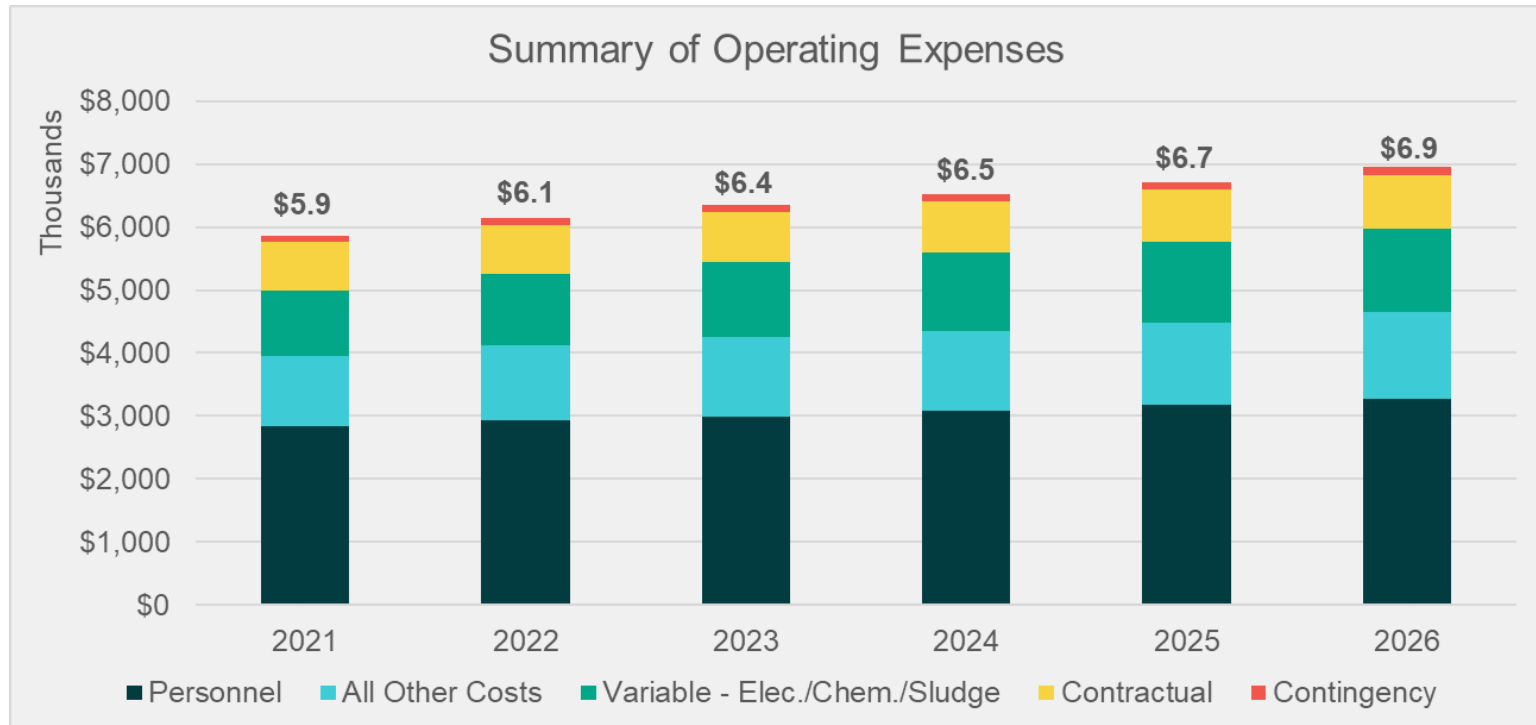
Major Assumptions

- Conservative sales forecast based on historical trends
- Forecast of operating expenses based on proposed FY 22 budget
 - › Increases in O&M outpacing revenue growth
 - › 3% average annual projected increase in operating expenses during forecast period
 - › Consumer Price Index (CPI)– Projected at approximately 2.4% per year



Major Assumptions (cont'd.)

- Operating expense projections
 - › Adjusted for inflation and growth
 - › Includes contingency of 1.5%
- Personnel costs 48% of operating expenses
- Variable costs also significant at 19% of operating expenses

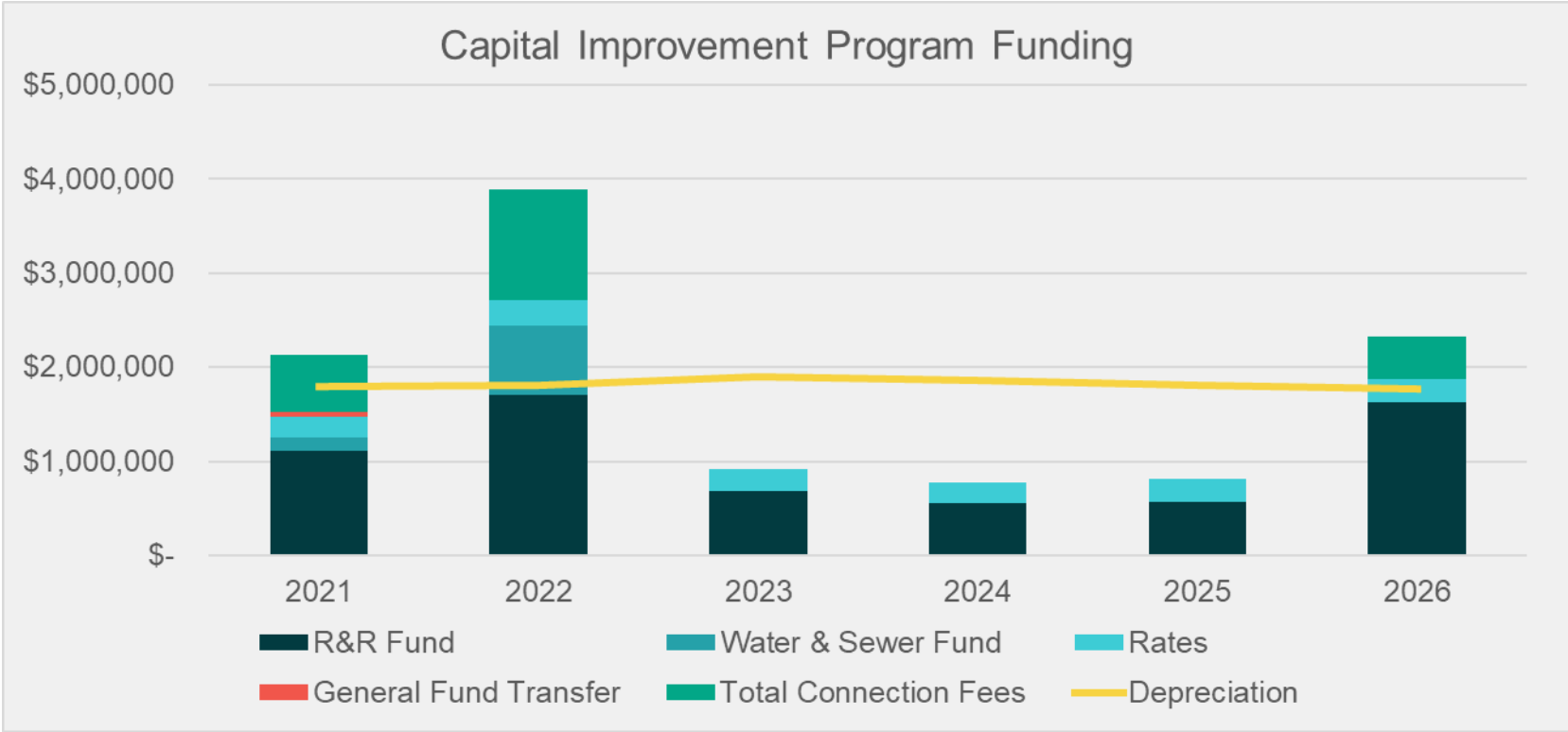


Major Assumptions (cont'd.)

- Identified utility capital needs of \$10.9 million
 - › Clearwell & Transfer Pump Expansion (\$1.6 M)
 - › Sand Filter Upgrades (\$1.1 M)
 - › Membrane Filter Replacement (\$0.6 M)
 - › Water Main Extension (\$0.6 M)
 - › Continued water and wastewater renewal and replacement programs



Capital Funding Sources



Debt Service Requirements

- No additional debt assumed during forecast period
- Average total annual debt service = \$2.6 million
 - › Matures in 2035
- Projected coverage remains strong at proposed rates
 - › Coverage provides rate flexibility
 - Capital reinvestment
 - Fund rate stabilization fund

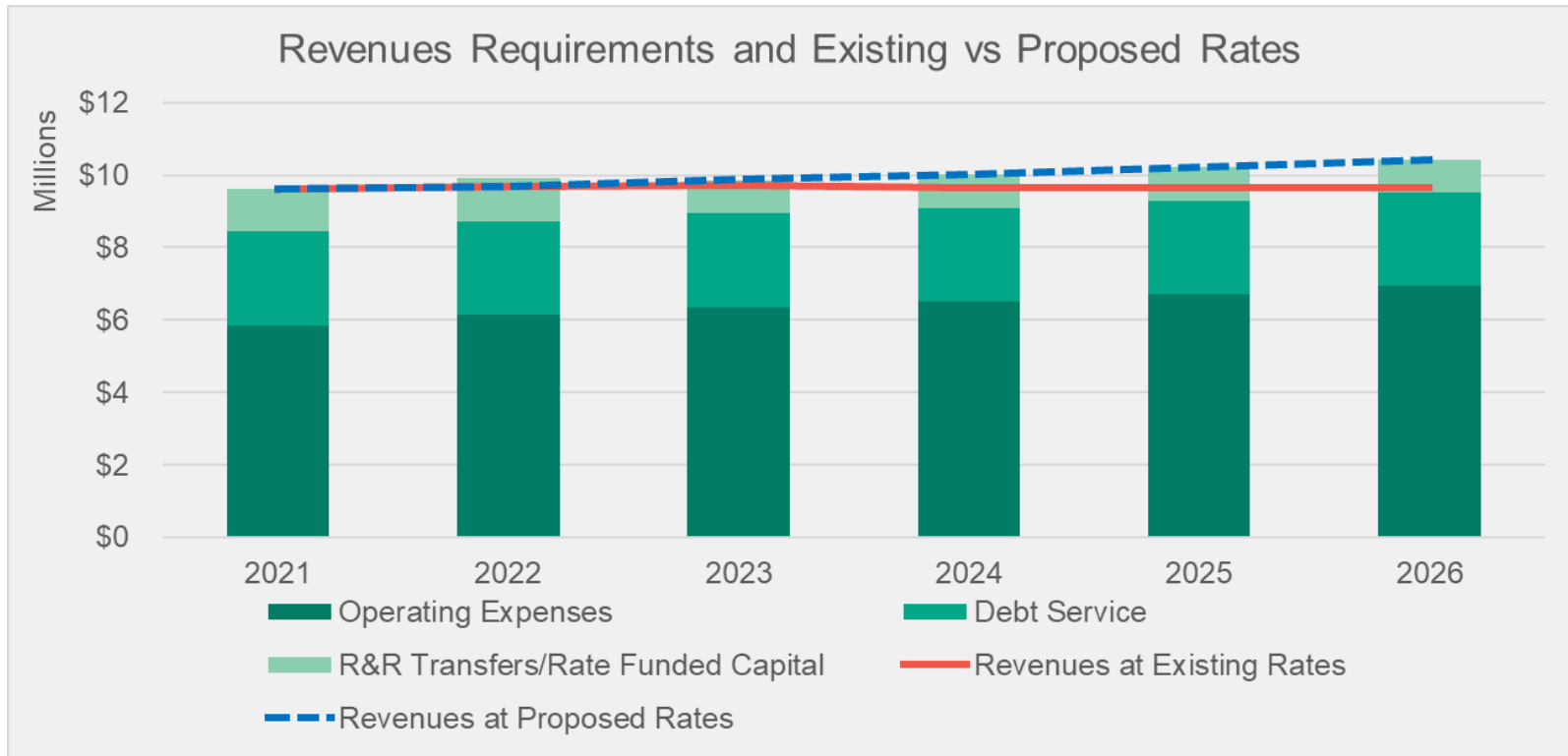


Results of Analysis

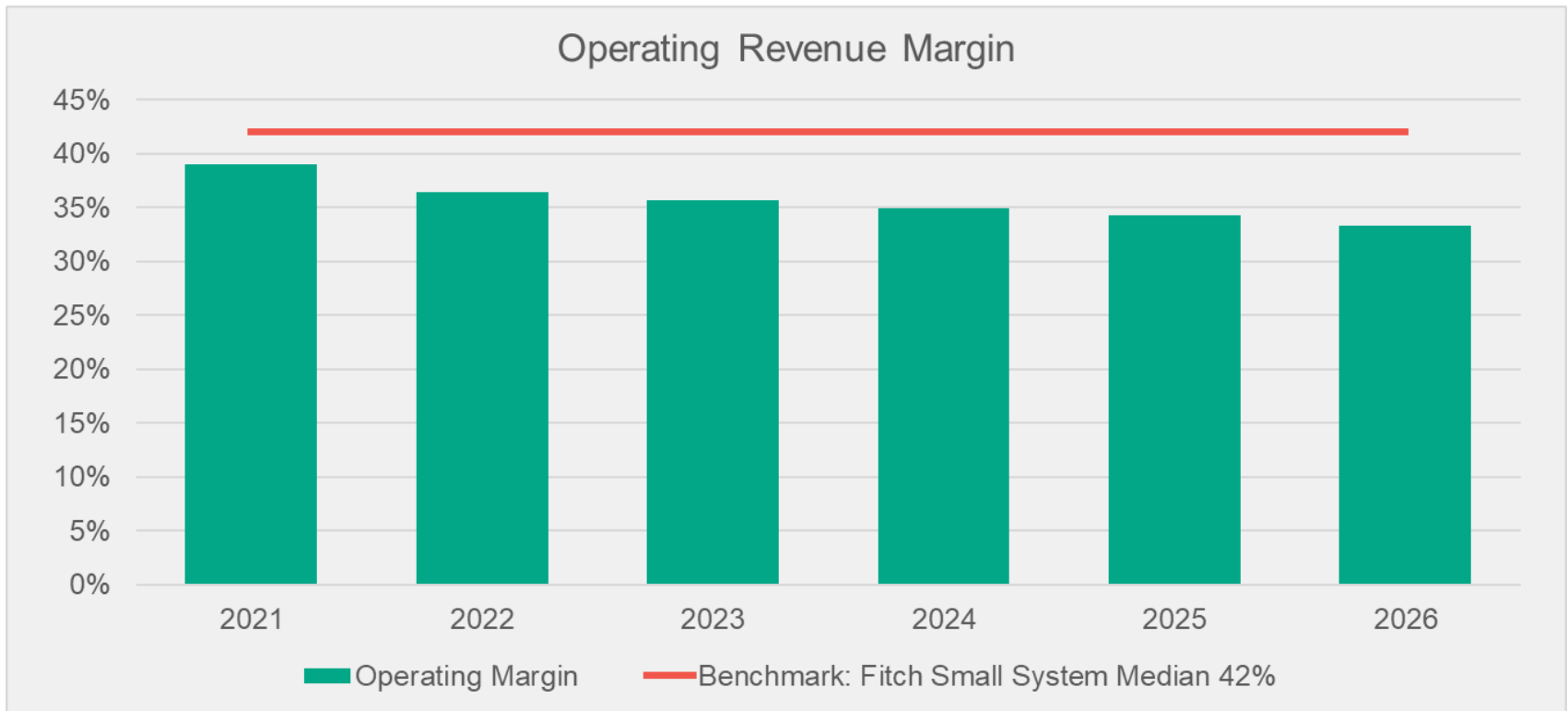
- Increased budgeted O&M expenses for FY 2022
 - › Primarily due to inflation (higher cost to provide service)
- Continued inflationary pressure on O&M during forecast period
 - › Average increase from fiscal years 2022 – 2026 of 3% per year
 - › Reductions in operating margins



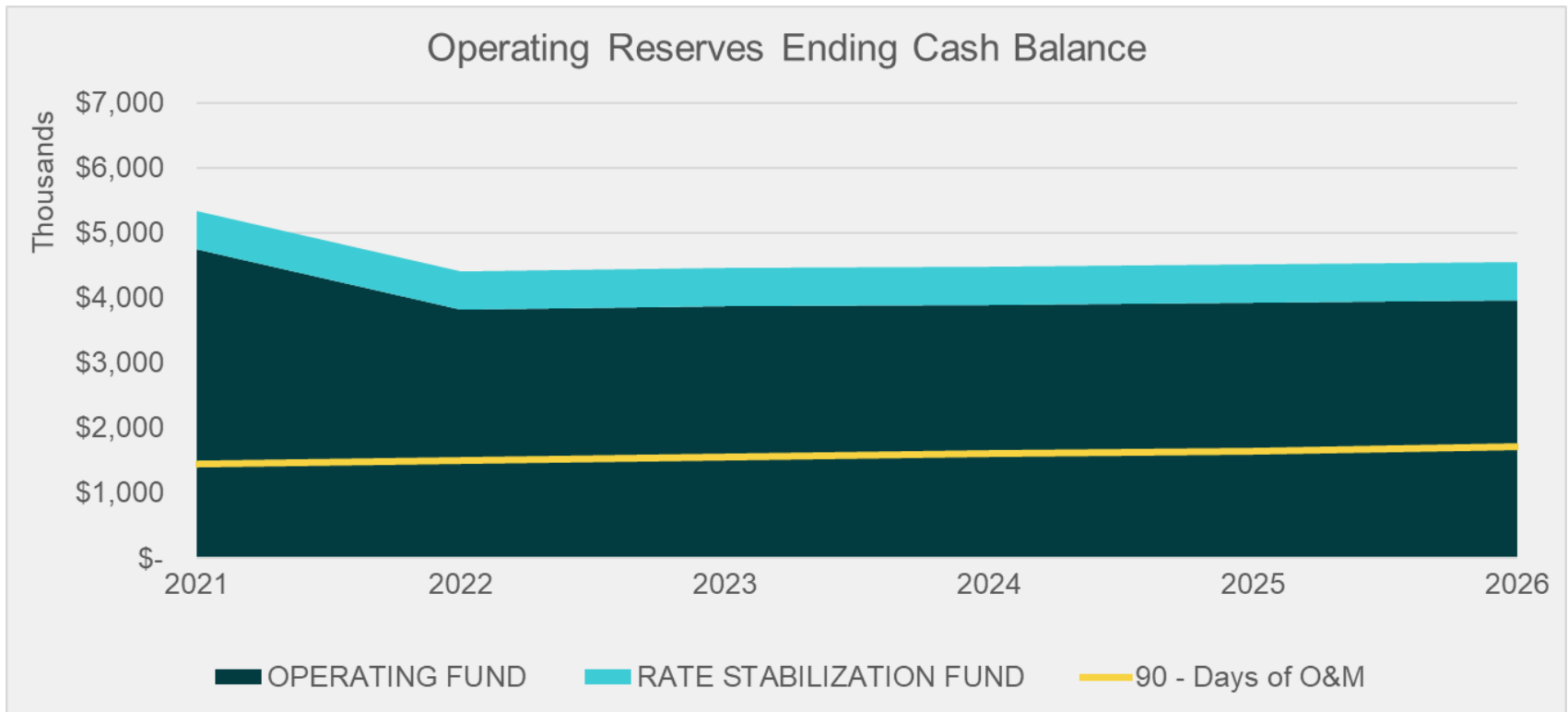
Fiscal Position



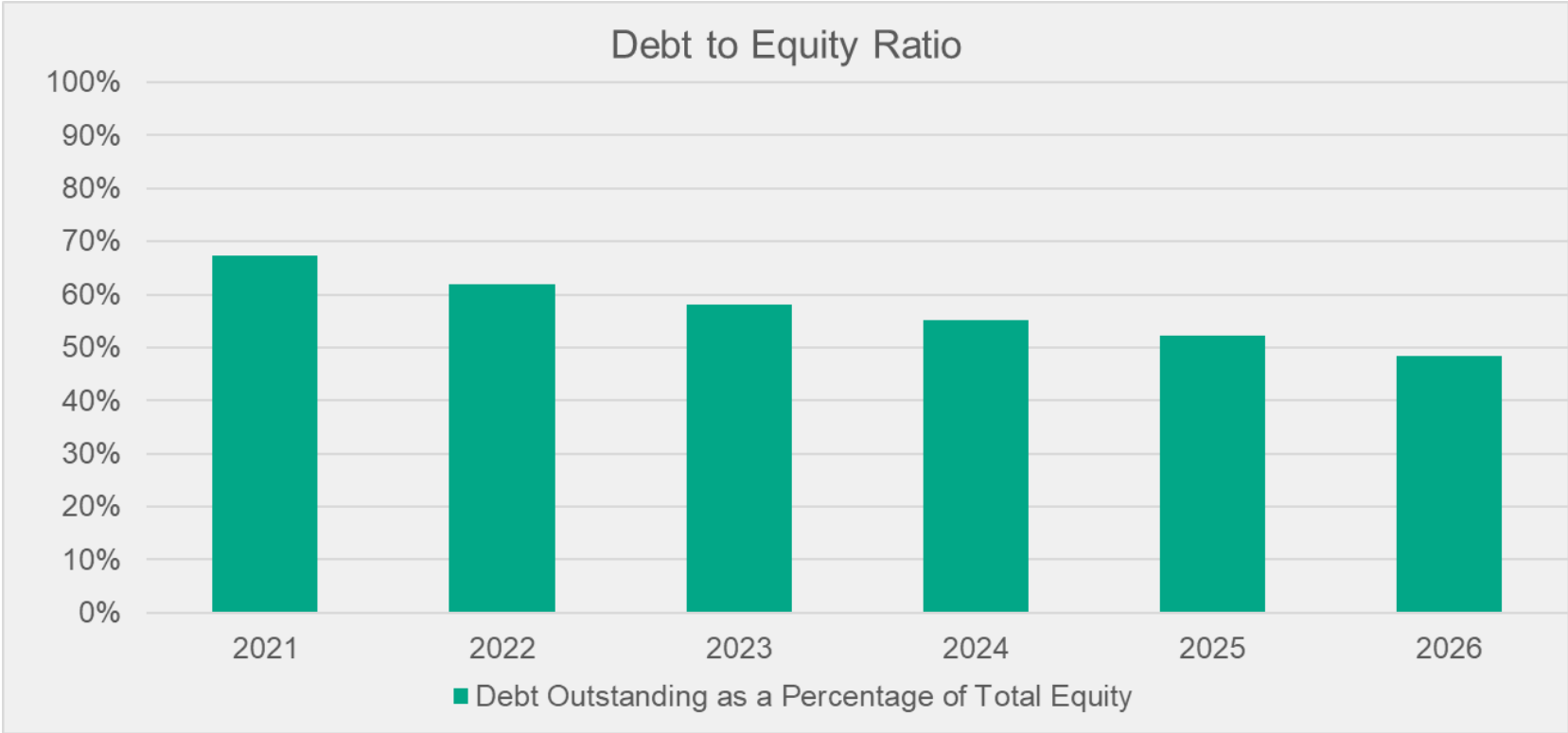
Fiscal Position (cont'd.)



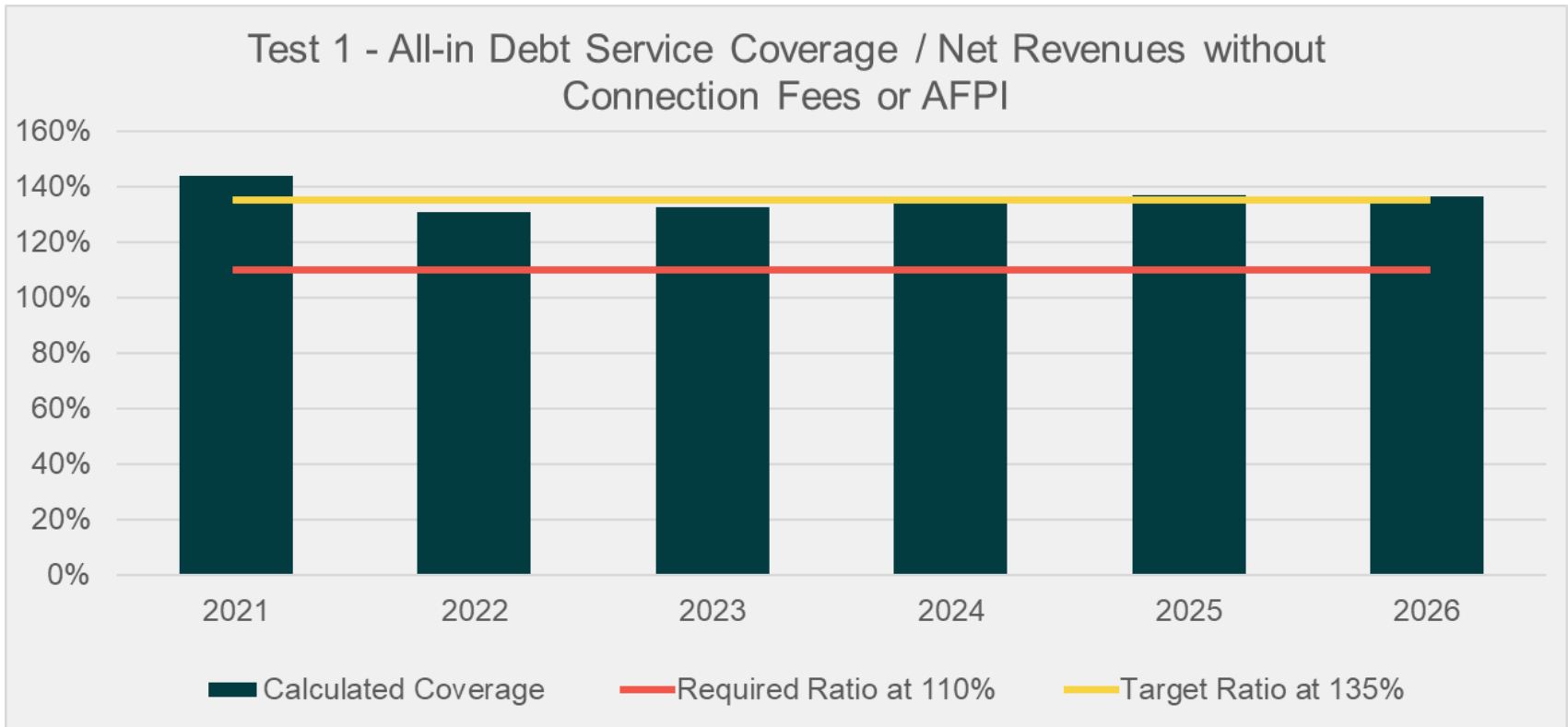
Fiscal Position (cont'd.)



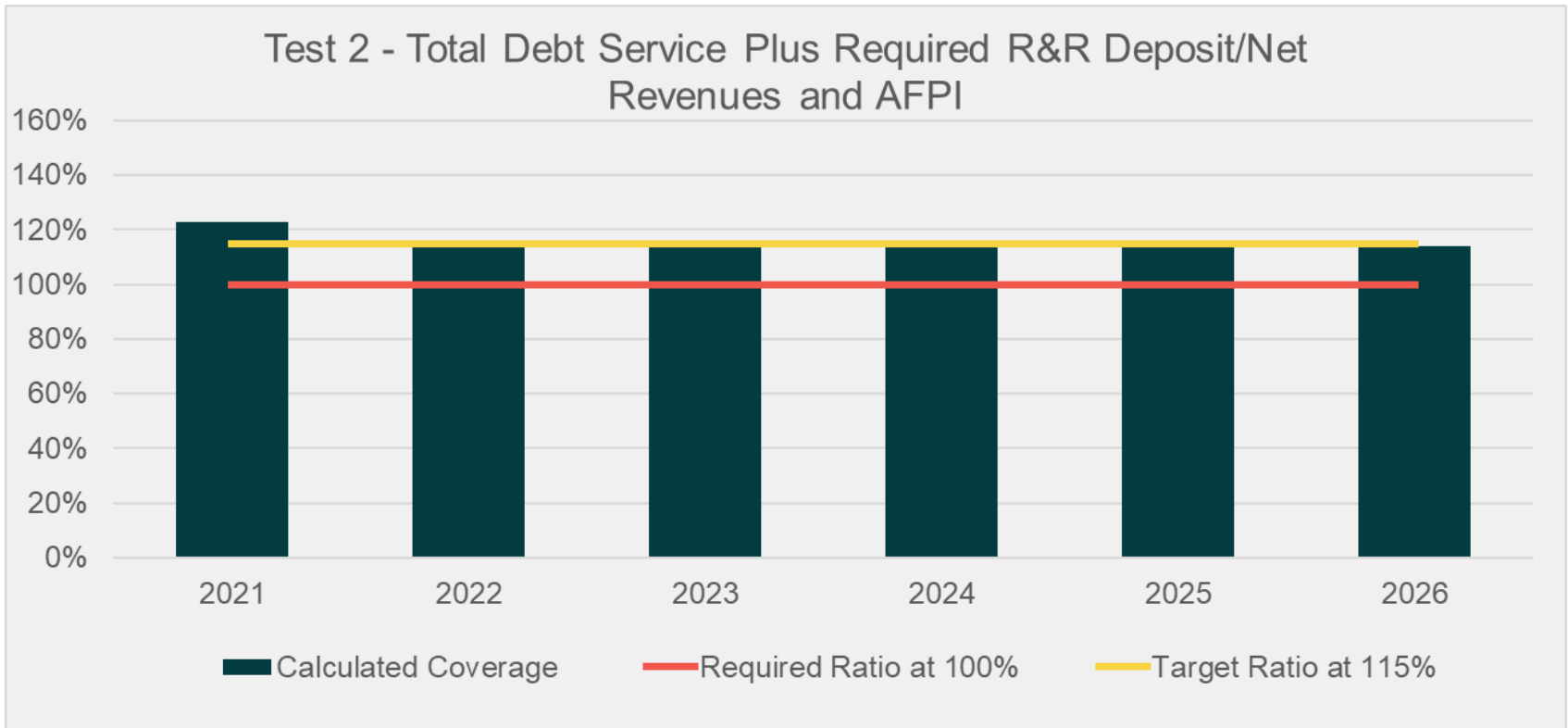
Fiscal Position (cont'd.)



Fiscal Position (cont'd.)



Fiscal Position (cont'd.)



Results of Analysis (cont'd)

- Financial position
 - › Projected operating revenue margin 37% in 2022 and minimal decline during forecast period
 - › Strong operating reserves
 - › Projected coverage ratio – 134% calculated / 110% required
- Last rate increase effective fiscal year 2010
- No rate increase proposed for fiscal year 2022

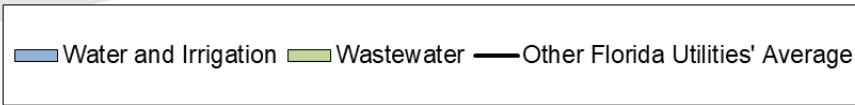


Results of Analysis (cont'd)

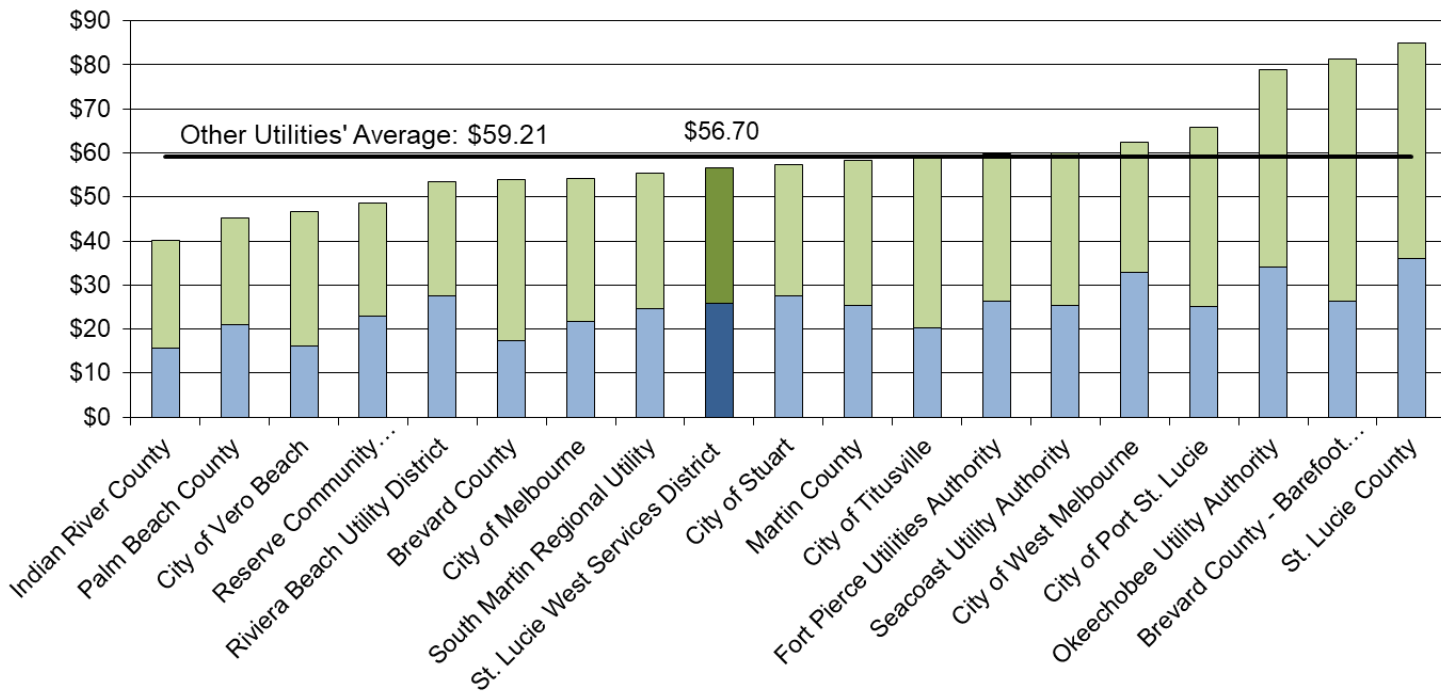
- Proposed rate increases:
 - › Fiscal Years 2023 through 2026 – 2% annual increase
 - › Re-evaluate annually to determine need
 - › Consider using District's adopted indexing provision
 - Based on Consumer Price Index (CPI)
 - 10-year average of 1.75%
 - Provision includes a minimum 0% and maximum of 5%



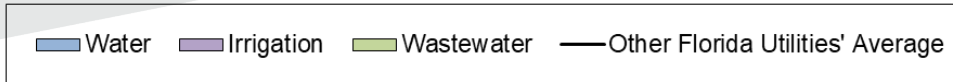
Rate Comparison



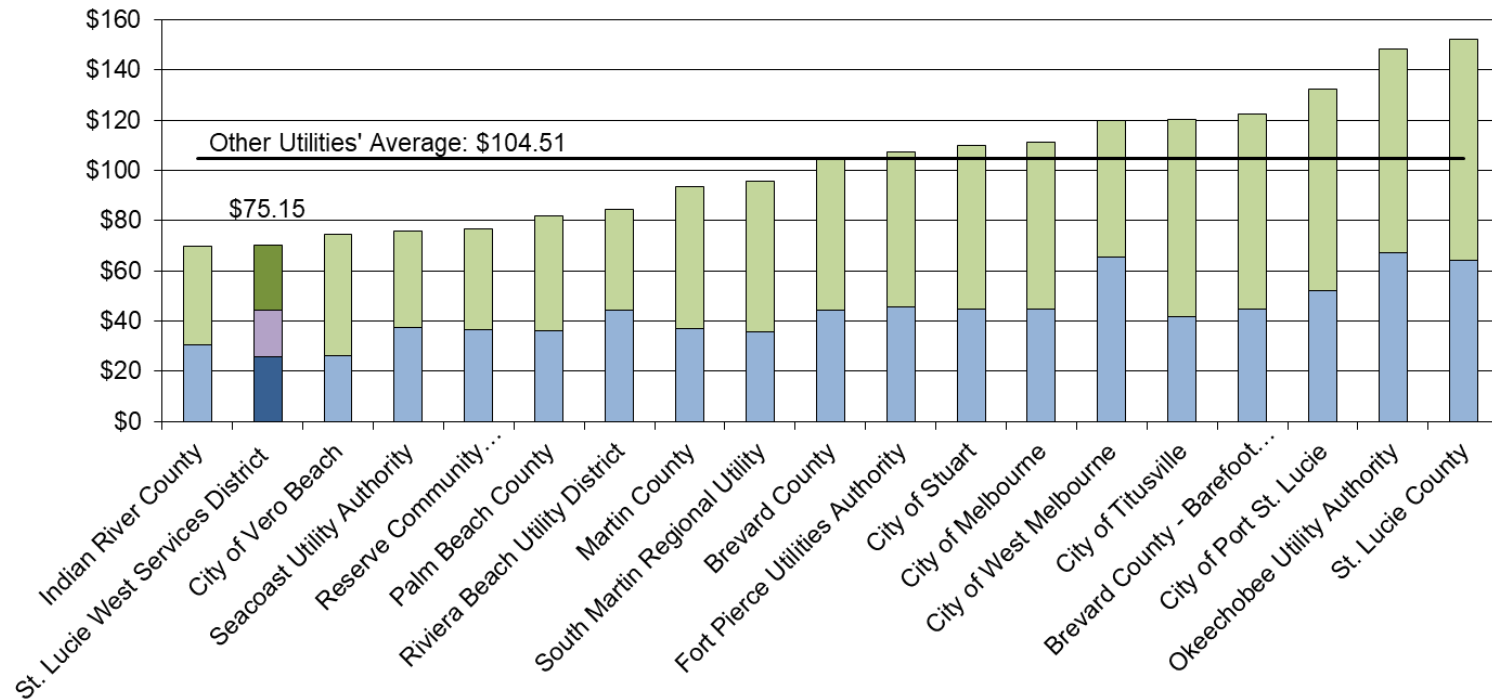
St. Lucie West Services District
 Combined Water and Wastewater Bill Comparison
 Assuming 3,000 Gallons Potable Water Usage



Rate Comparison with Irrigation



St. Lucie West Services District
 Combined Water and Wastewater Bill Comparison
 Assuming 3,000 Gallons Potable Water Usage and 5,000 Gallons Irrigation Service



Recommendations

- Fiscal year 2022 utility budget is reasonable
- No rate increase for fiscal year 2022
 - › Consider indexing beginning in fiscal year 2023
- Annual update and evaluation of revenue sufficiency



Thank you!

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