



**Finance Committee Meeting**  
City Hall, Council Chambers  
116 First Street, Neptune Beach, Florida 32266  
**Friday, March 13, 2026, 8:30 a.m.**

**Agenda**

1. Call to Order
2. Public Comments
3. Water & Sewer Rate Discussion
4. FY2026-2027 Budget Calendar
5. Adjourn

Committee Members:

Chair: Councilor Brent Rogers  
Lynda Padrta  
Jerry Wetzel

**\*Council Members in attendance at the Committee Meeting may include:**

**Mayor Cori Bylund**  
**Vice Mayor Nia Livingston**  
**Councilor Josh Messinger**  
**Councilor Tim Horvath**

In accordance with the Americans with Disabilities Act and Section 286.26, Florida Statute, persons with disabilities needing special accommodation to participate in this meeting should contact the City Clerk's Office at least 48 hours prior to the meeting.



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## Water & Sewer

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**From** Jaime Hernandez <jhernandez@nbfl.us>

**Date** Tue 3/10/2026 2:11 PM

**To** Brent Rogers <brogers@nbfl.us>

**Cc** Richard Pike <cop@nbfl.us>; Catherine Ponson <clerk@nbfl.us>; Deryle Calhoun <dcalhoun@nbfl.us>

4 attachments (95 KB)

Why a Rate Study is Needed.docx; A 21 Percent Increase on W&S rates.docx; Debt Service Coverage Ratio.docx; Water and Sewer Overview.docx;

Councilor Rogers,

The following is a summary of the current situation on the Water & Sewer Fund. The attached files provide a more detailed information on the different areas of requirements.

### Background

In 2018, a comprehensive rate study recommended a **minimum annual increase of 3%** for Water & Sewer rates to maintain financial stability and cover rising operational and capital costs. This recommendation was based on inflation trends, infrastructure needs, and long-term sustainability.

For the first **three years**, the City implemented the recommended increases. However, for the subsequent **seven years**, no rate adjustments were made. As a result, the Water & Sewer Fund is now **approximately 21% behind** the projected revenue path.

### Current Situation

- Operating costs have continued to rise due to inflation and aging infrastructure.
- The fund is experiencing a **structural deficit**, reducing reserves and limiting our ability to fund critical projects.
- Continued inaction risks:
  - **Deferred maintenance**, leading to costly emergency repairs.
  - **Bond rating downgrades**, increasing borrowing costs.
  - **Service reliability issues** for residents.

### A 21% Adjustment Is Necessary

To restore financial health and catch up on the missed increases, a **rate adjustment equivalent to 21%** is recommended. This adjustment will:

- Immediately stabilize the Water & Sewer Fund.
- Prevent further compounding deficits.
- Position the City to resume modest annual increases (e.g., 3%) rather than unpredictable spikes.

## Phased Implementation Option

Recognizing the impact on residents, the City could implement adjustment in **phases** over three years:

- **Year 1:** (FY2025-26) 9% catch-up increase
- **Year 2:** (FY2026-27) 12% total increase (7% catch-up increase plus 5% regular increase)
- **Year 3:** (FY2027-28) 10% total increase (5% catch -up increase plus 5% regular increase)

This phased approach:

- Reduces the immediate burden on ratepayers.
- Still achieves full catch-up within three years.
- Allows time for public communication and budgeting adjustments.

## Impact of Not Acting

Failure to implement this adjustment will:

- Accelerate depletion of reserves.
- Delay essential infrastructure projects.
- Increase the likelihood of emergency rate hikes, which are harder for residents to absorb.

## Recommendation

Approve either:

- A **one-time 21% rate increase**, or
- A **phased catch-up increase totaling 21% over three years** (10%, 7%, 4%).

Both options align with the original 2018 rate study projections and ensure the long-term sustainability of the system.

## Next Steps

If approved, staff will:

- Communicate the rationale clearly to residents, emphasizing that this is **catching up on deferred increases**, not a new cost.
- Provide updated financial projections and rate tables for both options.

Let me know if you have questions.

Regards

**Jaime F Hernandez, MBA**

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## **The Need for a Rate Study**

A **rate study** is essential before increasing water and sewer rates because it provides a structured, data-driven justification for the change. Here's why it's necessary:

### **1. Financial Sustainability**

- Water and sewer systems have significant costs: operations, maintenance, debt service, and future capital improvements.
- A rate study ensures that revenues will cover these costs without creating deficits or overcharging customers.

### **2. Regulatory & Legal Compliance**

- Many jurisdictions require a documented analysis before adjusting rates to ensure fairness and transparency.
- It helps demonstrate compliance with state or municipal guidelines on utility pricing.

### **3. Equity & Fairness**

- A study evaluates how costs are allocated among customer classes (residential, commercial, industrial).
- It prevents disproportionate increases and ensures that each group pays its fair share based on usage and system impact.

### **4. Long-Term Planning**

- Rate studies often include projections for 5–10 years, factoring in inflation, infrastructure upgrades, and environmental regulations.
- This avoids frequent, unpredictable rate hikes and supports strategic planning.

### **5. Transparency & Public Trust**

- Customers and stakeholders expect clear reasoning for rate increases.
- A documented study provides evidence that the increase is necessary and reasonable, reducing pushback and improving acceptance.

### **6. Risk Mitigation**

- Without study, utilities risk underfunding infrastructure, leading to service failures, or overcharging, which can result in legal challenges or public backlash.

## Components of a Comprehensive rate study

A comprehensive **water and sewer rate study** typically includes the following key components:

### 1. Revenue Requirement Analysis

- **Purpose:** Determine how much money the utility needs to operate sustainably.
- **Includes:**
  - Operating & maintenance costs
  - Debt service (principal & interest)
  - Capital improvement funding
  - Reserve requirements
  - Inflation and contingency factors

### 2. Customer & Usage Analysis

- **Purpose:** Understand who uses the system and how much.
- **Includes:**
  - Customer classes (residential, commercial, industrial, institutional)
  - Historical consumption patterns
  - Projected growth or decline in demand
  - Seasonal variations

### 3. Cost-of-Service Analysis

- **Purpose:** Allocate costs fairly among customer classes.
- **Includes:**
  - Functional cost breakdown (water supply, treatment, distribution, sewer collection, treatment)
  - Allocation based on usage, peak demand, and system impact
  - Identification of subsidies or cross-subsidies

### 4. Rate Design

- **Purpose:** Translate revenue needs into actual rates.
- **Includes:**
  - Fixed charges (base service fees)
  - Variable charges (per gallon or per 1,000 gallons)
  - Tiered or block rates (to encourage conservation)
  - Special rates (industrial, irrigation, wholesale)

### 5. Financial & Policy Considerations

- **Purpose:** Align rates with strategic goals.
- **Includes:**
  - Affordability analysis
  - Conservation incentives
  - Compliance with legal/regulatory requirements
  - Impact on low-income customers

## 6. Forecasting & Sensitivity Analysis

- **Purpose:** Plan for future changes and risks.
- **Includes:**
  - Multi-year projections (typically 5–10 years)
  - Impact of inflation, growth, and capital projects
  - Scenario testing (e.g., drought, economic downturn)

## 7. Public Communication & Documentation

- **Purpose:** Ensure transparency and stakeholder buy-in.
- **Includes:**
  - Executive summary
  - Detailed technical report
  - Public meeting materials

**A Rate design** is the process of converting the utility’s revenue requirement into actual charges for customers in a way that is fair, understandable, and aligned with policy goals. Here’s a detailed breakdown:

### 1. Objectives of Rate Design

- **Recover Costs:** Ensure the utility collects enough revenue to cover operating expenses, debt service, and capital needs.
- **Fairness & Equity:** Allocate costs based on how customers use the system (e.g., high-demand users pay more).
- **Conservation Incentives:** Encourage efficient water use through pricing signals.
- **Affordability:** Protect low-income customers from excessive bills.
- **Simplicity & Transparency:** Make rates easy to understand and administer.

### 2. Components of Rate Design

- **Fixed Charges (Base Fees):**
  - A monthly fee that covers customer-related costs (billing, meter reading, service availability).
  - Provides revenue stability because it doesn’t depend on usage.

- **Variable Charges (Usage Fees):**
  - Based on actual water consumed (e.g., per 1,000 gallons).
  - Reflects the cost of producing and delivering water.
- **Tiered or Block Rates:**
  - **Uniform Rate:** Same price per unit for all usage.
  - **Increasing Block Rate:** Price per unit rises as usage increases (promotes conservation).
  - **Decreasing Block Rate:** Price per unit decreases with higher usage (used for large industrial customers).
- **Seasonal Rates:**
  - Higher rates during peak demand periods (e.g., summer) to manage capacity.
- **Special Rates:**
  - For irrigation, wholesale customers, or reclaimed water.

### 3. Sewer Rate Design

- Often based on water consumption (assuming most water ends up in the sewer).
- May include:
  - **Volume-based charges**
  - **Strength-based charges** for industrial users (based on pollutant load)

### 4. Policy Considerations

- **Affordability Programs:** Discounts or lifeline rates for low-income households.
- **Revenue Stability vs. Conservation:** Higher fixed charges stabilize revenue but reduce conservation incentives.
- **Legal Constraints:** Some states require cost-based rates (no profit-making).

### 5. Example Structure

- **Residential Customer:**
  - Fixed charge: \$20/month
  - Usage charge: \$4 per 1,000 gallons for first 5,000 gallons, \$6 per 1,000 gallons thereafter
- **Commercial Customer:**
  - Higher fixed charge and possibly lower per-unit cost due to volume.

## Regulatory Framework

1. **Florida Statutes (Chapter 180 – Municipal Public Works)**
  - Municipalities have the authority to set water and sewer rates.

- Rates must be “**just, equitable, and sufficient**” to cover operating expenses, maintenance, and debt service.
  - While the statute does not say “you must do a rate study,” it implies that a documented analysis is necessary to prove rates are fair and cost-based.
- 2. Florida Public Service Commission (PSC)**
- PSC regulates **private water and wastewater utilities**, not municipal ones.
  - For private utilities, PSC requires a **cost-of-service study** for rate cases.
  - Municipalities often follow similar principles to avoid legal challenges.
- 3. Bond Covenants & Financial Policies**
- If a municipality has outstanding utility bonds, covenants typically require maintaining certain revenue coverage ratios.
  - A rate study is the standard method to demonstrate compliance.

### Best Practices in Florida

- **Florida Rural Water Association (FRWA) and American Water Works Association (AWWA)** recommend:
  - Conducting a **rate study every 3–5 years** or when major capital projects are planned.
  - Using a **cost-of-service approach** to ensure fairness and avoid cross-subsidization.
- Many municipalities adopt these practices to:
  - Support transparency
  - Defend against legal challenges
  - Comply with grant or loan requirements (e.g., State Revolving Fund loans often require a rate analysis)

### Why It’s Effectively Required

- While not mandated by law, **rate studies are considered industry standard and often required by auditors, bondholders, and funding agencies.**
- Without a study, a municipalities risks:
  - Violating “just and equitable” rate requirements
  - Facing public backlash or legal disputes
  - Losing eligibility for state/federal funding

### Summary: Florida Requirements & Best Practices for Water/Sewer Rate Studies

#### Florida Statutes

- **Chapter 180.13(2), Florida Statutes:**
  - Municipalities may set water and sewer rates, but they must be:

- **Just and equitable**
- **Sufficient to cover operating expenses, maintenance, and debt service**
- While the law does not explicitly require a rate study, it implies that a documented analysis is necessary to justify rates.

### Industry Best Practices

- **Florida Rural Water Association (FRWA) and American Water Works Association (AWWA) recommend:**
  - Conducting a **rate study every 3–5 years** or when major capital projects are planned.
  - Using a **cost-of-service approach** to ensure fairness and avoid cross-subsidization.
- **Bond Covenants & Funding Agencies:**
  - Utilities with outstanding bonds or loans (e.g., State Revolving Fund) often must demonstrate revenue sufficiency through a rate study.

### Why It's Important

- Ensures compliance with “just and equitable” requirements.
- Provides transparency and public trust.
- Protects against legal challenges.
- Maintains eligibility for grants and loans.

### Compliance Checklist for Florida Municipal Rate Increase

1. **Review Florida Statutes (Chapter 180)** for legal requirements.
2. **Conduct a Rate Study** (recommended every 3–5 years):
  - Revenue requirement analysis
  - Cost-of-service allocation
  - Rate design options
3. **Document Findings:**
  - Prepare a technical report and executive summary.
4. **Public Notice & Hearing:**
  - Florida law requires public notice before rate changes.
5. **Adopt Rates by Ordinance or Resolution:**
  - Ensure legal adoption process is followed.
6. **Update Financial Policies:**
  - Confirm compliance with bond covenants and reserve requirements.
7. **Communicate to Stakeholders:**
  - Provide clear justification for the increase.

## Why a 21% Increase Is Necessary

In 2018, a rate study recommended a **minimum 3% annual increase** to keep the Water & Sewer fund sustainable. This recommendation was based on:

- **Inflation and rising costs** for operations, maintenance, and capital improvements.
- **Avoiding deferred maintenance**, which can lead to costly emergency repairs.
- **Maintaining financial health** and meeting debt service obligations.

For the first **three years**, the City followed the recommendation. However, for the **next seven years**, rates did not increase. This means:

- The fund is **21% behind** where it should be (7 years × 3% per year).
- Operating costs have continued to rise during this time, creating a **structural deficit**.

### Impact of Not Catching Up

If we do not implement the 21% adjustment now:

- **Cash reserves will continue to decline**, risking insolvency.
- **Critical infrastructure projects may be delayed**, increasing long-term costs.
- **Bond ratings could be downgraded**, making future borrowing more expensive.
- **Emergency rate hikes** may be required later, which are harder for residents to absorb.

### Why One-Time Adjustment Is Better

- A single 21% increase **restores financial stability immediately**.
- It avoids **compounding deficits** and prevents the need for even larger increases later.
- It positions the City to **resume modest annual increases** (3% or as updated by a new rate study) instead of unpredictable spikes.

### How to Frame It for Residents

- Emphasize that this is **not a new cost** but catching up on what was deferred.
- Show that **delaying further will cost more** in the long run.
- Communicate that this adjustment ensures **safe, reliable water and sewer services** for the community.

# **Debt Service Coverage Ratio (DSCR) Calculation**

## **1. The Core Formula**

For utility enterprise funds, DSCR is usually calculated as:

**(Operating Revenues – Operating Expenses + System-Generated Transfers) ÷ Annual Debt Service**

But in practice, each piece has very specific definitions.

## **2. What Counts as “Operating Revenues”**

Included:

- User charges (water/sewer rates, electric charges, stormwater fees)
- Service fees, connection fees (if recurring)
- Some utilities include PILOT-type fees or franchise fees if they are part of the enterprise fund revenue stream

Excluded:

- One-time capital contributions
- Grants
- Impact fees (unless specifically allowed—often excluded for coverage tests)

## **3. What Counts as “Operating Expenses”**

Included:

- Day-to-day operating costs
- Personnel, maintenance, materials, energy for pumping / treatment
- Administrative support allocated to the utility

Excluded:

- Depreciation and amortization (very important)
- Capital outlay
- Debt service
- Transfers treated as “return to government” unless specifically allowed

Utility covenants almost always exclude depreciation because the test is meant to measure cash flow, not accounting income.

#### 4. Add Back “System-Generated Transfers” (If Allowed)

Some utility covenants permit adding back:

- Payments in lieu of taxes (PILOT), if generated by the system
- Internal transfers that function like an operating line item

Others explicitly DO NOT allow any add-backs.  
This varies by bond indenture.

#### 5. Define Annual Debt Service

For *coverage testing*, this usually includes:

- Principal + interest due in the current fiscal year for senior lien bonds
- Sometimes includes subordinate lien, sometimes not (depends on lien structure)

For the **Additional Bonds Test (ABT)**, annual debt service is often “maximum annual debt service (MADS)” for the entire life of the bonds.

#### 6. Example

Operating revenues: 50,000,000  
Operating expenses: 32,000,000  
Annual debt service: 12,000,000

$$\text{DSCR} = (50\text{M} - 32\text{M}) \div 12\text{M} = 18\text{M} \div 12\text{M} = \mathbf{1.50x}$$

This means the system generates 1.5 dollars of net revenue for every dollar of debt service.

#### 7. Why DSCR Works Well for Utilities

Utilities are **rate-regulated**, meaning governing boards can raise rates to maintain coverage. DSCR demonstrates:

- Financial stability
- Ability to service debt without subsidies
- Adequacy of rates/right-sizing of user fees
- Margin available for capital reinvestment

Rating agencies place enormous weight on DSCR for these reasons.

The differences between **bond ordinance**, **trust indenture**, and **rate covenant** calculations

## 1. Bond Ordinance

### What it is:

The bond ordinance (or bond resolution, depending on the state/issuer) is the **legislative authorization** that allows the municipality or agency to issue the bonds.

### Key features:

- Adopted by the governing body (city council, county commission, utility board, etc.)
- Establishes the legal authority to issue debt
- Defines the *broad framework* for how the utility's revenue pledge works
- Typically outlines the existence of a revenue fund, operation & maintenance fund, debt service fund, and reserve funds
- May define the *general* rate covenant and additional bonds test (ABT)

### How it differs:

It is the highest-level governing document—think of it as the “constitution” for the bond financing.

## 2. Trust Indenture (or Bond Indenture)

### What it is:

A more detailed contract between the issuer and a **trustee**, which enforces the bondholders' rights. This document is usually much more technical and operational than the ordinance.

### Key features:

- Much more detailed than the ordinance
- Specifies flow of funds (step-by-step priority of revenues)
- Defines DSCR calculation precisely
- Details the Additional Bonds Test (ABT) mechanics
- Establishes reserve fund requirements, replenishment rules
- Sets rules for what constitutes an event of default
- Gives the trustee enforcement powers (e.g., mandamus)

### How it differs:

The indenture is the “user manual” of operating the revenue bond system financially. If the ordinance is the constitution, the indenture is the operating agreement with enforcement teeth.

## 3. Rate Covenant

**What it is:**

A specific promise by the utility to **set and maintain rates** at a level sufficient to cover O&M and produce required net revenues to meet DSCR.

Rate covenants appear **inside** both the bond ordinance and the trust indenture, but they are considered such a core concept that they are often discussed separately.

**Typical structure:**

The issuer agrees to set rates to generate:

- Enough revenue to pay O&M costs
- At least the minimum DSCR (often 1.20x–1.25x for utilities)
- Sometimes additional margin to fund capital needs

**How it differs:**

The rate covenant is the “promise to keep rates high enough.”

It’s not a standalone document—it’s a clause—but it is one of the most critical covenants in the entire financing structure.

**How They Work Together (Simple View)**

**Bond Ordinance:** Broad authority and structure

→ establish the revenue pledge architecture

**Trust Indenture:** Detailed contract

→ defines exactly how funds flow and how covenants are measured

**Rate Covenant:** The utility’s promise to charge adequate rates

→ embedded in the ordinance/indenture but treated as a central obligation

**A quick analogy**

- **Bond Ordinance:** The city council passing a law that says, “We will run the utility and pledge revenues to bonds.”
- **Trust Indenture:** The 80-page legal contract defining every operational detail.
- **Rate Covenant:** The promise inside the law/contract that says, “We will always set rates high enough to maintain coverage.”

# Water & Sewer Enterprise Fund

## Overview

In Florida, **Water and Sewer Funds** are typically classified as **enterprise funds** within local government accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that costs of providing goods or services to the public are recovered primarily through user charges.

Water and sewer systems are essential public utilities, and their financial management is governed by state statutes, local ordinances, and generally accepted accounting principles (GAAP). These funds ensure that municipalities and counties can maintain infrastructure, comply with environmental regulations, and provide safe, reliable water and wastewater services.

## Structure and Purpose

- **Enterprise Fund Classification:**

Water and Sewer Funds operate on a **self-sustaining basis**, meaning revenues from customer charges should cover operating expenses, Administrative and Overhead cost, debt service, and capital improvements.

- **Primary Objectives:**

- Provide clean drinking water.
- Collect and treat wastewater safely.
- Maintain compliance with **Florida Department of Environmental Protection (FDEP)** and **EPA** standards.
- Fund infrastructure upgrades and expansions to meet population growth.

## Regulatory Framework

Water & Sewer funds are primarily governed by the following Florida Statutes:

### **Chapter 180 : Municipal Public Works**

- Authorizes municipalities to operate water and sewer systems and set rates.
- Requires rates to be **“just, equitable, and sufficient”** to cover:
  - Operating expenses
  - Maintenance
  - Debt service

## Water & Sewer Enterprise Fund

- Reserves for future improvements

## Chapter 218 – Financial Matters

- Requires local governments to maintain fiscal integrity and comply with bond covenants.
- Enterprise funds must follow **generally accepted accounting principles (GAAP)** and **Governmental Accounting Standards Board (GASB)** rules.

## Bond Covenant Requirements

- **Rate Covenant:** Utilities must set rates so that **Net Revenues  $\geq 1.25 \times$  Annual Debt Service** (sometimes higher for new bonds).
- **Additional Bonds Test:** Before issuing new debt, historical or projected coverage must meet the same ratio.
- **Flow of Funds:** Revenue must first pay operating expenses and Indirect costs, then debt service, and lastly build or maintain reserves.

## Reserve Requirements

- **Debt Service Reserve Fund:** Typically, equal to one year's maximum annual debt service or a percentage of outstanding bonds.
- **Operating Reserve:** Often 60–90 days of operating expenses (recommended by best practices, sometimes required by ordinance).
- **Renewal & Replacement Reserve:** Many Florida utilities maintain a capital reserve for infrastructure renewal.

## Reporting & Compliance

- Annual financial statements must comply with **Florida Auditor General** requirements.

## Water & Sewer Enterprise Fund

- Utilities must demonstrate compliance with covenants in their **Continuing Disclosure Reports** (required under SEC Rule 15c2-12 for municipal bonds).

## Financial Requirements

### Rates

- Rates must be sufficient to cover the following costs:
  - Direct Operating Costs,
  - Indirect Costs (General & Administrative Costs & OVH Costs)
  - **Debt Service**
  - **Maintain Adequate Reserves.**
- Maintain **Debt Service Coverage Ratio  $\geq 1.25$ .**
- Fund required reserves are three months of the operating budget (Debt Service, Operating, Renewal & Replacement).
- Comply with **bond covenants, Florida Statutes**, and **GASB** standards.

## Direct Operating Costs

- **Personnel Services**
  - Salaries & wages for operations staff
  - Overtime
  - Employee benefits (health, retirement)
- **Utilities**
  - Electricity for pumps and treatment plants
  - Natural gas or fuel
- **Chemicals**
  - Water treatment chemicals (chlorine, lime, etc.)
- **Maintenance & Repairs**
  - Equipment maintenance
  - Vehicle maintenance

## **Water & Sewer Enterprise Fund**

- Infrastructure repairs (pipes, pumps)
- **Supplies**
  - Operating supplies
  - Safety equipment
- **Purchased Services**
  - Contracted operations
  - Laboratory testing
  - Sludge hauling

## **Indirect Operating Costs**

- **Administrative Overhead**
  - Executive & Legislative, Finance, HR, and Legal allocations
- **Insurance**
  - Property, liability, workers' comp
- **Training & Licensing**
  - Operator certifications
- **Depreciation**
  - On utility plant and equipment
- **Bad Debt Expense**
  - Uncollectible accounts

## **2. Non-Operating Expenses**

These are costs not directly tied to operations but affect financial performance:

- **Interest Expense**
  - On revenue bonds or loans
- **Bond Issuance Costs**
  - Legal, underwriting fees
- **Amortization of Bond Premium/Discount**

## Water & Sewer Enterprise Fund

- **Loss on Disposal of Assets**
- **Extraordinary Items**
  - Storm damage, major litigation costs, etc.

### 3. Other Costs

These may include transfers or special allocations:

- **Transfers Out**
  - Payments to General Fund (administrative fees)
- **Payments in Lieu of Taxes (PILOT)**
- **Capital Contributions**
  - Developer reimbursements
- **Reserve Funding**
  - Renewal & Replacement Fund
  - Debt Service Reserve Fund

**Key requirements in Florida Statutes Chapter 180 (Municipal Public Works)** as they relate to Water & Sewer utilities:

#### Purpose

- Authorizes municipalities to **construct, operate, and maintain public works** such as water supply, sewerage, and related systems.
- Allows municipalities to **extend services beyond city limits** under certain conditions.

#### Key Requirements

##### 1. Authority to Operate

- Municipalities may:
  - Acquire, construct, and operate water and sewer systems.

## Water & Sewer Enterprise Fund

- Issue revenue bonds to finance these systems.
- Set and collect rates for services.

## 2. Rate Setting

- Rates must be:
  - **Just and equitable**
  - **Sufficient to cover:**
    - Operation and maintenance costs
    - Indirect Administrative and Overhead Costs
    - Debt service (principal and interest)
    - Reserves for future improvements
- Rates can include **connection fees** and **impact fees** for new customers.

## 3. Revenue Bonds

- Bonds are payable **solely from revenues** of the utility system (not ad valorem taxes).
- Bond covenants may require:
  - Minimum coverage ratios
  - Reserve funds
  - Restrictions on transfers

## 4. Service Outside Municipal Limits

- Allowed if:
  - It does not impair service within the municipality.
  - Rates for outside customers can be different but must be reasonable.

## 5. Eminent Domain

## Water & Sewer Enterprise Fund

- Municipalities may acquire property necessary for water/sewer systems through eminent domain.

## 6. Compliance & Enforcement

- Utilities must comply with:
  - **Bond covenants**
  - **Florida Department of Environmental Protection (FDEP)** regulations for water quality and wastewater treatment.

## Practical Implications

- **Rates must cover all costs and reserves** (cannot operate at a loss).
- **Bond financing requires strict adherence to covenants.**
- **Annual audits and disclosures** must demonstrate compliance.

## Florida Statutes Chapter 180 – Summary

### Purpose

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- Allows municipalities to **extend services beyond city limits** under certain conditions.

### Key Requirements

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## Water & Sewer Enterprise Fund

### 2. Rate Setting

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- Utilities must comply with:

## **Water & Sewer Enterprise Fund**

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- **Florida Department of Environmental Protection (FDEP)** regulations for water quality and wastewater treatment.

### **Practical Implications**

- **Rates must cover all costs and reserves** (cannot operate at a loss).
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## Budget Calendar Fiscal Year 2026-27

Month	Day	Responsible Party	Required Activity/Task	Comments/Reference
February	17	Finance/City Manager	Budget Calendar is Presented to City Council	
February	17	City Council	Adopt Budget Calendar for FY 2026-27	
February	1 to 27	Finance/HR	Positions and Benefits Budget Review and Update	
February	27	Finance	Issue Budget Instructions to Departments	
March	16 to 20	Finance	Distribution of budget worksheets to Department Heads	
March - April	30 to 3	Department Heads	Departments submit draft of proposed budget for FY 2026-27 to Finance Department.	
March - April	30 to 3	CFO	Preliminary Revenue Forecasting/Estimates	
April	13 to 17	City Mgr./CFO	City Manager & Finance meet with Department Heads to review submitted budget requests	
April	20 to 24	Finance	Tentative Budget Book Preparation-First Draft	
April	29	CFO	Presentation of Budget Draft FY 2026-27 to Finance Committee	
May	4	Department Heads	Individual Presentation	
May	18	City Manager/CFO	First Townhall Meeting/Budget Workshop/Individual Presentation	
May	18	CFO	Mid-year budget presentation FY2025-26	
June	1	Property Appraiser	Provide an estimate of 2026 total assessed property values on non exempt property	Florida Statute, Section 200.065(7)
June	12	CFO		
June	22	CFO	Council workshop Roller-Back rate & Millage options (required F.S. 200.065)	Florida Statute, Section 200.065(7)
July	1	Property Appraiser	<b>Certifies Taxable Values-TRIM process begins.</b>	Florida Statute, Section 200.065 (1)

Month	Day	Responsible Party	Required Activity/Task	Comments/Reference
July	6	CFO/City Council	Establish the maximum millage rate for FY 2026-27	
July	6 to 17	Finance	Present second draft of budget to Finance Committee for FY 2026-27	
July	20	CFO/Fin Committee	Present second draft to City Council for FY 2026-27	
By August	4	Council	Must set Proposed Millage Rate, Identify rolled-back rate, set day/time/place for 1st hearing	Florida Statute, Section 200.065(2)(b)
By August	4	CFO	Notify Property Appraiser DR-420 & DR-420MM (TRIM D.S. 200.065)	
By August	4	Fin Committee/CFO	City Council workshop (non-voting) to narrow millage rate	
August	On or Before August 16	City Clerk/ CFO	Advertise for first public hearing (Sept 8)	
August	17 to 31	Property Appraiser	Mail TRIM Notices to taxpayers	Florida Statute, Section 200.065(2)9b)
Sept	8	City Council	First Budget/Millage Hearing & Adopt Tentative Millage Rate/Budget, by Ordinance-First Read.	Florida Statute 286.011
Sept	21	City Council	Second/Final Millage Rate & Budget Meeting to consider final adoption-Ordinance second read.	
Sept	22 to 25	CFO	Notify Property Appraiser & Tax Collector of the adopted millage & budget (F.S. 200.065)	
Sept	22 to 25	CFO	Post the adopted budget document on City website and retain for 2 years.	