



AGENDA
Special, Workshop & Town Hall City Council Meeting
Monday, March 16, 2026, 6:00 P.M.
Council Chambers, 116 First Street, Neptune Beach, Florida

1. CALL TO ORDER / ROLL CALL / PLEDGE OF ALLEGIANCE
2. PRESENTATIONS:
 - A. National Donate Life Month Proclamation p. 3
 - B. Lights Out Neptune Beach Nights Proclamation p. 4
3. RESOLUTIONS:
 - A. RESOLUTION NO. 2026-09, A Resolution of the City of Neptune Beach, Duval County, Florida, Approving the Memorandum of Understanding Between the City of Jacksonville and the City of Neptune Beach for Use of Disaster Debris Management Site; Providing for Incorporation of Recitals, Direction for Execution, Severability, and an Effective Date p. 5
4. ITEMS FOR CONSIDERATION:
 - A. Jarboe Park Concept Design p. 12
 - B. Piggyback Agreement Between the City of Neptune Beach and ACON Construction Company (Jarboe Park Multi-Use Field) p. 13
5. PUBLIC COMMENTS
6. ADJOURN

WORKSHOP CITY COUNCIL MEETING IMMEDIATELY FOLLOWING
THE ABOVE SPECIAL MEETING

1. CALL TO ORDER / ROLL CALL
2. AWARDS / PRESENTATIONS / RECOGNITION OF GUEST / NONE
3. PUBLIC COMMENTS
4. PROPOSED ORDINANCES / NONE
5. CONTRACTS / AGREEMENTS / NONE
6. ISSUE DEVELOPMENT
 - A. Paid Parking Discussion p. 23
 - B. Water and Sewer Rate Discussion p. 25
 - C. Kiwanis Club Grant Award (Music in Jarboe Park) p. 84
7. PUBLIC COMMENTS

8. COUNCIL COMMENTS
9. ADJOURN

TOWN HALL MEETING
IMMEDIATELY FOLLOWING THE ABOVE WORKSHOP

1. CALL TO ORDER / ROLL CALL
2. PUBLIC COMMENTS – OPEN TOPICS
3. ADJOURN

In accordance with Section 286.0105, Florida Statutes, any person desirous of appealing any decision reached at this meeting may need a record of the proceedings. Such person may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

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.



PROCLAMATION CITY OF NEPTUNE BEACH

WHEREAS, Florida's organ, tissue and eye donor registry is named for Joshua Abbott, the recipient of a lung transplant who passed away in 2006; and

WHEREAS, Abbott's story so moved the Florida legislature that, in 2009, Florida's Agency for Health Care Administration chose Donate Life Florida to create a statewide donor registry to increase registry enrollment and educate Floridians about donation; and

WHEREAS, Donate Life Florida is a non-profit 501(c)3 charitable organization. Established in 1997 as Florida Coalition on Donation, Inc., Donate Life Florida is dedicated to motivating Floridians to designate themselves as organ, tissue, and eye donors, so lives are saved and enhanced through donation and transplantation; and

WHEREAS, Today, more than 5,000 patients listed at Florida transplant centers await life-saving organ transplants. Many of these individuals may get a second chance at life due to the generosity of those who designate themselves as organ, tissue and eye donors on Florida's organ and tissue donor Registry; and

WHEREAS, More than 100,000 people are waiting for a lifesaving transplant. Another person is added to the waiting list every ten minutes. Over twenty people die each day because the organ they need is not donated in time. One person can save up to eight lives through organ donations; and

WHEREAS, Jacksonville and all of Duval County are proud to be a hub for healthcare innovation and we are fortunate to be home to multiple hospitals capable of performing organ transplant procedures; and

NOW, THEREFORE, I, Corrine A. Bylund, Mayor, and the City Council of Neptune Beach, on this 16th day of March, 2026, do hereby proclaim April 2026, as

National Donate Life Month

And encourage all citizens to consider organ, eye, and tissue donation and engage in healthy habits to decrease the need for transplantation. By saying 'yes' to organ donation you have the power to save up to 100 lives one day!

Corrine A. Bylund
Mayor



**Special Meeting
Agenda Item 2B**

**PROCLAMATION
CITY OF NEPTUNE BEACH**

WHEREAS, The City of Neptune Beach is committed to fostering a safe environment for birds, promoting wildlife appreciation, and preserving biodiversity, with birds contributing to Florida's \$20 billion nature tourism industry; and

WHEREAS, Northeast Florida is a major migration corridor along the Atlantic Flyway, with millions of birds passing through annually, many navigating at night by the moon and stars; and

WHEREAS, Bright artificial lights can disorient migrating birds, leading to collisions or exhaustion, with window strikes causing an estimated 1 billion bird deaths annually in the U.S.; and

WHEREAS, Turning off non-essential lights during peak migration can significantly reduce bird mortality and support conservation efforts; and

WHEREAS, Research by the U.S. Geological Survey underscores the vital role of migratory birds in ecosystem health through pest control, pollination, and biodiversity; and

WHEREAS, Lights Out Northeast Florida-a collaboration between the Duval Audubon Society, St. Johns Regional Audubon Society, and Jacksonville Zoo and Gardens-works to raise awareness, reduce light pollution, and promote bird friendly initiatives; and

WHEREAS, The City of Neptune Beach proudly joins Lights Out Northeast Florida in its 5th year of protecting local and migratory birds.

NOW, THEREFORE, I, Corrine A. Bylund, Mayor, and the City Council of Neptune Beach, on this 16th day of March 2026, do hereby proclaim March 15 - May 15, 2026, and September 15 - November 15, 2026,

LIGHTS OUT NEPTUNE BEACH NIGHTS

in Neptune Beach and encourage all city facilities, residents, businesses, and organizations to join me in turning off non-essential lights from 11:00 p.m. to 6:00 a.m. during these periods to help ensure the safe passage of migratory birds.

Corrine A. Bylund
Mayor



**Special Meeting
Agenda Item #3A
Res. No. 2026-09
MOU-Debris Management Site**

**CITY OF NEPTUNE BEACH
CITY COUNCIL MEETING
STAFF REPORT**

AGENDA ITEM:	RESOLUTION NO. 2026-09 – Approval of City of Jacksonville MOU – Disaster Debris Management Site Use
SUBMITTED BY:	Deryle Calhoun, P.E. Public Works Director
DATE:	March 11, 2026
BACKGROUND:	<p>Florida Senate Bill 180, Emergencies, was signed into law on June 26, 2025, and addresses in part management of storm debris.</p> <p>Each county and municipality must apply for authorization of at least one debris management site and must annually seek preauthorization for any previously approved debris management sites. Municipalities are authorized to apply jointly with a county or adjacent municipalities for authorization of a debris management site if the parties have a memorandum of understanding (MOU) outlining the capacity and location of the site relative to each party, and such MOU is approved annually as part of the preauthorization process.</p> <p>City of Neptune Beach has received approval from FDEP for use of Jarboe Park for its primary debris management. In addition, this proposed MOU with City of Jacksonville is for staging, processing, and/or temporarily storing disaster-related debris following a debris-generating event at a COJ property.</p> <p>The city attorney has reviewed and approves the MOU.</p>
RECOMMENDATION:	Approval of Memorandum of Understanding
ATTACHMENT:	Resolution No. 2026-09, Approving Memorandum of Understanding City of Jacksonville Memorandum of Understanding



RESOLUTION NO. 2026-09

A RESOLUTION OF THE CITY OF NEPTUNE BEACH, DUVAL COUNTY, FLORIDA, APPROVING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF JACKSONVILLE AND THE CITY OF NEPTUNE BEACH FOR USE OF DISASTER DEBRIS MANAGEMENT SITE; PROVIDING FOR INCORPORATION OF RECITALS, DIRECTION FOR EXECUTION, SEVERABILITY, AND AN EFFECTIVE DATE.

WHEREAS, the City of Jacksonville (“Jacksonville”) is the owner of a landfill on Girvin Road used as a temporary debris management site (the “Site”); and

WHEREAS, Neptune Beach desires to use the Site for staging, processing, and/or temporarily storing disaster-related debris following a debris-generating event; and

WHEREAS, because sharing debris management resources promotes efficiency, cost-effectiveness, and mutual aid between municipalities, Jacksonville desires to provide the Site to Neptune Beach in the time of a major disaster for management of debris; and

WHEREAS, in an Administrative Award Bid No. POA- -25 dated October __, 2025, the City’s Procurement Division authorized the execution of the Memorandum of Understanding attached hereto as “Exhibit A” for use by Neptune Beach of Jacksonville’s Disaster Debris Management Site for staging, processing, and/or temporarily storing disaster-related debris following a debris-generating event (the “MOU”);

WHEREAS, this MOU is mutually agreed upon between Jacksonville and Neptune Beach; and

WHEREAS, the City Council finds that this MOU is in the best interest of the public.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NEPTUNE BEACH, FLORIDA:

SECTION 1. The foregoing findings are true and correct and are hereby adopted and made a part hereof.

SECTION 2. DIRECTION TO THE MAYOR. The Mayor, or in the Mayor’s absence the Vice Mayor, is hereby authorized to execute the MOU.

SECTION 3. SEVERABILITY. If any provision of this Resolution is held invalid by a court of competent jurisdiction, or if any portion becomes preempted by state law, the

affected provision shall be deemed stricken and the remainder shall continue in full force and effect.

SECTION 4. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption by the City Council.

This Resolution adopted by the City Council of Neptune Beach, Florida, at the Regular City Council Meeting held on this _____ day of _____, 2026.

Corrine A. Bylund, Mayor

ATTEST:

Catherine Ponson, City Clerk

Approved as to Form and Content:



Paul Waters, City Attorney

**MEMORANDUM OF UNDERSTANDING
BETWEEN
CITY OF JACKSONVILLE
AND
CITY OF NEPTUNE BEACH
FOR
USE OF DISASTER DEBRIS MANAGEMENT SITE**

THIS MEMORANDUM OF UNDERSTANDING (“MOU”) is made and entered into this ____ day of _____, 2026, by and between the **CITY OF JACKSONVILLE**, a consolidated municipal corporation and political subdivision existing under the Constitution and laws of the State of Florida (the “City”), and the **CITY OF NEPTUNE BEACH**, a municipal corporation within the General Services District (“Neptune Beach”) for the use of City’s Disaster Debris Management Site for staging, processing, and/or temporarily storing disaster-related debris following a debris-generating event.

RECITALS:

WHEREAS, the northeast coast of Florida is subject to disaster-related events which create dangerous conditions and produce debris that are threats to the safety of the citizens of the area; and

WHEREAS, both City and Neptune Beach recognize the importance of effective and timely debris management following disaster events to ensure public safety, the protection of property, and the restoration of critical services; and

WHEREAS, City is the owner of a landfill on Girvin Road used as a temporary debris management site (the “Site”); and

WHEREAS, Neptune Beach desires to use the Site for staging, processing, and/or temporarily storing disaster-related debris following a debris-generating event; and

WHEREAS, because sharing debris management resources promotes efficiency, cost-effectiveness, and mutual aid between municipalities, City desires to provide the Site to Neptune Beach in the time of a major disaster for management of debris; and

WHEREAS, in an Administrative Award Bid No. POA- -25 dated October __, 2025, the City’s Procurement Division authorized the execution of this MOU; now therefore,

IN CONSIDERATION of the premises and the terms set forth herein and of other good and valuable consideration acknowledged by the parties to be sufficient, the parties agree to the following provisions, terms, and conditions:

1. **Recitals:** The above-stated recitals are accurate, true, and correct and are incorporated herein and made part hereof by this reference.

2. **Emergency Disaster Status:** A major disaster means an occurrence or the imminent threat thereof of severe injury or loss of life or property resulting from any natural or man-made cause such

as fire, flood, earthquake, hurricane, tornado, tidal wave, windstorm, explosion, or serious accident, as may be determined by the appropriate City or Neptune Beach officials.

3. **Notice and Permission to Occupy:** Upon the occurrence of a major disaster, as determined by City, and also upon City's determination that Neptune Beach is in need of assistance in handling disaster-related debris, City shall permit Neptune Beach to use the Site for managing disaster debris. This MOU will be activated upon the mutual written consent of City and Neptune Beach following a qualifying debris-generating event impacting Neptune Beach, or upon an existing county, regional, or state declaration of an emergency. City may revoke such permission and require Neptune Beach to vacate the Site if conditions deteriorate and become unsuitable for occupation or use of the Site in City's sole discretion.

4. **Scope of Use:** Neptune Beach may use the Site for staging, sorting, processing, and temporarily storing eligible disaster debris in accordance with applicable FEMA Public Assistance Program and Policy Guide (PAPPG) requirements, environmental regulations, and local ordinances. Hazardous materials, prohibited waste, and non-disaster-related debris will not be accepted without City's prior written approval.

5. **Length Of Use; Vacating The Facilities:**

a. This Agreement will apply for the duration of a major disaster or threat of a major disaster, not to exceed five (5) calendar days. In the event a disaster so disrupts the community that a longer disaster response period is needed, then both parties will in good faith attempt to negotiate an agreement that provides a level of service that allows both parties to achieve their objectives. City reserves the right to limit said duration if it determines conditions so warrant.

b. At the end of the time period as determined above, Neptune Beach shall vacate the Site and return it to City in the same condition in which it was when provided to it. This provision applies only to correction of any condition directly caused by Neptune Beach or its agents or otherwise directly related to use of the Site by Neptune Beach. While on City's premises, Neptune Beach shall be responsible for the proper oversight and supervision of its employees to ensure appropriate professional behavior. Any costs associated with damages caused by Neptune Beach's employees or with excess cleaning or repair that is required that arises from their use of the Site shall be the responsibility of Neptune Beach. Such costs shall be payable by Neptune Beach upon City's demand.

6. **Operational Responsibilities:**

a. Neptune Beach will:

- i. Provide all labor, equipment, and materials necessary for transporting, unloading, processing, and removing debris from the Site.
- ii. Ensure all activities comply with federal, state, and local environmental, safety, and permitting requirements.
- iii. Track and document all debris quantities and related activities for reimbursement and compliance purposes. Cost-sharing or reimbursement arrangements, if applicable, will be documented in a separate written agreement or amendment to this MOU.

- iv. Be responsible for all costs associated with its debris management activities at the Site.
- b. City will:
 - i. Provide access to the Site and designate an authorized point of contact for operational coordination.
 - ii. Communicate any Site-specific operational restrictions or requirements.

7. **Basic Assumptions for Both Parties:** Permission to occupy the premises is expressly contingent on suitable conditions existing for the City, as well as suitable conditions that would permit City's personnel to travel to and from the Site (i.e. curfews, evacuation orders, etc.). Should City personnel not be available, permission will not be given to Neptune Beach to occupy the premises. Further, City may revoke such permission and require Neptune Beach to vacate the premises if conditions deteriorate and become unsuitable in City's sole discretion.

8. **Official Representatives:** Neptune Beach's representative for purposes of this Agreement shall be Deryle Calhoun, Jr., P. E., Director of Neptune Beach's Public Works Department (904-242-5766; DCalhoun@nbfl.us). City's representative for the purposes of this Agreement shall be Scott Carter, P. E., City's Chief of Engineering and Construction Management (904-255-8710; SCarter1@coj.net).

9. **Termination of Agreement:** Either party may terminate this Agreement for no cause with 30 days' written notice.

10. **Governing Laws:** This Agreement is governed by the laws of the State of Florida, and any provisions herein in conflict therewith shall be void and of no effect. Venue for all actions or proceedings arising in connection with this Agreement shall be tried and litigated exclusively in the state or federal courts located in Duval County, Florida. This choice of venue is intended by the parties to be mandatory. Each party waives any right it may have to assert the doctrine of *forum non conveniens* or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section.

11. **Maximum Indebtedness:** As required by Section 106.431, *Ordinance Code*, City's maximum indebtedness for all products and services under this MOU is ZERO AND 00/100 DOLLARS (\$0.00).

12. **Term:** The term of this MOU shall commence on the Effective Date and continue in full force and effect for three (3) years through _____, 2028.

13. **Indemnification and Insurance:**

a. Neptune Beach shall indemnify, defend, and hold harmless City, its officers, employees, and agents from any claims, damages, or liabilities arising from its operations at the Site except to the extent caused by the gross negligence or willful misconduct of City.

b. Neptune Beach shall maintain appropriate insurance coverage, including general liability and workers' compensation, and provide proof of coverage upon request.

IN WITNESS WHEREOF, the authorized representatives have executed this Memorandum of Understanding on the date first above written.

ATTEST:

CITY OF JACKSONVILLE

By: _____
James R. McCain, Jr.
Corporation Secretary

By: _____
Donna Deegan
Mayor

WITNESS:

CITY OF NEPTUNE BEACH

By: _____

By: _____

Print/Type Name

Title

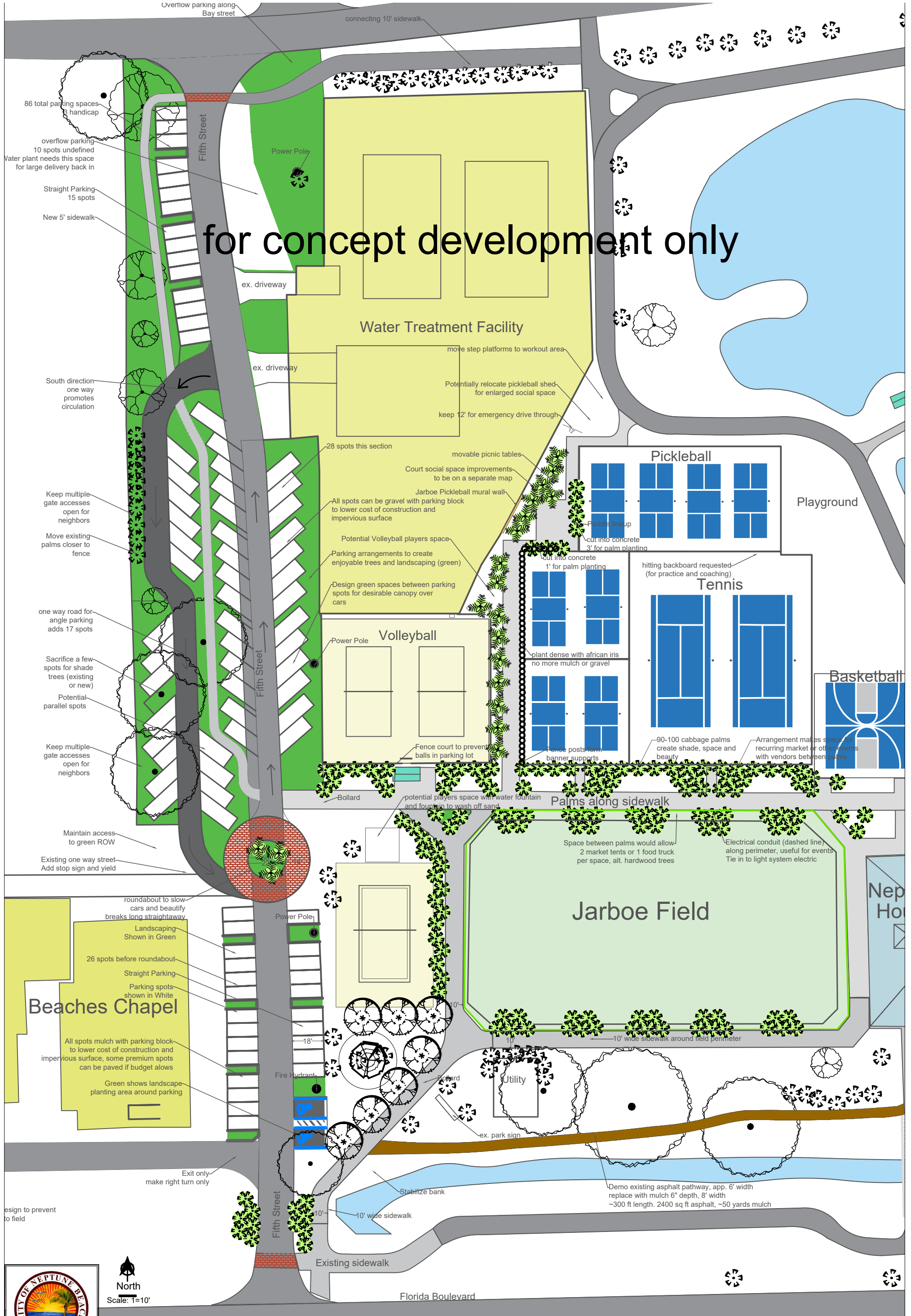
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Title

Form Approved:

Office of General Counsel

for concept development only



North
Scale: 1"=10'

Jarboe Park CONCEPT Design Parking Courts and Field

Blake West
Project Manager



Special Meeting Agenda Item #4B Jarboe Park Field and Sidewalks

CITY OF NEPTUNE BEACH CITY COUNCIL MEETING STAFF REPORT

AGENDA ITEM:	Piggyback Agreement - Jarboe Park Field and Sidewalk Contract
SUBMITTED BY:	Project Manager Blake West
DATE:	March 11, 2026
BACKGROUND:	ACON Construction Company provided CONB with a very reasonable quote solely for the construction of the field and sidewalk around the field. The contract document is a “piggyback agreement” that includes their quote with services and scope which they developed from the final concept drawing.
BUDGET:	Parks and Sustainability -Jarboe Park Phase 2- \$61,650 Parks and Sustainability – Sidewalks and Pathways - \$80,976
RECOMMENDATION:	Consider Approval of Piggyback Agreement with ACON for Multi-Use Field and Sidewalks
ATTACHMENT:	Piggyback Contract with Scope of Work and Quote

CITY OF NEPTUNE BEACH
AGREEMENT TO PIGGYBACK SERVICES

THIS AGREEMENT TO PIGGYBACK SERVICES is made and entered into this _____ day of _____, 2026, by and between the **CITY OF NEPTUNE BEACH**, a Florida municipality, hereinafter referred to as the (“City”), and **ACON CONSTRUCTION COMPANY, INC.**, (“Contractor”), concerning that certain contract with **CITY OF JACKSONVILLE**, (“COJ”).

WITNESSETH:

WHEREAS, Section 119.0701, Fla. Stat., requires that certain public agency contracts must include certain statutorily required provisions concerning the contractor’s compliance for Florida’s Public Records Act; and

WHEREAS, Section 768.28, Fla. Stat., sets forth certain mandatory limitations on indemnification and liability for Florida public agencies; and

WHEREAS, Florida law requires that public agency contracts be subject to non-appropriation and thereby contingent upon appropriation during the public agency’s statutorily mandated annual budget approval process; and

WHEREAS, Section 448.095, Fla. Stat., imposes certain obligations on public agencies with regard to the use of the E-Verify system by their contractors and subcontractors; and

WHEREAS, Section 287.135, Fla. Stat., provides restrictions on local governments contracting with companies that are on certain Scrutinized Companies lists; and

WHEREAS, Section 286.101, Florida Statutes contains a list of “foreign countries of concern” including, the People’s Republic of China, the Russian Federation, the Islamic Republic of Iran, the Democratic People’s Republic of Korea, the Republic of Cuba, the Venezuelan regime of Nicolás Maduro, or the Syrian Arab Republic, including any agency of or any other entity under significant control of such “foreign country of concern.” Any entity that does business with a state agency or political subdivision must disclose certain of their dealings with those “foreign countries of concern” to the Florida Department of Financial Services; and

WHEREAS, The City of Jacksonville awarded a bid solicitation through Request for Qualifications #CDB-0112-21 to Contractor based on the terms of a competitively bid contract in compliance with the procurement laws of the State of Florida (“COJ Contract”), a copy of which is retained on file with City Clerk, along with a complete set of the associated procurement documents; and

WHEREAS, the services, products and equipment provided by Contractor are needed by the City of Neptune Beach to perform certain design and build services for Jarboe Park (“Field and Sidewalks”); therefore, the City desires to enter into an agreement with the Contractor pursuant to the same terms of the COJ Contract except as amended herein; and

WHEREAS, the COJ Contract was competitively bid with procedural guarantees of fairness and competitiveness substantially equivalent to those of the City of Neptune Beach; 2) The City of Neptune Beach and Contractor authorize the “piggyback” on the competitive pricing of their Contract; and 3) it is in the best interest of the residents of the City of Neptune Beach to enter into an agreement with Contractor containing similar terms and conditions as contained in the COJ Contract.

NOW, THEREFORE, in consideration of the covenants set forth herein, the parties agree to this addendum as follows:

1. Incorporation by Reference. The foregoing WHEREAS clauses and the COJ Contract are incorporated by reference herein.

2. Amendments. The COJ Contract is hereby amended by the terms of this Agreement. All non-conflicting terms and conditions of the COJ Contract are incorporated herein and made a part hereof. In the event of a conflict between the terms of the COJ Contract and terms of this Agreement, the terms of this Agreement shall prevail. The City of Neptune Beach and its equivalent staff and address shall be substituted for the COJ and its staff and addresses, as may be required in the awarded COJ Contract. Said substitutions shall include but may not be limited to any insurance provisions, notice requirements, terms of performance and payment of work, venue, indemnifications and all other statutorily and contractually required obligations of the Parties.

3. Scope(s) of Work. Contractor shall perform services in accordance with the proposal attached hereto and made a part hereof as Exhibit “A”. Any conflict between the proposal attached as Exhibit “A” shall be interpreted in favor of this Agreement.

4. Public Records Compliance. Contractor agrees that, to the extent that it may "act on behalf" of the City within the meaning of Section 119.0701(1)(a), Florida Statutes in providing its services under this Agreement, it shall:

- (a) Keep and maintain public records required by the public agency to perform the service.
- (b) Upon request from the public agency’s custodian of public records, provide the public agency with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in this chapter or as otherwise provided by law.
- (c) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the contract term and following completion of the contract if the contractor does not transfer the records to the public agency.
- (d) Upon completion of the contract, transfer, at no cost, to the public agency all public records in possession of the contractor or keep and maintain public records required by the public agency to perform the service. If the contractor transfers all public records to the public agency upon completion of the contract, the contractor shall destroy any duplicate public records that are exempt or confidential and exempt

from public records disclosure requirements. If the contractor keeps and maintains public records upon completion of the contract, the contractor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the public agency, upon request from the City's custodian of public records, in a format that is compatible with the information technology systems of the City.

- (e) Pursuant to Section 119.0701(2)(a), Fla. Stat., **IF EITHER PARTY TO THIS CONTRACT HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO ITS DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, THAT PARTY SHALL CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT:**

**CATHERINE PONSON, CITY CLERK
(904) 270-2400
CLERK@NBFL.US
116 FIRST STREET
NEPTUNE BEACH, FLORIDA 32266**

5. Public Records Compliance Indemnification. Contractor agrees to indemnify and hold the City harmless against any and all claims, damage awards, and causes of action arising from the contractor's failure to comply with the public records disclosure requirements of Section 119.07(1), Florida Statutes, or by contractor's failure to maintain public records that are exempt or confidential and exempt from the public records disclosure requirements, including, but not limited to, any third party claims or awards for attorneys' fees and costs arising therefrom. Contractor authorizes the public agency to seek declaratory, injunctive, or other appropriate relief against Contractor in Duval County Circuit Court on an expedited basis to enforce the requirements of this section.

6. Compliance/Consistency with Section 768.28, Fla. Stat. Any indemnification or agreement to defend or hold harmless by City specified in the Brevard County Contract shall not be construed as a waiver of City's sovereign immunity and shall be limited to such indemnification and liability limits consistent with the requirements of Section 768.28, Fla. Stat. and subject to the procedural requirements set forth therein. Any other purported indemnification by COJ in the COJ Contract in derogation hereof shall be void and of no force or effect.

7. Non-appropriation. City's performance and obligation to pay under this Agreement is contingent upon an appropriation during the City's annual budget approval process. If funds are not appropriated for a fiscal year, then the Contractor shall be notified as soon as is practical by memorandum from the City Manager or designee that funds have not been appropriated for continuation of the Agreement, and the Agreement shall expire at the end of the fiscal year for which funding has been appropriated. The termination of the Agreement at fiscal year-end shall be without penalty or expense to the City subject to the City paying all invoices for services rendered during the period the Agreement was funded by appropriations.

8. E-Verify Compliance. Contractor affirmatively states, under penalty of perjury, that in accordance with Section 448.095, Fla. Stat., Contractor is registered with and uses the E-Verify system to verify the work authorization status of all newly hired employees, that in accordance with such statute, Contractor requires from each of its subcontractors an affidavit stating that the subcontractor does not employ, contract with, or subcontract with an unauthorized alien, and that Contractor is otherwise in compliance with Sections 448.09 and 448.095, Fla. Stat.

9. Compliance/Consistency with Scrutinized Companies Provisions of Florida Statutes. Section 287.135(2)(a), Florida Statutes, prohibits a company from bidding on, submitting a proposal for, or entering into or renewing a contract for goods or services of any amount if, at the time of contracting or renewal, the company is on the Scrutinized Companies that Boycott Israel List, created pursuant to section 215.4725, Florida Statutes, or is engaged in a boycott of Israel. Section 287.135(2)(b), Florida Statutes, further prohibits a company from bidding on, submitting a proposal for, or entering into or renewing a contract for goods or services over one million dollars (\$1,000,000) if, at the time of contracting or renewal, the company is on either the Scrutinized Companies with Activities in Sudan List or the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List, both created pursuant to section 215.473, Florida Statutes, or the company is engaged in business operations in Cuba or Syria. Contractor hereby certifies that Contractor is not listed on any of the following: (i) the Scrutinized Companies that Boycott Israel List, (ii) Scrutinized Companies with Activities in Sudan List, or (iii) the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List. Contractor further hereby certifies that Contractor is not engaged in a boycott of Israel or engaged in business operations in Cuba or Syria. Contractor understands that pursuant to section 287.135, Florida Statutes, the submission of a false certification may subject Contractor to civil penalties, attorney's fees, and/or costs. Contractor further understands that any contract with City for goods or services of any amount may be terminated at the option of City if Contractor (i) is found to have submitted a false certification, (ii) has been placed on the Scrutinized Companies that Boycott Israel List, or (iii) is engaged in a boycott of Israel. And, in addition to the foregoing, if the amount of the contract is one million dollars (\$1,000,000) or more, the contract may be terminated at the option of City if the company is found to have submitted a false certification, has been placed on the Scrutinized Companies with Activities in Sudan List or the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List, or has been engaged in business operations in Cuba or Syria.

10. Disclosure Requirements for "Foreign Countries of Concern". CONTRACTOR shall comply with the disclosure requirements set forth in section 286.101 (3) (a), F.S., which requires "Any entity that applies to a state agency or political subdivision for a grant or proposes having a contract value of \$100,000 or more shall disclose to the state agency or political subdivision any current or prior interest of, any contract with, or any grant or gift received from a "foreign country of concern" if such interest, contract, grant or gift received from a "foreign country of concern" if such interest, contract, grant or gift has a value of \$50,000 or more and such interest existed at any time or such contract, grant or gift was received or in force at any time during the previous five (5) years. Such disclosure shall contain the name and mailing address of the disclosing entity, the amount of the gift or the value of the interest disclosed, the applicable "foreign country of concern" and, if applicable the date of termination of the contract or interest, the date of receipt of the grant or gift and the name of the agent or controlled entity that is the

source or interest holder. Within one (1) year before applying for any grant or proposing any contract, such entity must provide a copy of such disclosure to the Department of Financial Services”. Pursuant to section 268.101(7), F.S.: “In addition to any fine assessed under [section 286.101(7)(a), F.S.], a final order determining a third or subsequent violation by an entity other than a state agency or political subdivision shall automatically disqualify the entity from eligibility for any grant or contract funded by a state agency or any political subdivision until such ineligibility is lifted by the Administration Commission for good cause.”

11. No coercion for labor or services. The Contractor swears under penalty of perjury that the Contractor does not use coercion for labor or services as defined as follows:

“Coercion” means:

1. Using or threatening to use physical force against any person;
2. Restraining, isolating, or confining or threatening to restrain, isolate, or confine any person without lawful authority and against her or his will;
3. Using lending or other credit methods to establish a debt by any person when labor or services are pledged as a security for the debt, if the value of the labor or services as reasonably assessed is not applied toward the liquidation of the debt, the length and nature of the labor or services are not respectively limited and defined;
4. Destroying, concealing, removing, confiscating, withholding, or possessing any actual or purported passport, visa, or other immigration document, or any other actual or purported government identification document, of any person;
5. Causing or threatening to cause financial harm to any person;
6. Enticing or luring any person by fraud or deceit; or
7. Providing a controlled substance as outlined in Schedule I or Schedule II of Sec. 893.03, Fla. Stat. to any person for the purpose of exploitation of that person.

12. Venue and Jurisdiction. Notwithstanding any of other provision to the contrary, this Agreement and the parties’ actions under this Agreement shall be governed by and construed under the laws of the state of Florida, without reference to conflict of law principles. As a material condition of this Agreement, each Party hereby irrevocably and unconditionally consents to submit and does submit to the jurisdiction of the Circuit Court in and for Duval County, Florida for any actions, suits or proceedings arising out of or relating to this Agreement.

13. Attorneys’ Fees and Costs. Notwithstanding any of other provision to the contrary, if litigation ensues regarding this Agreement, each party hereto shall bear its own attorneys’ fee and costs.

14. Additional Terms. Notwithstanding any of other provision to the contrary, the parties agree as follows:

- A. This agreement may be signed in counterparts and electronic copies and signatures shall be deemed as if originals.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on the date first above written.

Under penalties of perjury, and pursuant to Sec. 92.525, Fla. Stat., Contractor declares that Contractor has read the foregoing paragraph 11 “No coercion for labor or services” and that the facts stated in it are true.

THE CITY OF NEPTUNE BEACH:

By: _____
Corrine A. Bylund, Cori Bylund, Mayor

Attested By: _____
Catherine Ponson, City Clerk

ACON CONSTRUCTION COMPANY, INC.:

Signature: _____

Print Name: _____

Print Title: _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me by means of physical presence or online notarization, this __ day of _____, 2026, by _____ of _____, a Florida corporation, on behalf of the corporation, and he/she is personally known to me or has produced _____ as identification.

Signature of Notary Public - State of Florida

Printed/Typed/Stamped Name of Notary

Approved as to Legal Form and Content by:



Vose Law Firm, City Attorney

ACON Construction Co., Inc. ▲▼▲▼▲▼▲▼▲▼▲▼▲▼▲▼

3653 Regent Boulevard, Suite 401 • Jacksonville, Florida 32224 • Telephone (904) 565-9060 Fax (904) 565-9080

Mar 10, 2026

City of Jacksonville
Department of Public Works
Engineering and Construction Management
214 N. Hogan Street
Jacksonville, FL 32202

Attention: Blake West/Colin Moore

Reference: Jarboe Park 2025 Upgrades Phase 2
DB Contract #71629—22 “Piggyback”

We are pleased to provide this proposal for the work on the subject project under the guidelines of the referenced contract.

The scope of this project is to provide the immediate installation of a new irrigation and sod at the park to provide a multi-use field as listed in attached R&R Proposal. Also included is a 10 foot wide 6 inch deep concrete trail suitable for pedestrian and lightweight vehicles. Sidewalk will be constructed with 4,000 psi concrete reinforced by welded wire mesh. Another part of this proposal is the removal of approximately 300 linear feet of asphalt trail and installing pine bark where the asphalt was removed. The next proposal will have further civil design and construction of other elements based on funding and permitting availability. ACON is committed to having the field installed within 45 days of NTP so a grow-in period of some length is provided prior to the June event.

Our Guaranteed Maximum Price (GMP) for the project scope as stated is \$142,626.00.

The Guaranteed Completion Date (GCD) will be 140 days from NTP.

Breakdowns follow this letter. Please contact me if you have any questions or need further information.

Sincerely,



Frank Anderson
Construction Manager

ACON Construction Company

DB Contract 71629-22 "Piggyback"

**Neptune Beach Jarboe Park 2024
Upgrades Phase 2 Multi-Use Field
& Sidewalk**

DATE: 3/10/26

ITEM #	DESCRIPTION	UNITS	QUANTITY	UNIT COST	TOTAL COST
	Project Management & Estimator	Hrs	16	\$110.00	\$1,760.00
	Supervision	Hrs	40	\$75.00	\$3,000.00
	Administration	Hrs	12	\$75.00	\$900.00
	Mult-use Field at Jarboe per R&R Proposal Attached (Per Blake Site Visit)	LS	1	\$44,000.00	\$44,000.00
	Six inch sidewalk	SF	5750	\$12.00	\$69,000.00
	Remove asphalt trail	SF	2400	\$2.50	\$6,000.00
	Contingency (limited)	AI	1	\$5,000.00	\$5,000.00
	Subtotal				\$129,660.00
	DB Fee 10%	LS	1	\$12,966.00	\$12,966.00
TOTAL					\$142,626.00



7543 Salisbury Rd.
 Jacksonville, FL 32256
 (904) 328-7333

\$44,000.00

Proposal

Date	Proposal #
3/2/2026	40409

Name / Address
ACON Construction Co, Inc 3653 Regent Blvd Suite 401 Jacksonville, FL 32224

Project
Jarboe Park Parking Neptune Beach, FL

Description	Qty	Cost	Total
IRRIGATION Install (7) Zone Irrigation System - For Sports Field **WATER SOURCE NOT INCLUDED**	7	2,850.00	19,950.00
Tear Out Existing Vegetation and Prep Area for New Sod Installation - Includes Soil Amendments	1	7,800.00	7,800.00
Install (52) Pallets of Bahia Sod	52	205.00	10,660.00

*Add For
 Pine Bark
 60 CY (SIXTY)
 \$5590.00*

BID PRICES ARE ALWAYS FOR CONTAINER SIZE - PLANTS WILL NOT ALWAYS MEET SPECS LISTED DUE TO STRAIN ON NURSERY INDUSTRY - PRICES GOOD FOR 60 DAYS	Total	\$38,410.00
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*+5590.00
 22
 \$44,000.00*



Neptune Beach, FL

**Workshop
Item,#6A Paid
Parking**

**Budget Report
Account Summary**

For Fiscal: 2025-2026 Period Ending: 02/28/2026

	Original Total Budget	Current Total Budget	Period Activity	Fiscal Activity	Variance Favorable (Unfavorable)	Percent Remaining
Fund: 500 - PAID PARKING						
Department: 0000 - 0000						
Revenue						
Object: 00 - No Object						
<u>500-0000-359-00-00</u>	Paid Parking Citations	10,000.00	10,000.00	4,922.00	7,708.50	-2,291.50 22.92 %
	Object: 00 - No Object Total:	10,000.00	10,000.00	4,922.00	7,708.50	-2,291.50 22.92%
Object: 10 - 10						
<u>500-0000-361-10-00</u>	Interest Income	55,000.00	55,000.00	0.00	501.25	-54,498.75 99.09 %
	Object: 10 - 10 Total:	55,000.00	55,000.00	0.00	501.25	-54,498.75 99.09%
Object: 40 - 40						
<u>500-0000-343-30-50</u>	Paid Parking-EV Charging Station Fe	8,000.00	8,000.00	0.00	945.97	-7,054.03 88.18 %
	Object: 40 - 40 Total:	8,000.00	8,000.00	0.00	945.97	-7,054.03 88.18%
Object: 41 - 41						
<u>500-0000-343-30-40</u>	Paid Parking-Parking Fees	910,000.00	910,000.00	87,261.24	426,413.08	-483,586.92 53.14 %
	Object: 41 - 41 Total:	910,000.00	910,000.00	87,261.24	426,413.08	-483,586.92 53.14%
	Revenue Total:	983,000.00	983,000.00	92,183.24	435,568.80	-547,431.20 55.69%
	Department: 0000 - 0000 Total:	983,000.00	983,000.00	92,183.24	435,568.80	-547,431.20 55.69%
Department: 1550 - 1550						
Expense						
Object: 10 - 10						
<u>500-1550-541-10-12</u>	REGULAR SALARIES	99,195.00	99,195.00	7,153.99	37,460.22	61,734.78 62.24 %
<u>500-1550-541-10-21</u>	FICA	7,588.00	7,588.00	547.29	2,865.72	4,722.28 62.23 %
<u>500-1550-541-10-24</u>	WORKERS COMPENSATION	3,885.00	3,885.00	0.00	536.22	3,348.78 86.20 %
	Object: 10 - 10 Total:	110,668.00	110,668.00	7,701.28	40,862.16	69,805.84 63.08%
Object: 30 - 30						
<u>500-1550-541-30-31</u>	PROFESSIONAL SERVICES	5,000.00	5,000.00	0.00	0.00	5,000.00 100.00 %
<u>500-1550-541-30-34</u>	OTHER CONTRACTUAL SERVICES	36,500.00	32,500.00	0.00	10,343.25	22,156.75 68.17 %
<u>500-1550-541-30-36</u>	PAID PARKING - COURTYARD REVEN	0.00	0.00	0.00	3,932.77	-3,932.77 0.00 %
<u>500-1550-541-30-41</u>	COMMUNICATIONS SERVICES	23,396.00	23,396.00	255.82	1,464.74	21,931.26 93.74 %
<u>500-1550-541-30-43</u>	UTILITY SERVICES	3,500.00	3,500.00	0.00	488.43	3,011.57 86.04 %
<u>500-1550-541-30-45</u>	INSURANCE	12,063.00	12,063.00	0.00	6,361.68	5,701.32 47.26 %
<u>500-1550-541-30-46</u>	REPAIR & MAINTENANCE	10,500.00	10,500.00	2,115.62	3,003.10	7,496.90 71.40 %
<u>500-1550-541-30-49</u>	OTHER CURRENT CHARGES	0.00	37,200.50	9,500.00	17,640.42	19,560.08 52.58 %
<u>500-1550-541-30-52</u>	OPERATING SUPPLIES	1,500.00	77,011.78	0.00	3,232.88	73,778.90 95.80 %
<u>500-1550-541-30-57</u>	VEHICLE REPAIRS & MAINTENANCE	15,000.00	15,000.00	0.00	0.00	15,000.00 100.00 %
<u>500-1550-541-30-59</u>	UNIFORMS	2,000.00	2,000.00	0.00	0.00	2,000.00 100.00 %
<u>500-1550-541-30-60</u>	Paid Parking-Atlantic Beach Rev. Sh	112,500.00	112,500.00	19,263.40	81,468.47	31,031.53 27.58 %
<u>500-1550-589-30-49</u>	BANK FEES	0.00	0.00	0.00	24,745.14	-24,745.14 0.00 %
	Object: 30 - 30 Total:	221,959.00	330,671.28	31,134.84	152,680.88	177,990.40 53.83%
Object: 60 - 60						
<u>500-1550-541-60-64</u>	MACHINERY & EQUIPMENT	30,000.00	30,000.00	29,424.00	29,424.00	576.00 1.92 %
	Object: 60 - 60 Total:	30,000.00	30,000.00	29,424.00	29,424.00	576.00 1.92%
Object: 90 - 90						
<u>500-1550-581-90-10</u>	Transfer to General Fund	295,000.00	295,000.00	0.00	0.00	295,000.00 100.00 %

Budget Report

For Fiscal: 2025-2026 Period Ending: 02/28/2026

	Original Total Budget	Current Total Budget	Period Activity	Fiscal Activity	Variance Favorable (Unfavorable)	Percent Remaining
<u>500-1550-581-90-91</u>						
INTERFUND TRANSFER OUT-G&A A	47,140.00	47,140.00	0.00	0.00	47,140.00	100.00 %
Object: 90 - 90 Total:	342,140.00	342,140.00	0.00	0.00	342,140.00	100.00%
Expense Total:	704,767.00	813,479.28	68,260.12	222,967.04	590,512.24	72.59%
Department: 1550 - 1550 Total:	704,767.00	813,479.28	68,260.12	222,967.04	590,512.24	72.59%
Fund: 500 - PAID PARKING Surplus (Deficit):	278,233.00	169,520.72	23,923.12	212,601.76	43,081.04	-25.41%
Report Surplus (Deficit):	278,233.00	169,520.72	23,923.12	212,601.76	43,081.04	-25.41%



Workshop Agenda Item #6B Water and Sewer Rate

Water & Sewer

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

Chief Financial Officer
City of Neptune Beach
116 First Street
Neptune Beach, FL 32266

Main: 904-270-2400 X24
Mobile: 904-749-0063

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 ≥ 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

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Water & Sewer Enterprise Fund

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Water & Sewer Enterprise Fund

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Water & Sewer Rates and Parking

From Jaime Hernandez <jhernandez@nbfl.us>
Date Thu 3/12/2026 9:26 AM
To Brent Rogers <brogers@nbfl.us>
Cc Richard Pike <cop@nbfl.us>; Catherine Ponson <clerk@nbfl.us>

3 attachments (1 MB)

Income & Expenses Analysis-6 years.xlsx; 20260312080255842.pdf; 20260312091141962.pdf;

Good morning,

Water & Sewer

Attached is the analysis you requested reflecting operational results after rate increases.

- The green column is the current year result after adding a 21%. The assumption is that rate increases will take effect May 1, 2026 (remaining 5 periods on FY 2025-26).
- The 21% is based on the Rate Study from Burton & Associates conducted in 2016, which expires this year (copy attached).
- The blue columns reflect operational results for the next 7 years after adding 5% rate increases each year (based on the actual consumer price index (CPI) and not corroborated with a current rate study).

Parking

Attached is the current Profit & Losses (budget report) for the Parking Operation as of February 28, 2026.

- Revenues:
 - YTD parking citations collected \$7,708.
 - Recorded revenues for February are \$87,261. If the current trend continues, we should expect gross revenues of approximately \$1,040,250.
 - YTD revenues are \$435,413
- Expenses:
 - Total operation expenses are \$222,967.
 - Expenses do not reflect G&A indirect cost allocation.

- Net Income
 - Net Income \$212,602 or 48% of total revenues.
 - September 30, 2026, expected net income of \$487,711 or 46.88% of gross revenues.

Please let me know if you have questions.

Regards,

Jaime F Hernandez, MBA

Chief Financial Officer
City of Neptune Beach
116 First Street
Neptune Beach, FL 32266

Main: 904-270-2400 X24

Mobile: 904-749-0063



	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2029-30	FY 2030-31	FY 2030-31	
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Forecast	Actualized	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Revenues	1	2	3	4	5	6	7										
Charges for Services	\$ 4,861,901	\$ 4,759,312	\$ 4,741,724	\$ 4,635,927	\$ 4,773,306	\$ 4,707,959	\$ 4,560,515	\$ 399,045	4,959,560	5,207,538	5,467,915	5,741,311	6,028,376	6,329,795	6,646,285	6,978,599	
Connection Fees	24,050	28,799	46,965	48,584	47,787	69,450	60,800	5,320	66,120	69,426	72,897	76,542	80,369	84,388	88,607	93,037	
Appropriated Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenues	4,885,951	4,788,111	4,788,689	4,684,511	4,821,093	4,777,409	6,346,171	404,365	6,750,536	5,276,964	5,540,812	5,817,853	6,108,746	6,414,183	6,734,892	7,071,637	1,178,606.09
Expenses																	
Personal Services	1,677,021	1,663,554	1,183,932	1,661,594	1,807,971	1,393,029	1,418,768	-	1,418,768	1,468,425	1,519,820	1,573,013	1,628,069	1,685,051	1,744,028	1,805,069	
Operational Expenses	1,573,331	1,665,496	2,222,416	2,216,144	3,122,141	3,328,729	3,165,404	-	3,165,404	3,244,539	3,325,653	3,408,794	3,494,014	3,581,364	3,670,898	3,762,671	
CIP	-	-	-	-	-	-	1,764,215	-	1,764,215	-	-	-	-	-	-	-	
Total Operating Expenses	\$ 3,250,352	\$ 3,329,050	\$ 3,406,348	\$ 3,877,738	\$ 4,930,112	\$ 4,721,758	\$ 6,348,387	\$ -	\$ 6,348,387	\$ 4,712,964	\$ 4,845,472	\$ 4,981,807	\$ 5,122,083	\$ 5,266,415	\$ 5,414,926	\$ 5,567,740	
Operational Income	\$ 1,635,599	\$ 1,459,061	\$ 1,382,341	\$ 806,773	\$ (109,019)	\$ 55,651	\$ (2,216)	\$ 404,365	\$ 402,149	\$ 564,000	\$ 695,340	\$ 836,046	\$ 986,663	\$ 1,147,767	\$ 1,319,966	\$ 1,503,897	
Non-Operating Revenues & Expenses																	
Intergovernmental Revenues	156,335	-	-	-	19,651	-	-	-	-	-	-	-	-	-	-	-	
Interest Revenue	43,255	30,713	1,871	-	76,450	-	-	-	-	-	-	-	-	-	-	-	
Interest/Amortization	(155,157)	(131,268)	(122,889)	(62,111)	(51,590)	(41,875)	(60,980)	-	(60,980)	(58,000)	(58,000)	(56,000)	-	-	-	-	
Non-Operating Revenues & Expenses	\$ 44,433	\$ (100,555)	\$ (121,018)	\$ (62,111)	\$ 44,511	\$ (41,875)	\$ (60,980)	\$ -	\$ (60,980)	\$ (58,000)	\$ (58,000)	\$ (56,000)	\$ -	\$ -	\$ -	\$ -	
Income Before Transfers	1,680,032	1,358,506	1,261,323	744,662	(64,508)	13,776	(63,196)	404,365	341,169	506,000	637,340	780,046	986,663	1,147,767	1,319,966	1,503,897	
Transfer Out	(95,000)	(100,555)	(297,394)	(562,130)	(491,683)	-	-	-	-	-	-	-	-	-	-	-	
Change in Net Position	\$ 1,585,032	\$ 1,257,951	\$ 963,929	\$ 182,532	\$ (556,191)	\$ 13,776	\$ (63,196)	\$ 404,365	\$ 341,169	\$ 506,000	\$ 637,340	\$ 780,046	\$ 986,663	\$ 1,147,767	\$ 1,319,966	\$ 1,503,897	\$ 6,881,678

NOTES:

FY 2025-26 Increase of 21%, with an effective date of 5/1/2026 (5 months)
The \$399,045 represents 5 months with new rates (effective date May1, 2026)
The \$399,045 does not meet the Net Income Requirement of \$437,500 (\$350,000 x 1.25 = 437,500)
FY 2026-27 A 5% rate increase was calculated for FY 20-27 (effective date 10/01/2026)
No CIP factored on FY2026-27
The \$634,792 meets the Net Income requirement

Assumptions:

Consumer Price Index remains at 5%
Personnel costs increase at the rate of 3.5%
Operational costs increase at the rate of 2.50%

City of Neptune Beach

Utility Rate Study



Final Report

February 5, 2016

Prepared by:

BURTON & ASSOCIATES

UTILITY RATES ■ ASSESSMENTS ■ FINANCIAL PLANNING

BURTON & ASSOCIATES

February 5, 2016

Mr. Andrew Hyatt
City Manager
City of Neptune Beach
116 First Street
Neptune Beach, FL 32266

Re: Draft Final Report – Utility Rate Study – Revenue Sufficiency Analysis

Dear Mr. Hyatt

Burton & Associates is pleased to present this Final Report of the Utility Rate Study – Revenue Sufficiency Analysis (Study) that we performed for the City of Neptune Beach, Florida (City). We appreciate the fine assistance provided by you and all members of City staff who participated in the Study.

If you or others at the City have any questions, please do not hesitate to call me at (904) 247-0787 or email me at mburton@burtonandassociates.com. We sincerely appreciate the opportunity to be of service to the City, and look forward to the possibility of doing so again in the near future to ensure the financial sustainability of the City's Water and Sewer Enterprise Fund.

Very truly yours,



Michael E. Burton
President

Enclosure

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SECTION 1. INTRODUCTION

Burton & Associates has conducted a comprehensive Utility Rate Study (Study) for the Water and Sewer Enterprise Fund of the City of Neptune Beach (hereafter referred to as the “City” or “Utility”). This report presents the objectives, approach, source data, assumptions, as well as the findings and recommendations of the Study.

1.1 BACKGROUND

As part of its ongoing financial management plan, every three years the City adopts a plan of rate adjustments sufficient to fund all of the Utility’s expected requirements for the subsequent three years. The City last retained Burton & Associates to evaluate the financial status of its Water and Sewer Enterprise Fund in 2013. The purpose of that analysis (as with the updated analysis presented and described herein) was to develop a financial management plan for the Utility that would:

- Satisfy current and projected operating and capital cost requirements
- Ensure financial solvency and regulatory compliance
- Establish and maintain adequate operating reserves
- Minimize adverse impacts to customers to the greatest extent possible

As a result of the 2013 Study, the City adopted a three-year plan of water and sewer rate adjustments for FY 2014 – FY 2016, shown below in Table 1.1.

Table 1.1 Current Adopted Rate Adjustment Plan

	FY 2014	FY 2015	FY 2016
Water	3.00%	3.00%	3.00%
Sewer	3.00%	3.00%	3.00%

With this plan of rate adjustments coming to an end, the City again retained Burton & Associates to develop an updated financial management plan for the Utility to determine the annual rate adjustments required to provide sufficient revenue to fund all of the Utility’s requirements beyond the 2016 fiscal year. This report presents the results of that analysis.

1.2 OBJECTIVES

The principal objectives or components of the Study are as follows:

Revenue Sufficiency Analysis – Develop and populate a multi-year forecasting model for the City’s Water and Sewer Enterprise Fund to determine the level of annual revenues required to satisfy projected annual operating, debt service, and capital cost requirements as well as maintain adequate reserves.

Residential Rate Survey – Compare the current monthly water and sewer bill for the Utility’s “typical” single-family residential user to the costs of other utility systems in the surrounding geographic area.

SECTION 2. REVENUE SUFFICIENCY ANALYSIS

2.1 DESCRIPTION

This section presents the financial management plan and corresponding plan of water and sewer rate adjustments developed in the revenue sufficiency analysis (RSA) that was conducted as part of the Study. The following sub-sections of the report present a description of the source data, key assumptions, and results of the RSA, while Appendix A includes detailed supporting schedules for the financial management plan identified herein for the Utility.

During the RSA we reviewed several alternative multi-year financial management plans and corresponding water and sewer rate revenue adjustment plans through interactive work sessions and conference calls with City staff. During these work sessions, we examined the impact of various inputs or assumptions upon key financial indicators by use of detailed projections of future results under those assumed conditions, including graphical representations summarizing the results of the forecasting models. In this way, we incorporated local information and management input as we developed the recommended financial management plan and resulting plan of annual water and sewer rate revenue adjustments presented in this report. The result is a financial plan that will satisfy the Utility's annual revenue requirements over a multi-year projection period while meeting sound industry financial performance goals and objectives and minimizing rate adjustments to the greatest extent possible.

In order to initialize the RSA, we obtained the Utility's historical and budgeted financial information, as well as historical customer counts and billed volume. We also obtained the Utility's multi-year capital improvement program (CIP), and documented the Utility's current debt service obligations and covenants, or promises made to lenders, relative to net income coverage requirements and reserves. We also counseled with City staff regarding other assumptions and policies that would affect the financial performance of the Utility, such as trends in demands, planned developments/customer growth, debt

coverage levels, levels of reserves, capital funding sources, earnings on invested funds, escalation rates for operating costs, etc.

All of this information was entered into the financial module of our proprietary Financial Analysis and Management System (FAMS-XL©) interactive modeling system. This module of FAMS-XL© produced a ten-year projection of the sufficiency of the revenue provided by the current rates to meet its current and projected financial requirements, and determined the level of rate revenue increases necessary in each year of the projection period to satisfy the Utility's annual financial requirements.

The revenue sufficiency and financial planning module of FAMS-XL© utilizes all projected available funds in each year of the projection period to pay for capital projects. The model is set up to reflect the rules of cash application as defined and applied by City staff, and it produces a detailed summary of the funding sources to be used for each project in the CIP. To the extent that current revenues and unrestricted reserves are not adequate to fund all capital projects in any year of the projection period, the model identifies a borrowing requirement to fund those projects, or portions thereof that are determined to be eligible for borrowing. In this way the FAMS-XL© model is used to develop a borrowing program that includes the required borrowing amount by year and the resultant annual debt service requirements for each year in the projection period.

2.2 SOURCE DATA

The following presents the key source data relied upon in conducting the RSA:

Beginning Fund Balances

The FY 2014 Comprehensive Annual Financial Report (CAFR) and supporting trial balance schedules provided by City staff were used to establish the beginning FY 2015 balances for the Utility.

Revenues

The revenues utilized in the RSA reflect an evaluation of multiple years of historical results, FY 2015 unaudited actuals, and the FY 2016 Budget. Revenues consist of rate

revenues, interest income, capital project grant reimbursements, and other minor revenue from miscellaneous service charges. Projections of future rate revenues are based upon the FY 2015 unaudited actual results, adjusted annually to reflect assumed customer growth and changes in demand. Projections of all other revenues reflect the amounts within the FY 2015 unaudited actuals and the FY 2016 Budget, excluding interest income, which was calculated annually based upon projected fund balances and assumed interest rates.

Operating Expenditures

The Utility's operating expenditures include all operating and maintenance expenses, transfers, and debt service requirements. The RSA based operating expenditure projections on the individual expense categories and expenses amounts within the FY 2016 Budget, adjusted annually thereafter based upon assumed cost escalation factors that were reviewed with City staff, with the exception of annual debt service expenses, which reflects the repayment schedules of each outstanding bond or loan, provided by City staff.

Debt Service

The annual debt service schedules for all existing debt were provided by City staff and included in the RSA. Per City staff, no additional debt issuances are planned during the projection period.

Capital Improvement Program

City staff provided a multi-year project-specific CIP through FY 2020. The CIP estimated for the remainder of the projection period was reviewed with and supported by City staff.

Beginning in FY 2017, the RSA includes an annual cost inflation factor for capital projects of 3.0% per year. This is based upon recent increases observed in the Engineering News Record's Construction Cost Index, and addresses the likely future escalation of costs in the future cost of construction. In total, the CIP (after cost escalation adjustments) from FY 2015 – FY 2025 is approximately \$12.1 million for the Utility. A list of projects and costs by year is included on Schedule 3 of Appendix A.

2.3 ASSUMPTIONS

The following presents the key assumptions utilized in the conduct of the RSA.

Cost Escalation

Annual cost escalation factors for the various types of operating and maintenance expenses were developed based upon City staff estimates. The specific escalation factors assumed for the various categories of expenses can be found on Schedule 6 of Appendix A.

Interest Earnings

The RSA reflects interest earning rates of 0.25% in FY 2015, escalated annually by 0.25% percent until FY 2019, and then escalated annually by 0.50% until FY 2021 when the interest rate reaches 2.50% and is held constant for the remainder of the projection period.

Customer Growth & Volume Forecast

New connection and sales growth projections were based upon a review of historical data from FY 2009 - FY 2015. The Utility's service area is essentially built out; therefore, the Study assumes growth of only 5 accounts per year for FY 2016 – FY 2018 and no growth in accounts for FY 2019 through the end of the projection period. Based upon evaluation of historical usage patterns and current trends, billed volume per account was assumed to increase slightly in FY 2016, but decrease by about 1% in each year of the projection period thereafter.

Minimum Reserve Policy

Reserve balances for utility systems are funds set aside for a specific cash flow requirement, financial need, project, task, or legal covenant. These balances are maintained in order to meet short-term cash flow requirements, and at the same time, minimize the risk associated with meeting the financial obligations and continued operational and capital needs under adverse conditions. The level of reserves maintained by a utility is an important component and consideration when developing a utility system multi-year financial management plan.

The financial management plan presented in this report assumes that the City will maintain a minimum Operating Fund balance or reserve equal to 3 months of annual operations and maintenance (O&M) expenses for the water and sewer system, and adopt policies to increase balances to reach a target of 6 months of O&M by FY 2018. These minimum and target levels of operating and capital reserves are very consistent with 1) our industry experience for similar systems, 2) the findings of reserve studies conducted by utility industry organizations such as the AWWA, and 3) a healthy level of reserves for a municipal utility system per the evaluation criteria published by the municipal utility rating agencies (Fitch, Moody's, and Standard & Poor's).

Future Borrowing & Capital Funding

To the extent that any new debt is required during the projection period, the RSA assumes revenue bond funding would be issued for a 15-year term at an interest rate of 3.50% in FY 2015, increasing 0.25% per year until FY 2023, when the rate reaches 5.50% and remains such for the remainder of the projection period.

Debt Service and Coverage

One of the most important covenants the City makes relative to the issuance of debt is that its annual net revenues will be at least 1.25 times greater than its senior lien debt service requirements.

It is important to note that these revenue covenants (often referred to as debt service coverage requirements) represent the City's minimum requirements. Should the City be unable to meet these requirements, it would be found in technical default. This would result in the City facing a potential downgrade in its credit rating, which would affect the interest rate and terms of any future financing initiatives. As a policy decision, utilities often measure revenue sufficiency and set rates based upon a higher debt service coverage level so as to ensure compliance with these type of covenants in the event future projections of revenue and expenses do not occur as predicted (due to extended drought conditions, unanticipated capital requirements or operating cost increases, natural disasters, etc.). However, during the ten (10) year projection period, the City maintains very strong debt service of at least 3.5 which reflects strong financial performance.

2.4 RESULTS

Upon updating the RSA with the data, assumptions, and policies presented herein, the approved annual water and sewer rate adjustment of 3.00% for FY 2016 was determined to be sufficient to fund all of the Utility’s financial requirements and policy objectives during that time. Beginning in FY 2017, inflationary increases were determined to be sufficient to fund all of the Utility’s financial requirements and policy objectives in each remaining year of the projection period, through FY 2025.

A summary of the multi-year recommended rate adjustment plan is presented in the following table.

Table 2.1 Recommended Rate Adjustment Plan

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Water	3.00%	2.50%	2.50%	2.50%	2.50%
Sewer	3.00%	2.50%	2.50%	2.50%	2.50%

This plan of annual rate adjustments will allow the Utility to fund its capital improvement program, keep up with continued annual operating cost increases, and meet the net income requirements of its debt while continuing to build and maintain acceptable levels of working capital reserves throughout the projection period. The projected level of rate adjustments for the Utility are significantly less than the average annual change in the US CPI – Water & Sewerage Maintenance Series of approximately 5% per year. The US CPI – Water & Sewerage Maintenance Series is one of more than 200 item categories that make up the Consumer Price Index (CPI) structure and is of particular relevance to water and sewer utilities as it serves as a measure of the true change in the cost of water and sewer service to urban consumers.

2.5 CONCLUSIONS & RECOMMENDATIONS

Based upon the analysis presented herein and the results presented in the prior subsection, we have reached the following conclusions and recommendations:

- The remaining approved plan of a 3.00% annual water and sewer rate adjustment for FY 2016 is sufficient to fund all of the Utility’s ongoing operating and maintenance expense requirements, to fund the expansion and renewal and

replacement of its infrastructure, and to meet stated reserve and debt service coverage targets/parameters through FY 2016, without issuing additional debt.

- Beginning in FY 2017, a plan of 2.50% annual water and sewer rate adjustments is sufficient to fund all of the Utility’s financial requirements and policy objectives for the remainder of the ten-year projection period (through FY 2025), without issuing additional debt.

- Lastly, it is recommended that the City continue to update this analysis every two years to evaluate the adequacy of its revenues and approved plan of annual water and sewer rate adjustments. Doing so will allow for the incorporation of updated revenue and expense information, as well as changes in economic conditions, water consumption, regulatory requirements, and other factors, so that any necessary adjustments can be made to the financial management plan presented herein.

SECTION 3. RESIDENTIAL RATE SURVEY

As part of the Study, we also performed a comparative survey of the single-family residential water and sewer rates of other communities providing utility service in the City's surrounding geographic area. The survey presents the combined water and sewer monthly bill calculations for each community assuming the rates in effect for FY 2015 and 4,000 gallons per month of consumption (the average monthly consumption for a "typical" single-family residential customer served by the Utility).

The results of the survey indicate that the Utility charges a combined water and sewer monthly bill that is somewhat greater than the average for "typical" single-family residential customers (4,000 gallons per month) in the area. This is attributable largely to limited growth within the system and the annual cost of line replacements to maintain aging infrastructure.

It is important to note that each monthly bill in the survey was calculated based upon FY 2015 water and sewer rates. It is likely that many of municipalities surveyed implemented rate adjustments effective at the beginning of FY 2016. Also, the ten-year average annual change in the US CPI – Water & Sewerage Maintenance Series is approximately 5.70%, which is greater than the 3.00% annual rate adjustment remaining in the approved three-year plan and the recommended plan of 2.50% rate increases through FY 2025. Therefore, it is reasonable to expect that the City will begin to move down the survey as other municipalities implement their own rate adjustments (presumably more comparable to national trends). The results of the survey are presented in Appendix B of this Report.

APPENDIX A – REVENUE SUFFICIENCY ANALYSIS

Supporting Schedules for the RSA

UTILITY RATE STUDY
APPENDIX A

Schedule 1 - Assumptions

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Annual Revenue Growth - Water:</u>											
Number of Billed Accounts	3,730	3,735	3,740	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745
Projected Growth in New Service Accounts	0	5	5	5	0	0	0	0	0	0	0
Percent Increase in Billed Accounts	N/A	0.13%	0.13%	0.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Percent Increase in Use	N/A	1.14%	-0.87%	-0.87%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
<u>Annual Revenue Growth - Sewer:</u>											
Number of Billed Accounts	3,380	3,385	3,390	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395
Projected Growth in New Service Accounts	0	5	5	5	0	0	0	0	0	0	0
Percent Increase in Billed Accounts	N/A	0.15%	0.15%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Percent Increase in Use	N/A	1.15%	-0.85%	-0.85%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
<u>Price Elasticity Coefficient:</u>											
Applied to Usage Charge Rate Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>Average Annual Interest Earnings Rate:</u>											
Water & Sewer Enterprise Fund	0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
<u>Annual Spending Execution Rate:</u>											
Percent of Personal Services	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percent of Operating Expenses	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percent of CIP Budget	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<u>Operating Cost Escalation Factors:</u> ⁽¹⁾											
Weighted Average Annual Cost Escalation	N/A	0.26%	4.47%	4.55%	4.67%	4.80%	4.94%	4.37%	4.43%	4.49%	4.55%
<u>CIP Budget Annual Cost Inflation:</u>											
Compounded Annual Cost Escalation	0.00%	0.00%	3.00%	6.10%	9.30%	12.60%	15.90%	19.40%	23.00%	26.70%	30.50%
<u>Operating Fund Reserve Target:</u>											
Number of Months of Annual Operating Expense	3.00	3.00	4.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

UTILITY RATE STUDY

APPENDIX A

Schedule 2 – FY 2015 Beginning Balances

FUND BALANCES	
Renewal & Replacement 405	\$ 2,708,925
Revenue Fund 404	312,153
Restricted Reserves	-
TOTAL CONSOLIDATED FUND BALANCE	\$ 3,021,078

FUND BALANCE DETAIL	Revenue Fund	R&R	Restricted Reserves
Equity pooled in cash and cash equivalents	\$ 468,630	2,708,925	-
Prepaid Expenses	15,631	-	-
Accounts Receivable, net of allowance for uncollectibles	368,998	-	-
TOTAL ASSETS	\$ 853,259	2,708,925	-
Less: Accounts Payable and Accrued Expenses	\$ (273,250)	-	-
Less: Compensated Absences Payable	(18,666)	-	-
Less: Deposits (Restricted)	(249,190)	-	-
CALCULATED FUND BALANCE (ASSETS - LIABILITIES)	\$ 312,153	2,708,925	-
NET UNRESTRICTED FUND BALANCE	\$ 312,153	2,708,925	-

UTILITY RATE STUDY
APPENDIX A

Schedule 3 – CIP

<u>PROJECT DESCRIPTION</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Wastewater Department											
Manhole & Sewer Rehab	\$ 27,000	27,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Submersible Pump	15,000	15,000	-	-	-	-	-	-	-	-	-
Rotary Blower	10,000	20,000	-	-	-	-	-	-	-	-	-
Sewer Line Replacement	1,100,000	1,900,000	-	-	-	-	-	-	-	-	-
Vehicle Replacement	-	-	25,000	-	-	25,000	-	-	25,000	-	-
Outfall Repair	-	50,000	-	-	-	-	-	-	-	-	-
Minor Capital											
Sewer Tb Camera	\$ -	14,000	-	-	-	-	-	-	-	-	-
Pumps - 2 (First Street Lift Station)	-	9,000	-	-	-	-	-	-	-	-	-
Touch Read Upgrade	-	7,750	-	-	-	-	-	-	-	-	-
Computer Server	-	3,000	-	-	-	-	-	-	-	-	-
Unspecified Future Projects - Wastewater	\$ -	-	-	-	-	50,000	50,000	50,000	50,000	50,000	50,000
WWTP Package Plant/Nitrogen Removal	10,000	750,000	-	-	-	-	-	-	-	-	-
Water Department											
Water Line Replacement	\$ 50,000	200,000	100,000	100,000	75,000	75,000	125,000	175,000	225,000	275,000	325,000
Vehicle Replacement	-	25,000	-	-	25,000	-	25,000	-	-	25,000	-
Minor Capital											
Computer Server	\$ -	3,000	-	-	-	-	-	-	-	-	-
6" Backflow - City Yard	-	4,000	-	-	-	-	-	-	-	-	-
Computers - 3	-	2,000	-	-	-	-	-	-	-	-	-
Unspecified Future Projects - Water	\$ -	-	-	-	-	50,000	50,000	50,000	50,000	50,000	50,000
Unspecified Line Replacement	-	-	400,000	400,000	500,000	500,000	450,000	450,000	450,000	400,000	400,000
Total CIP Budget (in FY 2015 dollars)	\$ 1,212,000	3,029,750	585,000	560,000	660,000	760,000	760,000	785,000	860,000	860,000	885,000
Compounded Annual Cost Escalation	0.0%	0.0%	3.0%	6.1%	9.3%	12.6%	15.9%	19.4%	23.0%	26.7%	30.5%
Annual Capital Spending Execution Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Final CIP Funding Level	\$ 1,212,000	3,029,750	602,550	594,160	721,380	855,760	880,840	937,290	1,057,800	1,089,620	1,154,925

(1) This project is eligible for SJRWMD reimbursement of 33%. The positive cash flows related to this reimbursement are included in Schedule 4.

UTILITY RATE STUDY
APPENDIX A

Schedule 4 – Projection of Cash Inflows

	<u>FY 2015</u> ⁽¹⁾	<u>FY 2016</u> ⁽²⁾	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Rate Revenue Growth Assumptions</u>											
Growth in Water ERUs	N/A	0.13%	0.13%	0.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Growth in Water Usage	N/A	1.14%	-0.87%	-0.87%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Growth in Sewer ERUs	N/A	0.15%	0.15%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Growth in Sewer Usage	N/A	1.15%	-0.85%	-0.85%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
<u>Assumed Rate Revenue Adjustments</u>											
Assumed Rate Adjustment	0.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<u>Water Rate Revenue</u>											
Base Facility Charges	\$ 642,282	662,438	679,907	697,837	715,283	733,165	751,494	770,281	789,538	809,277	829,509
Usage Charges	809,126	842,862	856,439	870,234	883,070	896,095	909,312	922,725	936,335	950,146	964,160
<u>Sewer Rate Revenue</u>											
Base Facility Charges	\$ 976,451	1,007,232	1,033,938	1,061,350	1,087,884	1,115,081	1,142,958	1,171,532	1,200,820	1,230,840	1,261,611
Usage Charges	1,648,305	1,717,268	1,745,172	1,773,525	1,799,685	1,826,230	1,853,167	1,880,501	1,908,239	1,936,385	1,964,947
Total Rate Revenue	\$ 4,076,164	4,229,800	4,315,457	4,402,946	4,485,921	4,570,570	4,656,931	4,745,039	4,834,932	4,926,648	5,020,227
<u>Other Operating Revenue</u>											
Water Taps	\$ 7,985	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450
Sewer Taps	6,519	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Fema Funding	-	-	-	-	-	-	-	-	-	-	-
SJRWMD Grant Reimb - WWTP Package Plant ⁽³⁾	3,300	247,500	-	-	-	-	-	-	-	-	-
Total Other Operating Revenue	\$ 17,804	260,950	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450
<u>Non-Operating Revenue</u>											
Set-Up Fees	\$ 15,430	15,531	15,531	15,531	15,531	15,531	15,531	15,531	15,531	15,531	15,531
Reconnect Fees	18,275	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Delinquent Fees	63,329	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Bad Debt Recovery	2,069	-	-	-	-	-	-	-	-	-	-
State Board Admin Interest	681	225	225	225	225	225	225	225	225	225	225
Other Misc. Revenues	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Non-Operating Revenue	\$ 99,784	110,756	110,756	110,756	110,756	110,756	110,756	110,756	110,756	110,756	110,756
Interest Earnings Revenue	\$ 1,628	4,391	6,961	12,454	22,183	30,997	39,893	41,434	44,122	48,738	51,454
	\$ 4,195,380	4,605,898	4,446,624	4,539,605	4,632,310	4,725,774	4,821,030	4,910,679	5,003,260	5,099,592	5,195,887

(1) FY 2015 rate revenues were based upon FY 2015 unaudited actuals.

(2) Beginning in FY 2016, rate revenues are based on the FY 2015 results and assumed growth and rate increases.

(3) Reflects the grant reimbursement for 33% of the WWTP project cost in Schedule 3.

UTILITY RATE STUDY
APPENDIX A

Schedule 5 – Projection of Cash Outflows

	<u>FY 2015</u> ⁽¹⁾	<u>FY 2016</u> ⁽²⁾	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>GENERAL & ADMIN.</u>											
<u>Personal Services</u>											
Water/Sewer Admin Salaries	\$ 360,711	351,177	361,713	372,564	383,741	395,253	407,111	419,324	431,904	444,861	458,207
Overtime	9,164	5,500	5,665	5,835	6,010	6,190	6,376	6,567	6,764	6,967	7,176
Special Pay	4,923	4,930	5,078	5,230	5,387	5,549	5,715	5,887	6,063	6,245	6,433
Fica	21,606	21,151	21,786	22,439	23,112	23,806	24,520	25,255	26,013	26,794	27,597
Retirement Contributions	37,547	35,458	36,521	37,617	38,746	39,908	41,105	42,338	43,609	44,917	46,264
Life & Health Insurance	49,444	53,483	61,505	70,731	81,340	93,542	107,573	118,330	130,163	143,179	157,497
Workers' Compensation	2,942	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Medicare	5,177	4,990	5,140	5,294	5,453	5,617	5,785	5,959	6,138	6,322	6,511
Sub-Total: Personal Services	\$ 491,513	479,689	500,498	522,893	547,068	573,241	601,663	627,243	654,343	683,085	713,600
<u>Operating & Maintenance Expenses</u>											
Professional Services	\$ 14,237	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262
Accounting And Audit	13,005	15,663	16,133	16,617	17,115	17,629	18,158	18,702	19,264	19,841	20,437
Communications Services	480	480	492	504	517	530	543	557	571	585	599
Insurance	10,890	13,500	14,040	14,461	14,895	15,342	15,802	16,276	16,764	17,267	17,785
Repair And Maintenance	25,067	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095
Other Current Charges	9,125	7,500	7,688	7,880	8,077	8,279	8,486	8,698	8,915	9,138	9,366
Educational Courses	-	200	205	210	215	221	226	232	238	244	250
Uniforms	520	650	666	683	700	717	735	754	773	792	812
Other G & A Charges	1,440	7,500	7,688	7,880	8,077	8,279	8,486	8,698	8,915	9,138	9,366
Sub-Total: Operating & Maintenance Expenses	\$ 74,764	67,993	70,086	72,105	74,182	76,320	78,519	80,783	83,111	85,508	87,973
<u>SEWER SERVICES</u>											
<u>Personal Services</u>											
Sewer Regular Salaries	\$ 421,219	424,616	437,355	450,476	463,990	477,910	492,247	507,014	522,225	537,891	554,028
Overtime	5,120	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Special Pay	5,113	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
Fica	25,407	26,112	26,895	27,702	28,533	29,389	30,270	31,179	32,114	33,077	34,070
Retirement Contributions	29,415	29,047	29,918	30,816	31,740	32,693	33,673	34,684	35,724	36,796	37,900
Life & Health Insurance	58,223	63,362	72,867	83,797	96,366	110,821	127,444	140,189	154,208	169,628	186,591
Workers' Compensation	6,864	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133
Medicare	5,942	5,413	5,575	5,742	5,915	6,092	6,275	6,463	6,657	6,857	7,062
Sub-Total: Personal Services	\$ 557,302	565,700	590,275	616,727	645,284	676,207	709,791	740,006	772,020	805,975	842,028

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Schedule 5 – Projection of Cash Outflows

	<u>FY 2015</u> ⁽¹⁾	<u>FY 2016</u> ⁽²⁾	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>Operating & Maintenance Expenses</u>											
Professional Services	\$ -	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438
Other Contractual Serv.	96,182	85,000	88,400	91,936	95,613	99,438	103,415	107,552	111,854	116,328	120,982
Travel And Per Diem	100	200	205	210	215	221	226	232	238	244	250
Communications Services	3,720	4,100	4,203	4,308	4,415	4,526	4,639	4,755	4,874	4,995	5,120
Postage (Inc. Fed Ex)	10,851	11,000	11,275	11,557	11,846	12,142	12,445	12,757	13,076	13,402	13,737
Utility Services	210,192	215,500	226,275	237,589	249,468	261,942	275,039	288,791	303,230	318,392	334,311
Rentals And Leases	1,013	300	309	318	328	338	348	358	369	380	391
Insurance	33,497	38,000	39,520	40,706	41,927	43,185	44,480	45,815	47,189	48,605	50,063
Repair And Maintenance	57,243	75,000	77,250	79,568	81,955	84,413	86,946	89,554	92,241	95,008	97,858
Other Current Charges	500	240	246	252	258	265	272	278	285	292	300
Operating Supplies	64,766	69,000	72,450	76,073	79,876	83,870	88,063	92,467	97,090	101,944	107,042
Books, Subscrip. & Member	713	400	410	420	431	442	453	464	475	487	500
Educational Courses	1,690	2,000	2,050	2,101	2,154	2,208	2,263	2,319	2,377	2,437	2,498
Vehicle R & M	2,761	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
Gas, Oil, & Lubricants	9,673	9,400	9,870	10,364	10,882	11,426	11,997	12,597	13,227	13,888	14,582
Uniforms	2,619	2,500	2,563	2,627	2,692	2,760	2,829	2,899	2,972	3,046	3,122
Sub-Total: Operating & Maintenance Expenses	\$ 495,519	526,640	549,445	572,879	597,358	622,930	649,644	677,554	706,714	737,184	769,023
<u>WATER SERVICES</u>											
<u>Personal Services</u>											
Water Regular Salaries	\$ 304,410	320,374	329,986	339,885	350,082	360,584	371,402	382,544	394,020	405,841	418,016
Overtime	8,455	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438
Special Pay	7,213	8,610	8,868	9,134	9,408	9,691	9,981	10,281	10,589	10,907	11,234
Fica	17,573	20,010	20,610	21,228	21,865	22,521	23,197	23,893	24,610	25,348	26,108
Retirement Contributions	24,926	27,275	28,094	28,937	29,805	30,699	31,620	32,568	33,545	34,552	35,588
Life & Health Insurance	89,500	96,341	110,793	127,412	146,523	168,502	193,777	213,155	234,470	257,917	283,709
Workers' Compensation	6,374	6,500	6,695	6,896	7,103	7,316	7,535	7,761	7,994	8,234	8,481
Medicare	4,110	4,432	4,565	4,702	4,843	4,988	5,138	5,292	5,451	5,614	5,783
Sub-Total: Personal Services	\$ 462,559	491,543	517,850	546,681	578,371	613,305	651,924	685,046	720,518	758,547	799,357
<u>Operating & Maintenance Expenses</u>											
Other Contractual Serv.	\$ 33,901	29,120	30,285	31,496	32,756	34,066	35,429	36,846	38,320	39,853	41,447
Travel And Per Diem	100	250	256	263	269	276	283	290	297	305	312
Communications Services	8,502	8,500	8,713	8,930	9,154	9,382	9,617	9,857	10,104	10,356	10,615
Postage (Inc. Fed Ex)	8,539	9,000	9,225	9,456	9,692	9,934	10,183	10,437	10,698	10,966	11,240
Utility Services	41,685	45,000	47,250	49,613	52,093	54,698	57,433	60,304	63,320	66,485	69,810
Rentals And Leases	1,459	500	515	530	546	563	580	597	615	633	652
Insurance	22,385	26,000	27,040	27,851	28,687	29,547	30,434	31,347	32,287	33,256	34,253

UTILITY RATE STUDY
APPENDIX A

Schedule 5 – Projection of Cash Outflows

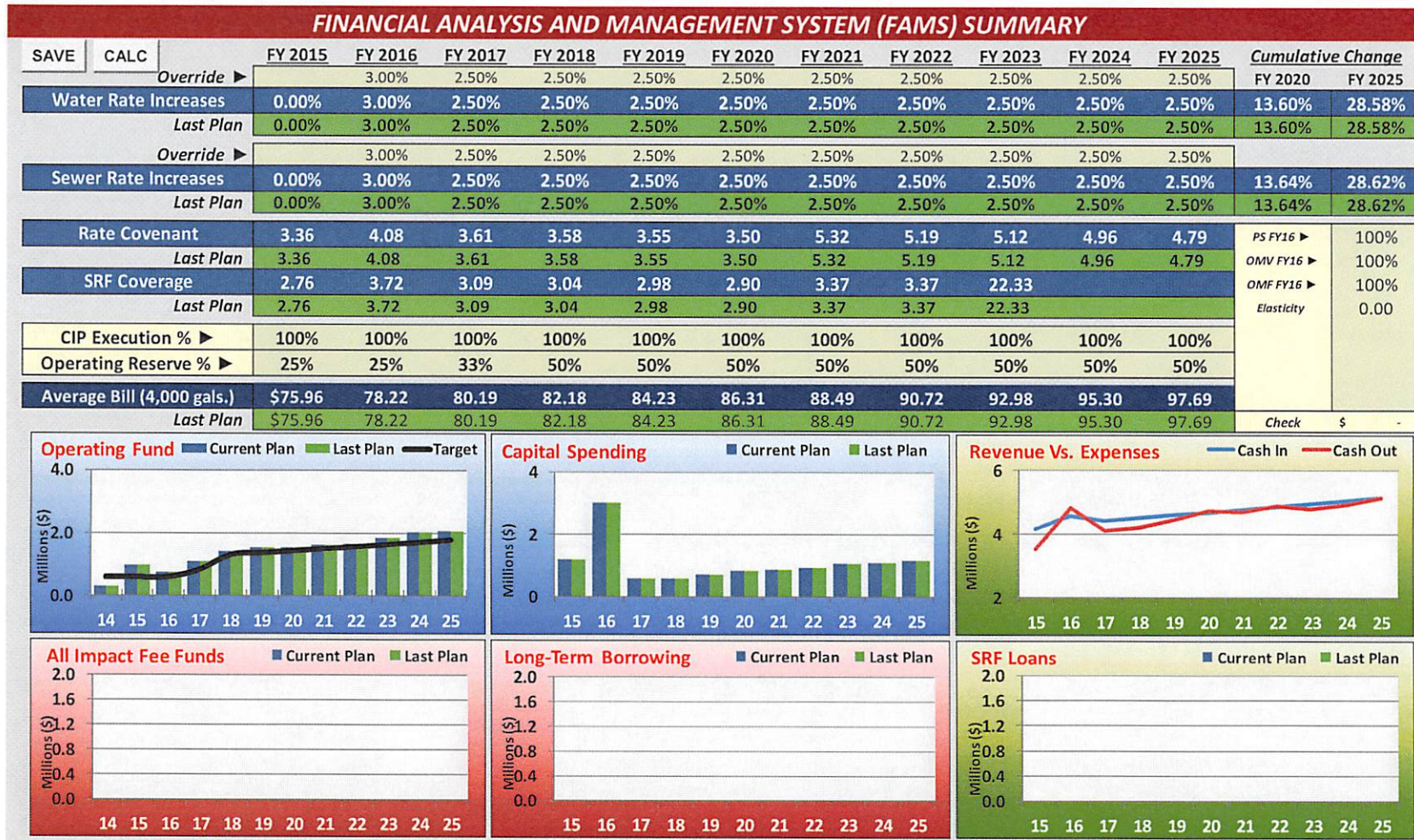
	<u>FY 2015</u> ⁽¹⁾	<u>FY 2016</u> ⁽²⁾	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Repair And Maintenance	106,160	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810
Other Current Charges	2,000	150	154	158	162	166	170	174	178	183	187
Operating Supplies	33,969	30,500	32,025	33,626	35,308	37,073	38,927	40,873	42,917	45,062	47,316
Books, Subscrip. & Member	1,273	600	615	630	646	662	679	696	713	731	749
Educational Courses	3,050	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249
Vehicle R & M	8,634	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786
Gas, Oil, & Lubricants	16,166	21,000	22,050	23,153	24,310	25,526	26,802	28,142	29,549	31,027	32,578
Uniforms	2,416	2,400	2,460	2,522	2,585	2,649	2,715	2,783	2,853	2,924	2,997
Sub-Total: Operating & Maintenance Expenses	\$ 290,239	246,520	256,287	266,193	276,507	287,246	298,429	310,075	322,205	334,840	348,002
Sub-Total: Operating Expenses	\$2,371,896	2,378,085	2,484,441	2,597,479	2,718,770	2,849,247	2,989,970	3,120,707	3,258,912	3,405,138	3,559,984
Expense Execution Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total: Personal Services and O&M Funding Level	\$2,371,896	2,378,085	2,484,441	2,597,479	2,718,770	2,849,247	2,989,970	3,120,707	3,258,912	3,405,138	3,559,984
Debt Service Expenses											
W/S Revenue Refunding Series 2001	\$ -	-	-	-	-	-	-	-	-	-	-
Bonds 2010 A	197,731	198,142	198,487	198,633	193,778	193,791	-	-	-	-	-
W/S Note Series 2013A	114,713	119,545	264,210	344,017	345,978	342,603	344,060	345,183	340,970	341,590	341,875
W/S Note Series 2013B	230,320	228,070	80,803	-	-	-	-	-	-	-	-
Total: Senior-Lien Debt Service Expenses	\$ 542,763	545,757	543,500	542,650	539,756	536,393	344,060	345,183	340,970	341,590	341,875
SRF Debt Service Expenses											
Drinking Water SRF Loan #1	\$ 12,701	12,699	12,700	12,700	12,701	12,700	12,700	-	-	-	-
Drinking Water SRF Loan #2	118,099	118,099	118,130	118,099	118,099	118,099	118,099	118,099	59,021	-	-
Clean Water SRF Loan	284,803	284,804	284,803	284,804	284,804	284,804	284,804	284,804	-	-	-
Total: SRF Debt Service Expenses	\$ 415,603	415,602	415,633	415,603	415,604	415,603	415,603	402,903	59,021	-	-
Transfers Out											
Transfer To General Fund	\$ 75,000	75,000	76,875	78,797	80,767	82,786	84,856	86,977	89,151	91,380	93,665
Total: Transfers Out	\$ 75,000	75,000	76,875	78,797	80,767	82,786	84,856	86,977	89,151	91,380	93,665
Capital Project Funding Sources											
Projects to be Paid with Operating Reserves	\$ -	285,678	-	-	-	-	-	-	-	-	-
Projects Designated to be Paid with Cash	112,000	1,129,750	602,550	594,160	721,380	855,760	880,840	937,290	1,057,800	1,089,620	1,154,925
Total: Transfers Out	\$ 112,000	1,415,428	602,550	594,160	721,380	855,760	880,840	937,290	1,057,800	1,089,620	1,154,925
TOTAL CASH OUTFLOWS	\$3,517,263	4,829,872	4,122,999	4,228,688	4,476,277	4,739,789	4,715,329	4,893,059	4,805,855	4,927,729	5,150,448

(1) FY 2015 expenses are based on FY 2015 Budget.

(2) FY 2016 expenses are based on the FY 2016 estimates and cost escalation factors referenced on Schedule 6.

Schedule 6 – Cost Escalation Factors

<u>Annual Cost Escalation Factors:</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Water/Sewer Admin Salaries	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Overtime	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Special Pay	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Fica	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Retirement Contributions	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Life & Health Insurance	25.00%	15.00%	15.00%	15.00%	15.00%	15.00%	10.00%	10.00%	10.00%	10.00%
Workers' Compensation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Medicare	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Bond Issuance Expense	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Professional Services	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Accounting And Audit	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Communications Services	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Insurance	5.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Repair And Maintenance	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Current Charges	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Educational Courses	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Uniforms	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other G & A Charges	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Machinery & Equipment	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Sewer Regular Salaries	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Contractual Serv.	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Travel And Per Diem	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Postage (Inc. Fed Ex)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Utility Services	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rentals And Leases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Operating Supplies	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Books, Subscrip. & Member	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Vehicle R & M	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas, Oil, & Lubricants	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Improvements - Not Buildings	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Water Regular Salaries	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Transfer To General Fund	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Trans To Revenue Bond S/F	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Trans To Dep Payment Fund	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Trans To Nitrogen Loan	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Principal On Debt	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Improvements - Reclaimed Project	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Capitalized Construction	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Default Inflation Factor (if expense not listed above)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%



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Schedule 8 – Pro Forma

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1 Rate Revenue Subject to Growth & Rate Adjustments											
2 Water and Sewer Rate Revenue	\$ 4,076,164	4,076,164	4,229,800	4,315,457	4,402,946	4,485,921	4,570,570	4,656,931	4,745,039	4,834,932	4,926,648
3 Additional Rate Revenue From Partial PY Rate Increase	-	-	-	-	-	-	-	-	-	-	-
4 Additional Revenue From Growth	-	30,438	(19,598)	(19,900)	(26,438)	(26,828)	(27,223)	(27,625)	(28,032)	(28,446)	(28,865)
5 Weather Normalization And Other Adjustments	-	-	-	-	-	-	-	-	-	-	-
6 Subtotal: Base Revenue With Growth	\$ 4,076,164	4,106,602	4,210,202	4,295,557	4,376,508	4,459,093	4,543,347	4,629,306	4,717,006	4,806,486	4,897,783
7 Weighted Average Rate Increase	0.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
8 Additional Rate Revenue From Rate Increase	-	123,198	105,255	107,389	109,413	111,477	113,584	115,733	117,925	120,162	122,445
9 Price Elasticity Adjustment	-	-	-	-	-	-	-	-	-	-	-
10 Total Rate Revenue	\$ 4,076,164	4,229,800	4,315,457	4,402,946	4,485,921	4,570,570	4,656,931	4,745,039	4,834,932	4,926,648	5,020,227
11 Plus: Other Operating Revenues											
12 Other Operating Revenues	\$ 17,804	270,950	23,450	23,450	23,450	23,450	23,450	23,450	23,450	23,450	23,450
13 Equals: Total Operating Revenue	\$ 4,093,968	4,500,750	4,338,907	4,426,396	4,509,371	4,594,020	4,680,381	4,768,489	4,858,382	4,950,098	5,043,677
14 Less: Operating Expenses											
15 Personal Services	\$(1,511,374)	(1,536,932)	(1,608,623)	(1,686,301)	(1,770,723)	(1,862,752)	(1,963,378)	(2,052,295)	(2,146,881)	(2,247,607)	(2,354,986)
16 O&M Expenses	(860,522)	(841,153)	(875,818)	(911,178)	(948,047)	(986,495)	(1,026,592)	(1,068,412)	(1,112,031)	(1,157,532)	(1,204,998)
17 Equals: Net Operating Income	\$ 1,722,072	2,122,665	1,854,466	1,828,917	1,790,601	1,744,773	1,690,410	1,647,782	1,599,469	1,544,960	1,483,694
18 Plus: Non-Operating Income/(Expense)											
19 Non-Operating Revenue	\$ 99,784	100,756	100,756	100,756	100,756	100,756	100,756	100,756	100,756	100,756	100,756
20 Interest Earned On Fund Balances	1,628	4,391	6,961	12,454	22,183	30,997	39,893	41,434	44,122	48,738	51,454
21 Water Impact Fees	-	-	-	-	-	-	-	-	-	-	-
22 Sewer Impact Fees	-	-	-	-	-	-	-	-	-	-	-
23 Equals: Net Income	\$ 1,823,484	2,227,813	1,962,183	1,942,127	1,913,539	1,876,526	1,831,059	1,789,972	1,744,347	1,694,454	1,635,904
24 Less: Revenues Excluded From Coverage Test											
25 Impact Fees	\$ -	-	-	-	-	-	-	-	-	-	-
26 Equals: Net Income Available For Debt Service	\$ 1,823,484	2,227,813	1,962,183	1,942,127	1,913,539	1,876,526	1,831,059	1,789,972	1,744,347	1,694,454	1,635,904
27 Senior-Lien Debt Service Coverage Test											
28 Existing Debt Service	\$ 542,763	545,757	543,500	542,650	539,756	536,393	344,060	345,183	340,970	341,590	341,875
29 Cumulative New Debt Service	0	-	-	-	-	-	-	-	-	-	-
Total Senior-Lien Debt Service	\$ 542,763	545,757	543,500	542,650	539,756	536,393	344,060	345,183	340,970	341,590	341,875
30 Calculated Debt Service Coverage (Test I)	1.25 Req. 3.36	4.08	3.61	3.58	3.55	3.50	5.32	5.19	5.12	4.96	4.79
31 Calculated Debt Service Coverage (Test II)	1.25 Req. 3.36	4.08	3.61	3.58	3.55	3.50	5.32	5.19	5.12	4.96	4.79
32 Net Income Available For SRF Debt Service	\$ 1,145,030	1,545,616	1,282,808	1,263,815	1,238,844	1,206,035	1,400,984	1,358,494	1,318,135	1,267,466	1,208,560

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Schedule 8 – Pro Forma

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
33 SRF Debt Service Coverage Test											
34 Total SRF Debt Service	\$ 415,603	415,602	415,633	415,603	415,604	415,603	415,603	402,903	59,021	-	-
35 Cumulative New Debt Service	-	-	-	-	-	-	-	-	-	-	-
36 Total SRF Debt Service	\$ 415,603	415,602	415,633	415,603	415,604	415,603	415,603	402,903	59,021	-	-
37 Calculated Debt Service Coverage	1.15 Req. 2.76	3.72	3.09	3.04	2.98	2.90	3.37	3.37	22.33	-	-
38 Cash Flow Test											
39 Net Income Available For Debt Service	\$ 1,823,484	2,227,813	1,962,183	1,942,127	1,913,539	1,876,526	1,831,059	1,789,972	1,744,347	1,694,454	1,635,904
40 Transfers In - Release of Debt Service Reserve	-	-	-	-	-	-	-	-	-	-	-
41 Transfers Out - Cash Contribution to Debt Service Reserve	(75,000)	(75,000)	(76,875)	(78,797)	(80,767)	(82,786)	(84,856)	(86,977)	(89,151)	(91,380)	(93,665)
42 Total Senior-Lien Debt Service	(542,763)	(545,757)	(543,500)	(542,650)	(539,756)	(536,393)	(344,060)	(345,183)	(340,970)	(341,590)	(341,875)
43 Total SRF Debt Service	(415,603)	(415,602)	(415,633)	(415,603)	(415,604)	(415,603)	(415,603)	(402,903)	(59,021)	-	-
44 Total Short-Term Debt Service	-	-	-	-	-	-	-	-	-	-	-
45 Payment Of Debt Service With Water Impact Fees	-	-	-	-	-	-	-	-	-	-	-
46 Payment Of Debt Service With Sewer Impact Fees	-	-	-	-	-	-	-	-	-	-	-
47 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
48 Transfers Out to Renewal & Replacement Fund	-	-	-	-	-	-	-	-	-	-	-
49 Net Cash Flow	\$ 790,118	1,191,454	926,175	905,077	877,413	841,744	986,541	954,910	1,255,205	1,261,483	1,200,364
50 Unrestricted Working Capital Reserve Fund Test											
51 Balance At Beginning Of Fiscal Year	\$ 312,153	990,271	766,297	1,089,921	1,400,839	1,556,871	1,542,856	1,648,556	1,666,176	1,863,581	2,035,444
52 Cash Flow Surplus/(Deficit)	790,118	1,191,454	926,175	905,077	877,413	841,744	986,541	954,910	1,255,205	1,261,483	1,200,364
53 Cash Flow Deficit Paid with Unrestricted Reserve Fund Balance	-	-	-	-	-	-	-	-	-	-	-
54 Projects Paid with Unrestricted Reserve Fund Balance	(112,000)	(1,415,428)	(602,550)	(594,160)	(721,380)	(855,760)	(880,840)	(937,290)	(1,057,800)	(1,089,620)	(1,154,925)
55 Balance At End Of Fiscal Year	\$ 990,271	766,297	1,089,921	1,400,839	1,556,871	1,542,856	1,648,556	1,666,176	1,863,581	2,035,444	2,080,883
56 Minimum Working Capital Reserve Target	592,974	594,521	828,147	1,298,739	1,359,385	1,424,624	1,494,985	1,560,353	1,629,456	1,702,569	1,779,992
57 Excess Working Capital Above Target	\$ 397,297	171,775	261,774	102,099	197,486	118,232	153,571	105,822	234,124	332,875	300,891

Schedule 9 – Capital Projects Funding Summary

<u>CIP Funding Sources:</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
RENEWAL & REPLACEMENT 405	\$ 1,100,000	1,614,322	-	-	-	-	-	-	-	-	-
REVENUE FUND 404	-	285,678	-	-	-	-	-	-	-	-	-
SRF PROCEEDS	-	-	-	-	-	-	-	-	-	-	-
DEBT PROCEEDS	-	-	-	-	-	-	-	-	-	-	-
PROJECTS DESIGNATED TO BE PAID WITH CASH	112,000	1,129,750	602,550	594,160	721,380	855,760	880,840	937,290	1,057,800	1,089,620	1,154,925
Total CIP Funding Sources	\$ 1,212,000	3,029,750	602,550	594,160	721,380	855,760	880,840	937,290	1,057,800	1,089,620	1,154,925
Total CIP Input	1,212,000	3,029,750	602,550	594,160	721,380	855,760	880,840	937,290	1,057,800	1,089,620	1,154,925
Variance	-	-	-	-	-	-	-	-	-	-	-

Schedule 10 – Long Term Borrowing

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Term (Years)	15	15	15	15	15	15	15	15	15	15	15
Interest Rate	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%	5.50%	5.50%
Sources of Funds											
Par Amount	\$ -	-	-	-	-	-	-	-	-	-	-
Uses of Funds											
Proceeds	\$ -	-	-	-	-	-	-	-	-	-	-
Cost of Issuance	2.00% of Par	-	-	-	-	-	-	-	-	-	-
Underwriter's Discount	\$0.00 per \$1,000	-	-	-	-	-	-	-	-	-	-
Bond Insurance	0 times total Debt Service	-	-	-	-	-	-	-	-	-	-
Capitalized Interest	0 Years Interest	-	-	-	-	-	-	-	-	-	-
Debt Service Surety	0.00% of Debt Service	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve	0 Years of Debt Service	-	-	-	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-	-	-	-	-
Total Uses	\$ -	-	-	-	-	-	-	-	-	-	-
1 Year Interest	\$ -	-	-	-	-	-	-	-	-	-	-
Annual Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
Total Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
Cumulative New Annual Debt Service ⁽¹⁾	\$ -	-	-	-	-	-	-	-	-	-	-

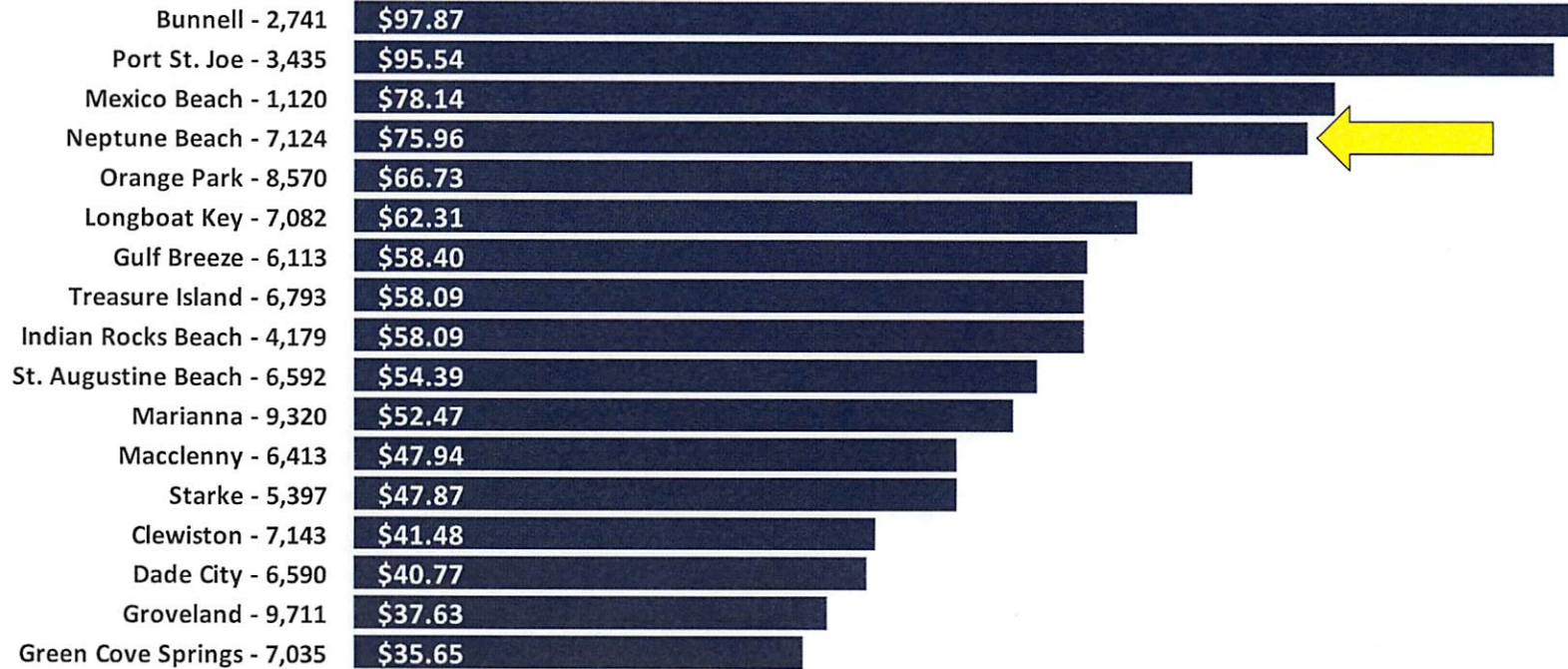
(1) Cumulative new annual debt service assumes interest-only payments in first year of debt issuance.

Schedule 11 – Detailed Funding Summary

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
RENEWAL & REPLACEMENT 405											
Balance At Beginning Of Fiscal Year	\$ 2,708,925	1,614,322	4,036	4,066	4,107	4,168	4,252	4,358	4,467	4,579	4,693
Additional Annual Revenues	-	-	-	-	-	-	-	-	-	-	-
Less: Payment Of Debt Service	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 2,708,925	1,614,322	4,036	4,066	4,107	4,168	4,252	4,358	4,467	4,579	4,693
Less: Restricted Funds	-	-	-	-	-	-	-	-	-	-	-
Total Amount Available For Projects	\$ 2,708,925	1,614,322	4,036	4,066	4,107	4,168	4,252	4,358	4,467	4,579	4,693
Amount Paid For Projects	(1,100,000)	(1,614,322)	-	-	-	-	-	-	-	-	-
Subtotal	\$ 1,608,925	-	4,036	4,066	4,107	4,168	4,252	4,358	4,467	4,579	4,693
Add Back: Restricted Funds	-	-	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings	5,397	4,036	30	41	62	83	106	109	112	114	117
Less: Interest Allocated To Cash Flow	-	-	-	-	-	-	-	-	-	-	-
Balance At End Of Fiscal Year	\$ 1,614,322	4,036	4,066	4,107	4,168	4,252	4,358	4,467	4,579	4,693	4,810
REVENUE FUND 404											
Balance At Beginning Of Fiscal Year	\$ 312,153	990,271	766,297	1,089,921	1,400,839	1,556,871	1,542,856	1,648,556	1,666,176	1,863,581	2,035,444
Additional Annual Revenues	790,118	1,191,454	926,175	905,077	877,413	841,744	986,541	954,910	1,255,205	1,261,483	1,200,364
Less: Cash-Funded Capital Projects	(112,000)	(1,129,750)	(602,550)	(594,160)	(721,380)	(855,760)	(880,840)	(937,290)	(1,057,800)	(1,089,620)	(1,154,925)
Less: Payment Of Debt Service	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 990,271	1,051,974	1,089,921	1,400,839	1,556,871	1,542,856	1,648,556	1,666,176	1,863,581	2,035,444	2,080,883
Less: Restricted Funds	(592,974)	(594,521)	(828,147)	(1,298,739)	(1,359,385)	(1,424,624)	(1,494,985)	(1,560,353)	(1,629,456)	(1,702,569)	(1,779,992)
Total Amount Available For Projects	\$ 397,297	457,453	261,774	102,099	197,486	118,232	153,571	105,822	234,124	332,875	300,891
Amount Paid For Projects	-	(285,678)	-	-	-	-	-	-	-	-	-
Subtotal	\$ 397,297	171,775	261,774	102,099	197,486	118,232	153,571	105,822	234,124	332,875	300,891
Add Back: Restricted Funds	592,974	594,521	828,147	1,298,739	1,359,385	1,424,624	1,494,985	1,560,353	1,629,456	1,702,569	1,779,992
Plus: Interest Earnings	1,628	4,391	6,961	12,454	22,183	30,997	39,893	41,434	44,122	48,738	51,454
Less: Interest Allocated To Cash Flow	(1,628)	(4,391)	(6,961)	(12,454)	(22,183)	(30,997)	(39,893)	(41,434)	(44,122)	(48,738)	(51,454)
Balance At End Of Fiscal Year	\$ 990,271	766,297	1,089,921	1,400,839	1,556,871	1,542,856	1,648,556	1,666,176	1,863,581	2,035,444	2,080,883
RESTRICTED RESERVES											
Balance At Beginning Of Fiscal Year	\$ -	-	-	-	-	-	-	-	-	-	-
Additional Annual Revenues:											
Debt Service Reserve on New Debt	-	-	-	-	-	-	-	-	-	-	-
Other Additional Funds	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	-	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings	-	-	-	-	-	-	-	-	-	-	-
Less: Interest Allocated To Cash Flow	-	-	-	-	-	-	-	-	-	-	-
Balance At End Of Fiscal Year	\$ -	-	-	-	-	-	-	-	-	-	-

APPENDIX B – RESIDENTIAL RATE SURVEY

Combined Water & Sewer Bill Survey at 4,000 Gallons per Month



INTRODUCED BY:
Mayor Pruette, Vice Mayor Arthur,
Councilor Jolly, Councilor Tucker,
Councilor Wiley



ORDINANCE NO. 2016-04

A BILL TO BE ENTITLED

AN ORDINANCE AMENDING THE CODE OF ORDINANCES OF THE CITY OF NEPTUNE BEACH, FLORIDA, AMENDING CHAPTER 23, UTILITIES: ARTICLE IV, WATER AND SEWER SERVICE CHARGES; SECTION 23-84(B), (C) AND (D); TO INCREASE WATER RATES; AND SECTION 23-85(A), (B) AND (C), TO INCREASE SEWER RATES; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the City of Neptune Beach commissioned a Water and Sewer Rate Study in conjunction with infrastructure improvements mandated for the future; and

WHEREAS, the City desires to provide the necessary funds to implement said infrastructure improvements.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF NEPTUNE BEACH, FLORIDA:

SECTION 1. Section 23-84(b), (c) and (d) of the Code of Ordinances is hereby amended to read as follows:

Sec. 23-84. Water Rates.

(a) *Description of water rate structure.* The rate of charge for all water passed through the service meter of each customer shall consist of a monthly service charge based on the size of the customer's service meter and a gallonage charge for each unit of one thousand (1,000) gallons or portion thereof. Such charges shall be due and payable on a monthly basis.

(b) *Monthly service charge.* Each customer within the city limits shall pay the following listed monthly service charge based on the size of the customer's water service meter:

Meter Size inches	Monthly Service Charge	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
¾	\$ 12.14	12.44	12.75	13.07
1	30.28	31.04	31.82	32.62
1 ½	60.58	62.09	63.64	65.23
2	96.98	99.40	101.89	104.44
3	248.27	223.73	229.32	235.05
4	303.14	310.72	318.49	326.45
6	969.93	994.18	1,019.03	1,044.51

Customers with multiple units being served by one meter shall be assessed a base charge for each unit.

(c) *Gallonage charge.* In addition to the above established service charge, each customer within the city limits shall pay a monthly gallonage per unit for each one thousand (1,000) gallons, or portion thereof, of water passed through the customer's service meter according to the following schedule:

Usage Range	Cost Per 1,000 gallons Or portion thereof	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
5,000	\$ 2.74	<u>2.81</u>	<u>2.88</u>	<u>2.95</u>
5,001 - 15,000	4.08	<u>4.18</u>	<u>4.28</u>	<u>4.39</u>
15,001 - 30,000	5.39	<u>5.52</u>	<u>5.66</u>	<u>5.80</u>
30,001 - +++++	6.72	<u>6.89</u>	<u>7.06</u>	<u>7.24</u>

The water usage charges for multiple meters on a single account shall be cumulative. The water usage charges for multi-family units on single meters shall be cumulative.

(d) *Billing.* Such monthly rates, fees and charges shall be billed to the consumer and collected as hereinafter provided in this article.

(e) *Annual review.* The water rates shall be reviewed on an annual basis to determine if adjustments are necessary, based on the utilities' prior year performance. Such adjustments, if any, shall be implemented by ordinance.

(f) *Homeowners' association water rate structure.* Notwithstanding other provisions of this chapter, there is hereby established a special rate for lawn water meters to be used to benefit homeowners' associations that have multiple lawn meters for the purpose of watering in the common areas of their property. Such homeowners' associations may petition the council through their membership or elected leadership for the "homeowners' association" rate which shall consist of one (1) monthly service charge, as described in this section, regardless of the actual number of meters. Such service charge shall be based on the largest meter in the group of meters being served. Upon having the rate granted by the council, the homeowners' association shall be charged cumulatively for all water metered through all of their meters, but shall only be charged the one (1) monthly service charge.

SECTION 2. Section 23-85(a) of the Code of Ordinances is hereby amended to read as follows:

Sec. 23-85. Sewer Rates.

(a) For each connection to the sewerage system of the city, including existing connections, there shall be charged and paid for the use of and for the services and facilities furnished or to be furnished by the system the schedule of monthly rates, fees and charges, as follows:

Each customer within the city limits shall pay the following listed monthly service charge based on the size of the customer's water service meter.

Meter Size inches	Monthly Service Charge	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
3/4	\$ 20.24	20.75	21.27	21.80
1	50.60	51.87	53.16	54.49
1 1/2	401.25	103.78	106.37	109.03
2	461.99	166.04	170.19	174.44
3	364.53	373.64	382.98	392.55
4	506.28	518.94	531.91	545.21
6	1,620.09	1,660.59	1,702.10	1,744.65

Customers with multiple units being served by one meter shall be assessed a base charge for each unit.

- (b) *Gallonge charge.* In addition to the above established service charge, each customer within the city limits shall pay a monthly gallonage charge per unit for each one thousand (1,000) gallons, or portion thereof, of water passed through the customer's service meter according to the following schedule:

Usage Range	Cost Per Or portion thereof	1,000 gallons	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
0 - 5,000	\$ 8.72		8.94	9.16	9.39
5,001 - 15,000	40.29		10.55	10.81	11.08
15,001 - +++++	41.14		11.39	11.67	11.96

For single-family residential units with 3/4 inch meters, the maximum monthly sewer charge will be for 15,000 gallons. For multi-family units sharing a single meter, the maximum monthly sewer charge will be for 15,000 gallons per unit. The sewer charge for multi-family units on single meters shall be cumulative.

(c) *Billing and collection.* Such monthly rates, fees and charges shall be billed to the consumer and collected as provided in this article.

(d) *Annual review.* The sewer rates established shall be reviewed on an annual basis, to determine if adjustments are necessary, based on the utilities' prior year performance. Such adjustments, if any, shall be implemented by ordinance.

SECTION 3. Effective Date. This Ordinance shall become effective for all bills generated on and after October 1, 2017, including all water and sewer usage prior to that date which would be included in said bills.

SECTION 2. This ordinance shall take effect upon its adoption.

VOTE RESULTS OF FIRST READING:

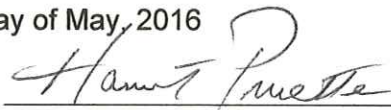
Mayor Harriet Pruette	Yes
Vice Mayor Richard Arthur	Yes
Councilor John Jolly	Yes
Councilor Kara Tucker	Yes
Councilor Scott Wiley	Yes

Passed on First Reading this 4th day of April, 2016.

VOTE RESULTS OF SECOND AND FINAL READING:

Mayor Harriet Pruette	Yes
Vice Mayor Richard Arthur	Yes
Councilor John Jolly	Absent
Councilor Kara Tucker	Yes
Councilor Scott Wiley	Yes

Adopted on Second and Final Reading this 2nd day of May, 2016



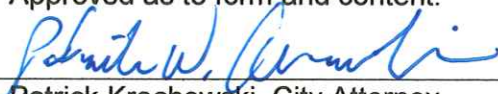
 Harriet Pruette, Mayor

ATTEST:



 Karla Strait, CMC, City Clerk

Approved as to form and content:



 Patrick Krechowski, City Attorney

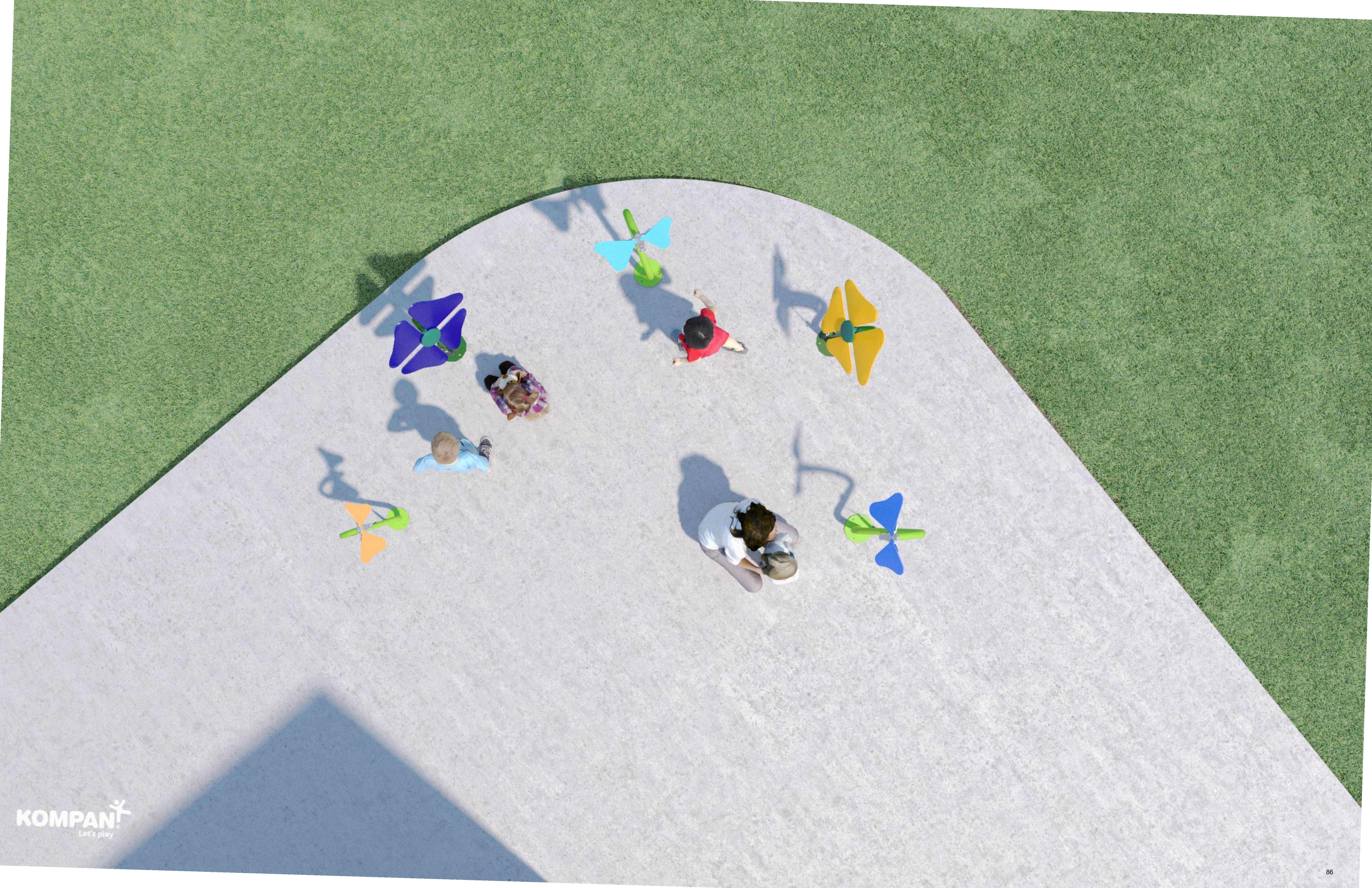


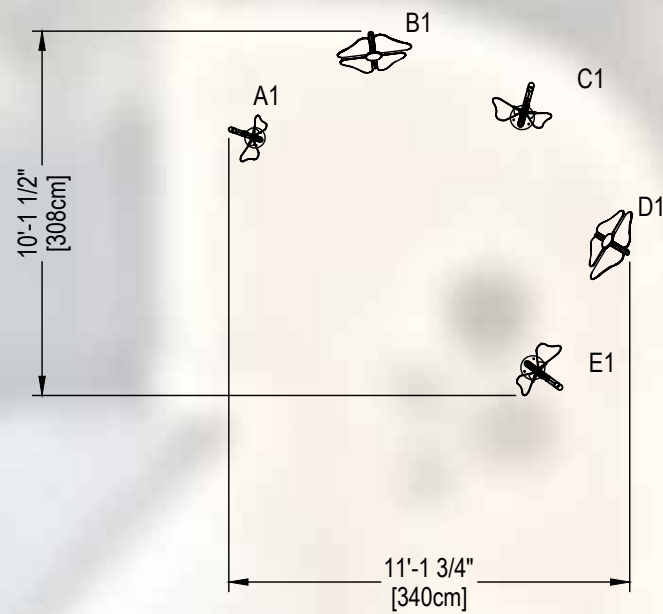
**Workshop Agenda
Item #6C
Kiwanis Club Grant
Music in Jarboe Park**

**CITY OF NEPTUNE BEACH
CITY COUNCIL MEETING
STAFF REPORT**

AGENDA ITEM:	Workshop Agenda Item #6C – Kiwanis Club Grant Award (For Information only)
SUBMITTED BY:	Parks and Sustainability Director Colin Moore
DATE:	March 11, 2026
BACKGROUND:	<p>The City of Neptune Beach was awarded a grant from the Beaches Kiwanis Club.</p> <p>The grant will fund outdoor musical instruments which are weather resistant and installed in a manner that will allow both adults and children who are wheelchair bound.</p>
ATTACHMENT:	Kompan Playground Equipment Images







#	Product Number	Product Name	M.F.H.	Count
A	FRN-BFLY-O-XX	Freenote Butterfly - Orange	0'0"	1
B	FRN-FWR-I-XX	Freenote Flower - Indigo	0'0"	1
C	FRN-BFLY-T-XX	Freenote Butterfly - Teal	0'0"	1
D	FRN-FWR-Y-XX	Freenote Flower - Yellow	0'0"	1
E	FRN-BFLY-I-XX	Freenote Butterfly - Indigo	0'0"	1

**Jarboe Park
Music**
510 Florida Blvd
Neptune Beach, FL 32266
Site Plan - Ages 2+



3/16"=1'-0" ON 11" x 17" SHEET

MANUFACTURER'S SHOP DRAWING:

FOR USE BY CONTRACTOR, ENGINEER, OR DESIGN PROFESSIONAL OF RECORD. SEE SIGNED SALES PROPOSAL FOR COMPLETE SCOPE TO BE PROVIDED BY KOMPAN OR REPRESENTING AGENCY. CONFIRM FINAL PLAN AND SCOPE WITH KOMPAN SALES REP OR PROJECT MANAGER PRIOR TO USE FOR REVIEW, PERMITTING, OR CONSTRUCTION.

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SLAB BY OTHERS UNLESS OTHERWISE NOTED. FOR SURFACE MOUNT OPTIONS, THE CONCRETE REQUIREMENTS MAY BE UP TO 5 1/2" OF 3,500 PSI MINIMUM COMPRESSIVE STRENGTH. CONTACT KOMPAN FOR SPECIFIC PRODUCT REQUIREMENTS. ALL COMPOSITE STRUCTURES SHOWN REQUIRE A SITE GRADE OF 2% MAXIMUM, 1% OPTIMAL. SPECIFICATIONS FOR EACH KOMPAN STRUCTURE MAY BE FOUND AT KOMPAN.COM/KOMPANMASTER

DIMENSIONS OF PLAY AREA, SIZE AND ORIENTATION, LOCATIONS OF ALL EXISTING UTILITIES, EQUIPMENT AND SITE FURNISHINGS TO BE FIELD VERIFIED PRIOR TO CONSTRUCTION.

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SALES REPRESENTATIVE Stacy Moseley			SHEET K1.0
REVIEW BY DESIGN	DRAWN BY JonSch	DATE 1/30/26	REVISION NOTES -
REV. NO. -	REV. BY -	REV. DATE -	