



CITY OF EUSTIS

Stormwater Rate Study

Final Report / March 27, 2026



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March 27, 2026

Ms. Lori Carr
Finance Director
City of Eustis
10 North Grove Street
Eustis, FL 32726

Subject: Stormwater Rate Study Report

Dear Ms. Carr:

Raftelis is pleased to provide this Stormwater Rate Study Report (Report) for the City of Eustis (City) to address current financial challenges and to provide an intermediate plan while the Master Plan is being completed.

The report summarizes the key findings and recommendations related to the development of the financial plan for the stormwater utility in FY 2026 and FY 2027.

It has been a pleasure working with you, and we thank you and the City staff for the support provided during the course of this study.

Sincerely,



Joe Williams
Vice President



Tristen Townsend
Consultant

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1. Executive Summary

1.1. Introduction

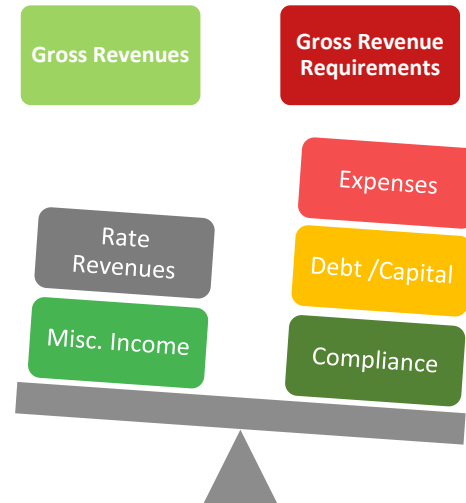
The City of Eustis (City) has retained Raftelis to review the City's stormwater utility revenue requirements, evaluate the sufficiency of existing rates, and recommend rate adjustments to address near-term financial needs.

The City's stormwater utility is established as an enterprise fund, meaning the utility should have revenues equal to the costs of the services provided and should establish rates sufficient to cover the cost of operating, maintaining, repairing, and financing system operations. According to the Governmental Accounting Standards Board, "Enterprise Funds should be used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis should be financed or recovered primarily through user charges."

While the City annually reviews the financial position of the stormwater system (System) as part of the budgetary process, the City last adjusted its stormwater utility rates in 2014. To evaluate the sufficiency of the current stormwater rates, the City authorized Raftelis to conduct a comprehensive rate analysis to estimate the adequacy of rates through fiscal year (FY) 2030. However, the stormwater system's cash reserves have been substantially depleted due to emergency expenditures required to address repairs from recent storm events. This has created an immediate need to stabilize the system's financial position. Furthermore, the System is currently undergoing a stormwater master plan which will not be completed until the end of the fiscal year. With this, Raftelis has been directed to identify a short-term rate adjustment across FY 2026 and FY 2027 to address cash reserves. Then, upon completion of the master plan, a more comprehensive analysis will be performed to identify any additional rate adjustments to fund future capital improvements.

The foundation of the study and the primary objectives of the stormwater rates are to reasonably recover the cost of providing service, including the cost of operating the stormwater utility and the cost of infrastructure investment, as well as to comply with covenants of the outstanding and anticipated future indebtedness and identified fiscal policies / targets (referred to as the "revenue sufficiency" evaluation).

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As shown in the preceding figure, the various components of cost associated with operating and maintaining a municipally owned utility, as well as the cost of financing the renewal and replacement of facilities and capital improvements for upgrades and expansion, are generally referred to as the gross revenue requirements. The sum of these cost components, after adjusting for other income and other operating revenues available to the utility, represents the net rate revenue requirements of the utility system.

The revenue requirements for this rate study were predicated on an analysis of stormwater costs projected through the FY ending September 30, 2027 (i.e., FYs 2026 and 2027). The projected revenue requirements included the various generalized cost components described as follows:

- Operating Expenses: Operating expenses include the cost of labor, utilities, operating supplies, repairs and maintenance, allocated General Fund administrative costs, and other items necessary for the operation and maintenance of the utilities.
- Capital Investment: Capital investment includes the amount of funding on an annual basis made from rates (pay-go spending) to fund ongoing renewals, replacements, improvements, and upgrades not financed by the issuance of debt obligations.
- Debt Service: Debt service includes the principal and interest on the City's currently outstanding and any future anticipated debt or loan obligations payable from the net operating revenues of the system.
- Other Revenue Requirements: This component of cost includes any other funding requirements from rates including, but not limited to, transfers to the Street Improvement Fund, and transfers to reserves for future year expenditures.

The following is a summary of the net revenue requirements derivation:

- + Cost of Operation and Maintenance
- + Debt Service Payments
- + Transfers and Administration Payments
- + Capital Project Financing
- + Equipment Purchases
- + Working Capital Reserves / Financial Compliance
- Other Operating Revenue

–	Interest Income
=	<u>Net Revenue Requirements (Funded from rates)</u>

1.2. Summary of Study Results

Based on the assumptions relied upon in the development of the projected revenue requirements, Raftelis has identified the need for rate adjustments for the stormwater system. The primary reasons for the rate adjustments include the following:

1. The need to maintain adequate operating and capital reserves and margins to provide funds for emergencies.
2. The need to fund annual debt service payments associated with an interfund loan which is anticipated to help stabilize cash reserves.

Based on the financial forecast for the System, which is described in detail in this report, the following rate adjustments are recommended:

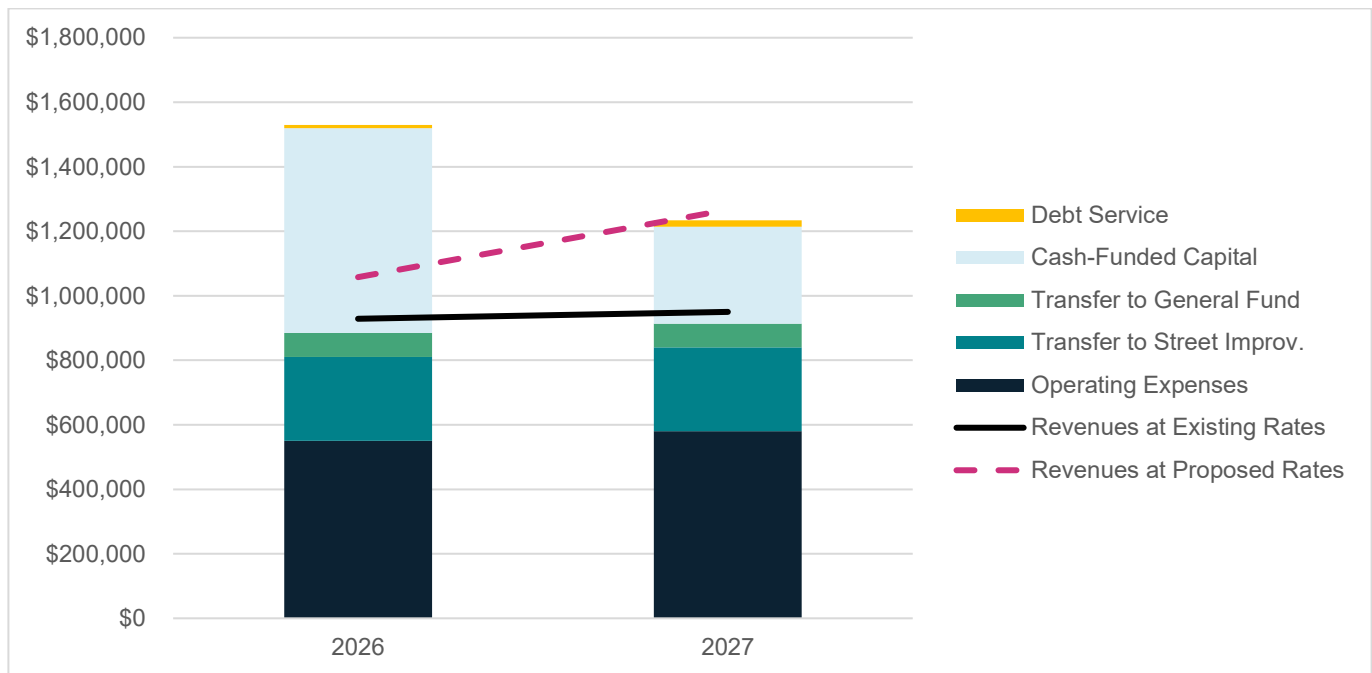
Table ES 1: Proposed Rate Adjustments

Description	Existing	2026	2027
Residential Monthly Rate	\$6.00	\$8.00	\$8.00
Nonresidential Monthly Rate	\$12.00	\$16.00	\$16.00

The adjustments shown above are recommended to be effective May 1, 2026 and have been reviewed by City staff and are representative of the increases in costs to effectively operate and maintain the stormwater system. As demonstrated below, the existing rates are not sufficient to meet the revenue requirements; however, with the proposed rate adjustment, the rates will adequately recover the revenue requirements in FY 2027.

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Figure ES-1: Revenue Sufficiency at Existing and Proposed Rates



1.3. Observations and Recommendations

The following is a summary of the observations and recommendations developed by Raftelis during our investigation, analyses, and preparation of this report:

1. The City’s existing fees for stormwater services are not anticipated to be adequate to fully recover the City’s projected revenue requirements in FY 2026 and FY 2027.
2. The City should consider adopting the proposed stormwater rates, effective May 1, 2026, at \$8.00 per residential unit and \$16.00 per nonresidential account, per month, as calculated for FY 2026. The proposed adjustment for FY 2026 represents a \$2.00 and \$4.00 monthly increase for residential and nonresidential customers, respectively.
3. Once the City completes the stormwater master plan, the City should update the stormwater financial forecast to provide funding for additional improvements beyond FY 2026.
4. The City should consider evaluating alternative rate structures, such as impervious area-based billing or tiered rates by property size, during the comprehensive rate study following completion of the stormwater master plan. Alternative structures may more equitably distribute costs among customers based on their relative contribution to stormwater runoff.

Following the Executive Summary, the remainder of this report outlines the assumptions for the projected revenues and expenditures for the enterprise fund.

2. Introduction

2.1. Background

The City is located in Lake County in the central Florida area and has an estimated population of over 25,000¹ residents, according to Census reports. The City's stormwater system benefits residential and non-residential development in the City and serves approximately 11,700 stormwater customers as of FY 2025. The City initially engaged Raftelis to conduct a rate study to review the sufficiency of the stormwater system's (System) ability to meet financial requirements including operating costs, capital improvements, and reserve fund requirements over the period of FYs 2026 through 2030. However, due to the use of emergency funds to address repairs related to recent storm events, the System has an immediate need to stabilize cash reserves. Furthermore, the City is undergoing a stormwater master plan that will not be completed until the end of the fiscal year. With this, Raftelis has been directed to identify a short-term rate adjustment across FY 2026 and FY 2027 to address cash reserves. Then, upon completion of the master plan, a more comprehensive analysis will be performed to identify any additional rate adjustments to fund future capital improvements, along with potential alternative rate structures to promote a higher level of equitability between customers as the need for higher funding levels materializes

The City constructs, upgrades, maintains, and operates the stormwater system with the intent of preserving property and providing adequate drainage of rainwater and groundwater flooding. Additionally, the system must ensure compliance with state and federal rules and regulations. This section provides a summary of the costs associated with the operations, upkeep, and upgrades to the stormwater system and the associated rates to provide adequate funding. The capital improvement plan (CIP) developed for the purposes of the study only accounts for projects currently identified in FY 2026 and FY 2027 since the City is currently in the process of creating a stormwater master plan, which is not yet finalized. This master plan will identify future projects, which will then result in an updated stormwater rate study to address future funding needs beyond the next two years.

The recommendations of this study are based on a financial forecast developed for the stormwater system that relies on a dynamic Excel-based model which forecasts future customers, revenues, operating expenses, debt service payments, and accounts for various cost escalations and rate adjustments. The study included the identification of utility operating and capital needs, review of the capital financing plan, and establishment of the timing of rate adjustments based on staff input. The financial forecast serves as the basis for the rate recommendations through FY 2027.

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¹ U.S. Census Bureau

3. Customers and Revenues

3.1. General

A major component in the determination of sustained revenue sufficiency for stormwater service is the development of the customer statistics, to which existing rates are applied to calculate revenues. The customer forecast is an essential component of this study which helps align the timing of future rate adjustments with capital projects and anticipated increases to ongoing operations. This section provides a discussion of the customer statistics for FYs 2025 – 2027.

3.2. Existing Stormwater Rates

Per the City's Ordinance 14-95, the existing stormwater rates are charged on a flat fee basis for both residential and nonresidential customers. Under the flat-fee structure, all customers within the same customer class pay the same monthly charge regardless of property size or impervious area. Residential customers are charged based on the number of single-family dwelling units and nonresidential customers are charged by accounts. Undeveloped properties are exempt from the fee. The existing rates are shown in the table below:

Table 1: Existing Monthly Stormwater Rates

Property Type	Existing Monthly Fee	Basis
Residential	\$6.00	Per dwelling unit
Nonresidential	\$12.00	Per account
Undeveloped	N/A	N/A

3.3. Customer Growth and Revenue Projection

Historical billing data for FY 2025 was relied upon to develop the customer summary for the forecast. In FY 2025, residential properties accounted for nearly 93% of the customer base, with the remaining 7% of customers being nonresidential. The City is experiencing ongoing growth, and residential units and customer accounts were projected to grow at approximately 2.3% annually based on growth forecasts utilized in the 2025 Municipal Impact Fee Study². Using this growth, the revenue forecast was developed.

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² 2025 Municipal Impact Fee Study completed by Raftelis, dated September 11, 2025.

Table 2: Historical and Projected Customer Growth

Description	2025	2026	2027
Residential Units	10,947	11,198	11,456
Residential Unit Growth	-	251	258
Nonresidential Accounts	831	850	870
Nonresidential Account Growth	-	19	20
Total Customers	11,778	12,048	12,326
Annual Growth	-	2.3%	2.3%

As shown above, in FY 2025, the City served approximately 11,800 stormwater customers and is expected to grow to over 12,300 customers by FY 2027.

Table 3: Projected Rate Revenues from Existing Fees

Description	2026	2027
Residential Revenues	\$806,300	\$824,800
Nonresidential Revenues	122,400	125,200
Total	\$928,700	\$950,000

Under existing rates, the City is projected to collect approximately \$929,000 in FY 2026, growing to \$950,000 in FY 2027.

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4. Revenue Requirements

4.1. General

Operating cash revenue requirements is the term that defines the various components of cost associated with operating and maintaining the System. The sum of these cost components, less any other income generated, represents the net revenue requirements that are funded from the annual stormwater assessment. The projected revenue requirements over the Forecast Period include the various generalized cost components described below:

- Operating and Maintenance (O&M) Expenses: These expenses include the cost of labor, insurance, utilities, contractual services, maintenance, materials, supplies, administration, indirect cost transfers, and other items necessary for the operations and maintenance of the System.
- Capital Investment: Capital investment includes the amount of funding on an annual basis made from rates (pay-go spending) to fund ongoing renewals, replacements, improvements, and upgrades not financed by the issuance of debt obligations.
- Debt Service: Debt service includes the principal and interest on outstanding debt obligations payable from the net operating revenues. The projected revenue requirements include the assumption that there will be an interfund loan in FY 2026 to stabilize cash reserves.
- Other Revenue Requirements: This component of cost includes, in general, transfers to reserves for future infrastructure rehabilitation or construction or transfers to the Street Improvement Fund and General Fund.

4.2. Operating and Maintenance Expenses

The adopted FY 2026 budget associated with the operations and maintenance of the stormwater system served as the basis for the system's expenditure projections. The budget was then projected for FY 2027. Projections for FY 2027 reflect the anticipated impacts of inflation, labor and benefit adjustments, growth, and other increases affecting ongoing expenses. These impacts are addressed on a budget line-item basis using specific escalation factors. Unless otherwise noted, the underlying assumptions and expenditure amounts included therein were assumed to be reasonable and reflect anticipated operations. The primary assumptions used in the projection of net rate requirements for FY 2027 are:

- Expenditures anticipated to be impacted by inflation increase at 2.5 percent
- Salaries, merit and associated benefits increase by 5.0 percent
- Insurance expenses increase by 10.0 percent
- General maintenance and contractual expenses increase by 5.0 percent
- Utilities, such as power consumption, increase by 10.0 percent

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Table 4: Budgeted and Projected Operating Expenditures

Description	2026	2027
Operating Expenses	\$550,748	\$579,900
Transfer to Street Improvement Fund	260,000	260,000
Transfer to General Fund	74,000	74,000
Total	\$884,748	\$913,900

The transfer to the Street Improvement Fund reflects the stormwater system's share of road drainage costs, and the transfer to the General Fund represents allocated administrative overhead for City services provided to the stormwater utility.

4.3. Capital Improvement Plan

The capital expenditures for the stormwater system are based on estimated project costs derived from the City's capital improvement plan for FYs 2026 and 2027 and are expected to be funded through cash reserves. Projects include culvert replacements, improvements on Donnelly Avenue, the stormwater master plan, equipment purchases, and emergency flood repairs. The following table details the planned stormwater capital improvement plan projects during FY 2026 and FY 2027:

Table 5: FY 2026 - FY 2027 Capital Improvement Plan Project Listing

Description	Project Cost	Project Timing
Emergency Flood Repair Expenses	\$137,500	2026
SW / Flood Control	100,000	2026
SW / Tractor Bush Hog Mower	45,000	2026
SW / Concrete Crushing	55,000	2026
SW / Stormwater Camera	200,000	2026
SW / Stormwater Master Plan	125,000	2026
SW / Culvert Replacement	223,900	2026-2027
SW / Donnelly Ave to Badger Storm Pipe	82,800	2027
SW / Donnelly Ave Storm System	103,500	2027
Total	\$1,072,700	
Total FY 2026 Needs	\$772,500	
Total FY 2027 Needs	\$300,200	

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4.4. Proposed Debt

To stabilize cash reserves, the stormwater system is obtaining an interfund loan from the General Fund. The interfund loan term will be 10 years at a 2.875% interest rate, with proceeds of \$175,000. The average annual debt service will be approximately \$20,000. The details of the loan terms are also shown in the table below:

Table 6: Anticipated Debt

Description	Amount
Debt Proceeds	\$175,000
Term Length	10
Interest Rate	2.875%
Average Debt Service	\$20,300

4.5. Total Revenue Requirements

Based on the assumptions above, a summary of the assumed annual total revenue requirements over the forecast period are shown on the following table:

Table 7: Total Annual Revenue Requirements

Description	2026	2027
Operating Expenses	\$550,748	\$579,900
Transfer to Street Improvement Fund	260,000	260,000
Transfer to General Fund	74,000	74,000
Proposed Debt Service	10,150	20,300
Total Revenue Requirements	\$894,898	\$934,200
Less Miscellaneous Revenues	6,800	5,200
Net Revenue Requirements	\$888,098	\$929,000

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5. Revenue Sufficiency

5.1. General

Sufficient revenues are necessary to pay for the continuing operations of the stormwater system providing for the health, safety and welfare of the community and protection of property. The measure of revenue sufficiency is demonstrated not only by the ability to meet the annual operating requirements, but also to provide for ongoing capital asset renewals and upgrades. The initial task in determining revenue sufficiency is to identify the relative sufficiency of the revenues generated from existing rates to provide for: 1) projected O&M expenses; 2) interfund loan repayment obligations; 3) transfers to maintain reserve funds at adequate levels; and 4) capital improvement expenditures.

5.2. Revenue Sufficiency Forecast

As outlined on the table below, stormwater rate adjustments, along with the use of the loan from the General Fund, are proposed to correct the cash reserves and support funding the identified O&M expenditures and capital improvements identified in FYs 2026 and 2027.

Table 8: Proposed Rate Adjustments

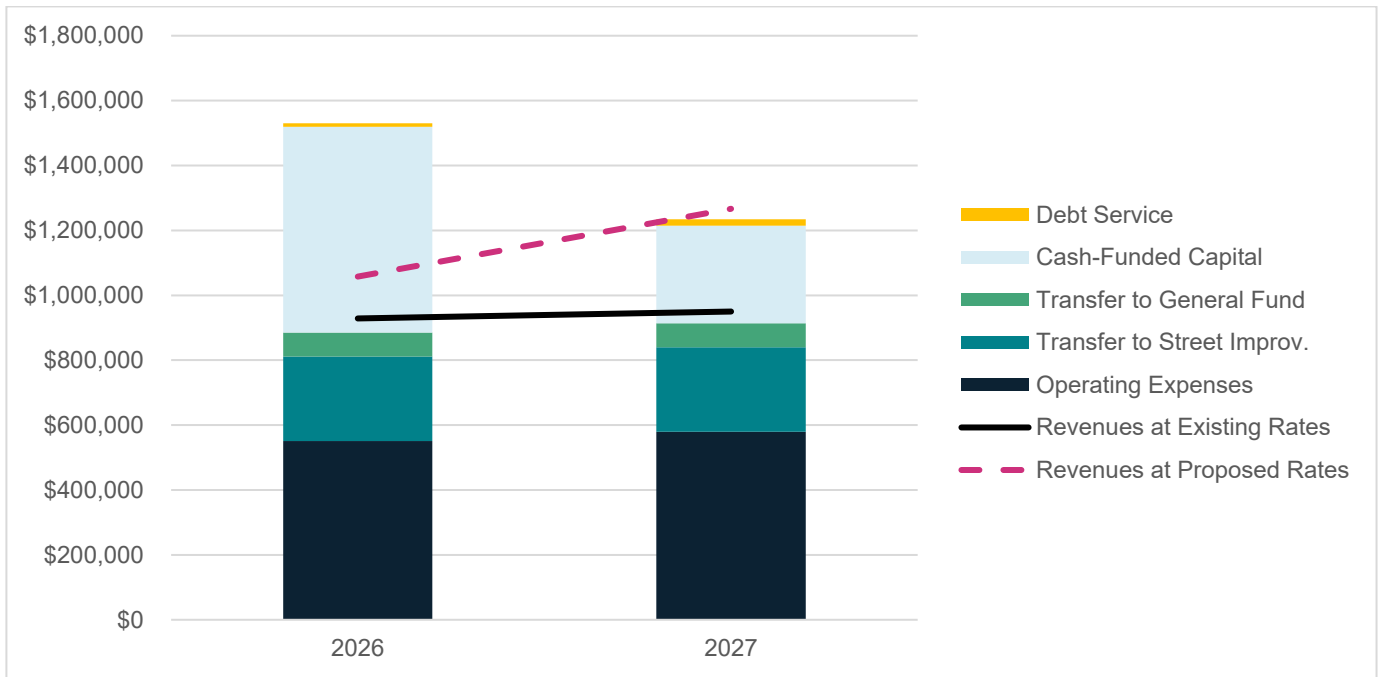
Description	Existing	2026 [1]
Residential Monthly Rate	\$6.00	\$8.00
Nonresidential Monthly Rate	\$12.00	\$16.00

[1] Anticipated to become effective May 1, 2026.

The projected net revenue requirements in FYs 2026 and 2027 for the City’s stormwater system funded from rates are summarized below. As shown by the solid line on the chart, the existing rates will not be sufficient to meet all revenue requirements. Therefore, it is recommended the City implement the recommended rate adjustments.

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Figure 1: Revenue Sufficiency at Existing and Proposed Rates



5.3. Cash Balances

The stormwater system should have adequate cash reserves in order to meet day-to-day funding needs, address unexpected emergencies requiring immediate financial resources, and have sufficient funds for capital appropriation. The following table summarizes the projected ending cash balances FY 2026 and FY 2027 based on implementing the annual rate adjustments as recommended. It should be noted that the City ended FY 2025 with over \$600,000 cash reserves available to the Stormwater system, which has been exhausted on various capital needs.

Table 9: Ending Cash Balances

Description	2026	2027
Operating Reserve Balance	\$200,852	\$238,252

[1] FY 2026 includes the transfer of \$175,000 from the General Fund.

5.4. Proposed Residential Stormwater Rates and Comparisons

In order to provide additional information regarding the proposed rate changes, the City’s existing and proposed residential rates have been compared with other jurisdictions. This rate comparison, as shown on Figure 2, includes a number of utilities throughout central Florida. It should be noted that funding of stormwater programs is not equal in all cities. Some cities use stormwater fees for the majority of the funding requirements related to stormwater improvements, whereas others may supplement stormwater programs with infrastructure funds or other funding sources and will have the appearance of lower stormwater rates. At the proposed rate of \$8.00 per month, the City’s residential stormwater fee will still be below the average rate of \$11.11 for the compared utilities.

Figure 2: Comparison of Residential Stormwater Rates



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City of Eustis
2026 Stormwater Rate Study
Exhibit 1: Projected Revenue Requirements

Description	Projected Fiscal Year Ending Sept. 30,	
	2026	2027
Operating Expenses	\$550,748	\$579,900
Debt Service		
Proposed Debt Service	\$10,150	\$20,300
Total Debt Service	\$10,150	\$20,300
Other Expenses		
Transfer to Street Improv.	\$260,000	\$260,000
Transfer to General Fund	74,000	74,000
Total Other Expenses	\$334,000	\$334,000
Gross Revenue Requirements	\$894,898	\$934,200
Miscellaneous Revenue		
Interest Income	\$6,800	\$5,200
Net Revenue Requirements	\$888,098	\$929,000
Revenues from Existing Rates	\$928,700	\$950,000
Revenues from Prior Year Adjustments	0	316,600
Total Current Year Revenue	\$928,700	\$1,266,600
Percent Adjustment Proposed	33.33%	0.00%
Adjustment Proposed	\$2.00	\$0.00
Effective Month	May	Oct
Percent of Current Year Effective	42%	100%
Total Revenue from Current Year Adjustment	\$129,000	\$0
Total Revenue from Rates	\$1,057,700	\$1,266,600
Total Revenue Surplus / (Deficiency)	\$169,602	\$337,600

City of Eustis
2026 Stormwater Rate Study
Exhibit 2: Cash Balance Forecast

Description	Projected Fiscal Year Ending Sept. 30,	
	2026	2027
<u>Operating Reserve</u>		
Beginning Balance	\$628,750	\$200,852
Operating Surplus / (Deficiency)	169,602	337,600
Capital Funding	(772,500)	(300,200)
General Fund Loan Proceeds	175,000	0
Ending Balance	\$200,852	\$238,252