

**SUPPLEMENT NO. \_\_\_\_**  
**TO THE PROFESSIONAL SERVICES AGREEMENT**  
**BETWEEN WILLDAN FINANCIAL SERVICES AND**  
**THE TOWN OF HOWEY-IN-THE-HILLS, FLORIDA**

**WATER IMPACT FEE STUDY**

---

This document represents Supplement No. \_\_\_\_ to the Professional Services Agreement (the "Agreement") dated on \_\_\_\_\_, 2025 by and between Willdan Financial Services ("Willdan" or the "Consultant") and the Town of Howey-in-the-Hills, Florida (the "Client" or "Town"). All provisions of the Agreement remain in effect except as specifically defined in this Supplement.

In accordance with the Agreement, this Supplement sets forth the Scope of Services and Professional Service Fees for Willdan to provide certain financial consulting services to the Town. The applicable services consist of the preparation of a Water Impact Fee Study ("Study"). Provided herein is a detailed description of the scope of work anticipated to meet the project objectives of the Town for its water impact fees. The proposed scope of work is intended to develop a review and evaluation of the Town's existing fees associated with the recovery of applicable capital costs from new customers connecting to the water utility system.

### **Summary of Approach**

The Impact Fees will be developed in accordance with Florida Statutes Title XI, Chapter 163.31801. Based on the statutes, as well as common industry practice, the calculation of the Impact Fees will employ generally accepted accounting, engineering, and planning methodologies. Such methodologies will include the buy-in, incremental cost or marginal cost, and combined cost. A brief description of each of these methods as identified in American Water Works Association Manual M1 is described below. Each of these methods will be developed for consideration in calculating the Impact Fees.

- **Buy-in Method.** Based on the value of the existing system's capacity. Under this method, new development "buys" a proportionate share of capacity at the cost (value) of the existing facilities.
- **Incremental/Marginal Cost Method.** Based on the value or cost to expand the existing system's capacity. This method assigns to new development the incremental cost of future system expansion needed to serve new development.
- **Combined Cost Method.** Based on blended value of both the existing and expanded system capacity. This method uses a combination of the buy-in and incremental/marginal cost methods.

Provided herein is a description of the tasks associated with the water impact fee analysis. Based on the Consultant's understanding of the project requirements, the scope of work proposed for this project is detailed in the following discussions.

## Scope of Services

### Task 1: Data Collection and Review

Willdan will provide a data request which sets for the information required to perform the study. Once received, Willdan will review the data for completeness to ensure it is sufficient for use in calculating the impact fee. The types of data requested may include, but not be limited to, the following:

- *Detailed asset listing*
- *5 to 10 Year Capital Improvement Plan ("CIP")*
- *Available engineering documents describing existing and planned facilities (e.g. Master Plans)*
- *Detailed amortization schedules for outstanding debt issued to fund existing water facilities*

### Task 2: Identification of System Capacities

The available master planning and capital improvement information will be utilized to identify the existing and future transmission capacities for the water system. Such information will be used to determine the existing and future levels of transmission capacities for use in calculating the water impact fees.

### Task 3: Buy-In Analysis

**Sub-Task 3.1 – Allocation of Existing Assets.** Utilize detailed data of the existing water system assets as provided by the utility as the basis for developing the impact fee. Identify which assets or portions of the assets that may have been funded through grants or contributed by developers as these amounts would be excluded as recoverable assets in the development of the fees.

**Sub-Task 3.2 – Determination of Replacement Cost of Assets.** The replacement cost of each asset line item will be determined using construction cost indices set forth in such publications as the Handy-Whitman Index or the Engineering News Record.

**Sub-Task 3.3 – Determination of Replacement Cost Less Depreciation (RCLD).** The depreciation amount for each asset line item will be deducted from the replacement cost for that line item. The total of the Replacement Cost Less Depreciation ("RCLD") value of all assets will be used as the basis to determine the Buy-In method's fees.

**Sub-Task 3.4 – Determination of Applicable Credits and/or Financing Costs.** Depending upon the funding and/or financing mechanisms used to pay for existing capital facilities,

it may be appropriate to apply debt service credits. In addition to debt service, the analysis will consider credits for grants and other generally accepted valuation adjustments.

#### **Task 4: Incremental/Marginal Cost Analysis**

**Sub-Task 4.1 – Functional Allocation of CIP.** The most current CIP will be reviewed and summarized, and the level of future growth/capacity related capital expenditures will be identified in order to determine the projected amount of growth-related capital expenditures to be incurred during the planning horizon. This task will involve the identification of planned capital project costs incurred as a result of customer growth and will include utilization of information provided in Master Plans or other engineering reports prepared for the utility (if available). The analysis will include costs of construction or expansion that are necessitated by and attributable to new development. The planned capital costs will be allocated between major facility components of treatment, transmission, and distribution/collection.

**Sub-Task 4.2 – Determination of Applicable Credits.** The analysis will include a credit against the projected aggregate cost of water capital improvements. The credit will be determined based upon generally accepted calculations and will reflect a deduction of outstanding debt principal. The debt service credit will help ensure that customers are not “double-paying” for capital facilities.

#### **Task 5: Calculation of Impact Fees**

**Sub-Task 5.1 – Buy-In Method.** The asset values, as adjusted for applicable credits, and capacity information will be utilized to develop impact fees that equitably recover the capacity-related cost of existing water facilities.

**Sub-Task 5.2 – Incremental/Marginal Cost Method.** The applicable growth-related project costs delineated between treatment and distribution/collection related, and the capacity added by those projects will be utilized to develop impact fees that equitably recover the cost of future growth-related projects.

**Sub-Task 5.3 - Combine Cost Method.** The buy-in and incremental/marginal cost methods will be combined to calculate the water impact fees. The calculation methodology will separate fees by major utility component (treatment and transmission/collection). The proposed fees will include an equivalency or conversion table for use in determining the fees applicable for various categories of demand.

#### **Task 6: Neighboring Utility Comparisons**

A customer impact comparison will be prepared in order to assess the comparability of the proposed impact fees to those of other municipal utility systems in the same geographical region. The fees used for the other systems will be the most current fees

available.

### **Task 7: Demonstrated Need Study (If Required)**

House Bill 337 took effect on July 1, 2021 and amended the Florida Impact Fee Act, with several key changes affecting the implementation of impact fees in Florida. Newly created Florida Statutes Subsection 163.31801(6) imposed limitations as to how local jurisdictions can increase impact fees, applicable retroactively to January 1, 2021. This new subsection imposed the following phase-in limitations for impact fee increases:

- 1) An increase to a current impact fee rate of not more than 25 percent of the current rate must be implemented in two equal annual increments beginning with the date on which the increase fee is adopted.
- 2) An increase to a current impact fee rate which exceeds 25 percent but is not more than 50 percent of the current rate must be implemented in four equal installments beginning with the date the increased fee is adopted.
- 3) An impact fee increase may not exceed 50 percent of the current impact fee rate.
- 4) An impact fee may not be increased more than once every 4 years.
- 5) An impact fee may not be increased retroactively for a previous or current fiscal year or calendar year.
- 6) A local government, school district, or special district may increase an impact fee rate beyond the phase-in limitations listed above under 1), 2), 3), and 4) provided the following criteria are met:
  - a. A demonstrated need study has been completed within the 12 months prior to the adoption of the proposed impact fee increase, expressly demonstrating the extraordinary circumstances necessitating the need to exceed the phase-in limitations.
  - b. The local government jurisdiction has held not less than two publicly noticed workshops dedicated to the extraordinary circumstances necessitating the need to exceed the phase-in limitations.
  - c. The impact fee increase ordinance is approved by at least a two-thirds vote of the governing body.

If required, Willdan will work with the Town to prepare and present a Demonstrated Need Study to the Town Council at up to two (2) public meetings.

**Task 8: Meetings, Presentations, and Deliverables**

The analyses, conclusions and recommendations utilized in the development of the proposed impact fees will be presented in a draft letter report document for review by Town staff. Upon review, the comments and changes provided by staff will be incorporated into a final letter report document. Upon completion, an electronic (PDF) copy of the final impact fee report will be provided for the Town's records.

**Sub-Task 7.1 – Initial Kick-Off Meeting.** An initial kick-off meeting will be scheduled with Town representatives during a mutually convenient time at the start of the project to discuss project requirements, finalize project scheduling and reporting requirements, and receive overall project direction. The meeting is part of the project initiation activities and will help ensure that the project objectives are clearly defined and understood by all parties.

**Sub-Task 7.2 – Project Status Meeting/Web Conferences.** After data has gathered and analyzed, and significant progress has been made on the project, web-conference meetings will be scheduled to provide status updates of the preliminary analysis to staff in order to obtain input as the project progresses. This task will be for the time period prior to completion of a draft report.

**Sub-Task 7.3 – Draft Report Meeting/Web Conference.** After allowing sufficient review time from the delivery of the draft report, a meeting or web conference will be scheduled to present the results to staff. The purpose will be to: 1) provide staff members with a better understanding of the analyses and assumptions applied in developing the proposed rates, and 2) obtain personal feedback and comments from staff members responsible for implementing any proposed revisions.

**Sub-Task 7.4 – Public Presentation.** If desired, the results of the impact fee study will be presented to the Town Council during a public meeting (i.e. a general workshop session or public hearing). This presentation will be provided in order to offer the supporting rationale for the proposed revisions and to address any questions and/or concerns raised by Town officials prior to action being taken on the fees.

**Items to be Furnished at No Expense to the Project Team**

To complete our tasks, we will need the cooperation of Town staff. The Town will assist Willdan by furnishing, at no cost to the Willdan, all available pertinent information including customer billing data, financial reports, agreements, ordinances, codes, and any other data relative to performance of the above services for the project. Willdan will rely on the validity and accuracy of the Town's data and documentation to complete the analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy and will not be responsible for any errors that result from inaccurate data provided by the client or a third party. The Town shall reimburse Willdan for any costs Willdan incurs, including without limitation, copying

costs, digitizing costs, travel expenses, employee time and attorneys' fees, to respond to the legal process of any governmental agency relating to the Town or relating to the project. Reimbursement shall be at Willdan's rates in effect at the time of such response.

## General Disclosure

The Town further represents, acknowledges, and agrees that:

- (i) The Town uses, or may use, the services of one or more municipal advisors registered with the U.S. Securities and Exchange Commission ("SEC") to advise it in connection with municipal financial products and the issuance of municipal securities;
- (ii) The Town is not looking to Willdan to provide, and Town shall not otherwise request or require Willdan to provide, any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues);
- (iii) The provisions of this proposal and the services to be provided hereunder as outlined in the scope of services are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations adopted thereunder;
- (iv) For the avoidance of doubt and without limiting the foregoing, in connection with any revenue projections, cash-flow analyses, feasibility studies and/or other analyses Willdan may provide the Town with respect to financial, economic or other matters relating to a prospective, new or existing issuance of municipal securities of the Town, (A) any such projections, studies and analyses shall be based upon assumptions, opinions or views (including, without limitation, any assumptions related to revenue growth) established by the Town, in conjunction with such of its municipal, financial, legal and other advisers as it deems appropriate; and (B) under no circumstances shall Willdan be asked to provide, nor shall it provide, any advice or recommendations or subjective assumptions, opinions or views with respect to the actual or proposed structure, terms, timing, pricing or other similar matters with respect to any municipal financial products or municipal securities issuances, including any revisions or amendments thereto; and
- (v) Notwithstanding all of the foregoing, the Town recognizes that interpretive guidance regarding municipal advisory activities is currently quite limited and is likely to evolve and develop during the term of the potential engagement and, to that end, the Town will work with Willdan throughout the term of the potential Agreement to ensure that the Agreement and the services to be provided by Willdan hereunder, is interpreted by the parties, and if necessary amended, in a manner intended to ensure that the Town is not asking Willdan to provide, and Willdan is not in fact providing or required to provide, any municipal advisory services.

**Professional Fees**

On the basis of the Scope of Services described herein, the Consultant's total labor billings and all out-of-pocket costs and expenses directly chargeable to the work performed and described in the Scope of Services section of this Supplement will be performed for a fee **not to exceed \$7,500** unless additional services are specifically authorized in writing by the Client. Payment for such services shall be invoiced monthly.

**IN WITNESS WHEREOF**, the parties have executed this Supplement No. \_\_\_\_ on the date(s) indicated below.

**TOWN OF HOWEY-IN-THE-HILLS, FLORIDA**

**WILLDAN FINANCIAL SERVICES**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Name Printed)

By: Jeff McGarvey  
(Name Printed)

Title: \_\_\_\_\_

Title: Vice President, Managing Principal

Date: \_\_\_\_\_

Date: \_\_\_\_\_