



City of Lake Worth Beach

FY 2024 Integrated Financial Sustainability Analysis -
Enterprise Funds



Agenda

| ITEM | AGENDA ITEM |
|------------|---|
| 1.0 | The Integrated Financial Sustainability Process |
| 2.0 | Enterprise Funds |
| | 2.1 Electric Fund |
| | 2.2 Water Fund |
| | 2.3 Local Sewer Fund |
| | 2.4 Stormwater Utility Fund |
| | 2.5 Refuse Collection and Disposal Fund |
| 3.0 | Live Modeling, Questions & Discussion |



Integrated Financial Sustainability Process

Develops a financial forecast of each separate fund

- Customer demands
- Operating needs
- Capital / Repair and Replacement Needs



Provides a framework to consider various scenarios and sensitivity tests

- Compliance with existing and new debt covenants
- **Maintain 6 month of reserves per City policy**
- Interfund impacts and considerations



Facilitates a long-term financial management plan

- Revenue and operating cost forecasts
- Capital funding plans (includes planning for future borrowing)
- Reserve levels and other KPI's
- Customer impacts

Key Factors in Analysis



1. Our projections are based on:
 - Unaudited FY 2022 financials
 - Amended and YTD FY 2023 budget
 - Proposed FY 2024 budget
2. Proposed FY 2024 Budget and 5-year CIP
 - Recommending increases:
 - Local Sewer Rates, Water Rates, and Electric Base Rates
 - Adopted Increases:
 - Refuse Rates
 - No increases:
 - Stormwater Rates



Electric Fund Key Inputs / Assumptions



1. Analysis reflects results from FY22 and YTD estimates for FY23
 - FY22 revenue shortfall resulting in negative cash balance of \$3M
 - FY22 shortfall due to **significant run-up** in natural gas prices which led to a \$5.4M shortfall in PCA at end of FY22.
 - FY23 estimated surplus and positive cash balances of \$6.3M - Funding of stabilization reserve \$3M
2. Purchase power cost projections utilizing Staff's best estimates
 - Estimates provided as of July 2023
 - Represents ~ 31% of FY 2024 operating costs
3. Service enhancement & reliability improvements totaling \$34.1M to be funded in FY 2026 – FY 2028
 - Funded with Series 2026 proceeds
 - Annual debt service payments average \$2.1M
4. Modeling reflects new rate structure
 - Power Cost Adjustment (PCA) based on changes in purchased power



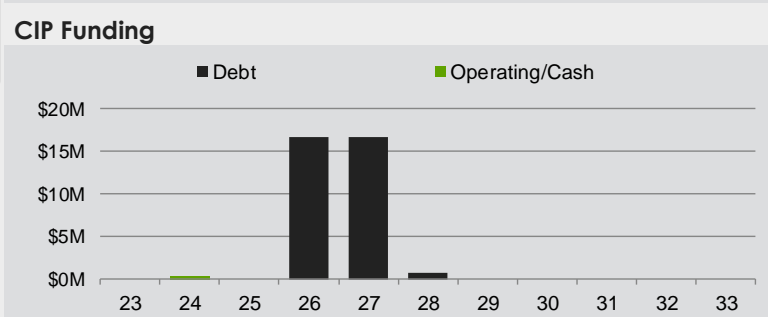
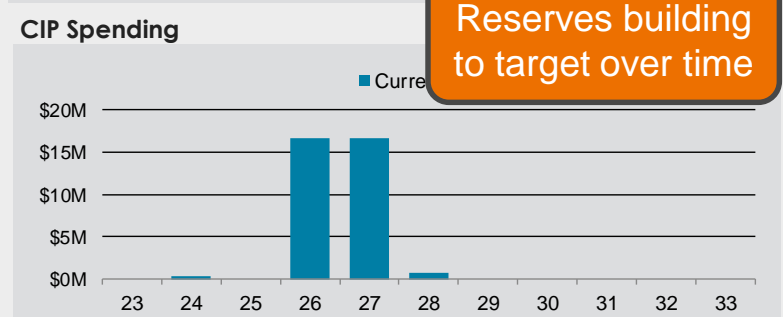
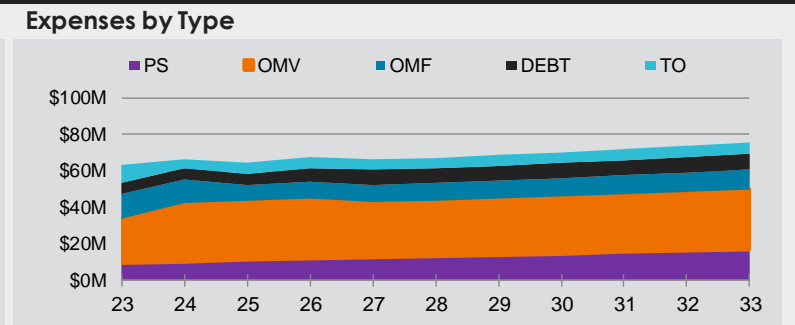
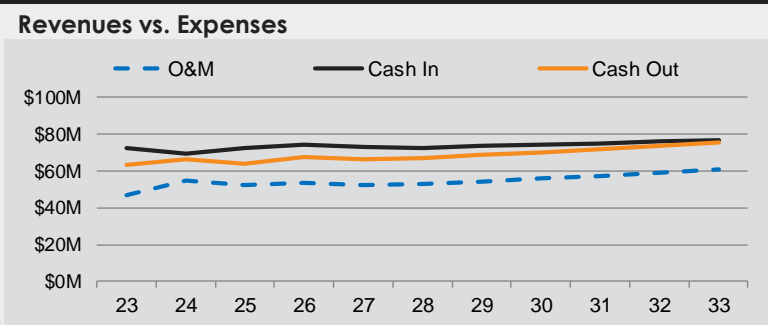
8.0% base rate adjustment
October 1, 2023

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2028 | FY 2033 |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------------|---------|
| Residential Rate Plan | 0.00% | 8.00% | 5.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 13.36% | 13.36% |
| Commercial Rate Plan | 0.00% | 8.00% | 5.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 13.41% | 13.41% |
| Commercial Demand Rate Plan | 0.00% | 8.00% | 5.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | |
| % Monthly Bill Impact | 0.00% | 5.74% | 6.20% | 3.00% | 0.69% | 0.71% | 0.73% | 0.75% | 0.78% | 0.87% | 0.89% | | |
| Residential Bill (1000 kWh) | \$110.88 | \$117.24 | \$124.51 | \$128.25 | \$129.13 | \$130.04 | \$130.99 | \$131.98 | \$133.00 | \$134.16 | \$135.36 | | |
| Senior-Lien DSC | 3.65 | 2.28 | 3.26 | 2.70 | 2.49 | 2.39 | 2.31 | 2.22 | 2.13 | 2.03 | 1.93 | | |
| Combined System DSC | 3.14 | 2.36 | 2.91 | 2.48 | 2.30 | 2.12 | 2.00 | 1.91 | 1.79 | 1.68 | 1.60 | | |
| Combined System Reserve (Days) | 127 | 131 | 179 | 209 | 241 | 259 | 272 | 278 | 277 | 271 | 259 | | |
| PCA Rate Plan | | | 8.88% | 10.27% | 2.20% | 2.23% | 2.27% | 2.30% | 2.33% | 2.58% | 2.60% | Capitalize Labor | Yes |
| Franchise Fee % of Revenue | 8.00% | 7.25% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | | |
| Stablization Fund (\$ M) | 3.00 | | | | | | | | | | | | |
| Net Cash Flow (\$ M) | 6.30 | 2.82 | 8.00 | 7.08 | 6.47 | 5.58 | 4.88 | 4.12 | 3.30 | 2.42 | 1.48 | | |

Positive Cashflow
\$6.3M FY 2023

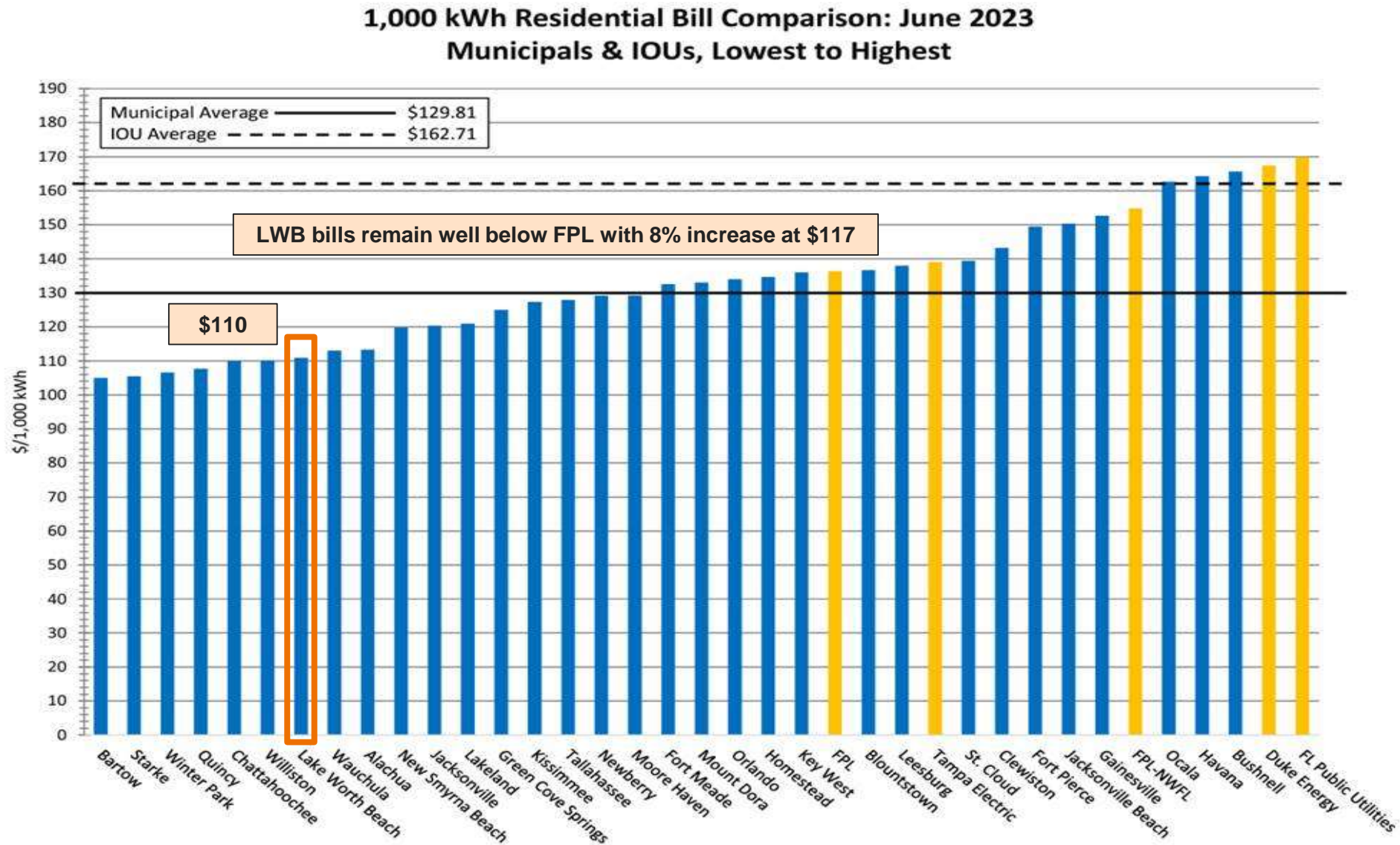
PCA based on
annual power costs

ELECTRIC FUND



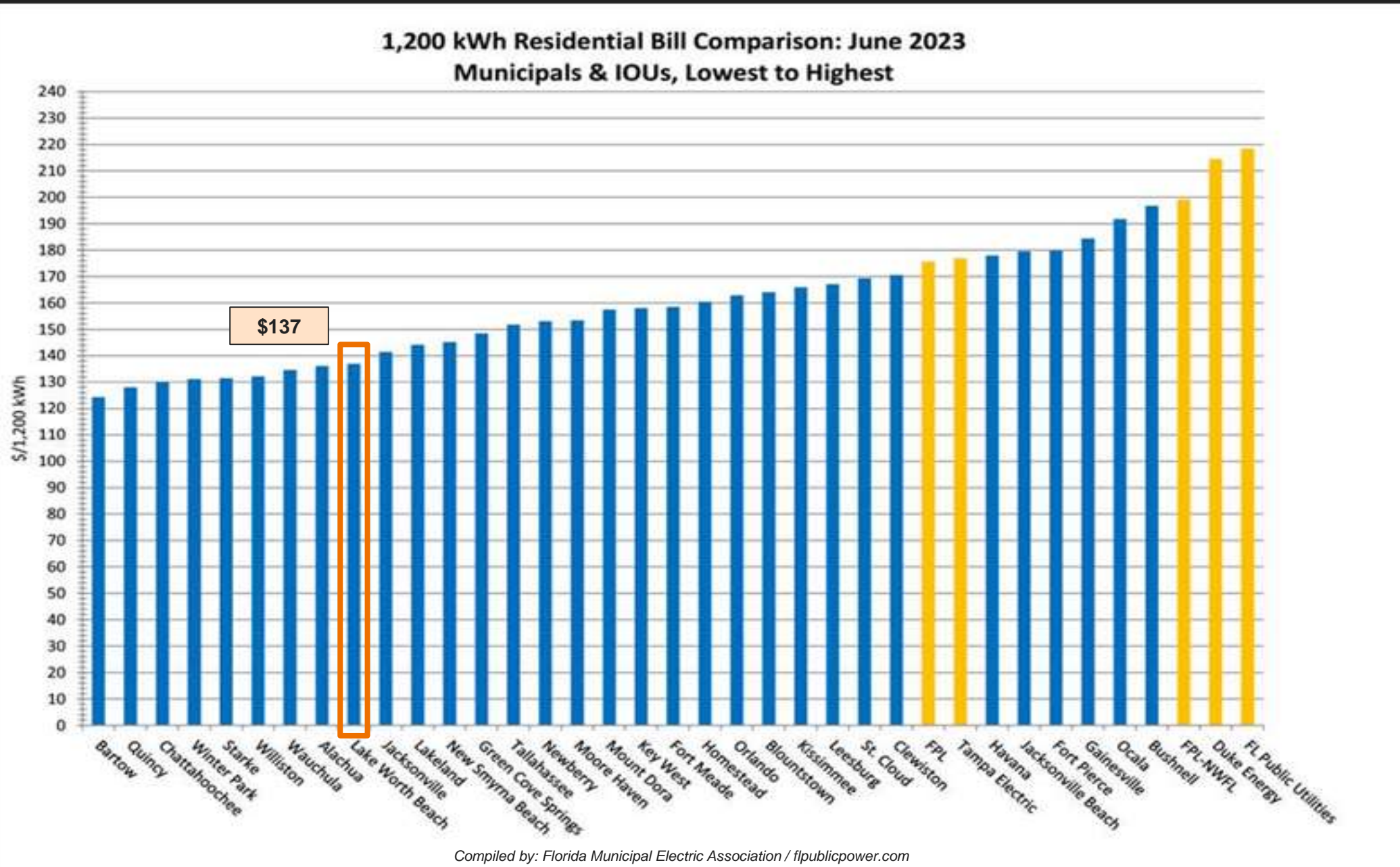


FY23 Monthly Residential Bill Comparison @ 1,000 kWh





FY23 Monthly Residential Bill Comparison @ 1,200 kWh





Water Fund Key Inputs / Assumptions



1. Projected FY 2023 revenues inline with prior forecasts
 - FY 2024 reflects 3.25% rate adjustment inline with prior year estimate
 - FY 2024 Operating Budget reflects a \$1.7M increase to O&M costs
2. FY 2024 and FY 2025 CIP of \$10.2M funded with future borrowing in FY 2025
3. Projected new borrowing of \$62.5M from FY 2025 – FY 2033
 - New annual senior debt service of \$6.5M by FY 2033



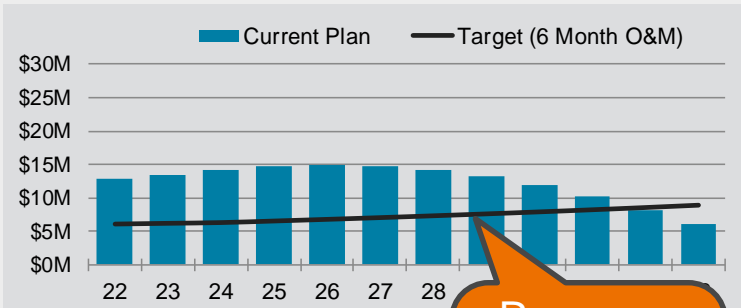
LAKE WORTH BEACH WATER FUND

3.25% rate plan
starting in FY 2024

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2028 | FY 2033 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|---------|
| Water Rate Plan | 0.00% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 17.31% | 37.59% |
| Senior-Lien DSC | 2.94 | 3.19 | 2.72 | 2.20 | 1.93 | 1.64 | 1.50 | 1.41 | 1.29 | 1.16 | 1.10 | Scenario Manager | |
| Combined System Coverage | 3.14 | 2.36 | 2.91 | 2.48 | 2.30 | 2.12 | 2.00 | 1.91 | 1.79 | 1.68 | 1.60 | Cash Funded CIP | Yes |
| Combined System Reserve (Days) | 127 | 131 | 179 | 209 | 241 | 259 | 272 | 278 | 277 | 271 | 259 | | |
| Franchise Fee % of Revenue | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | | |
| Average Single Family Bill | \$40.03 | \$41.32 | \$42.65 | \$44.04 | \$45.47 | \$46.96 | \$48.48 | \$50.04 | \$51.67 | \$53.33 | \$55.08 | | |
| Net Cash Flow | 0.52 | 0.68 | 0.62 | 0.19 | (0.15) | (0.66) | (1.01) | (1.25) | (1.68) | (2.01) | (2.13) | Check | - |

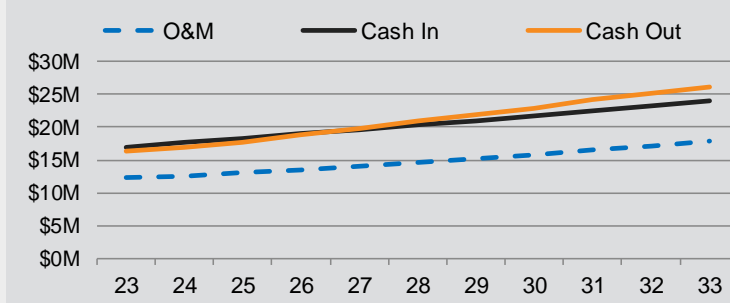
WATER FUND

Working Capital Fund

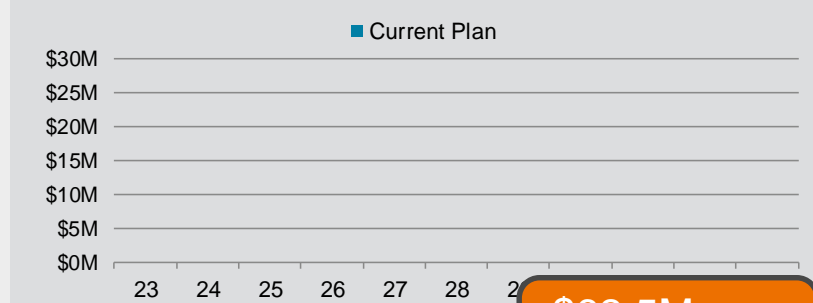


Reserves stay above 6-month target

Revenues vs. Expenses

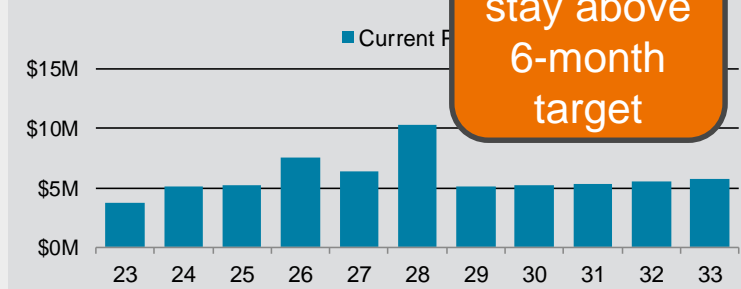


SRF Borrowing

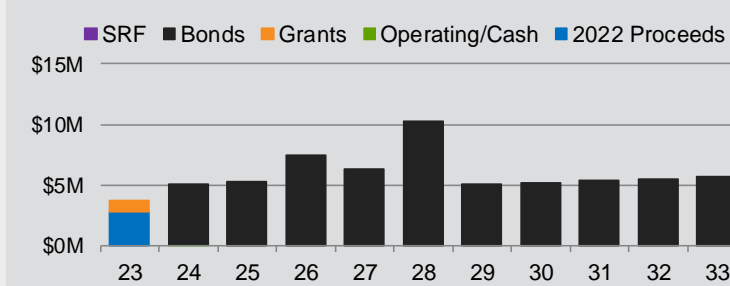


\$62.5M new borrowing

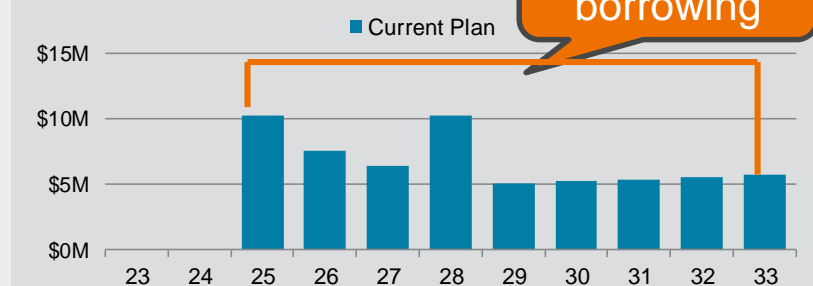
CIP Spending



CIP Funding



Long-Term Borrowing





Local Sewer Fund Key Inputs / Assumptions



1. Projected FY 2023 revenues slightly below prior forecasts
 - FY 2024 now reflects a rate **increase of 15%**, vs. prior study estimate of 7.0%
2. Regional system costs are increasing **significantly** in FY 2024
 - Increase in costs of approximately 22% from FY 2023
 - Assumed 3% escalated annual increase to Regional System cost starting in FY 2025
3. FY 2024 and FY 2025 CIP of \$3.5M funded with future borrowing in FY 2025
4. Projected new borrowing of \$11.9M from FY 2026 – FY 2033
 - New annual debt service of \$1.05M by FY 2033



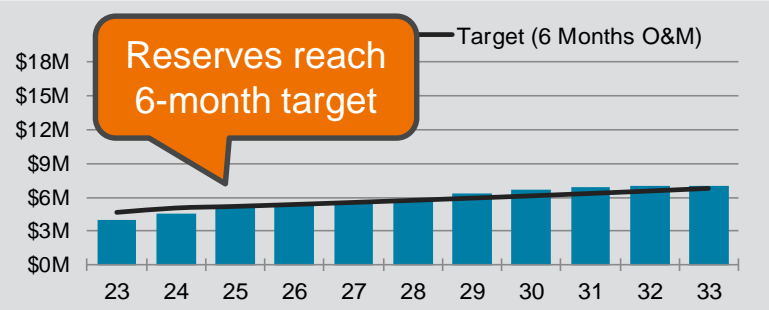
15% in FY 2024 to address shortfalls

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2028 | FY 2033 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|---------|
| Local Sewer Rate Plan | | 15.00% | 7.00% | 5.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 34.48% | 48.53% |
| Debt Service Coverage | 1.76 | 4.82 | 3.58 | 3.55 | 4.01 | 3.51 | 3.15 | 2.83 | 2.54 | 2.28 | 2.05 | Scenario Manager | |
| Combined System DSC | 3.14 | 2.36 | 2.91 | 2.48 | 2.30 | 2.12 | 2.00 | 1.91 | 1.79 | 1.68 | 1.60 | CIP Optimized | No |
| Combined System Reserve (Days) | 127 | 131 | 179 | 209 | 241 | 259 | 272 | 278 | 277 | 271 | 259 | | |
| Franchise Fee % of Revenue | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | | |
| Single Family Residential Bill | \$42.29 | \$52.32 | \$55.98 | \$58.79 | \$59.96 | \$61.13 | \$62.37 | \$63.62 | \$64.87 | \$66.19 | \$67.52 | | |
| Net Cash Flow (\$ M) | (0.46) | 0.53 | 0.68 | 0.18 | 0.18 | 0.19 | 0.61 | 0.32 | 0.28 | 0.10 | (0.09) | | |

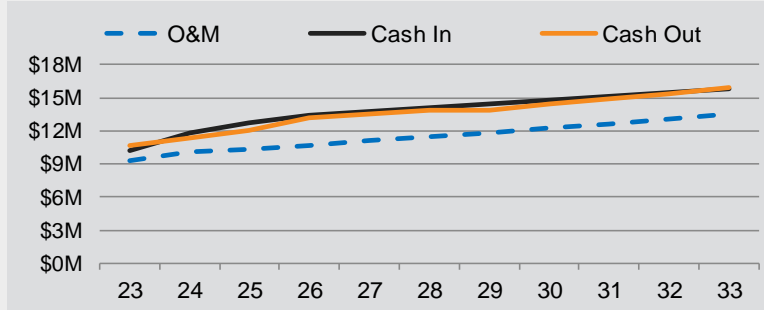
Regional Sewer Expenses \$8M by FY 2033

LOCAL SEWER FUND

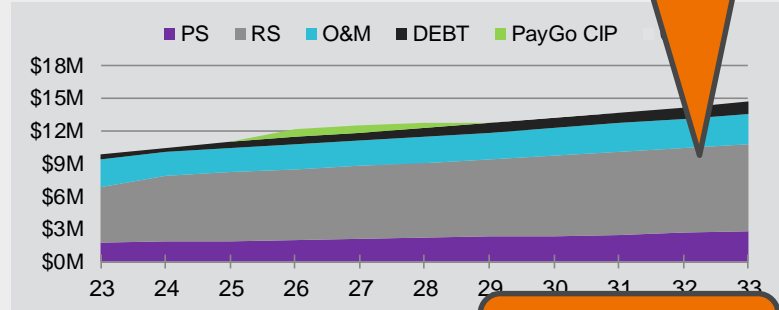
Working Capital Fund



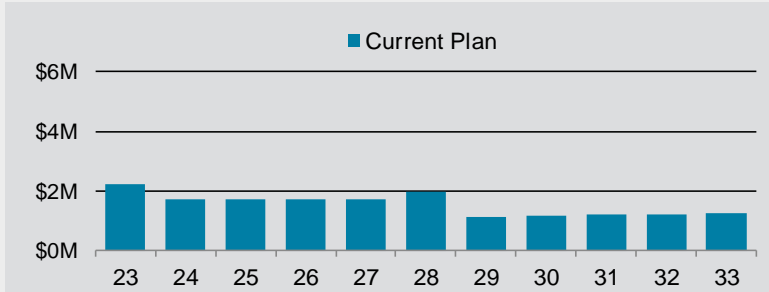
Revenues vs. Expenses



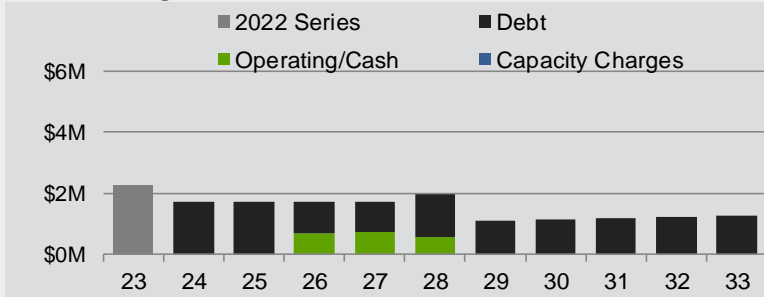
Expenses by Type



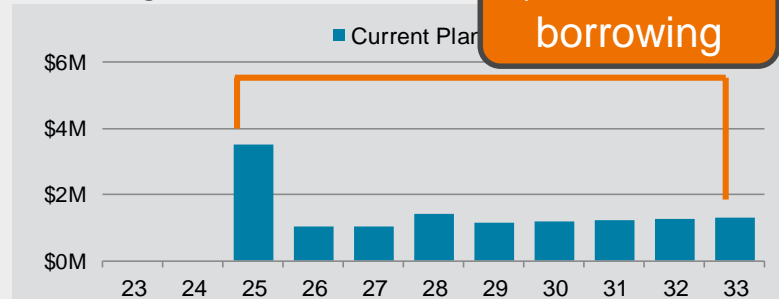
CIP Spending



CIP Funding



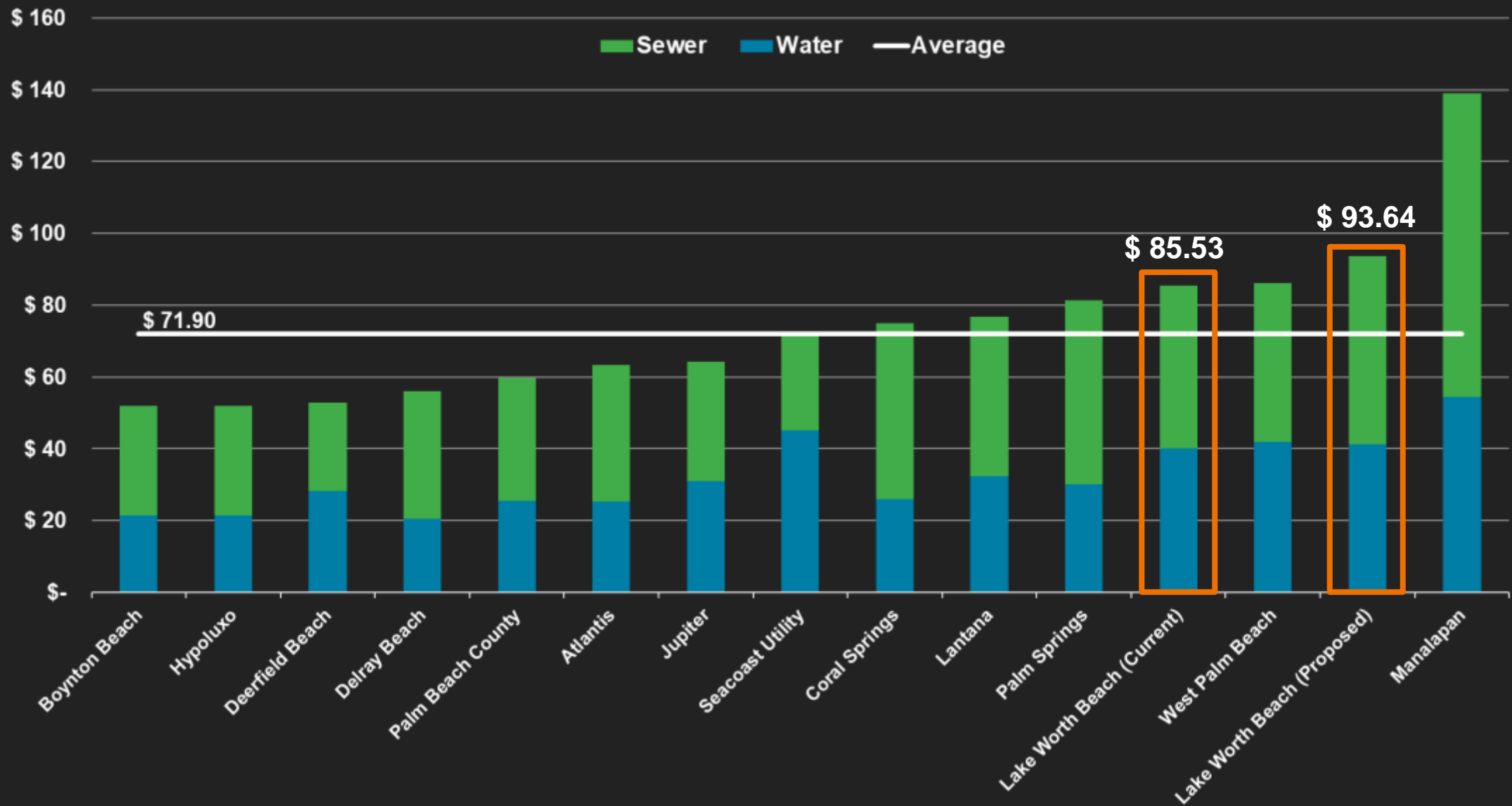
Borrowing





FY 2023 Rates @ 5,000 Gallons per Month

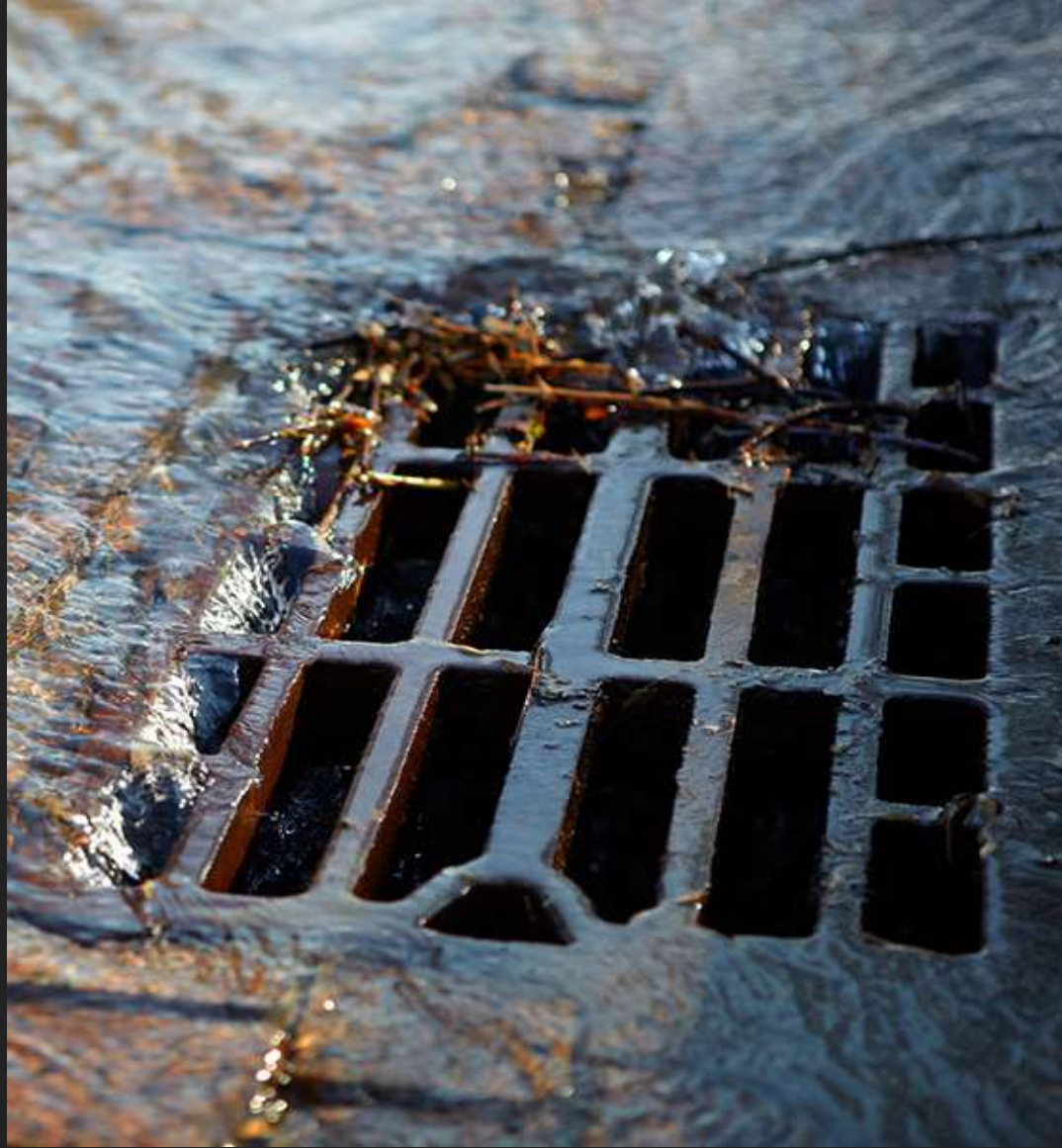
WATER & SEWER RATE SURVEY



*Comparisons reflect current FY23 rates, future rates for comparisons unknown



Stormwater Utility Fund Key Inputs / Assumptions



1. Projected FY 2023 revenues inline with prior forecasts
 - FY 2024 includes **NO rate adjustment** vs. prior study estimate of 2.0%
 - Forecast assumes a 5.0% adjustment every other year starting in FY 2025
2. FY 2024 CIP \$1.25M
 - \$0.9M in cash funding for Stormwater Conveyance and Collection Improvements
 - \$0.35M in grant proceeds for Stormwater Conveyance and Collection Improvements
3. Approximately \$0.4M of annual cash funded CIP in future years beginning in FY 2029

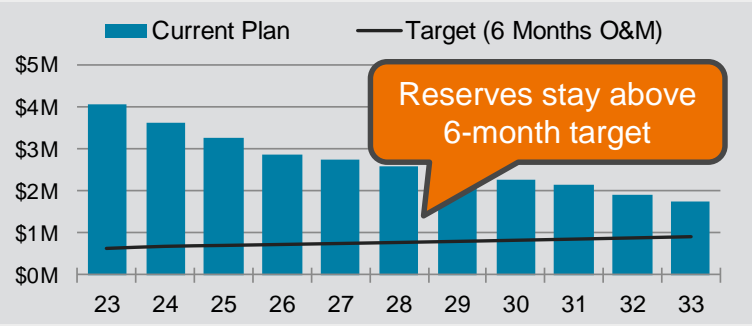


5% plan starting in
FY 2025

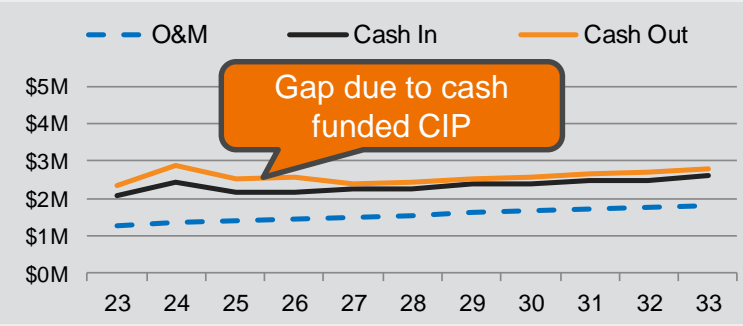
STORMWATER FUND

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2028 | FY 2033 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ERU Adjustment | | 0.00% | 5.00% | 0.00% | 5.00% | 0.00% | 5.00% | 0.00% | 5.00% | 0.00% | 5.00% | 10.25% | 27.63% |
| Annual Assessment per ERU | \$78.25 | \$78.25 | \$82.16 | \$82.16 | \$86.27 | \$86.27 | \$90.58 | \$90.58 | \$95.11 | \$95.11 | \$99.87 | | |
| Franchise Fee % of Revenue | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | | |
| Operating Cash Flow (\$ M) | 0.04 | 0.46 | 0.01 | -0.04 | 0.28 | 0.23 | 0.28 | 0.23 | 0.28 | 0.23 | 0.27 | | |
| Net Cash Flow (\$ M) | -0.26 | -0.43 | -0.35 | -0.41 | -0.11 | -0.16 | -0.12 | -0.19 | -0.15 | -0.22 | -0.18 | | |

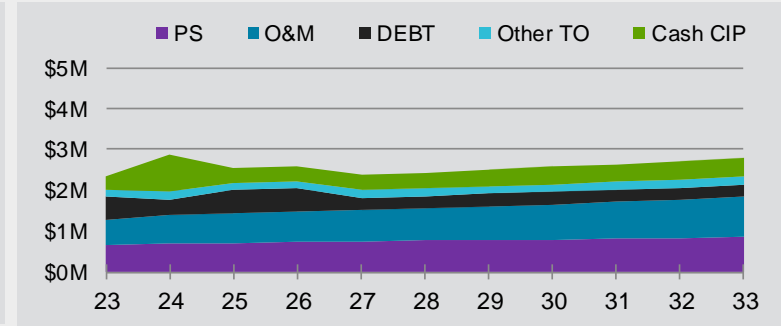
Working Capital Fund



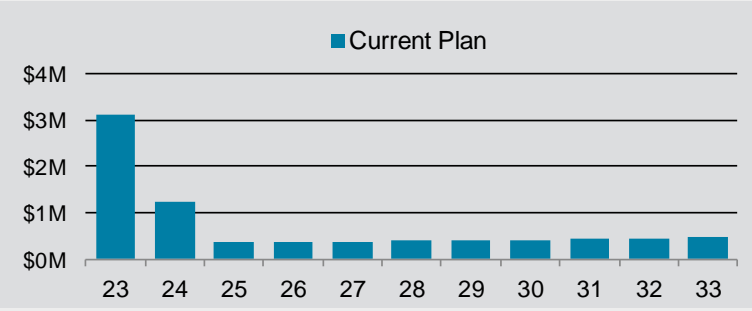
Revenues vs. Expenses



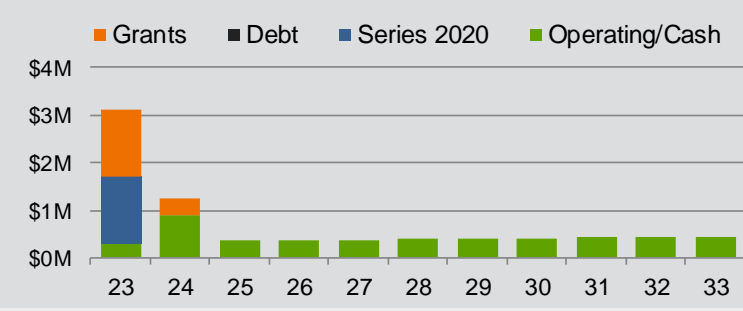
Expenses by Type



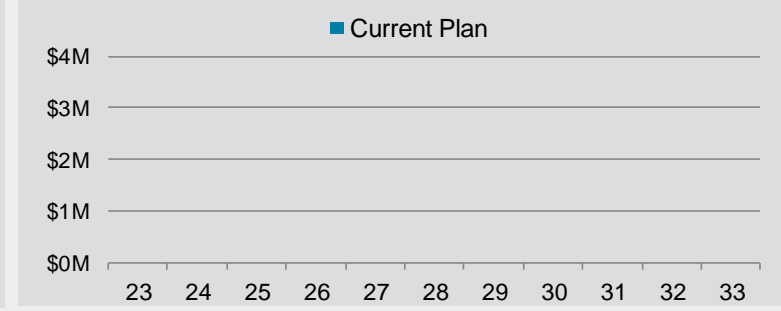
CIP Spending



CIP Funding



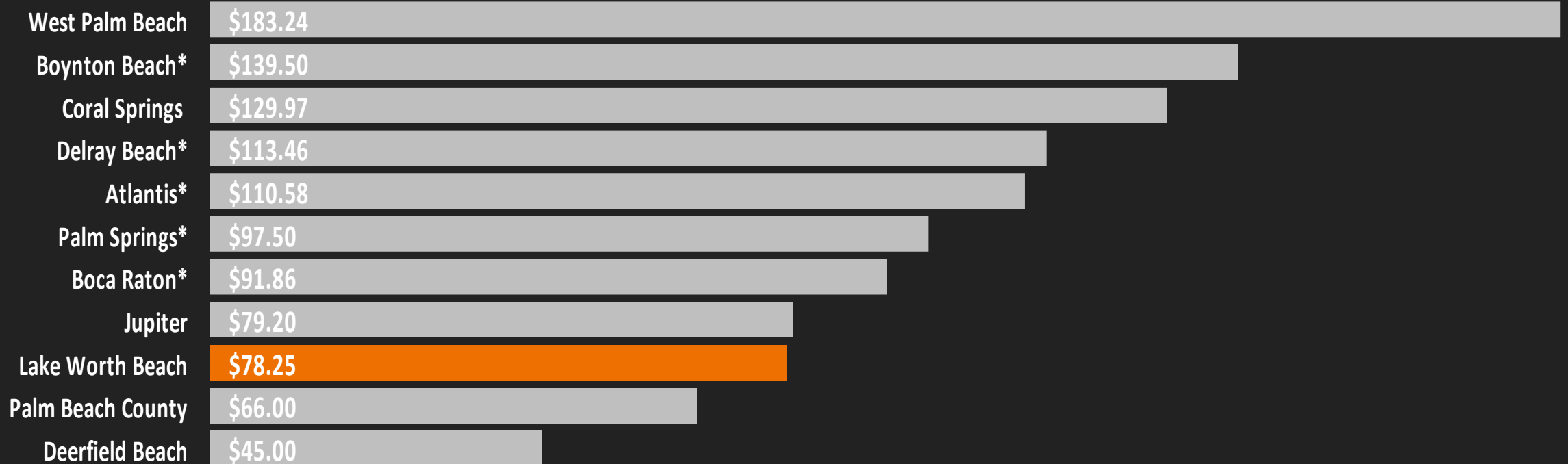
Borrowing





FY 2023 Annual Residential Fee Comparison

STORMWATER RATE SURVEY



*Annual fee includes Lake Worth Drainage District Fee of \$49.50



Refuse Fund Key Inputs / Assumptions



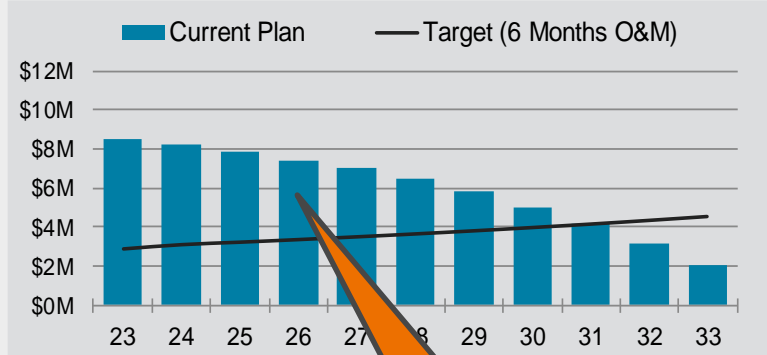
1. Revenue projections reflect 5.5% increase on FY 2024 Refuse Assessment
 - Rate adjustments necessary to maintain cash flow balance
2. FY 2024 Personnel and operating expense budget approximately \$520K higher than prior study projections
3. Approximately \$450K of annual cash-funded CIP



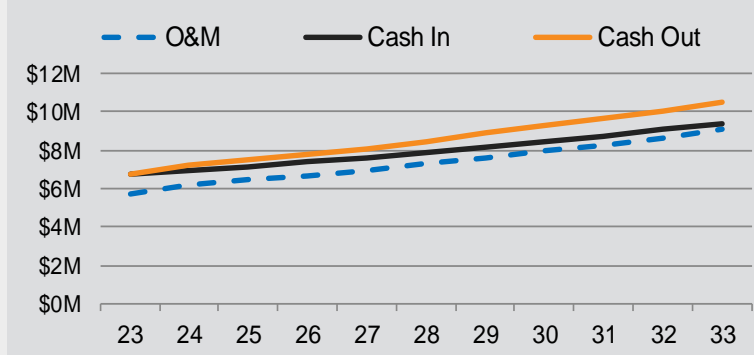
Rate increases to maintain future reserves at target

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2028 | FY 2033 |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|---------|
| Revenue Adjustment Plan | | 5.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.75% | 3.75% | 3.75% | 3.75% | 3.75% | 21.07% | 45.54% |
| Single Family Residential Bill | \$245.14 | \$258.62 | \$267.67 | \$277.04 | \$286.74 | \$296.78 | \$307.91 | \$319.46 | \$331.44 | \$343.87 | \$356.77 | | |
| Franchise Fee % of Revenue | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | | |
| Net Cash Flow (\$ M) | -0.04 | -0.26 | -0.36 | -0.42 | -0.43 | -0.51 | -0.69 | -0.78 | -0.88 | -0.99 | -1.12 | | |

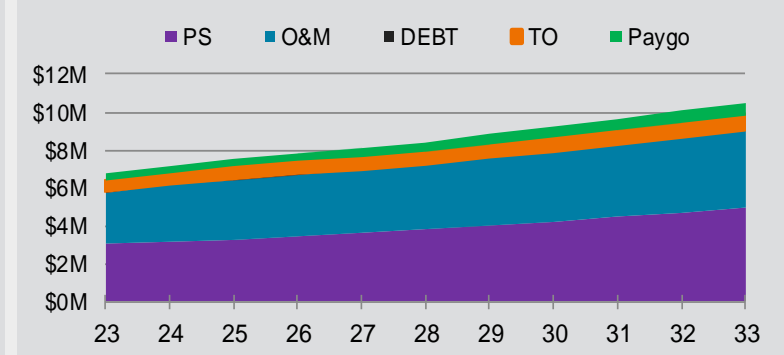
Working Capital Fund



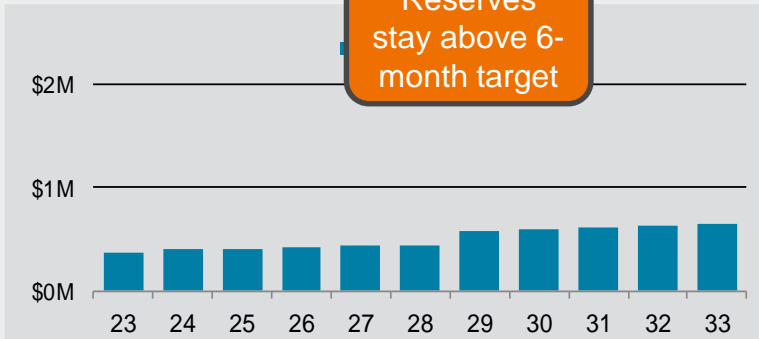
Revenues vs. Expenses



Expenses by Type

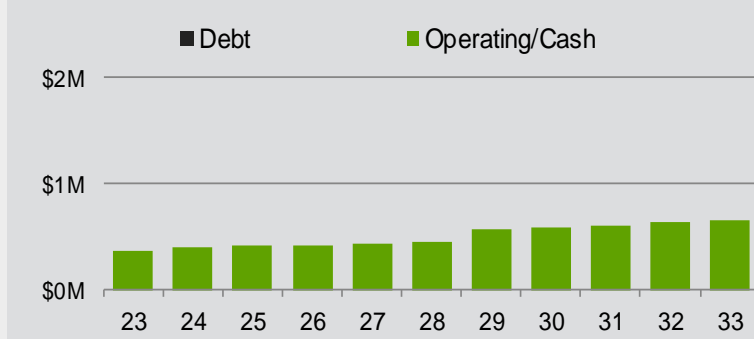


CIP Spending

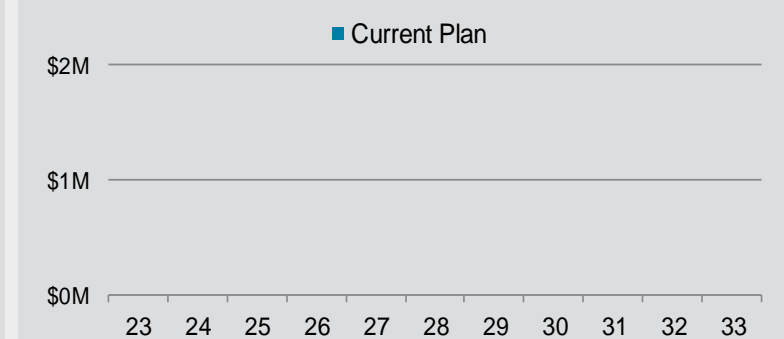


Reserves stay above 6-month target

CIP Funding

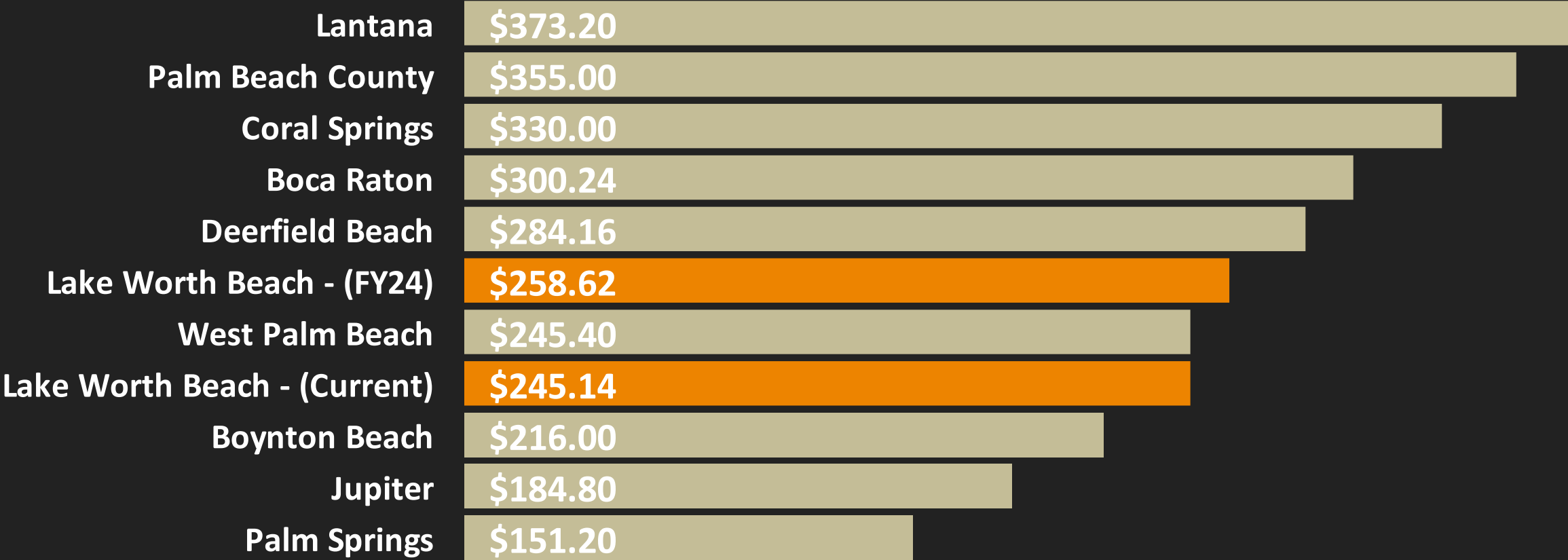


Borrowing





FY 2023 Annual Residential Garbage & Recycling Fee Comparison





Questions & Discussion

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