



Bring Down Letter
Lake Worth Beach, Florida
Consolidated Utility

April 15, 2025

Honorable City Mayor and Members of the City Commission
Lake Worth Beach, Florida

RE: Lake Worth Beach, Florida
Consolidated Utility Revenue Bonds, Series 2025

Dear City Mayor and Members of the City Commission:

The accompanying financial projection of the Combined Electric Fund, Water Fund, and Local Sewer Fund (the "System", or "Enterprise Funds") of the City of Lake Worth Beach, Florida ("the City") consists of a projection of the financial results of operations for each of the Fiscal Years ("FY") from October 1, 2024 through September 30, 2029, and was prepared as of the date of this Bring Down Letter ("Letter") with regard to the Consolidated Utility System Revenue Bonds, Series 2025. The projection presents City management's estimates of the most probable results of operations and debt service coverage for each year of the projection period. The projection reflects City management's judgment, based upon present circumstances, as to the most likely set of conditions and City management's most likely course of action.

We have prepared the financial projection in accordance with generally accepted standards for developing such a financial projection. Our analysis included such procedures as we considered necessary to evaluate the assumptions and data provided by City management to be used in the presentation of the projection. We have no responsibility to update this Letter for events and circumstances occurring after the date of this Letter. The accompanying financial projection indicates that, based upon the assumptions presented herein, sufficient revenues are projected to be generated by the System to meet its operations and maintenance, debt service obligation and coverage requirements, and capital cost requirements through Fiscal Year 2029.

Based upon our analysis, we believe that the accompanying financial projection is presented in conformity with generally accepted guidelines for presentation of a financial projection and that the underlying assumptions provide a reasonable basis for City management's projection. However, there will usually be differences between the projection and actual results, as events and circumstances frequently do not occur as expected, and those differences may be material.

Sincerely,

A handwritten signature in black ink, appearing to read "David Hyder", written over a large, light gray "DRAFT" watermark.

David Hyder
Senior Principal – Financial Services



City of Lake Worth Beach, Florida

Bring Down Letter: Consolidated Utility Revenue Bonds, Series 2025

April 15, 2025

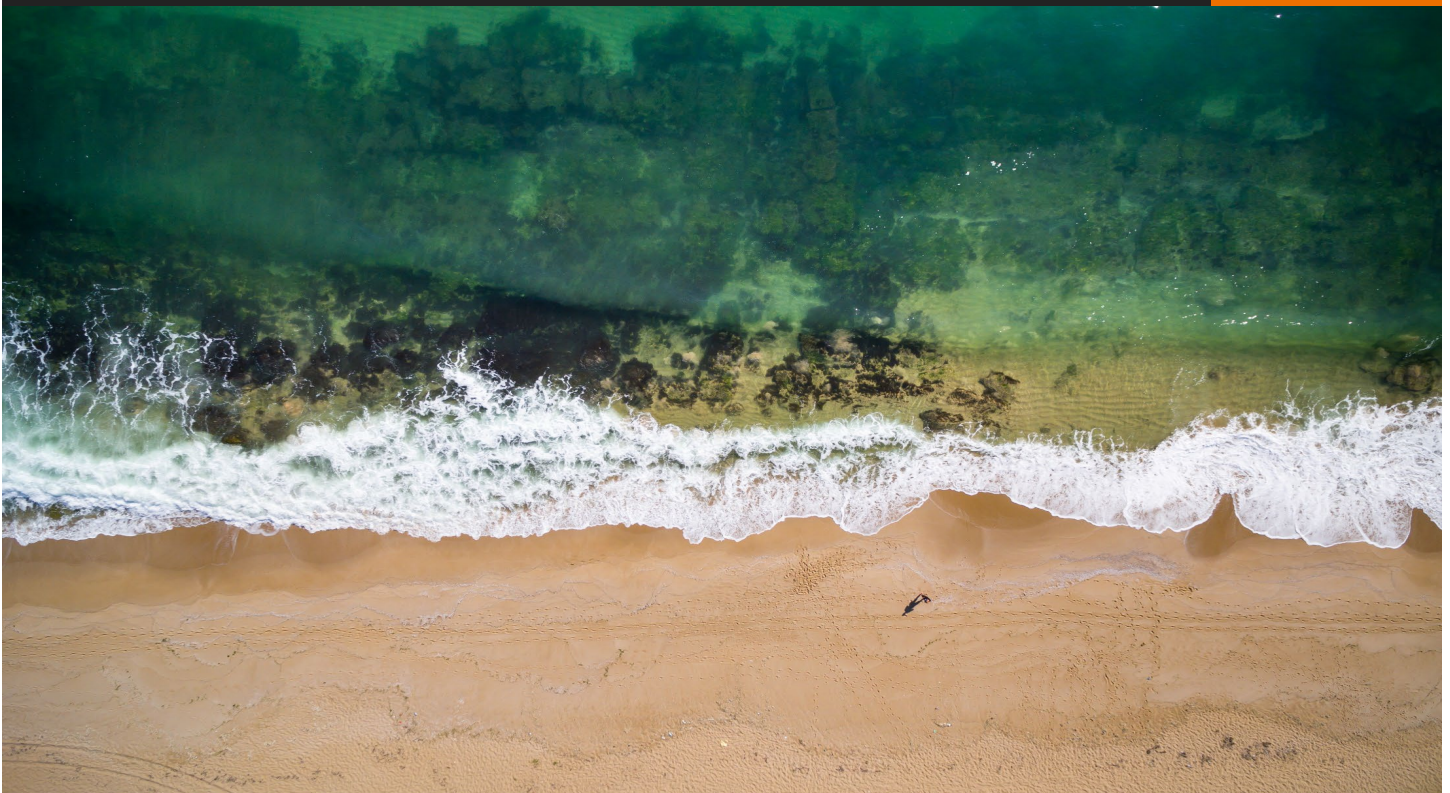


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1. INTRODUCTION

Presented herein is the Bring Down Letter (the “Letter”) we have prepared on behalf of the Consolidated Utility System (the “System” or “Enterprise Funds”) of the City of Lake Worth Beach, Florida (the “City”), which includes the City’s Electric Fund, Water Fund, and Local Sewer Fund. The Letter provides a summary of the analysis performed in conjunction with the issuance of the Consolidated Utility Revenue Bonds, Series 2025 (the “2025 Bonds”), which are being issued pursuant to Chapter 166, Part II, Florida Statutes, the City Charter, the Constitution of the State of Florida and Resolution No. 45-2020 (the “Bond Resolution”), adopted by the City Commission of the City on October 6, 2020, as amended and supplemented from time to time and particularly as supplemented by Resolution No. xx-2025 adopted by the City Commission of the City on April xx, 2025. The 2025 Bonds are being issued for the purposes of (1) construction and equipping of certain improvements and additions to the System currently owned and operated by the City, and (2) paying the costs of issuance of the 2025 Bonds.

Stantec Consulting Services Inc. (“Stantec”) was retained as the Financial Feasibility Consultant to develop a projection of the financial operations of the System. In preparation of this Letter, Stantec has relied upon financial, statistical, engineering, and operational data pertaining to the System derived from operating reports, data, and records prepared by the City. While it is believed that such information is reasonable for the purpose of this Letter, no assurances are offered with respect to that information. Moreover, actual results realized during the projection period may vary materially from those projected. As such, the projections provided in this Letter are subject to change, and Stantec can provide no assurances that the projections will be realized.

This Letter summarizes the findings and results as of the date of the Letter. Prospective purchasers of, and others associated with, the issuance of the Series 2025 Bonds, should not rely upon the information contained in this Letter for a current description of any matter set forth herein, as of any date subsequent to the date of this Letter. Changing conditions occurring or becoming known after such date could affect the material presented herein.

2. HISTORICAL OPERATING RESULTS

The historical revenues and expenses of the System for Fiscal Year (“FY”) 2023 and 2024 are summarized in Table 1. The historical results are based upon audited information from the City’s Annual Comprehensive Financial Reports (“ACFR”) for FY 2023 and unaudited results for FY 2024. In summary, as provided in the Bond Resolution, Gross Revenues less Operating Expenses results in Net Revenues available for existing debt service. The calculation of historical debt service coverage is reflected on Table 2.

Table 1
Historical Operating Results
Last Two Fiscal Years

	(1) Fiscal Year Ended September 30,			
	2023		2024	
Operating Revenues				
Charges for Services (2)	\$	95,879,381	\$	92,005,424
Total Operating Revenues	\$	95,879,381	\$	92,005,424
Operating Expenses				
Cost of Services (3)	\$	64,698,659	\$	67,912,722
General and Administrative (3)	\$	12,743,605	\$	12,294,727
Depreciation	\$	6,225,976	\$	6,997,812
Total Operating Expenses	\$	83,668,240	\$	87,205,261
Total Operating Income (Loss)	\$	12,211,141	\$	4,800,163
Nonoperating Revenues (Expenses)				
Investment Income (4)	\$	1,159,443	\$	4,497,934
Interest and Fiscal Charges (5)	\$	(5,274,805)	\$	(5,767,273)
Other (6)	\$	424,400	\$	1,145,323
Total Nonoperating Revenues (Expenses)	\$	(3,690,962)	\$	(124,016)
Income (Loss) Before Contributions and Transfers	\$	8,520,179	\$	4,676,147
Transfers and Contributions				
Connection Fees (7)	\$	1,583,887	\$	379,322
Transfers Out (8)	\$	(2,500,000)	\$	(1,500,000)
Change In Net Position	\$	7,604,066	\$	3,555,469
Net Position, Beginning of Year	\$	93,464,849	\$	101,068,915
Net Position, End of Year	\$	101,068,915	\$	106,027,662
Determination of Income Available for Debt Service				
<u>Adjustments:</u>				
Depreciation	\$	6,225,976	\$	6,997,812
Interest and Fiscal Charges	\$	5,274,805	\$	5,767,273
Franchise Fees (included in General and Administrative)	\$	7,264,653	\$	7,282,271
Connection Fees	\$	(1,583,887)	\$	(379,322)
Net Revenues Available for Debt Service	\$	24,785,613	\$	23,223,503

Table 2
Historical Debt Service Requirements and Coverage
Last Two Fiscal Years

		Fiscal Year Ended September 30,	
		2023	2024
1	<u>Senior-Lien Debt Service (9)</u>		
2	Consolidated Utility Revenue Bonds, Series 2020	\$ 4,124,500	\$ 4,957,600
3	Consolidated Utility Revenue Bonds, Series 2022	\$ 1,543,407	\$ 2,643,450
4	Total Senior-Lien Debt Service	\$ 5,667,907	\$ 7,601,050
5	<u>Subordinate Debt Service (10)</u>		
6	SRF (DW501700)	\$ 30,902	\$ 30,902
7	SRF (DW501701)	\$ 436,200	\$ 436,200
8	SRF (DW501710)	\$ 151,568	\$ 151,568
9	SRF (DW501720)	\$ 100,134	\$ 100,134
10	SRF (DW501730)	\$ 33,759	\$ 33,759
11	SRF (DW501731)	\$ 160,036	\$ 160,036
12	SRF (DW501740)	\$ 129,678	\$ 129,678
12	Total Subordinate Debt Service	\$ 1,042,278	\$ 1,042,278
13	All Debt Service	\$ 6,710,185	\$ 8,643,328
14	Net Revenues Available for Debt Service	\$ 24,785,613	\$ 23,223,503
15	Senior Debt Service Coverage (line 14 / line 4) (10) (1.20x Required)	4.37x	3.06x
16	Subordinate Debt Service Coverage (line 14 - line 4) / line 12 (10) (1.05x Required)	18.34x	14.99x
17	Total Debt Service Coverage (line 14 / (line 4 + line 12))	3.69x	2.69x
18	Maximum Annual Senior Debt Service (Including 2025 Bonds) (11)		\$ 11,654,063
19	120% of Maximum Annual Senior Debt Service		\$ 13,984,875
20	105% of Subordinate Debt Service		\$ 1,094,392
21	ADDITIONAL BONDS TEST:		
22	Net Revenues Available for Debt Service (12)		\$ 23,223,503
23	Total Debt Service Coverage (line 22 / (line 19 + line 20) (13) (1.00x Required)		1.54x

Notes to Historical Operating Results:

- (1) Historical operating results are as reported in each of the City's audited Annual Comprehensive Financial Report for Fiscal Year 2023 and unaudited results for Fiscal Year 2024.
- (2) Charges for services includes all rate revenues of the System (water and sewer fixed and volumetric charges and electric customer and energy charges), as well as other service charges and fees.
- (3) Cost of services as well as general and administrative expenses consist of personnel costs, fixed operating costs, variable costs, and minor capital outlay incurred by the System. Included within these expenses are the System's indirect cost allocations (administrative service charges) and franchise fee payments paid to the City's General Fund.
- (4) Amounts shown include realized interest and investment earnings on available funds.
- (5) Interest and fiscal charges represent annual interest payments on existing debt.

- (6) Reflects other miscellaneous revenues received by the System, excluding charges for services, investment earnings, transfers in, or connection fee revenues. Examples of miscellaneous revenues include the disposal of fixed assets, other permits and fees, bank charges, and FDOT reimbursements.
- (7) Represents Connection Fees (also referred to as capacity charge, impact fee, etc.) related to the Water Fund and Local Sewer Fund. The level of revenues generated from Connection Fees varies from year to year, impacted by the general economic conditions of the local housing market. Due to this variability, Connection Fees are excluded from the calculation of Net Revenues Available for Debt Service and are restricted for capital.
- (8) Represents a \$2.5 million dollar transfer out in FY 2023 and \$1.5 million dollar transfer out in FY 2024 for the Electric Fund.
- (9) Represents debt service paid by the Water, Local Sewer and Electric Fund for the Series 2020 and Series 2022 Bonds.
- (10) Reflects the historical State Revolving Fund (SRF) loan payments related to the Water Fund's Reverse Osmosis Treatment Plant, 2" Watermain Replacement (Phases 1 – 6), and Lake Osborne Estates Watermain Replacement projects. Historical debt service figures presented herein are as provided by City staff.
- (11) Pursuant to Section 5.04 of the Bond Resolution.
- (12) Maximum annual senior debt service includes the City's 2025 Bonds as presented in this report but does not include debt service related to the issuance of the proposed Series 2026, 2027 and 2028 Bonds.
- (13) No adjustments to Net Revenues are needed for the System to meet the requirements of the additional bonds test presented herein.
- (14) Section 6.02 of the Bond Resolution sets forth the conditions under which the City may issue additional Bonds. Such test will apply to any Bonds issued in the future on a parity with the 2025 Bonds, including the proposed Series 2026, 2027 and 2028 Bonds.

The maximum annual senior debt service is the largest sum of annual debt service for all outstanding senior debt (including the 2025 Bonds). The maximum annual senior debt service occurs in FY 2050 and is \$11,654,063 and 120% of that amount is \$13,984,875. The principal and interest requirements for Subordinated Indebtedness for Fiscal Year Ended September 30, 2024, are \$1,042,278. Net Revenues for the Fiscal Year Ended September 30, 2024 was \$23,223,503, which exceeds \$11,654,063, or (a) 120% (1.20 times) the maximum Principal and Interest Requirements on the Bonds, including the 2025 Bonds to be issued and (b) 105% (1.05 times) the Principal and Interest Requirements for Subordinate Indebtedness. Therefore, the conditions set forth in paragraph (B) above are satisfied and the City meets the requirements to issue the 2025 Bonds per requirements under Section 6.02 of the Bond Resolution. The projected issuance of the 2025 Bonds is by end of _____.

3. PROJECTED OPERATING RESULTS

The projected annual revenues and expenses of the System for the Fiscal Years beginning on October 1, 2024 and ending September 30, 2029 are based upon the City's Fiscal Year 2025 Proposed Budget, adjusted annually thereafter for projected growth, rate adjustments, and cost inflation assumptions developed in consultation with City staff. Projected operating results reflect an extension of current economic conditions and the continued recognition of conservation impacts upon billable flows and energy consumption.

3.1 PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation of this Letter, certain considerations and assumptions were made with respect to future conditions. While it is believed that the considerations and assumptions are reasonable for the purpose of this Letter, they are dependent upon future events and actual conditions which may differ from those assumed. In addition, it is important to note that certain information and assumptions provided or prepared by others has been used and relied upon in preparation of this Letter. To the extent that actual conditions differ from those assumed herein or from information or assumptions provided or prepared by others, the actual results will vary from those estimated and projected herein.

The principal considerations and assumptions used in the projections of operating results for the System presented herein include the following:

- Customer and consumption growth projections used herein reflect conservative assumptions based upon (i) current local and national economic conditions and (ii) water and electric conservation impacts upon billable flows and energy usage.
- Annual water, sewer, and electric¹ rate revenue adjustments are assumed periodically throughout the projection period, effective October 1st. The rate adjustments include the following:

	2026	2027	2028	2029
Water	5.25%	4.00%	4.00%	4.00%
Sewer	9.00%	5.00%	5.00%	2.00%
Electric				
Residential Rate	8.00%	8.00%	5.00%	5.00%
Commercial Rate	8.00%	8.00%	5.00%	5.00%
Commercial Demand Rate	8.00%	8.00%	5.00%	5.00%

- While the increases used in the projection have not been adopted, the projected increases have been shared with the City Commissioners during the annual budget process and therefore the Commission

¹ Electric rate adjustments shown only apply to "Base Rate" revenues. PCA revenues are adjusted periodically at a separate rate as needed to keep the Rate Stabilization Fund balances within the range approved by the City Commission

is aware of the need for and magnitude of the rate increases. The projection also assumes that the City's Power Cost Adjustment (PCA) charge adjusts consistent with purchased power cost increases.

- Interest earnings were calculated based upon the projected average annual balance of each account or fund and assumed average annual interest rates of 2.1% for each year of the projection.
- Operating Expenses were adjusted to account for the future cost of inflation, customer growth, and anticipated future changes. Personnel related expenses such as salaries/wages are assumed to increase at 3.0% annually (to account for cost of living and merit increases). Certain other expenses are assumed to increase at rates greater than general inflation in the future, as verified by City staff and reflected in Table 3 below. Note that the financial projection utilizes the City's Proposed Budget in Fiscal Year 2025, as such, escalation factors are applied starting in FY 2026 of the financial projection.

Table 3
Projected Annual Cost Escalation Factors

Expense Line Item Description	Escalation
Regular Salaries, Standard Overtime, & General Benefits	3.00%
Defined Benefit Plan	7.65%
Life & Health Insurance	10.00%
Electricity	2.00%
Water	3.00%
Sewer	5.00%
Gas, Lubricants & Oil	5.00%
Interfund Admins Services ⁽¹⁾	6.00%

(1) Assumed to increase annually based upon the weighted increase in projected operating expenditures of the City's General Fund (approximate 6.00% projected increase per year).

- The analysis presented herein includes the preliminary annual debt service requirements for the proposed 2025 Bonds as prepared by the City's Financial Advisor, Davenport & Company LLC, on March 31, 2025. Anticipated borrowing proceeds are assumed to be utilized for funding identified capital projects in Fiscal Years 2025 (see Table 8).
- Future borrowing requirements were calculated based upon projected future capital requirements and available resources. It is projected that the City will require additional borrowings in Fiscal Year 2026, 2027 and 2028 to fund projected annual capital spending requirements identified for that year. The assumed debt service associated with future borrowing assumptions for the City's System was prepared by Davenport & Company LLC on March 31, 2025.

3.2 PROJECTED OPERATING REVENUE AND CONNECTION FEES

Operating revenue projections consist of: (i) the annual rate revenues adjusted annually to account for both customer growth and projected rate adjustments; (ii) other charges for services (non-rate revenue) such as late payment fees, (iii) other revenues derived from the disposal of fixed assets, other permits and fees, bank

charges, FDOT reimbursements, a monthly charge per account used to establish and fund a Storm Fund within the Electric Utility and other miscellaneous services, and (iv) interest earnings. Income derived from Connection Fees (including interest earnings) are accounted for outside the general operating fund of the System. Gross Revenue projections for each Fiscal Year, as summarized in Table 4, reflect increases based upon growth and other escalation criteria as described in this Letter and validated by City staff.

Table 4
Projected Operating Revenue and Connection Fees

	<i>Fiscal Year Ending September 30,</i>				
	2025	2026	2027	2028	2029
Operating Revenues:					
<u>Charges for Service</u>					
Water Rate Revenue (1)	\$ 17,130,880	\$ 18,268,016	\$ 19,141,244	\$ 20,017,441	\$ 20,933,421
Sewer Rate Revenue (2)	\$ 11,259,666	\$ 12,550,782	\$ 13,280,580	\$ 14,052,114	\$ 14,442,947
Electric Rate Revenue (3)	\$ 62,105,469	\$ 68,408,835	\$ 72,379,739	\$ 75,695,251	\$ 79,186,652
Other Charges for Services (4) (5)	\$ 10,532,761	\$ 8,447,077	\$ 6,220,307	\$ 5,021,322	\$ 5,073,053
Total Charges for Services Revenues	\$ 101,028,776	\$ 107,674,710	\$ 111,021,871	\$ 114,786,129	\$ 119,636,073
Other Revenues (6)	\$ 2,435,505	\$ 2,435,505	\$ 2,435,505	\$ 2,435,505	\$ 1,685,505
Plus Interest Income	\$ 1,768,545	\$ 1,201,510	\$ 856,895	\$ 917,336	\$ 957,286
Total Gross Revenues	\$ 105,232,825	\$ 111,311,725	\$ 114,314,270	\$ 118,138,970	\$ 122,278,864
Connection Fees					
Water Connection Fees	\$ 314,674	\$ 157,337	\$ 135,383	\$ 135,383	\$ 135,383
Wastewater Connection Fees	\$ 434,525	\$ 136,565	\$ 136,565	\$ 136,565	\$ 136,565
Total Connection Fees	\$ 749,199	\$ 293,902	\$ 271,948	\$ 271,948	\$ 271,948

(1) Amounts shown include rate revenues from residential, commercial, irrigation, and bulk service water accounts.

(2) Amounts shown include rate revenues from residential and commercial sewer accounts.

(3) Amounts shown include rate revenues from residential, commercial, and commercial demand electric accounts. Rate revenues also include purchased power cost adjustments.

(4) Amounts shown include revenues such as late payment fees and other service charges that are not actual rate revenues, but classified by the City as Charges for Service.

(5) Includes assumed annual gas transportation revenues from the Electric Fund of approximately \$4.4 million in 2025 and \$3.1 million in 2026 and \$0.9 million in FY 2027 as provided by City staff for the sale of gas pipe capacity to Gas South. This revenue component is offset by an associated expenses, as provided by the City staff.

(6) Reflects other miscellaneous operating revenues that are not considered within charges for services, including \$5 charge per account for Storm Fund.

3.3 PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE

Projections of operating results and debt service coverage for Fiscal Years 2025 through 2029 are summarized in Tables 5 and 6, and reflect the considerations and assumptions discussed herein. Additionally, Table 7 summarizes the Utility Reserve Fund and the R&R, Electric Rate Stabilization and Electric Storm Fund of the System to validate that the System meets the reserve targets set forth in the Bond Resolution. Pursuant to the Rate Covenant in the Bond Resolution, the City shall "... fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, so as always to provide (A) Net Revenues in each Fiscal Year (excluding from the computation of Operating Expenses for any Fiscal Year any amount received from any source other than Gross Revenues and applied to the payment of Operating Expenses in such Fiscal Year) equal to at least (1) 120% of the Annual Debt Service becoming due in such Fiscal Year, plus (2) 105% of debt service in such Fiscal Year on all Subordinated Indebtedness, plus (3) 100% of (i) any amounts required by the terms of the Bond

Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs, and (ii) all required deposits during such Fiscal Year to the Renewal and Replacement Fund.” (See the Bond Resolution for complete Rate Covenant).

Table 5
Projected Operating Results

	<i>Fiscal Year Ending September 30,</i>				
	2025	2026	2027	2028	2029
Operating Revenues (1)					
Charges for Services	\$ 101,028,776	\$ 107,674,710	\$ 111,021,871	\$ 114,786,129	\$ 119,636,073
Total Operating Revenues	\$ 101,028,776	\$ 107,674,710	\$ 111,021,871	\$ 114,786,129	\$ 119,636,073
Operating Expenses					
Cost of Services (2)	\$ 75,602,405	\$ 77,430,537	\$ 78,072,403	\$ 79,985,811	\$ 83,256,800
General and Administrative (2)	\$ 14,401,841	\$ 14,766,749	\$ 14,943,759	\$ 15,348,256	\$ 15,967,129
Depreciation (3)	\$ 7,419,603	\$ 7,873,209	\$ 8,361,348	\$ 8,886,992	\$ 9,453,386
Total Operating Expenses	\$ 97,423,849	\$ 100,070,494	\$ 101,377,510	\$ 104,221,060	\$ 108,677,315
Total Operating Income (Loss)	\$ 3,604,926	\$ 7,604,215	\$ 9,644,360	\$ 10,565,069	\$ 10,958,758
Nonoperating Revenues (Expenses)					
Investment Income	\$ 1,768,545	\$ 1,201,510	\$ 856,895	\$ 917,336	\$ 957,286
Interest and Fiscal Charges	\$ (5,660,570)	\$ (7,872,173)	\$ (11,480,238)	\$ (11,979,837)	\$ (12,257,305)
Other (4)	\$ 2,435,505	\$ 2,435,505	\$ 2,435,505	\$ 2,435,505	\$ 1,685,505
Total Nonoperating Revenues (Expenses)	\$ (1,456,521)	\$ (4,235,158)	\$ (8,187,839)	\$ (8,626,996)	\$ (9,614,514)
Income (Loss) Before Contributions and Transfers	\$ 2,148,406	\$ 3,369,058	\$ 1,456,522	\$ 1,938,073	\$ 1,344,244
Transfers and Contributions					
Connection Fees (5)	\$ 749,199	\$ 293,902	\$ 271,948	\$ 271,948	\$ 271,948
Change In Net Position	\$ 2,897,605	\$ 3,662,960	\$ 1,728,470	\$ 2,210,021	\$ 1,616,192
Net Position, Beginning of Year	\$ 106,027,662	\$ 108,925,267	\$ 112,588,226	\$ 114,316,696	\$ 116,526,717
Net Position, End of Year	\$ 108,925,267	\$ 112,588,226	\$ 114,316,696	\$ 116,526,717	\$ 118,142,910
Determination of Income Available for Debt Service					
<u>Adjustments:</u>					
Depreciation	\$ 7,419,603	\$ 7,873,209	\$ 8,361,348	\$ 8,886,992	\$ 9,453,386
Interest and Fiscal Charges	\$ 5,660,570	\$ 7,872,173	\$ 11,480,238	\$ 11,979,837	\$ 12,257,305
Franchise Fees (included in General and Administrative)	\$ 8,299,909	\$ 8,796,450	\$ 9,034,897	\$ 9,340,873	\$ 9,732,065
Connection Fees	\$ (749,199)	\$ (293,902)	\$ (271,948)	\$ (271,948)	\$ (271,948)
Net Revenues Available for Debt Service	\$ 23,528,488	\$ 27,910,889	\$ 30,333,006	\$ 32,145,776	\$ 32,787,001

Table 6
Projected Debt Service Requirements and Coverage

	Fiscal Year Ending September 30,				
	2025	2026	2027	2028	2029
1 Senior Debt Service					
2 Series 2025 (6)	\$ -	\$ 2,351,559	\$ 3,526,263	\$ 3,526,938	\$ 3,525,413
3 Consolidated Utility Revenue Bonds, Series 2020	\$ 4,963,900	\$ 4,963,900	\$ 4,964,775	\$ 4,961,400	\$ 4,968,400
4 Consolidated Utility Revenue Bonds, Series 2022	\$ 2,639,350	\$ 2,639,150	\$ 2,642,650	\$ 2,639,850	\$ 2,646,150
5 Future Projected Issuances					
6 Utility Revenue Bonds Series 2026, 2027, and 2028 (7)	\$ -	\$ -	\$ 3,275,074	\$ 4,974,004	\$ 5,907,844
7 Total Senior Debt Service	\$ 7,603,250	\$ 9,954,609	\$ 14,408,761	\$ 16,102,191	\$ 17,047,807
8 Subordinate Debt Service					
9 Existing Subordinate Debt Service (8)	\$ 1,042,278	\$ 1,042,278	\$ 1,042,278	\$ 1,042,278	\$ 1,042,278
10 Future SRF Debt	\$ -	\$ -	\$ -	\$ -	\$ -
11 Total Subordinate Debt Service	\$ 1,042,278	\$ 1,042,278	\$ 1,042,278	\$ 1,042,278	\$ 1,042,278
12 All Debt Service	\$ 8,645,528	\$ 10,996,887	\$ 15,451,039	\$ 17,144,469	\$ 18,090,084
13 Net Revenues Available for Debt Service	\$ 23,528,488	\$ 27,910,889	\$ 30,333,006	\$ 32,145,776	\$ 32,787,001
14 Senior Debt Service Coverage (line 13 / line 7) (9)	3.09x	2.8x	2.11x	2x	1.92x
(1.20x Required)					
15 Subordinate Debt Service Coverage (line 13 - line 7) / line 11	15.28x	17.23x	15.28x	15.39x	15.1x
(1.05x Required)					
16 Total Debt Service Coverage (line 13 / (line 7 + line 11))	2.72x	2.54x	1.96x	1.87x	1.81x

Table 7
Utility Reserve Fund / R&R Fund Reserves

	Fiscal Year Ending September 30,				
	2025	2026	2027	2028	2029
Net Revenues Available for Debt Service	\$ 23,528,488	\$ 27,910,889	\$ 30,333,006	\$ 32,145,776	\$ 32,787,001
Less Debt Service:					
Senior Debt Service	\$ (7,603,250)	\$ (9,954,609)	\$ (14,408,761)	\$ (16,102,191)	\$ (17,047,807)
Subordinate Debt Service	\$ (1,042,278)	\$ (1,042,278)	\$ (1,042,278)	\$ (1,042,278)	\$ (1,042,278)
Non-ad Valorem Debt Service (10) (11)	\$ (432,646)	\$ (433,277)	\$ (434,409)	\$ (430,010)	\$ (430,100)
Remaining Income After Debt Service	\$ 14,450,314	\$ 16,480,726	\$ 14,447,558	\$ 14,571,297	\$ 14,266,816
Other Sources and Uses of Funds:					
Transfers Out (Franchise Fees)	\$ (8,299,909)	\$ (8,796,450)	\$ (9,034,897)	\$ (9,340,873)	\$ (9,732,065)
Cash Funded CIP	\$ (315,357)	\$ (294,000)	\$ (1,056,726)	\$ (1,153,858)	\$ (1,082,264)
Remaining Available Funds	\$ 5,835,048	\$ 7,390,275	\$ 4,355,934	\$ 4,076,565	\$ 3,452,487
Beginning Utility Reserve Fund Balance (12)	\$ 22,027,069	\$ 27,562,117	\$ 34,652,393	\$ 38,708,327	\$ 42,484,892
Contributions to Utility Reserve Fund Balance	\$ 5,835,048	\$ 7,390,275	\$ 4,355,934	\$ 4,076,565	\$ 3,452,487
Transfers to R&R Fund (Maintain 5% of Gross Revenues) (13)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (250,000)
Ending Utility Reserve Fund Balance	\$ 27,562,117	\$ 34,652,393	\$ 38,708,327	\$ 42,484,892	\$ 45,687,379
Utility Reserve Fund Days of O&M Reserves (14)	112	137	152	163	168
Beginning R&R Fund Balance (12)	\$ 4,646,026	\$ 4,946,026	\$ 5,246,026	\$ 5,546,026	\$ 5,846,026
Transfers from Utility Reserve Fund	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 250,000
Ending R&R Fund Balance	\$ 4,946,026	\$ 5,246,026	\$ 5,546,026	\$ 5,846,026	\$ 6,096,026
% of Gross Revenues (5% Required)	4.7%	4.7%	4.9%	4.9%	5.0%
R&R Fund Days of O&M Reserves	20	21	22	22	22
Beginning Electric Rate Stabilization Fund Balance (12)(15)	\$ 2,178,373	\$ 2,178,373	\$ 2,178,373	\$ 2,178,373	\$ 2,178,373
Transfers from Utility Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Electric Rate Stabilization	\$ 2,178,373	\$ 2,178,373	\$ 2,178,373	\$ 2,178,373	\$ 2,178,373
Storm Fund Days of O&M Reserves	8	7	7	7	7
Beginning Storm Fund Balance (12)(16)	\$ 500,000	\$ 2,150,000	\$ 3,800,000	\$ 5,450,000	\$ 7,100,000
Transfers from Utility Reserve Fund	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ 900,000
Ending Storm Fund Balance	\$ 2,150,000	\$ 3,800,000	\$ 5,450,000	\$ 7,100,000	\$ 8,000,000
Storm Fund Days of O&M Reserves	9	15	21	27	29
Combined Utility Reserve, R&R & Storm Fund Days of O&M Reserves	148	180	202	219	227

Notes to Projected Operating Results:

- (1) See Section 3.2 for more details related to operating revenues.
- (2) Cost of services as well as general and administrative expenses represent Operating Expenses of the System that consist of personnel costs, fixed operating and maintenance costs, and variable operating and maintenance costs. The amount of Operating Expenses allocated between “cost of services” and “administrative expenses” was determined based upon two years of historical allocations, as observed in the City’s historical ACFRs.
- (3) Future depreciation is projected based on historical annual levels of increase for each utility of the System.
- (4) Reflects other miscellaneous revenues received by the System, excluding charges for services, investment earnings, transfers in, or Connection Fees.
- (5)
 - (a) Represents water and sewer Connection Fees (i.e. capacity charge, impact fee, etc.) revenue which is calculated annually based upon current connection charges and the number of new connections reflected in Section 4 of this Letter.
 - (b) The Bond Resolution defines Connection Fees as the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water and sewer facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the water and sewer facilities or expansion thereof in order to serve new users of the water and sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged.
- (6) Debt service for the 2025 Bonds, as provided by Davenport & Company LLC that is related to the future capital projects identified in Section 4 of this Letter.
- (7) Debt service associated with approximately \$53 million in FY 2026, \$14 million in FY 2027 and \$12 million in FY 2028 in capital projects scheduled for FY 2026, 2027 and 2028 which are assumed to be debt-funded by the future issuance of the Series 2026, 2027, 2028 and 2029 Bonds. The debt service associated with the 2025, 2027 and 2028 Bonds is reflective of current market conditions as of the date of this Letter and was provided by Davenport & Company LLC, the City’s financial advisor.
- (8) Reflects existing State Revolving Fund (SRF) loan payments related to the City’s Water Utility, as defined on Table 2 of Section 2.
- (9) Pursuant to Section 5.04 of the Bond Resolution.
- (10) Reflects senior debt service related to the Non-ad Valorem Series 2020A Tax Exempt Bond, which was issued to fund capital projects in Fiscal Year 2020. The debt service related to the Non-ad Valorem Series 2020A Tax Exempt Bond was excluded from the coverage calculation as the revenues of the System are not pledged for this bond issue; however, the debt is included in the “Income After Debt Service” calculation in Table 7 as the revenues of the system will be utilized to pay the debt service at the City’s discretion.
- (11) Reflects senior debt service related to the City’s Non-ad Valorem Series 2020B taxable issuance, which was issued to reimburse operations, and thus replenish working capital balances applied towards the System Operation and Maintenance Reserve as of October 1, 2019. The debt service related to the Non-ad Valorem Series 2020B was excluded from the coverage calculation as the revenues of the System are not pledged for this bond issue; however, the debt is included in the “Income After Debt Service” calculation in Table 7 as the revenues of the system will be utilized to pay the debt service at the City’s discretion.

- (12) Beginning balances based on unaudited balance at end of Fiscal Year 2024 for combined water, sewer and electric utility.
- (13) Pursuant to the Bond Resolution. The City has established and is required by the Bond Resolution to maintain a Renewal and Replacement Fund (R&R Fund) for the purpose of paying the cost of major extensions, improvements, or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System. The minimum R&R Fund requirement is five percent of the Gross Revenues received by the City in the immediately preceding Fiscal Year, or such greater or lesser amount as may be certified to the City by the Consulting Engineers.
- (14) Calculated by taking the ending fund balance divided by Operating Expenses outlined in Tables 6 and 7 (Costs of Services + General and Administrative), as it relates to a 365-day Fiscal Year. Moneys within the City's Utility Reserve Fund reflect annual operating surpluses that can be used without much restriction, including for the (a) purchase or redemption of Bonds, (b) payment of Subordinated Indebtedness, (c) payment of other obligations incurred with respect to the System, (d) deposit to the Rate Stabilization Fund, (e) improvements, renewals and replacements to the System or for (f) any lawful purpose of the City up to a maximum amount with respect to clause (f) of 10% of the Gross Revenues of the System for such Fiscal Year. Consistent with the City's internal planning processes and the Bond Resolution, the Letter presented herein demonstrates that the City is projected to maintain at least 150 days of cash on hand through Fiscal Year 2029, with the exception of FY 2025.
- (15) The City has created and maintains a Rate Stabilization Fund (RSF) using monthly revenues from electric utility customers. Power Cost Adjustment (PCA) revenues, a line item on customer bills, funds the RSF. The purpose of the RSF is to provide a cushion against rapidly rising fuel costs depleting operating funds or causing a need for immediate rate changes to customers. The RSF is intended to operate with a target minimum balance of \$500,000 and a maximum balance of \$3,500,000. The RSF is monitored monthly and rate changes as deemed appropriate to maintain the RSF balance within the desired limits are subject to the approval of the City Commission. For purposes of the projection, the RSF is assumed to remain constant.
- (16) The City has created and maintains an Electric Utility Storm Fund (Storm Fund) funded by monthly revenues from electric utility customers via a line item on customer bills. The purpose of the Storm Fund is to provide a source of funds to cover costs associated with repairs to the City's electric utility system due to storm events. The Storm Fund monthly charge to electric customers is \$5 per month per electric utility account and which is required to be collected until the fund reaches a balance of \$8,000,000. Storm costs may be eligible for future recovery from the Federal Emergency Management Agency (FEMA).

4. CAPITAL IMPROVEMENTS

4.1 PROJECTS TO BE FUNDED WITH THE SERIES 2025 BONDS

The Series 2025 Bonds will be used to finance approximately \$47.7 million of water, sewer, and electric system projects to be completed over the next one to three years. Table 8, 9, 10 summarize the list of projects funded by the Series 2025 Bonds and provides a summary of future capital projects to be funded with pay-go cash and future bond sales. Consistent with prior funding practices, it is likely that even though funds for these projects will be identified and appropriated in subsequent budget years, actual expenditures and project construction will be spread out over a longer period.

Table 8
Electric Fund Capital Improvement Program

Electric Projects	Funding	Fiscal Year Ending September 30.				
		2025	2026	2027	2028	2029
E03 OH/UG Replacement/Hardening/Capacity Increase	Borrowing	\$ 407,630	\$ 92,370			
E05 OH/UG Replacement/Hardening/Capacity Increase	Borrowing	\$ 1,916,865	\$ 2,283,135			
E09 OH/UG Replacement/Hardening/Capacity Increase	Borrowing	\$ 849,000	\$ 451,000			
5002 Harden / Capacity Increase	Borrowing	\$ 660,845	\$ 639,155			
5003 Harden / Capacity Increase	Borrowing	\$ 803,471	\$ 96,529			
W12 Hardening/Capacity Increase	Borrowing	\$ 294,918	\$ 3,705,082			
4A3N11 to 0703 Conversion / Hardening	Borrowing	\$ 2,122,585	\$ 1,177,415			
4A3N12 to 0602 Conversion / Hardening	Borrowing	\$ 212,806	\$ 2,887,194			
4A3N13 to Express Feeder Conversion / Hardening	Borrowing	\$ 333,874	\$ 2,766,126			
4A3S05 to 3N12/0602 or extend to 3N11/0703	Borrowing	\$ 172,553	\$ 1,327,447			
18th Ave N Substation - Metal-Clad	Borrowing	\$ 3,155,028	\$ 2,344,972			
26R1801 Hardening	Borrowing	\$ 296,367	\$ 1,803,633			
4R1802 Conversion / Hardening	Borrowing	\$ 228,270	\$ 1,371,730			
4R1803 Conversion / Hardening	Borrowing	\$ 216,540	\$ 883,460			
4R1804 Conversion / Hardening	Borrowing	\$ 294,701	\$ 1,405,299			
Reactors added to MAIN Yard East and West Bus	Borrowing	\$ 1,355,000	\$ 45,000			
Hypoluxo CT/PT Combo Installation	Borrowing	\$ 195,000	\$ 405,000			
Hypoluxo Refresh (Wire Trap, SS, etc.)	Borrowing	\$ 110,000	\$ 290,000			
Automatic Substation Cap Main Yd for East Bus	Borrowing	\$ 110,000	\$ 690,000			
Automatic Substation Cap Main Yd for West Bus	Borrowing	\$ 110,000	\$ 690,000			
TPTL3 - Transformer Purchase	Borrowing	\$ 1,437,500	\$ 62,500			
Turbnet Replacement (Vehicle Tracking and Radio Records)	Borrowing	\$ 318,500	\$ 81,500			
Utility Office Building Construction	Borrowing	\$ 8,056,422				
DOE GRIP Grant TA2 Match Request	Borrowing	\$ 3,250,000	\$ 9,750,000			
Truck 540, 2000 International - 55' Bucket	Borrowing	\$ 280,000				
Truck 552, 2007 International - 55' Bucket	Borrowing	\$ 280,000				
Truck 553, 2007 International - 55' Bucket	Borrowing	\$ 280,000				
Truck 554, 2007 International - 55' Bucket	Borrowing	\$ 280,000				
Truck 556, 2012 Dodge - 40' Bucket	Borrowing	\$ 200,000				
Truck 557, 2012 Dodge - 40' Bucket	Borrowing	\$ 200,000				
Truck 555, 2011 International Derrick	Borrowing	\$ 350,000				
Truck 268, 2006 International Flat Bed	Borrowing	\$ 200,000				
FY25 SHRIP Misc.	Borrowing	\$ 3,000,000				
FY24 & 23 SHRIP Misc.	Borrowing	\$ 3,000,000				
FY2026 SHRIP Misc.	Borrowing		\$ 3,000,000			
Future SHRIP Misc.	Borrowing			\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Total Electric Utility		\$ 34,977,875	\$ 38,248,547	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

Table 9
Water Fund Capital Improvement Program

Water Projects	Funding	Fiscal Year Ending September 30,				
		2025	2026	2027	2028	2029
10th Ave N Water Main Extension	Borrowing	\$ 750,000				
S East Coast Street Water Main Upsize	Borrowing	\$ 800,000				
Alley Water Main Replacement	Borrowing	\$ 500,000				
Aging Water Main Replacement	Borrowing	\$ 1,350,000				
Water Treatment Plant Roof and Membrane Replacement	Borrowing	\$ 600,000				
Clearwell, Transfer Pump, Ground Storage Tank Improvements	Borrowing	\$ 300,000				
PFAS Projects	Borrowing	\$ 200,000				
Water Treatment Plant Filter Rehabilitation	Borrowing	\$ 700,000				
Scrubber Packing Replacement	Borrowing	\$ 300,000				
Chemical Pump Replacement	Borrowing	\$ 350,000				
New Production Wells	Borrowing	\$ 2,250,000				
Dual Zone Monitoring Well Replacement	Borrowing	\$ 2,000,000				
Radio and SCADA Upgrades	Borrowing	\$ 250,000				
Water Treatment Plant Supply and Compliance	Borrowing		\$5,700,000	\$ 3,800,000	\$ 3,500,000	
Water Distribution Mains	Borrowing		\$2,850,000	\$ 4,450,000	\$ 2,250,000	
Dual Zone Monitoring Well	Borrowing		\$2,850,000			
Chief Electrician Vehicle	Pay-Go	\$ 65,027				
Water Quality Improvement Vehicle	Pay-Go	\$ 50,330				
Unspecified Future Projects - Distribution	Pay-Go					\$ 2,000,000
Unspecified Future Projects - Treatment	Pay-Go					\$ 1,000,000
Unspecified Future Projects - Wells	Pay-Go					\$ 1,500,000
Total Water Utility		\$ 10,465,357	\$ 11,400,000	\$ 8,250,000	\$ 5,750,000	\$ 4,500,000

Table 10
Local Sewer Fund Capital Improvement Program

Sewer Projects	Funding	Fiscal Year Ending September 30,				
		2025	2026	2027	2028	2029
Radio and SCADA Upgrades	Borrowing	\$ 150,000				
Lift Station Improvements	Borrowing	\$ 300,000				
Manhole Rehabilitation	Borrowing	\$ 300,000				
Sewer Pipe Lining	Borrowing	\$ 1,500,000				
Local Sewer Pump Station Improvements (Pumping)	Borrowing		\$1,525,000	\$ 1,250,000	\$ 1,250,000	
Local Sewer System Pipe Network (Collection)	Borrowing		\$2,050,000	\$ 1,750,000	\$ 1,750,000	
Unspecified Future Capital	Pay-Go					\$ 1,000,000
Total Sewer Utility		\$ 2,250,000	\$ 3,575,000	\$ 3,000,000	\$ 3,000,000	\$ 1,000,000

A summary of sources and uses of funds for the combined capital improvement program are shown in Table 11. Projects and associated costs identified in Fiscal Year 2026, 2027 and 2028 are assumed to be funded with the future Series 2026, 2027 and 2028 Bonds, resulting in annual debt service as shown on Table 6 in Section 3 of this Letter.

Table 11
Combined Capital Improvement Program Sources and Uses

	Fiscal Year Ending September 30,				
	2025	2026	2027	2028	2029
Total Annual Capital Needs	\$ 47,693,232	\$ 53,223,547	\$ 14,250,000	\$ 11,750,000	\$ 8,500,000
Funding Sources					
Pay-Go	\$ 115,357	\$ -	\$ -	\$ -	\$ 5,500,000
Series 2025 Bonds	\$ 47,577,875	\$ -	\$ -	\$ -	\$ -
Future Borrowing (Bonds)	\$ -	\$ 53,223,547	\$ 14,250,000	\$ 11,750,000	\$ 3,000,000
Total Sources	\$ 47,693,232	\$ 53,223,547	\$ 14,250,000	\$ 11,750,000	\$ 8,500,000

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