



Key Largo Wastewater Treatment District

Fiscal Year 2022/2023

Budget Narrative

Sewer Utility Fund

The Key Largo Wastewater Treatment District (“District”) was formed as an autonomous independent Special District and political body formed in 2002 by the Legislature of the State of Florida by House Bill 471, enacted as Chapter 2002-337, Laws of Florida, for the purpose of carrying out the planning, acquisition, development, operation, and management of a wastewater management system within the District’s boundaries in Key Largo, Monroe County, Florida.

The District operates and maintains a wastewater utility from mile marker 91 to 106 and southern portions of C-905 in North Key Largo. It provides service to approximately 10,500 improved parcels and approximately 10,200 accounts are billed monthly, representing approximately 15,100 EDUs. Operating as an enterprise fund, customer charges and assessments pay for the cost of operations and maintenance, debt service, and administrative costs.

Fund Overview

The District is structured on the basis of one individual enterprise fund. An enterprise fund is established by a government to account for activities similar to private business operations. The intent is that user charges make up for the costs of providing goods or services to the public. Enterprise funds use the accrual basis of accounting. Under this method of accounting revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of when the cash is received or paid. Also, all assets and liabilities associated with the entity are included on the balance sheet. Generally, accepted accounting principles applicable to enterprise funds are similar to those applicable in the private sector.

Budget Development

The annual budget is considered one of the most important documents adopted by the District’s Board of Commissioners each year. The budget reflects the District’s financial policies for the upcoming year by allocating the sources of funds for District services, and projecting expenditures for those services.

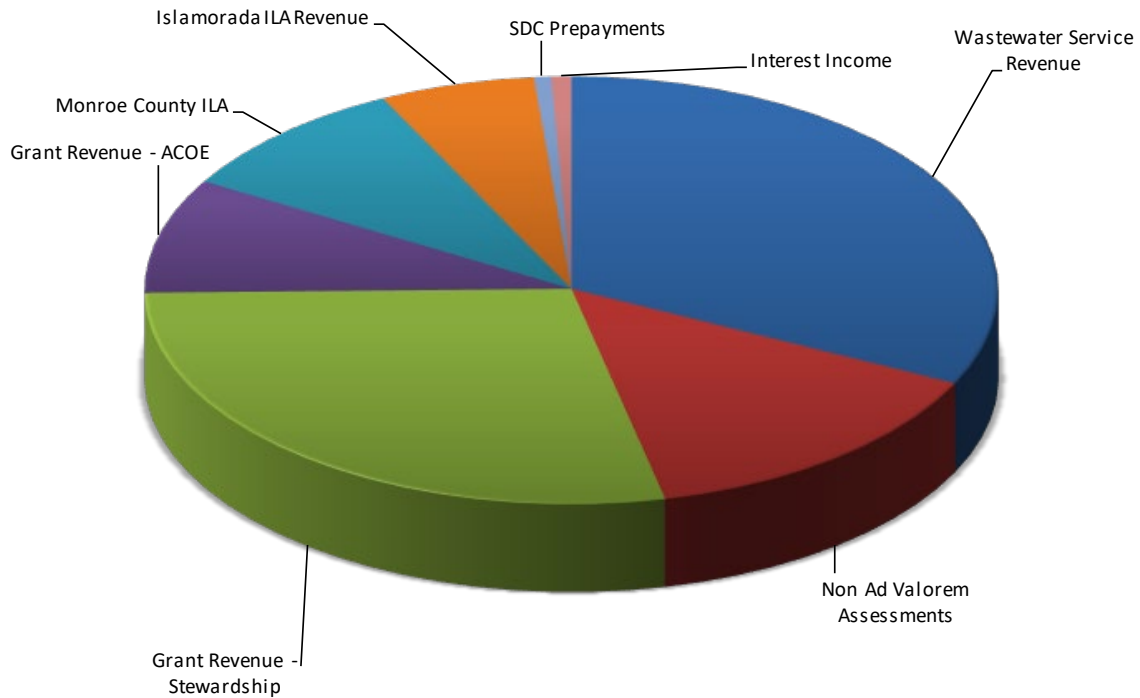
The District is focused on improvements that will continue to supply high quality service to our customers. Staff will continue to focus on the collection and disposal of wastewater in the most effective and efficient methods available. External funding sources, including grants, will continue to be aggressively sought.

Revenue Overview

The FY22-23 projected revenues and other sources of the District are as follows:

	FY 2022-23		FY 2021-22	
	Budget	% of Total	Budget	% of Total
Wastewater Service Revenue	\$ 7,410,000	29.66%	\$ 7,800,000	42.45%
Non Ad Valorem Assessments	3,265,000	13.07%	3,540,865	19.27%
Grant Revenue - Stewardship	6,475,000	25.92%	3,406,300	18.54%
Grant Revenue - ACOE	2,000,000	8.01%	-	0.00%
Monroe County ILA	2,125,000	8.51%	2,125,000	11.57%
Islamorada ILA Revenue	1,358,000	5.44%	1,365,302	7.43%
SDC Prepayments	150,000	0.60%	100,000	0.54%
Interest Income	175,000	0.70%	36,000	0.20%
Miscellaneous Revenue	50,000	0.20%	-	0.00%
Planned Use of Repair & Replacement Reserves	1,132,000	4.53%	-	0.00%
Use of/(Addition to) Reserves	842,792	3.37%	-	0.00%
	<u>\$ 24,982,792</u>	<u>100%</u>	<u>\$ 18,373,467</u>	<u>100%</u>

Where the Money Comes From



Wastewater Service Revenue (\$7,410,000)

The District’s revenues, charges for wastewater services represent the largest source of budgeted revenues for the District. This revenue is derived by providing sewer collection and treatment services to the public. Users are charged for this service on their monthly water bill from the Florida Keys Aqueduct Authority (“FKAA”). Customers are charged a base service charge and a usage charge, which is based on their monthly water consumption.

Non Ad Valorem Assessments (\$3,265,000)

Non ad valorem assessments revenue is the annual assessments of system development charges to customers for providing the sewer infrastructure. Initially, assessments were levied in phases and customers were given the option to prepay the assessment in full, or to have the assessment spread over 20 years as a non ad valorem assessment on their tax bill from Monroe County. The assessment charge is calculated on the number of equivalent dwelling units (“EDU”) for the serviced parcel. An EDU represents the equivalent to a single family unit and is based on 167 gallons per day of potable water usage.

Stewardship Grant Revenue (\$6,475,000)

The District was awarded Stewardship funding from the State of Florida. This cost reimbursable grant program will fund several of the District’s capital projects.

ACOE Grant Revenue (\$2,000,000)

The District anticipates that it will receive \$2,000,000 from the Federal Government through the Army Corps of Engineers for the reimbursement of capital project expenditures that are included in the project cooperation agreement (PCA).

Monroe County ILA (\$2,125,000)

The District successfully negotiated an interlocal agreement with Monroe County to exchange the \$17,000,000 of Stan Mayfield funding that the State allocated to the District in FY13/14. In FY15/16 the District exchanged \$1,250,000 of Stewardship funding in return for annual payments from the County of funds that have an unrestricted use.

Stan Mayfield Funding Exchange	\$ 17,000,000
Stewardship Bill Funding Exchange	1,250,000
Payments received from Monroe County	<u>(11,500,000)</u>
Balance due from Monroe County	<u><u>\$ 6,750,000</u></u>

Monroe County ILA (\$2,125,000) - continued

Expected Mayfield \$17M & Stewardship	
2023	\$ 2,125,000
2024	2,125,000
2025	2,125,000
2026	125,000
2027	125,000
2028	125,000
	<u>\$ 6,750,000</u>

Islamorada Wastewater Service & Insurance Surcharge Revenue (\$1,358,000)

The District and Islamorada, Village of Islands (“Village”) have an interlocal agreement for the use of 32% of the District’s plant capacity. The Village is charged a base rate of \$4.65 per 1,000 gallon of influent, not including any rate surcharges, at the District’s advanced wastewater treatment plant. That rate is calculated at \$4.30 for treatment cost and \$0.35 for repair and replacement funding. The District began receiving flows from the Village on June 16, 2014.

The Interlocal agreement with the Village requires them to pay 32% of the insurance expense for the advanced treatment plant. The District invoices the Village annually for this surcharge.

System Development Charge Advance Payoff Revenue (\$150,000)

Customers have the option to pay off their system development charge at any time. Although substantially all of the serviced parcels have been assessed, customers may choose to either pay down or pay off their assessment in advance.

Interest Income (\$175,000)

The District is projected to earn interest income in FY22/23 from its interest bearing accounts and investing activities.

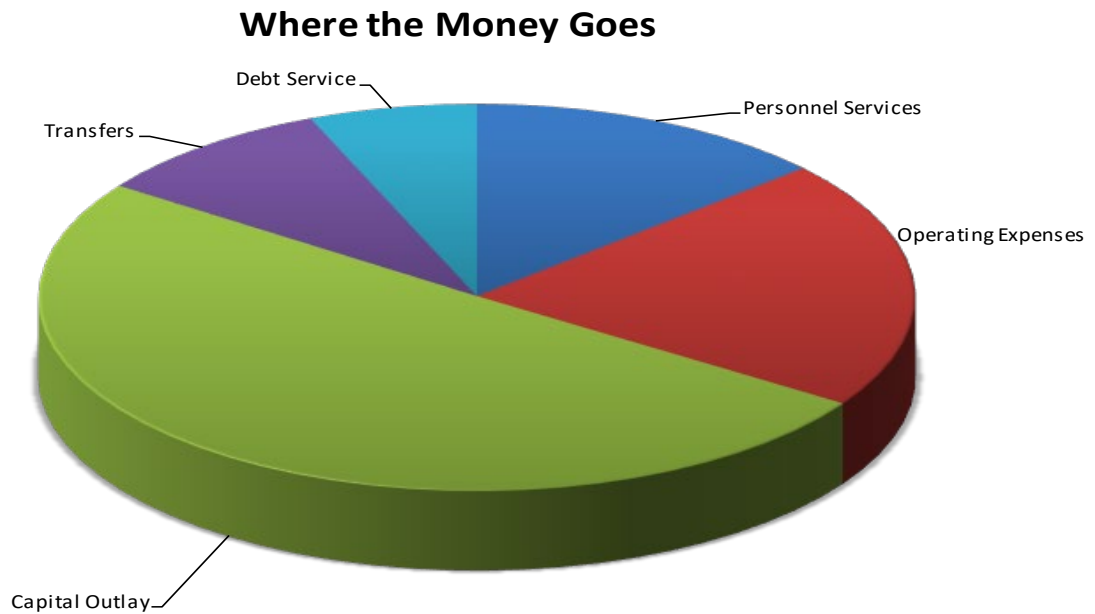
Miscellaneous Income (\$50,000)

The District is projected to earn miscellaneous income in FY22/23 from various sources.

Expenditure Overview

The total projected appropriations of this budget are \$24,982,792. The following chart shows a summary of the budgeted appropriations by category:

	FY 2022-23		FY 2021-22	
	Budget	% of Total	Budget	% of Total
Personnel Services	\$ 3,354,120	13.43%	\$ 2,914,376	15.86%
Operating Expenses	5,222,003	20.90%	4,515,212	24.57%
Capital Outlay	12,587,708	50.39%	4,400,193	23.95%
Transfers	2,260,000	9.05%	2,260,000	12.30%
Debt Service	1,558,961	6.24%	4,283,686	23.31%
	<u>\$ 24,982,792</u>	<u>100%</u>	<u>\$ 18,373,467</u>	<u>100%</u>



Personnel Services (\$3,354,120)

Personnel Services includes all salaries and benefits (including workers compensation insurance) for District employees.

Department	FY22-23	FY22-23	FY21-22	FY21-22
	FTE	Budget	FTE	Budget
Commissioners	NA	\$62,433	NA	\$56,449
Administrative	6	648,764	6	609,518
Plant	6	578,777	6.5	519,795
Field	14	1,350,645	13	1,176,340
Facilities	7	713,501	6	552,274
Total	33	\$3,354,120	31.5	\$2,914,376

Operating Expenses (\$5,222,003)

FY22/23 will be the thirteenth year of full operations.

Capital Outlay (\$12,587,708)

The FY22/23 budget includes appropriations for capital outlay. The following chart provides the details on the specific capital outlay items requested.

Capital Outlay Items

Administrative

IT Equipment	<u>3,000</u>	\$ 3,000
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Plant

IT Equipment	<u>3,000</u>	\$ 3,000
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Field

IT Equipment	<u>3,000</u>	\$ 3,000
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Facilities

IT Equipment	<u>3,000</u>	\$ 3,000
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Capital Outlay (\$12,587,708) - continued

Capital Outlay Items (continued)

Capital Improvements (includes Engineering Design & CEI)

Vac System Monitoring	3,574,000	
Effluent Filtration Upgrade	1,652,250	
Vac Station Odor Control	1,243,000	
Headworks & Screening Upgrades	915,000	
Service Connection Revisions	860,000	
VPS Piping Modification	838,000	
Vac Pit Valve Rebuild	822,000	
Piping & Valve Upgrades @ Vac Stations	425,000	
Lift Station Replacement KL Trailer Park	365,000	
Vac Stations Lightning Protection	270,000	
Power Conditioning @ WWTP/ Electrical Upgrades	235,000	
Ventilation Upgrades @ Vac Stations	199,000	
SBR & DCU PLC Upgrades (SCADA)	185,000	
Influent EQ Tank	120,000	
SBR Blower Spare Parts	105,000	
Vac I Driveways (2)	105,000	
Soft Start Upgrade Vac Station to VFD	100,000	
Direct Potable Reuse Demonstration Preliminary Work	87,500	
Effluent injection Pump Repair	50,000	
Cameras (Plant, Admin, Field)	42,000	
Cabling Plant & Vac Stations	36,000	
Plant Combined Record Drawings	35,000	
Sewage Pump Replacement/Piping Modification	30,000	
Tanks Coating	25,500	
SCADA Upgrade Software	25,258	
Preliminary Design and Budgeting	25,000	
GIS GPS Equipment	25,000	
Replacement Stainless Steel Air Flex Joints	22,000	
Spare Flow Meters for Plant	21,000	
Digester Blower VFD	20,000	
Digester Motive Pump VFD	20,000	
Vac Pump Rebuild & Spares	20,000	
Lift Station Spare Pumps	20,000	
Inspection Camera	17,000	
Spare Injection Well Pump VFD	15,000	
Spare Booster Pump VFD	11,000	
Grinder Pumps (3)	8,200	
Spare Dump Pad Pump	7,000	
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Total Capital Outlay		\$ 12,575,708
		<u>\$ 12,587,708</u>

These projects, while budgeted, are still subject to board approval

Debt Service (\$1,558,961)

The FY22/23 budget includes appropriations for debt service on the District’s one State Revolving Fund (SRF) loan. The SRF loan is paid semi-annually.

Debt Obligation	Loan Balance @ 9/30/22	Required Annual Debt Service	Loan Balance @ 9/30/23
SRF Loan 46401P	\$ 9,922,146	\$ 1,558,961	\$ 8,363,185

Transfers (\$2,260,000)

The FY22/23 budget includes transfers to the District’s following reserve accounts: repair and replacement, self-insurance and insurance deductible. \$1,200,000 is projected to be transferred to the reserve for future repairs and replacements. The ILA with the Village also requires that \$0.35 of the \$4.65 flow charge be set aside for future repairs and replacements. The District is also going to reserve \$1,060,000 for insurance deductibles and for self-insurance. FY22/23 is the fifth year a contribution will be made to the self insurance & insurance deductible fund. At the end of FY22/23, the District expects to have \$7,693,450 in funding designated for repairs and replacements, \$3,420,000 for insurance deductibles and self-insurance.

Budgeted Transfer to R&R fund	\$ 1,200,000
\$0.35 of Islamorada Flow Charge	<u>(100,055)</u>
Total Required Transfer to R&R fund	<u>(100,055)</u>
Amount in EXCESS of minimum requirement	<u>\$ 1,099,945</u>

Excess reserve funding is required to meet the actual reserve and replacement funding necessary based on the engineering estimates. These reserve categories are important due to the District’s unique island location. The District’s goal is to maintain twelve months of operating expenses in unassigned cash as a reserve balance.

Unassigned Cash Balance as of Sept 30, 2021		\$ 12,579,364
Projected Revenues & Planned Used of Reserves FY21-22	\$ 17,352,442	
Projected Expenditures & Reserve Transfers FY21-22	<u>(17,350,729)</u>	
Projected Revenues in excess of Expenditures & Reserve Transfers FY21-22		<u>1,713</u>
Expected Unassigned Cash Balance as of Sept 30, 2022		12,581,077
Budgeted Revenues & Planned Use of Reserves FY22-23	\$ 24,139,634	
Budgeted Expenditures & Reserve Transfers FY22-23	<u>(24,982,426)</u>	
Budgeted Revenues in excess of Expenditures & Reserve Transfers FY22-23		<u>(842,792)</u>
Expected Unassigned Cash Balance as of Sept 30, 2023		\$ 11,738,285