



Key Largo Wastewater Treatment District

Fiscal Year 2026/2027

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 10,242 accounts are billed monthly, representing approximately 15,069 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.

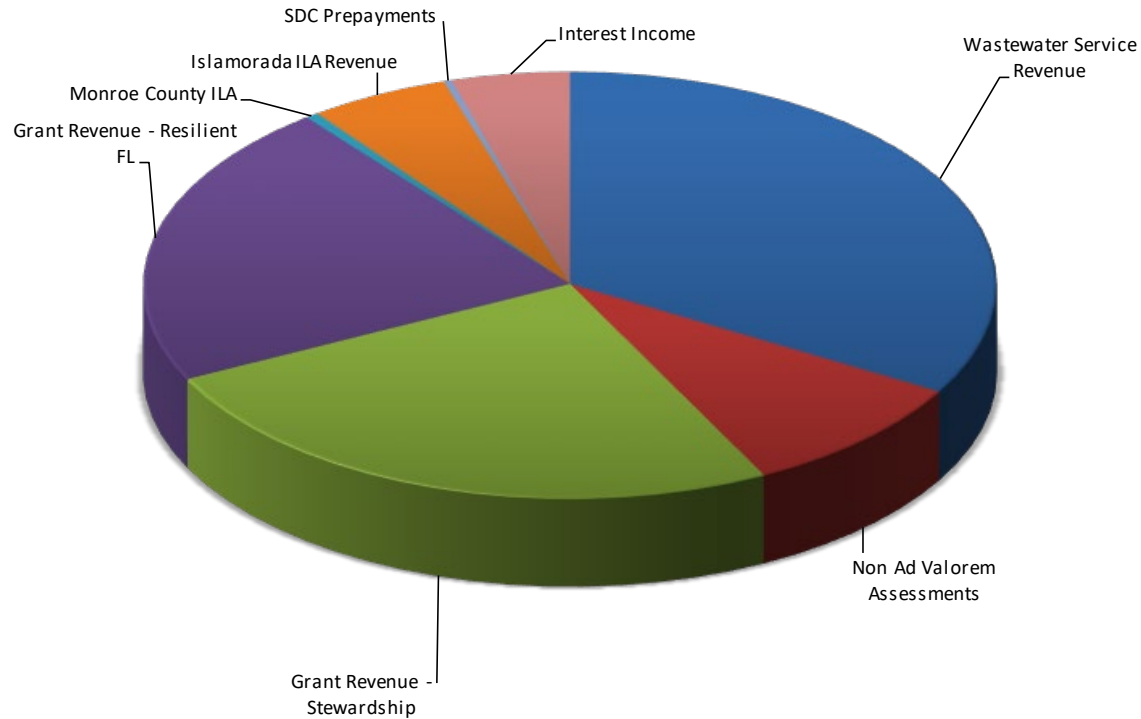
The District is focused on improvements that will continue to supply high quality service to our customers. Staff will continue to focus on the collection and disposal of wastewater in the most effective and efficient methods available. External funding sources, including grants, will continue to be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

Revenue Overview

The FY26-27 projected revenues and other sources of the District are as follows:

	FY 2026-27		FY 2025-26	
	Budget	% of Total	Budget	% of Total
Wastewater Service Revenue	\$ 8,498,195	29.96%	\$ 8,002,067	30.64%
Non Ad Valorem Assessments	2,319,632	8.18%	3,098,450	11.86%
Grant Revenue - Stewardship	6,391,000	22.53%	7,225,000	27.66%
Grant Revenue - Resilient FL	5,521,000	19.47%	2,000,000	7.66%
Monroe County ILA	125,000	0.44%	125,000	0.48%
Islamorada ILA Revenue	1,360,000	4.80%	1,368,000	5.24%
SDC Prepayments	75,000	0.26%	75,000	0.29%
Interest Income	1,150,000	4.05%	1,200,000	4.59%
Miscellaneous Revenue	55,000	0.19%	55,000	0.21%
Private Source Contributions	350,000	1.23%	-	0.00%
Planned Use of Repair & Replacement Reserves	1,736,313	6.12%	3,221,559	12.33%
Use of/(Addition to) Reserves	779,480	2.75%	(251,070)	-0.96%
	<u>\$ 28,360,620</u>	<u>100%</u>	<u>\$ 26,119,006</u>	<u>100%</u>

Where the Money Comes From



Wastewater Service Revenue (\$8,498,195)

The District's revenues, charges for wastewater services represent the largest source of budgeted operating revenue 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 (\$2,319,632)

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 (\$6,391,000)

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.

Grant Revenue – Resilient FL (\$5,521,000)

The District was awarded a grant from Resilient FL for \$5,521,000 towards mitigation projects. This grant requires matching fund contributions of 50%.

Islamorada Wastewater Service & Insurance Surcharge Revenue (\$1,360,000)

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.

Interest Income (\$1,150,000)

The District is projected to earn interest income in FY26/27 from its interest bearing accounts and investing activities.

Private Source Contributions (\$350,000)

The District is anticipating a \$350,000 contribution from a private source for engineering costs associated with a potential new capital outlay project.

Monroe County ILA (\$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>(18,000,000)</u>
Balance due from Monroe County	<u><u>\$ 250,000</u></u>

Expected Mayfield \$17M & Stewardship	
2027	\$ 125,000
2028	<u>125,000</u>
	<u><u>\$ 250,000</u></u>

System Development Charge Advance Payoff Revenue (\$75,000)

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.

Miscellaneous Income (\$55,000)

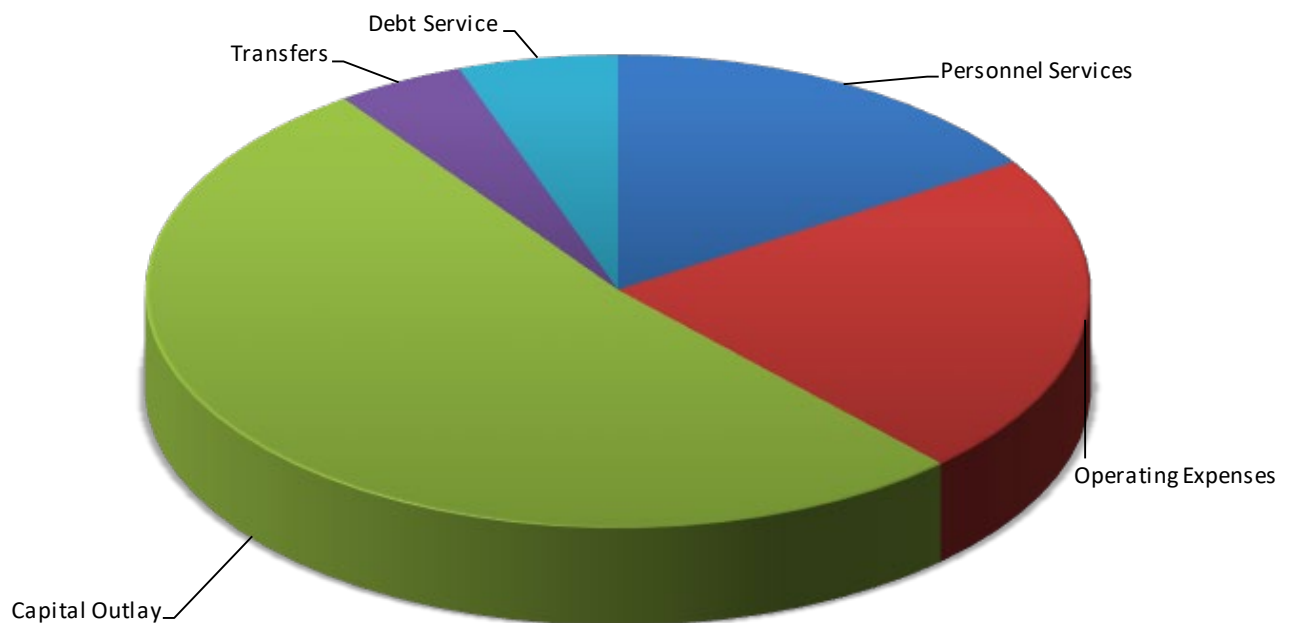
The District is projected to earn miscellaneous income in FY26/27 from various sources.

Expenditure Overview

The total projected appropriations of this budget are \$28,360,620. The following chart shows a summary of the budgeted appropriations by category:

	FY 2026-27		FY 2025-26	
	Budget	% of Total	Budget	% of Total
Personnel Services	\$ 4,504,830	15.88%	\$ 4,493,429	17.20%
Operating Expenses	6,290,829	22.18%	6,116,632	23.42%
Capital Outlay	14,756,000	52.03%	12,699,984	48.62%
Transfers	1,250,000	4.41%	1,250,000	4.79%
Debt Service	1,558,961	5.50%	1,558,961	5.97%
	<u>\$ 28,360,620</u>	<u>100%</u>	<u>\$ 26,119,006</u>	<u>100%</u>

Where the Money Goes



Personnel Services (\$4,504,830)

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

	FY26-27	FY26-27	FY25-26	FY25-26
Department	FTE	Budget	FTE	Budget
Commissioners	NA	\$84,102	NA	\$71,218
Administrative	6	737,933	6	769,833
Plant	5	647,310	5	701,785
Field	17	2,078,191	17	2,025,987
Facilities	8	957,294	8	924,606
Total	36	\$4,504,830	36	\$4,493,429

Operating Expenses (\$6,290,829)

FY26/27 will be the seventeenth year of full operations.

Capital Outlay (\$14,756,000)

The FY26/27 budget includes appropriations for capital outlay. The following chart provides the details on the specific capital outlay items requested.

Capital Outlay Items

Engineering: Odor Control at Vac Stns	\$85,000
Engineering: Capital Prelim Design & Bgt	20,000
Engineering: Effluent Filtration Upgrade	50,000
Engineering: Vac System Monitoring	15,000
Engineering: Power Conditioning Vac Stns	188,000
Engineering -Power Cond & Elec Up @ WWTP	48,000
Engineering: EQ Tank Headworks/Scrn Upg	500,000
Engineering: Ventilation Upgrade @ Vac Stns	40,000
Engineering: Vac Stn Sewage Tank Upg	550,000
Engineering: Ductile Iron Piping Corrosi	149,000
Engineering: Flood Panels WWTP	30,000
Engineering: CSAP CMMS	45,000
Engineering: Sea Level Rise General	40,000
Engineering: Sea Level Rise Stillwright	15,000
Engineering: Service Connection Revision	20,000
Engineering: WWTP Elevator	70,000
Engineering: Gilberts Resort Connection	350,000

Capital Outlay (\$14,756,000) - continued

Capital Outlay Items (continued)

Capital Outlay: Odor Control at Vac Stns	255,000
Capital Outlay: Effluent Filter	200,000
Capital Outlay: Vac System Monitoring	411,000
Capital Outlay: Vac Stn PWR Conditioning	830,000
Cap Outlay: Power Cond & Elec Upg WWTP	560,000
Cap Outlay: EQ Tank Headworks/Scrn Upg	5,000,000
Cap Outlay: Ventilation Upg @ Vac Stns	400,000
Capital Outlay: Replace Vac Pit Collar	5,000
CAPITAL OUTLAY: VAC STN SEWAGE TANK UPG	2,750,000
Capital Outlay: Ductile Iron Piping Corr	910,000
Capital Outlay: Flood Panels WWTP	135,000
Capital Outlay: WWTP Elevator	350,000
SCADA Upgrade	120,000
Capital Outlay: Grinder Pumps	33,000
Cap Outlay: Cameras-Plant, Admin, Field	5,000
Capital Outlay: Field Ops Truck	160,000
Capital Outlay: Vac Station PLC Upgrade X	100,000
Capital Outlay: Facilities Vehicle	38,000
Capital Outlay: Upgrade Digester PLC/HMI	50,000
Capital Outlay: Rings and Risers	19,000
Capital Outlay: Vacuum Pits	65,000
Capital Outlay: Carpet @ Admin Office	20,000
Capital Outlay - Computer Equipment	50,000
Service Connection Construction Revision	75,000
	<u><u>\$14,756,000</u></u>

Debt Service (\$1,558,961)

The FY26/27 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	Annual Debt			Loan Balance @ 9/30/27
	Loan Balance @ 9/30/26	Service Principal Reduction		
SRF Loan 46401P	\$ 4,471,996	\$ 1,452,471	\$	3,019,525

Transfers (\$1,250,000)

The FY26/27 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 \$50,000 for insurance deductibles and for self-insurance. FY26/27 is the ninth year a contribution will be made to the self insurance & insurance deductible fund. At the end of FY26/27, the District expects to have \$14,450,000 in funding designated for repairs and replacements, \$5,425,000 for insurance deductibles and self-insurance.

Budgeted Transfer to R&R fund	\$ 1,200,000
\$0.35 of Islamorada Flow Charge	<u>(97,849)</u>
Total Required Transfer to R&R fund	<u>(97,849)</u>
Amount in EXCESS of minimum requirement	<u>\$ 1,102,151</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, 2025	\$ 22,018,067
Projected Revenues & Planned Used of Reserves FY25-26	\$ 20,865,355
Projected Expenditures & Reserve Transfers FY25-26	<u>(15,951,213)</u>
Projected Revenues in excess of Expenditures & Reserve Transfers FY25-26	<u>4,914,142</u>
Expected Unassigned Cash Balance as of Sept 30, 2026	26,932,209
Budgeted Revenues & Planned Use of Reserves FY26-27	\$ 27,581,140
Budgeted Expenditures & Reserve Transfers FY26-27	<u>(28,360,620)</u>
Budgeted Revenues in excess of Expenditures & Reserve Transfers FY26-27	<u>(779,480)</u>
Expected Unassigned Cash Balance as of Sept 30, 2027	\$ 26,152,729