

A large, stylized graphic in the background features a yellow sun with rays and three green leaves of varying shades (light green, medium green, and dark green) arranged in a fan-like pattern.

UTILITY QUARTERLY FINANCIAL UPDATE

July 18, 2023



CHARLOTTE COUNTY
FLORIDA

Topics of Discussion



- Bond Rating Scenarios
- Cape Haze Water Quality Improvement and Funding

Bond Rating Scenarios

- Charlotte County Utility prior bond rating was Moody's Aa3
- A bond rating is dependent upon many factors
 - Economic and demographic metrics
 - Current and projected financial security
 - Management and governance of enterprise operations
 - Amount of debt outstanding
 - Capital maintenance and expansion planning
- Additional/future borrowing puts downward pressure on a bond rating
- Prudent monitoring/adjustments of Utility rates provides rating strength
- Any rating at or above A3 is considered mid- to high-level investment grade
- Current spreads between rating yield curves is relatively minimal

Bond Rating Scenarios

Long-term Credit Ratings for Moody's and S&P

		Moody's	S&P
Highest   Lowest	Investment Grade	Aaa	AAA
		Aa1	AA+
		Aa2	AA
		Aa3	AA-
		A1	A+
		A2	A
		A3	A-
		Baa1	BBB+
		Baa2	BBB
	Baa3	BBB-	
	Speculative Grade	Ba1	BB+
		Ba2	BB
		Ba3	BB-
		B1	B+
		B2	B
		B3	B-
		Caa1	CCC+
		Caa2	CCC
		Caa3	CCC-
Ca		CC	
C	D		

Most recent Charlotte Co utility bond ratings

Bond Rating Scenarios

Comparison of Alternative Bond Credit Rating Assumptions Utility Revenue Bonds | Full 30-Year Maturity with Level Annual Debt Service

Preliminary Summary Comparison (\$ amounts in thousands)				
Scenario	1	2	3	4
Assumed Ratings Assigned	Aa2/AA	Aa3/AA-	A1/A+	A2/A
Bond Proceeds	\$100,912	\$100,912	\$100,916	\$100,920
Project Fund Desposit	\$100,000	\$100,000	\$100,000	\$100,000
All-In True Interest Cost	4.20%	4.23%	4.29%	4.33%
Difference from Scenario 2	-0.03%	--	0.06%	0.10%
Average Annual Debt Service	\$5,918	\$5,941	\$5,985	\$6,016
Difference from Scenario 2	-\$22	--	\$44	\$75
Total Debt Service	\$177,549	\$178,217	\$179,543	\$180,474
Difference from Scenario 2	-\$668	--	\$1,326	\$2,257

- Analysis is preliminary and subject to change.
- Assumes uninsured tax-exempt utility bonds (with 10yr par call) assuming applicable assigned ratings and market conditions as of 6/28/2023.
- Assumes no debt service reserve fund for analysis purposes.
- Scenarios are based upon assumed assigned ratings and may not be reflective of the impact of a downgrade or upgrade.

Cape Haze Septic to Sewer Project

- Preliminary ERC's (Estimated Residential Connections): 254
- System scenarios with subsidy options
- Current project funding includes;
 - MSBU Assessments
 - Potential SRF Funding
 - MSBU Base Rate Subsidy (5 yrs.)
 - Wastewater Connection Fee Fund
 - 2020 Sales Tax Extension

Estimated Cape Haze Scenarios

30-Year Options Comparison Summary

**from the June 20th Utility Workshop*

Assumed 50% Vacant Deferrals: 34

Preliminary Estimated Residential Connections: 254

Total Rate Assessment	Planned Subsidies	Annual Asmt. Over 30 Years	Implied Monthly Cost	Est. Full Cost (Incl. Financing)	Add'l. Subsidy Required	Full Cost per ERC
<u>Low Pressure System</u>						
\$17,250	Base Rate Subsidy, 2020 Sales Tax	\$575	\$47.92	\$7,000,906	\$23,699	\$27,563
<u>Vacuum System</u>						
\$17,250	Base Rate Subsidy, 2020 Sales Tax	\$575	\$47.92	\$12,534,488	\$5,557,281	\$49,348
\$38,250	Base Rate Subsidy, 2020 Sales Tax	\$1,275	\$106.25	\$14,681,482	\$2,743,655	\$57,801
\$58,855	Base Rate Subsidy, 2020 Sales Tax	\$1,962	\$163.49	\$16,805,255	\$0	\$66,162

Assumes three years of capitalized interest and a 4.5% financing rate for a 30-year term

Updated Cape Haze Scenarios

30-Year Options Comparison Summary - SRF Funding

Assumed 50% Vacant Deferrals: 34

Preliminary Estimated Residential Connections: 254

Total Rate Assessment	Planned Subsidies	Annual Asmt. Over 30 Years	Implied Monthly Cost	Est. Full Cost (Incl. Financing)	Add'l. Subsidy Required	Full Cost per ERC	Maintenance Cost per ERC (Yr)
<u>Low Pressure System</u>							
\$17,250	Base Rate Subsidy, 2020 Sales Tax	\$575	\$47.92	\$5,582,118	\$0	\$20,985	\$1,100-\$1,300
<u>Vacuum System</u>							
\$17,250	Base Rate Subsidy, 2020 Sales Tax	\$575	\$47.92	\$11,098,260	\$4,083,433	\$43,245	\$500-\$700
\$25,500	Base Rate Subsidy, 2020 Sales Tax	\$850	\$70.83	\$11,346,880	\$2,383,238	\$45,269	\$500-\$700
\$37,228	Base Rate Subsidy, 2020 Sales Tax	\$1,241	\$103.41	\$11,696,308	\$0	\$45,681	\$500-\$700

Assumes three years of capitalized interest and a 30-year loan with .85% SRF rate.

Uses the FY24 base rate projections

System operations and maintenance projections provided by Giffels-Webster June 13, 2023

Cape Haze Septic to Sewer Funding Options

1. Grants and appropriations
2. Base rate revenues from Cape Haze MSBU connections (Add'l 20 years)
3. BP Settlement
4. Utility rate payors
5. General fund/Ad Valorem (everyone pays)
6. Combination of Options 1 - 5

RESTORE has been allocated to West Port WRF

Target SRF Loans for Septic to Sewer

- Determine BCC inclination to strategically utilize SRF financing
 - PROS**
 - Utilization would result in reduced subsidy need
 - Utilization would achieve lower MSBU assessment rates
 - CONS**
 - Annual SRF funding cap limits availability of funds
 - May be available for one MSBU and not another (timing)
 - Could delay construction of future septic to sewer projects (timing)
 - Ties projects to various compliance requirements
 - System-wide projects may require higher financing costs
- Initiate conversation with FDEP to extend loan term to 30 years
 - PROS**
 - 30-year term would align with assessment term and useful life of infrastructure
 - Lower interest rates would result in significant reduction in total project cost
 - CONS**
 - Current 20-year loan term would require an internal loan for the balance

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QUESTIONS?



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