City of Pensacola

City Council Workshop

Agenda

City of Pensacola
222 W. Main Street
Pensacola, FL 32502

June 17, 2026, 4:30 PM **Hagler-Mason Conference Room, 2nd Floor**

The meeting can be watched via live stream at cityofpensacola.com/video.

ROLL CALL

SELECTION OF CHAIR

DETERMINATION OF PUBLIC INPUT

DISCUSSION

1. 26-687 STORMWATER ASSESSMENT

Recommendation: That City Council hold a discussion pertaining to the Stormwater Assessment process for FY27.

Sponsors: Allison Patton, Council President

Attachments: *Raftelis - RFP Presentation*
Fee Breakdown_Pensacola_RFP26_032
WORKSHOP PRESENTATION

2. 26-688 PENSACOLA ENERGY

Recommendation: That City Council hold a discussion pertaining to Pensacola Energy's rate structure.

Sponsors: Allison Patton, Council President

Attachments: *Pensacola Energy Rate Changes Reading Material*
Pensacola Rates and Charges Print Version

ADJOURNMENT

If any person decides to appeal any decision made with respect to any matter considered at such meeting, he will need a record of the proceedings, and that for such purpose he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

The City of Pensacola adheres to the Americans with Disabilities Act and will make reasonable accommodations for access to City services, programs and activities. Please call 850-435-1606 (or TDD 850-435-1666) for further information. Request must be made at least 48 hours in advance of the event in order to allow the City time to provide the requested services.

File #: 26-687 City Council 6/17/2026

DISCUSSION

SPONSOR: Allison Patton, Council President

SUBJECT:

STORMWATER ASSESSMENT

SUMMARY:

On February 23, 2026 the City Council held a workshop regarding the Stormwater Assessment. As a result of that workshop, there seemed to be consensus to review the methodology of how the assessment is conducted.

As a result of the workshop, the City of Pensacola issued a request for proposals (RFP) for interested firms to submit proposals for providing the City stormwater assessment consulting services including:

- Reviewing and updating the City's existing residential tier structure.
- Reviewing and updating the City's equivalent stormwater unit (ESU) square footage.
- Developing of new assessment methodologies using up-to-date technologies that can more accurately determine impervious square footage per parcel.
- Assisting in the creation of the annual assessment roll.
- Annually assisting the City with the maintenance of the assessment roll and updating parcel information as needed

This workshop allows for a discussion and update of the stormwater assessment process and an opportunity to review what will take place in year one, given the limits on timing before information is gathered, a Resolution passed and the information forwarded to the Tax Collector"s Office.

PRIOR ACTION:

February 23, 2026 -- City Council Workshop regarding Stormwater Assessment

FUNDING:

N/A

FINANCIAL IMPACT:

None

STAFF CONTACT:

Don Kraher, Council Executive
Amy Lovoy, Finance Director

ATTACHMENTS:

1. Raftelis - RFP Presentation
2. Fee Breakdown_Pensacola_RFP26_032
3. WORKSHOP PRESENTATION

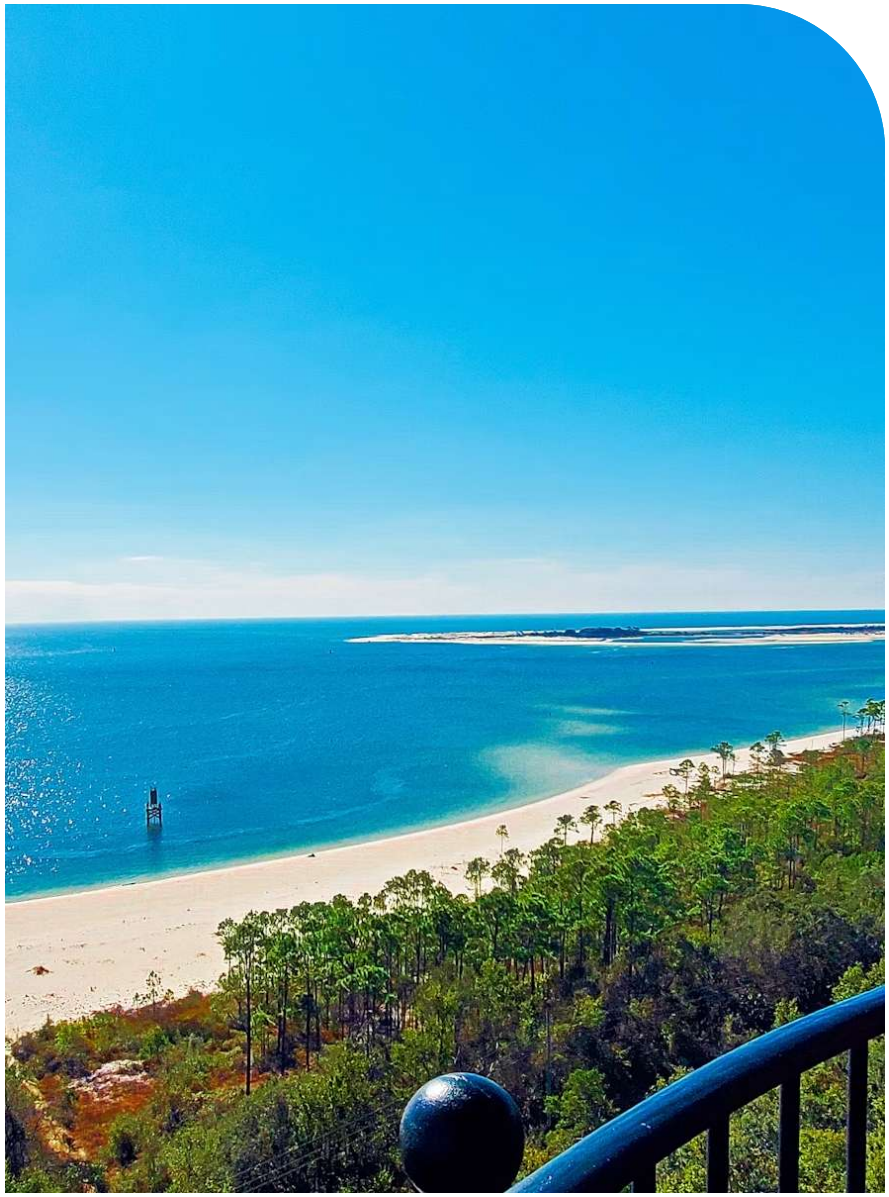
PRESENTATION: No

RAFTELIS

City of Pensacola

RFP #26-032 Stormwater Assessment Fee Consulting Services

Interview / May 28, 2026



Agenda

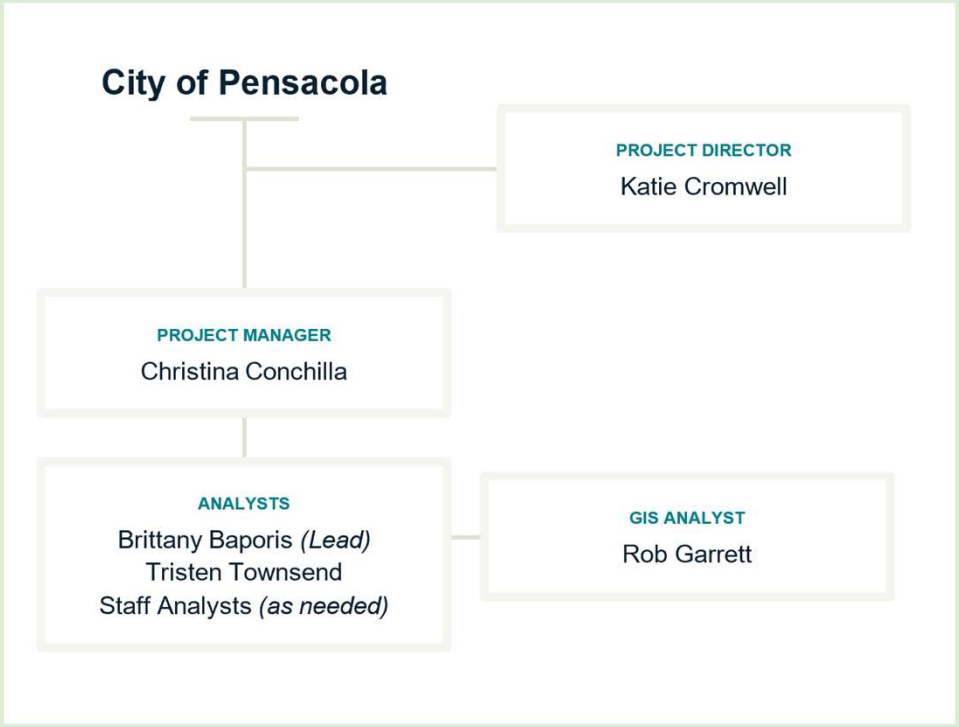
1. **Team and Experience**
2. **Scope Overview**
3. **Question and Answers**

Our Team

Katie Cromwell

Christina Conchilla

Brittany Baporis

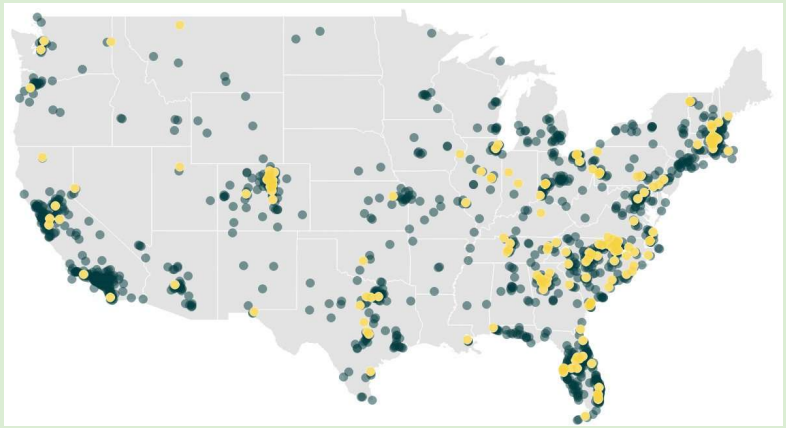


Who is Raftelis?

Helping local governments and utilities thrive

- Financial planning
- Executive recruitment
- Strategic planning
- Communications & outreach
- Organizational assessments
- Data & technology

National Experience



With more than..

190+ consultants across the U.S.

Raftelis has provided assistance to over:

1,200+ public agencies and utilities

OUR TEAM
HAS COMPLETED

100+

STORM DRAINAGE RATE STUDIES AND RATE STRUCTURE EVALUATIONS

Impervious Area Data Development

- 20 full-time stormwater management consultants including expert manual digitizers with decades of experience
- Assisted many clients in obtaining and refining Artificial Intelligence (AI) generated data.

Recent data development in Florida:

- City of Zephyrhills
- City of Miami Beach
- City of Jacksonville Beach
- Town of Ponce Inlet
- City of Seminole
- City of Treasure Island
- City of St. Augustine Beach

Recent Non-Ad Valorem Assessment Support in Florida:

- Clay County
- City of Anna Maria
- City of Apopka
- City of Zephyrhills
- City of Seminole
- Town of Ponce Inlet
- City of St. Augustine Beach
- City of New Port Richey

Proposed Approach

Task 0: Project Management, Data Collection, and Kick-Off Meeting

Task 1: Review and Update of the City's Existing Residential Tier Structure

Task 2: Update of the Existing Stormwater Assessment Fee Structure

Task 3: Development of new assessment structures

Task 4: Creation of the Annual Stormwater Assessment Roll

Task 5: Development of Any Ordinances or Resolutions

Task 6: Ongoing Non-Ad Valorem Assessment Support

Optional Task 7: Public-Facing Web Viewer to Display Updated Impervious Area

Scope Highlights by Task

Task 0: Project Management, Data Collection, and Kick-Off Meeting

- Virtual Kick-off Meeting
- Project Management
- Data Collection & Management

Task 1: Review and Update of the City's Existing Residential Tier Structure

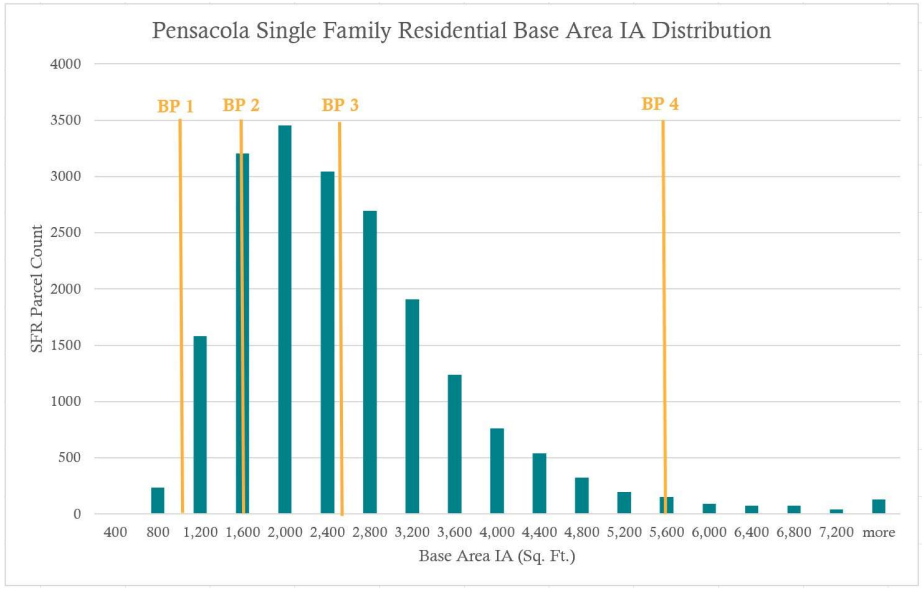
- Important Deadline: June 30, 2026
- Collaboration with City Staff and Escambia County Property Appraiser Office
- Tiering Analysis – Up to Three (3) Tier Alternatives
- Updated Equivalent Stormwater Units per Tier (ESU)
- Updated Rates per Tier

Tiering Analysis

Impervious Area Distribution Analysis

Evaluation of Tier Breakpoints

1. Analyze IA Distribution:



2. Evaluate Tier Alternatives

3 Tiers

Tier 1	0.6 ESU	25%
Tier 2	1.0 ESU	50%
Tier 3	1.7 ESU	25%

9,989 Total ESUs | Highest rate/ESU

4 Tiers

Tier 1	0.6 ESU	25%
Tier 2	1.0 ESU	50%
Tier 3	1.6 ESU	21%
Tier 4	2.6 ESU	4%

10,055 Total ESUs | 1.2% lower rate/ESU

3 Tiers + Cap

Tier 1	0.6 ESU	25%
Tier 2	1.0 ESU	50%
Tier 3	1.6 ESU	21%
Cap	Variable	4%

10,168 Total ESUs | 3.0% lower rate/ESU

Scope Highlights by Task

Task 2: Update of the Existing Stormwater Assessment Fee Structure

- Using Updated IA data from Task 3 we will:
- Determine an updated ESU value
- Develop updated tiers and tier breakpoints for single-family residential
- Technical Memorandum

Task 3: Development of new assessment structures

- Option 1: Manual IA Measurement
- Option 2: AI-Generated IA Data – vendor selection, purchase and refinement
- Update total billing units with new data
- Financial Rate Model to calculate updated rates with new data

Accuracy and Equity of Current Data Source

- Missing IA from Property Appraiser:
  - Large driveway/walkway – not captured
  - Property Appraiser IA = **4,135 sq. ft.**, Tier 4, 1.53 ESU, $184.35
  - Measured IA and Fee = **8,392 sq. ft.,** Tier 5, 2.8 ESUs, $337.37
  - Property is being billed accurately according to current rate structure
  - This property would fall into a higher tier if measured IA was used.

Data Development Options: Option 1 Manual IA Measurement

Communities may choose different options for different reasons. Manual impervious area measurement:

- Utilizes secondary imagery sources & Google Street View to confirm unknown or obstructed features
- Can distinguish temporary/mobile structures
- Humans can interpolate around and within tree cover using multiple imagery sources and assumptions about building characteristics
- Can interpret commonly conflated concrete vs. sand vs. vehicle-traveled gravel and follow established capture/billing policies

Example of digitized impervious area for a non-single family residential property. Measured impervious area is shown in translucent blue.

14

Data Development Options: Option 2 - AI Generated IA Data

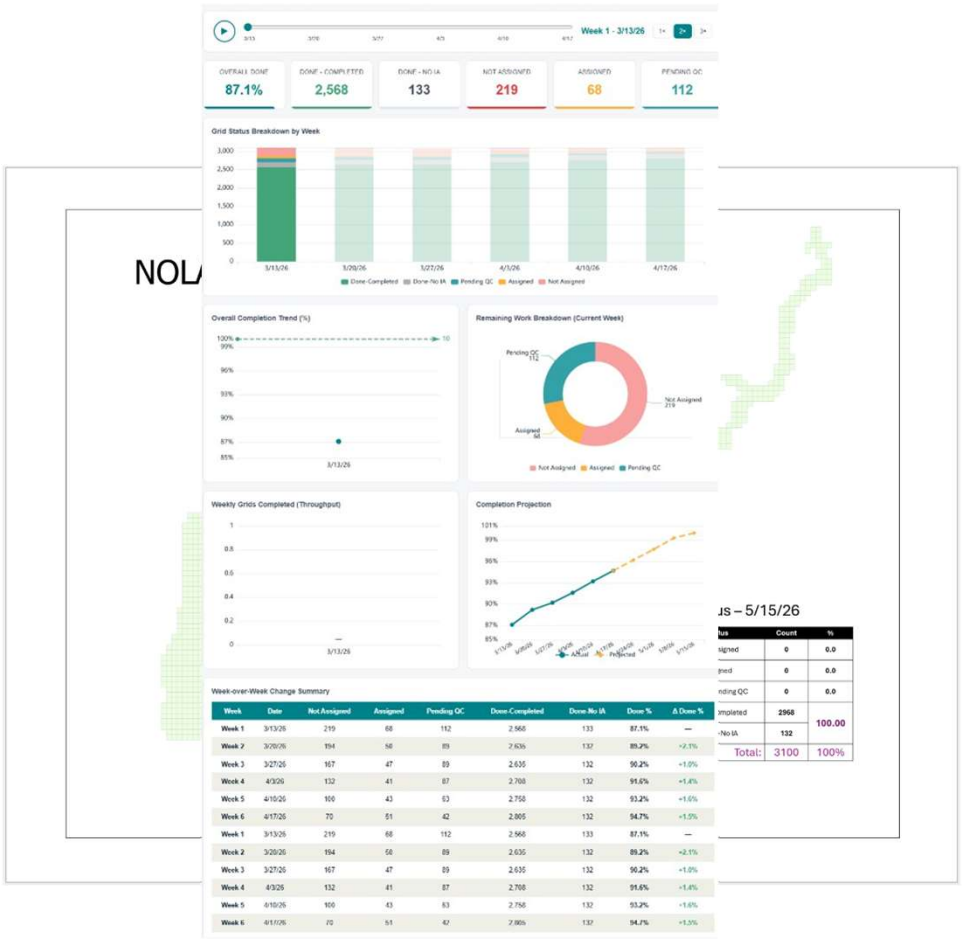
AI generated impervious area measurement:

- Can be quicker to produce
- Needs human validation and sometimes refinement
- Can use supplemental available layers to refine features (building or planimetric layer) and interpolate within tree cover

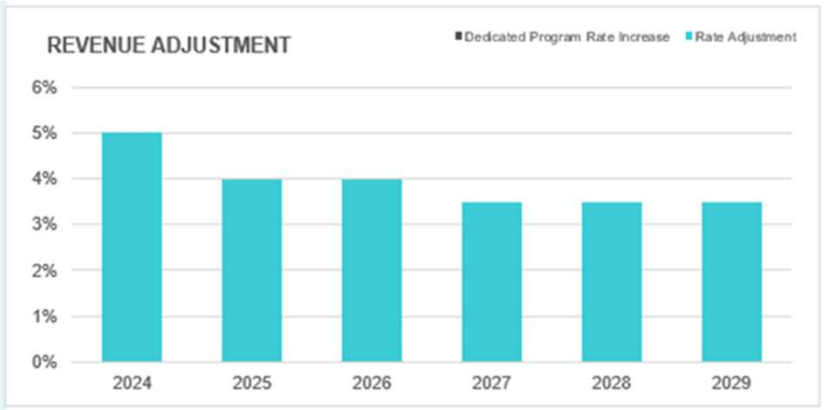
Data Development Options: Large-Scale Data Development and Validation

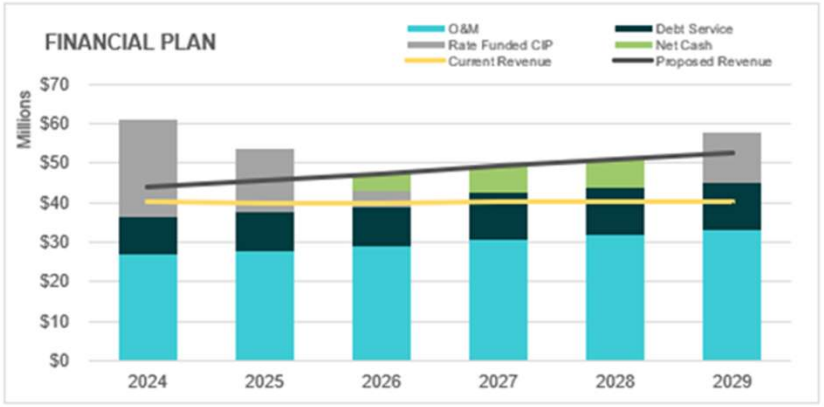
Regardless of IA data source, we will:

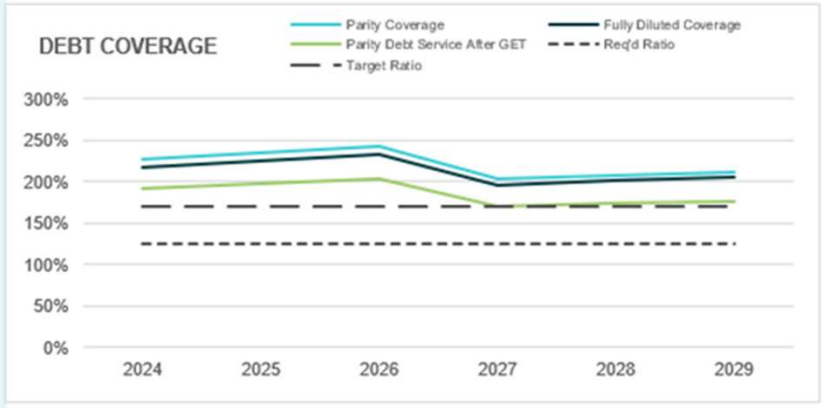
- Use a grid methodology to overlay City:
  - ➢ Ensures complete and efficient coverage
  - ➢ Ensures quality assurance and quality control of data
- GIS post processing tools allow capture of IA on a per parcel basis
- Dashboard allows for regular updates to City staff on progress

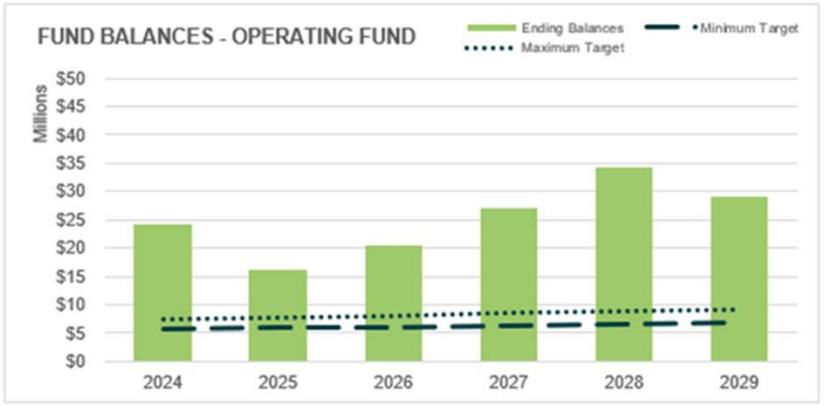


Financial Rate Modeling









Scope Highlights by Task

Task 4: Creation of the Annual Stormwater Assessment Roll

- Collaboration with City Staff and Escambia County Property Appraiser Office
- Draft assessment roll for Truth in Millage (TRIM) Notice with new tiers developed in Task 1
- Final assessment roll with new tiers developed in Task 1

Task 5: Development of Any Ordinances or Resolutions

- Update of stormwater utility rate resolution for new tiers developed in Task 1
- Update of resolution certifying the final assessment roll in Task 4
- Update of stormwater utility ordinance with new rate structure developed in Tasks 2 and 3.
- One in person meeting for ordinance reading

Stormwater Funding Options

General Fund Tax

- Based on property value, not impervious area. Property value is not highly correlated to the cost for stormwater service.
- Not dedicated solely to stormwater
- Tax exempt properties contribute to burden on stormwater system, but don't pay

Utility Billing

- Typically based on impervious area
- Flexibility in design of cost recovery
- Can add to existing utility bill & manage internally to the city
- More frequent billing – rates tend to be lower, but requires more data maintenance
- Enterprise fund dedicated solely to stormwater

Non-Ad Valorem Assessment

- Included on annual property tax bill, but typically based on IA
- All properties must be levied, collected, and enforced uniformly
- Requires collaboration with tax assessor
- Requires public communication & notice
- High collection rate
- Enterprise fund dedicated solely to stormwater

Scope Highlights by Task

Task 6: Ongoing Non-Ad Valorem Assessment Support

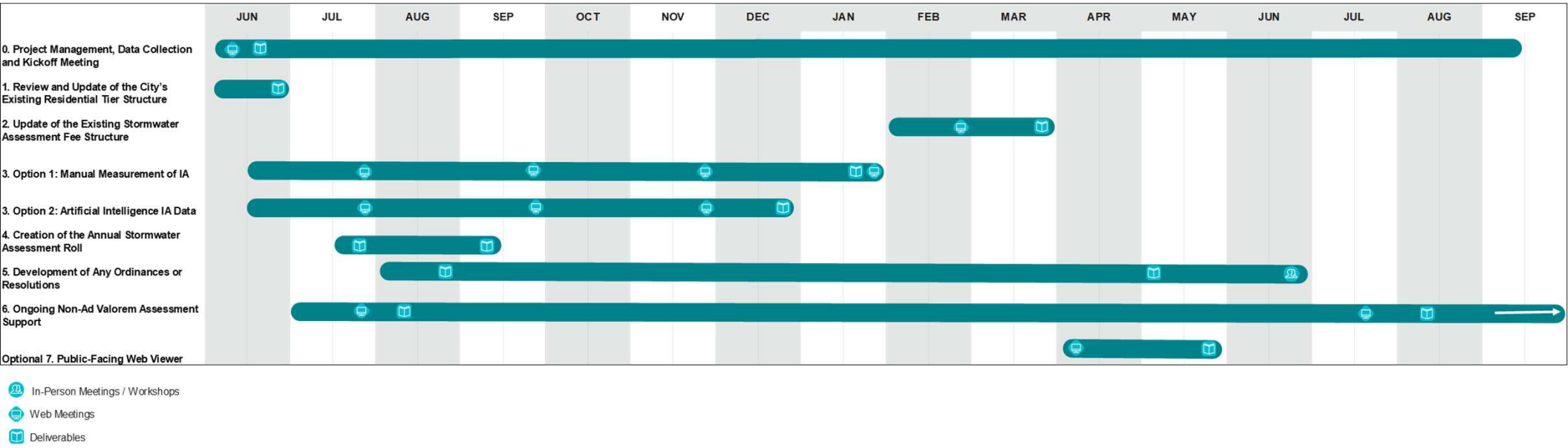
- Annual draft and final assessment roll for updated Tiers from Tasks 2 and 3
- Annual public notice letter – Lake Printing mail merge, print and mail
- Annual public notice newspaper advertisement
- Annual resolution certifying the final assessment roll

Optional Task 7: Public-Facing Web Viewer to Display Updated Impervious Area

- A public communication tool
- Collaboration with City GIS and IT staff
- Development of public facing web viewer
- Integration with new IA data and billing data
- Hosted on City website

Public Facing Web Viewer

Timeline


JUN
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FEB
MAR
APR
MAY
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AUG
SEP
0. Project Management, Data Collection and Kickoff Meeting
1. Review and Update of the City's Existing Residential Tier Structure
2. Update of the Existing Stormwater Assessment Fee Structure
3. Option 1: Manual Measurement of IA
3. Option 2: Artificial Intelligence IA Data
4. Creation of the Annual Stormwater Assessment Roll
5. Development of Any Ordinances or Resolutions
6. Ongoing Non-Ad Valorem Assessment Support
Optional 7. Public-Facing Web Viewer
In-Person Meetings / Workshops
Web Meetings
Deliverables


Q&A

RAFTELIS

Thank you!

Katie Cromwell, Vice President: kcromwell@raftelis.com
Christina Conchilla, Manager: cconchilla@raftelis.com
Brittany Baporis, Senior Consultant: bbaporis@raftelis.com

Pensacola, Florida - Stormwater Assessment Fee Consultant Services - RFP #26-032 - Revised Pricing

Tasks	Original Price	Year of Contract	Updated Price	Year 1	Year 2	Year 3	Notes	Timeline for Completion
0. Project Management, Data Collection and Kickoff Meeting	$4,340	Year 1	$4,340	$4,340				Throughout Project
1. Review and update of the City's existing residential tier structure	$5,780	Year 1	$5,780	$5,780				June 2026
2. Review and update of the existing stormwater assessment fee structure including the ESU square footage and the residential tier structure	$5,240	Year 1	$5,240	$5,240				February to March 2027
3. Option 2: Artificial Intelligence Captured Impervious Area: Development of new assessment structures using the most up-to-date technologies such as artificial intelligence etc. to more accurately determine impervious square footage per parcel. This will include conducting the work necessary to provide the impervious square footage per parcel.	$63,950	Year 1	$13,950	$13,950			**Price without Original AI Data Purchase - $50k Vendor Estimate**	June 2026 to December 2026
4. Creation of the annual stormwater assessment roll sufficient to transmit to the Escambia County Tax Collector for collection on the annual property tax bill.	$5,000	Year 1	$5,000	$5,000				July 2026 (draft) and September 2026 (final)
5. Development of any ordinances or resolutions needed to implement any change	$5,160	Year 1	$5,160	$5,160				June 2027
6. Year 1 : Development and mailing of any required notices to affected properties.	$20,000	Year 1					**Price breakdown for mailing and printing shown as Subtasks 6.1 and 6.2 below**	July to August 2026
Subtask 6.1- Letter into #10 Window Envelope 8.5" x 11" to 3.67" x 8.5" Letter Prints 1/1 Black No Bleeds with Personalized Fields Approximately 21,600 Domestic Letters & 2,400 International Letters #10 Window Envelope: Prints 1/0 Black No Bleeds PDF proof using customer supplied files Process customer supplied mailing list for CASS/NCOA Insert folded letter into #10 Window, seal & tray for mailing International Pieces will be Metered at International First Class Rates Deliver to Charlotte BMEU	*$7,700*	*Year 1*	*$7,700*	*$7,700*			*Costs for paper, envelopes, mail merge, printing, stuffing*	*July to August 2026*
Subtask 6.2 - Postage is estimated at $0.38 each for Domestic Pieces and $1.70 for International Pieces.	*$12,300*	*Year 1*	*$12,300*	*$12,300*			*Cost for Postage*	*July to August 2026*
6. Years 2 and 3 as needed: On-going assistance to City staff in the maintenance and implementation of the fee including the creation of the tax roll and the development and mailing of any required notices to affected properties.	$26,510	Years 2 and 3 (if needed)					**Price breakdown for tax roll, mailing and printing shown as Subtasks 6.3, 6.4 and 6.5 below**	June to September 2027 (and subsequent years as needed)
Subtask 6.3: Creation of the annual stormwater assessment roll and annual Development of Resolutions Certifying the Stormwater Assessment Roll and Annual Creation of Public Notice Letter and Newspaper Advertisement	*$6,510*	*Years 2 and 3 (if needed)*	$6,510		$6,510	$6,510	*Cost for Tax Roll Creation*	*June to September 2027 (and subsequent years as needed)*
Subtask 6.4- Letter into #10 Window Envelope 8.5" x 11" to 3.67" x 8.5" Letter Prints 1/1 Black No Bleeds with Personalized Fields Approximately 21,600 Domestic Letters & 2,400 International Letters #10 Window Envelope: Prints 1/0 Black No Bleeds PDF proof using customer supplied files Process customer supplied mailing list for CASS/NCOA Insert folded letter into #10 Window, seal & tray for mailing International Pieces will be Metered at International First Class Rates Deliver to Charlotte BMEU	*$7,700*	*Years 2 and 3 (if needed)*	$7,700		$7,700	$7,700	*Costs for paper, envelopes, mail merge, printing, stuffing*	*June to September 2027 (and subsequent years as needed)*
Subtask 6.5 - Postage is estimated at $0.38 each for Domestic Pieces and $1.70 for International Pieces.	*$12,300*	*Years 2 and 3 (if needed)*	$12,300		$12,300	$12,300	*Cost for Postage*	*June to September 2027 (and subsequent years as needed)*
7. Optional Task - Development of public facing webviewer to display updated impervious area	$9,840	Year 1	$9,840	$9,840				April to May 2027
Total Professional Fees - Year 1			**$69,310**	**$69,310**	**$26,510**	**$26,510**		

Stormwater Assessment

Methodology

What is a Stormwater Assessment?

- A charge imposed against real property to pay for the stormwater services provided by the City.

- Using this assessment, you **MUST** establish a method of assessment that fairly and reasonably apportions the costs of the programs based on the special benefit of the property.

Equivalent Stormwater Unit (ESU)

An **Equivalent Stormwater Unit (ESU)**—sometimes called an **Equivalent Residential Unit (ERU)**—is a standardized measure Florida local governments use to **allocate stormwater costs fairly among properties** in a special assessment or utility fee

An ESU represents the **typical stormwater runoff contribution of a single-family residential parcel** in a given jurisdiction. It serves as the **baseline unit** against which all other properties are compared.

Normally, a jurisdiction conducts a study to determine the **median or average impervious area** for detached residential parcels.

That average becomes the equivalent of 1 ESU. As a result of the last stormwater assessment performed in 2010 the City of Pensacola's ESU became 2,998 square feet.

Current Tier Structure

Residential Tier	Square Footage	Assigned ESUs	Current Rate
Small	100 -1100 sq ft	0.44	$53.02
Small-Medium	1101 - 1600 sq ft	0.68	$81.93
Medium	1601 - 2500 sq ft	1	$120.49
Large	2501 - 5600 sq ft	1.53	$184.35
Very Large	> 5600 sq ft	Measured	

Tasks	Price	Timeline for Completion
0. Project Management, Data Collection and Kickoff Meeting	$4,340	Throughout Project
1. Review and update of the City's existing residential tier structure	$5,780	June 2026
2. Review and update of the existing stormwater assessment fee structure including the ESU square footage and the residential tier structure	$5,240	February to March 2027
3. Option 1: Manual Impervious Area Measurement: Development of new assessment structures using the most up-to-date technologies such as artificial intelligence etc. to more accurately determine impervious square footage per parcel. This will include conducting the work necessary to provide the impervious square footage per parcel.	$136,715	June 2026 to January 2027
3. Option 2: Artificial Intelligence Captured Impervious Area: Development of new assessment structures using the most up-to-date technologies such as artificial intelligence etc. to more accurately determine impervious square footage per parcel. This will include conducting the work necessary to provide the impervious square footage per parcel.	$63,950	June 2026 to December 2026
4. Creation of the annual stormwater assessment roll sufficient to transmit to the Escambia County Tax Collector for collection on the annual property tax bill.	$5,000	July 2026 (draft) and September 2026 (final)
5. Development of any ordinances or resolutions needed to implement any change	$5,160	June 2027
6. On-going assistance to City staff in the maintenance and implementation of the fee including the creation of the tax roll and the development and mailing of any required notices to affected properties.	$26,510	June to September 2027 (and subsequent years as needed)
7. Optional Task - Development of public facing webviewer to display updated impervious area	$9,840	April to May 2027

File #: 26-688 City Council 6/17/2026

DISCUSSION

SPONSOR: Allison Patton, Council President

SUBJECT:

PENSACOLA ENERGY

SUMMARY:

Prior to the budgeting process and/or any item coming before Council to alter the rate structure for Pensacola Energy, this workshop provides an opportunity for Council to discuss with Administration, Finance and Pensacola Energy the potential impacts and course of action.

PRIOR ACTION:

October 9, 2025 - City Council adopted Proposed Ordinance No. 18-25 adjusting rates and charges for the sale of natural gas.

FUNDING:

N/A

FINANCIAL IMPACT:

None for this workshop

STAFF CONTACT:

Don Kraher, Council Executive
Amy Lovoy, Finance Director
Darryl Singleton, Pensacola Energy Director

ATTACHMENTS:

1. Pensacola Energy Rate Changes Reading Material
2. Pensacola Rates and Charges Print Version

PRESENTATION: No

MEMORANDUM

TO: Mayor and Members of the City Council
FROM: Amy Lovoy, Finance Director
DATE: June 8, 2026
SUBJECT: Pensacola Energy – Rates and Charges Overview

I. PURPOSE

This memorandum attempts to provide a clear summary of the proposed changes to Pensacola Energy rates, why they are being considered, and how they may affect customers.

II. WHY RATE CHANGES ARE BEING DISCUSSED

Pensacola Energy is facing several financial challenges that must be addressed to maintain safe, reliable, and affordable service:

- **Low cash reserves:** The utility does not currently have enough savings to meet recommended financial standards. Adequate reserves are critical to ensure the utility can respond to emergencies such as severe weather events, unexpected infrastructure failures, or economic downturns without service disruptions. Low reserves also limit financial flexibility, making it more difficult to manage day-to-day operations and construct normal capital improvements. This can ultimately increase costs for customers over time.

  The recommended cash reserve levels are made up of several components:
  - 90 days of operations and maintenance expense
  - 3 months of gas costs
  - 90 days of a cash capital reserve

  This cash reserve level currently calculates to be $12,388,589. The reserve level at the end of fiscal year 2025 was $2,223,157 and moving downward.

- **Infrastructure needs:** Ongoing investment is required to maintain and expand the gas system. The lack of cash in the fund will limit the ability to fund capital improvement projects planned in the coming years.

- **Loss of revenue to the City:** The City previously received about $900,000 per year from a franchise fee that no longer exists.

These factors mean the current rate structure is not sufficient to support long-term operations.

III. WHAT MAKES UP A GAS BILL

A typical Pensacola Energy bill includes:

- A **fixed monthly charge** (customer charge)
- A **usage-based charge** (distribution charge)
- A **gas cost adjustment** reflects the market price of natural gas, a normal weatherization charge, any adjustments to previous month's estimates, and a reserve recovery fee currently charged at $1.00 per MMbtu ($.10 per ccf)
- **Applicable taxes** are made up of the following: a franchise fee for customers outside the City, a utility tax for customers inside the City and a gross receipts charge for all customers. (Certain customers also pay sales tax.)

Some parts of the bill are stable each month, while others fluctuate based on gas prices and usage.

IV. OPTIONS UNDER CONSIDERATION

Three potential approaches have been presented. Each option balances financial stability and customer impact differently with a goal to build towards a sustainable reserve.

Option 1: Gradual, Moderate Increases

- Steady increases to both fixed and usage-based charges over time.
    - 8% year over year increase in the customer charge between 2027 to 2035.
    - 2.5% year over year increase in the distribution charge
- This approach builds the required reserve gradually over time, provides financing for routine capital improvements and a new facility to house personnel and renovating the existing administrative space for warehouse space in order to place crucial inventory in climate control space.

What it means for customers:

- Smaller monthly increases (generally a few dollars) in the first years but creates larger increases in the later years.
- Predictable and gradual changes
- Builds the reserve slowly over time. By 2035, the reserve balance would be estimated at $13,569,192

Cashflow

Description	2026 *Forecast*	2027 *Forecast*	2028 *Forecast*	2029 *Forecast*	2030 *Forecast*	2031 *Forecast*	2032 *Forecast*	2033 *Forecast*	2034 *Forecast*	2035 *Forecast*
Contribution to/(Use of) Reserves	$ 623,722	$ (1,554,149)	$ (525,601)	$ 143,539	$ 407,035	$ 1,137,440	$ 1,049,852	$ 2,054,503	$ 3,351,403	$ 4,566,191
Ending Balance	$ 2,938,979	$ 1,384,829	$ 859,229	$ 1,002,768	$ 1,409,802	$ 2,547,243	$ 3,597,094	$ 5,651,598	$ 9,003,001	$ 13,569,192
Reserve Target										
O&M Excluding Gas Cost	$ 4,774,748	$ 4,928,775	$ 5,088,379	$ 5,253,795	$ 5,425,271	$ 5,603,068	$ 5,787,460	$ 5,978,737	$ 6,177,203	$ 6,383,178
Gas Cost	6,588,325	6,592,627	6,596,972	6,601,362	6,605,796	6,610,275	6,614,800	6,619,370	6,623,987	6,628,651
Debt Service										
Rate Funded Capital w/o DPICA	-	867,187	1,011,699	1,006,027	1,020,822	1,038,082	1,279,726	1,272,329	1,220,548	1,220,548
Reserve Target	$ 11,363,073	$ 12,388,589	$ 12,697,049	$ 12,861,184	$ 13,051,888	$ 13,251,425	$ 13,681,986	$ 13,870,436	$ 14,021,738	$ 14,232,378

Key takeaway:
A balanced approach that spreads costs over time, maintains the operations of the system and ensures funding for capital improvements. The effect to the customer is smaller in the first years but compounds in later years.

Option 2: Faster Revenue Growth

- Smaller increases to usage charges, but higher overall costs through additional fees
  - 8% year-over-year increase in the customer charge
  - 1% increase in the distribution charge
  - Increasing the recovery fee from $.10 to $.185 per ccf.

What it means for customers:

- Higher bill increases in the first years, especially for businesses and high-usage customers.
- Since the recovery fee does not compound, the increases will be smaller as a percentage in the later years
- Quicker increase in liquidity
- Has the ability to remove or reduce the fee once reserve targets are met.
- By 2035 the reserve would be estimated at $13,459,901

Cashflow

Description	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	2032 Forecast	2033 Forecast	2034 Forecast	2035 Forecast
Contribution to/(Use of) Reserves	$ 623,722	$ (370,583)	$ 400,186	$ 795,014	$ 766,958	$ 1,187,836	$ 771,984	$ 1,428,845	$ 2,357,611	$ 3,183,070
Ending Balance	$ 2,938,979	$ 2,568,396	$ 2,968,582	$ 3,763,597	$ 4,530,554	$ 5,718,390	$ 6,490,374	$ 7,919,220	$ 10,276,830	$ 13,459,901
Reserve Target										
O&M Excluding Gas Cost	$ 4,774,748	$ 4,928,775	$ 5,088,379	$ 5,253,795	$ 5,425,271	$ 5,603,068	$ 5,787,460	$ 5,978,737	$ 6,177,203	$ 6,383,178
Gas Cost	6,588,325	6,592,627	6,596,972	6,601,362	6,605,796	6,610,275	6,614,800	6,619,370	6,623,987	6,628,651
Debt Service										
Rate Funded Capital w/o DPICA	-	867,187	1,011,699	1,006,027	1,020,822	1,038,082	1,279,726	1,272,329	1,220,548	1,220,548
Reserve Target	$ 11,363,073	$ 12,388,589	$ 12,697,049	$ 12,861,184	$ 13,051,888	$ 13,251,425	$ 13,681,986	$ 13,870,436	$ 14,021,738	$ 14,232,378

Key takeaway:
Builds financial reserves more quickly provides needed liquidity but has a greater immediate impact on bills.

Option 3: Lower Increases with Reduced Spending

- Moderate rate increases
  - 8% year-over-year increase in the customer charge
  - 1.5% increase in the distribution charge
  - Reduces the required financing from $20m to $7m which reduces the normal debt services
- Eliminates or delays certain large capital projects to reduce borrowing.

What it means for customers:

- Lowest bill increases among the options
- Slowest reserve recovery and does not come close to the desired reserve range.
- Does not meet the long-term capital improvement needs of the department.
- By 2035 the reserve balance would be estimated at $10,975,795.

Cashflow

Description	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	2032 Forecast	2033 Forecast	2034 Forecast	2035 Forecast
Contribution to/(Use of) Reserves	$ 623,722	$ (1,736,914)	$ (257,844)	$ 217,026	$ 534,014	$ 1,049,244	$ 732,642	$ 1,493,829	$ 2,532,172	$ 3,472,646
Ending Balance	$ 2,938,979	$ 1,202,065	$ 944,222	$ 1,161,247	$ 1,695,262	$ 2,744,505	$ 3,477,148	$ 4,970,977	$ 7,503,149	$ 10,975,795
Reserve Target										
O&M Excluding Gas Cost	$ 4,774,748	$ 4,928,775	$ 5,088,379	$ 5,253,795	$ 5,425,271	$ 5,603,068	$ 5,787,460	$ 5,978,737	$ 6,177,203	$ 6,383,178
Gas Cost	6,588,325	6,592,627	6,596,972	6,601,362	6,605,796	6,610,275	6,614,800	6,619,370	6,623,987	6,628,651
Debt Service										
Rate Funded Capital w/o DPICA	-	867,187	1,011,699	1,006,027	1,020,822	1,038,082	1,279,726	1,272,329	1,220,548	1,220,548
Reserve Target	$ 11,363,073	$ 12,388,589	$ 12,697,049	$ 12,861,184	$ 13,051,888	$ 13,251,425	$ 13,681,986	$ 13,870,436	$ 14,021,738	$ 14,232,378

Key takeaway:
More affordable in the short term but will delay or eliminate some system improvements.

Option 4: Creation of a Capital Recovery Fee with Gradual Phase-In of Increases

- New Capital Recovery Charge
  - Introduced in 2027 at $0.175 per ccf, increasing to $0.42 per ccf by 2030
  - Designed to fund capital improvements and infrastructure needs
- Elimination of Reserve Recovery Fee
  - Removes the existing $0.10 per ccf fee
  - Replaces it with a more purpose-specific capital funding mechanism
- Customer Charge Adjustments
  - Increases of 3% annually through 2029
- Distribution Charge Adjustments
  - Increases of 3% annually through 2029 followed by regular CPI adjustments as necessary

What it means for customers:

- Provides a dedicated, transparent funding source for infrastructure
- Slows increases in the first years but still builds towards reserve recommendations.
- Reduces reliance on large customer charge increases.
- By 2035 the reserve balance would be estimated at $13,808,358.
- Average increase in the first 4 years from sample customers is about 4.78%.

Cashflow

Description	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	2032 Forecast	2033 Forecast	2034 Forecast	2035 Forecast
Contribution to/(Use of) Reserves	$ 623,722	$ (1,583,445)	$ (426,437)	$ 728,648	$ 3,094,056	$ 2,955,858	$ 1,892,850	$ 1,605,699	$ 1,379,033	$ 1,223,117
Combined DSCR										
Revenue	$ 60,578,086	$ 61,863,190	$ 63,193,304	$ 65,013,801	$ 68,553,200	$ 69,223,985	$ 69,906,889	$ 70,583,754	$ 71,270,445	$ 71,968,531
O&M	45,717,554	46,359,428	47,024,091	47,712,502	48,425,670	49,164,652	49,930,565	50,724,581	51,547,938	52,401,939
Net Revenue	$ 14,860,532	$ 15,503,762	$ 16,169,213	$ 17,301,298	$ 20,127,531	$ 20,059,333	$ 19,976,324	$ 19,859,173	$ 19,722,507	$ 19,566,592
Debt Service	$ 2,041,336	$ 2,040,907	$ 992,651	$ 992,651	$ 1,393,474	$ 1,393,474	$ 1,393,474	$ 1,393,474	$ 1,393,474	$ 1,393,474
Debt Service Coverage Ratio	7.28	7.60	16.29	17.43	14.44	14.40	14.34	14.25	14.15	14.04
Surplus Fund										
Beginning Balance	2,315,256	$ 2,938,979	$ 1,355,534	$ 929,097	$ 1,657,744	$ 4,751,801	$ 7,707,659	$ 9,600,509	$ 11,206,207	$ 12,585,240
Contribution to Reserves	623,722	(1,583,445)	(426,437)	728,648	3,094,056	2,955,858	1,892,850	1,605,699	1,379,033	1,223,117
Ending Balance	$ 2,938,979	$ 1,355,534	$ 929,097	$ 1,657,744	$ 4,751,801	$ 7,707,659	$ 9,600,509	$ 11,206,207	$ 12,585,240	$ 13,808,358

Key takeaway:
Strategic, long-term approach that prioritizes infrastructure investment and financial stability through incremental, usage-based increases, rather than relying heavily on sharp rate hikes. It is well-suited for addressing capital needs and reserve shortfalls but requires careful communication due to increasing customer impacts over time.

V. KEY TRADE-OFFS FOR COUNCIL

In selecting a path forward, several important considerations must be balanced:

- **Affordability:** Keeping bills manageable for residents and businesses
- **Reliability:** Ensuring the gas system remains safe and dependable
- **Financial health:** Building adequate reserves for emergencies and future needs
- **City funding:** Determining how much revenue Pensacola Energy should provide to support general City services

APPENDIX A – CURRENT CUSTOMER AND DISTRIBUTION CHARGES

Ordinance 20-25	Rate Code	Customer Charge	Usage Charge Per CCF
Residential In City	41	12.00	1.0520
Commercial In City	42	21.23	1.0520
GIT In City	31	21.23	0.4950
	58	21.23	0.3450
	92	21.23	0.2950
	97	21.23	0.1450
Residential Out of City	81, 88, 95	13.39	1.2450
Commercial Out of City	82, 94, 96	24.12	1.2450
GIT Out of City	30	24.12	0.4950
	91	24.12	0.2950
	98	24.12	0.1450
	99	24.12	0.3450
Municipal	45	26.79	0.4370
	X45	26.79	0.3920
Industrial	46	200.00	0.2500
	86	200.00	0.2050
	48, 49	200.00	0.1500
	89	200.00	0.1050
	X65, 70	200.00	0.0700
Industrial-Almost Firm	35	200.00	0.3180
	36	200.00	0.2730
Industrial-Almost Firm	43	200.00	0.2730
Industrial-Almost Firm	38	200.00	0.1200
Industrial-Almost Firm	37	200.00	0.0670
Industrial-Almost Firm	60	200.00	0.2730
Industrial-PrePay	39	200.00	--
Gas Lights	51, X51	10.85	
	53, X53	10.85	
	54, X54	15.95	
	55, X55	22.33	

APPENDIX B – CUSTOMER CHARGES ACROSS THE REGION (RESIDENTIAL)

	Residential Base Charge	Commercial Base Charge
Chattahoochee	$6.50	$7.50 - $13.00
Town of Havana	$8.00	$8.00
City of Live Oak	$9.00	$25.00
Gainseville Regional Utility - In-City	$9.75	$45.00
Gainseville Regional Utility - Outside City+A9	$10.72	$49.50
City of Gulf Breeze	$11.36	$11.36
City of Chipley - In-City	$11.61	$34.83
City of Defuniak Springs - In-City	$11.95	$17.91
Beaches Energy Services (City of Jacksonville Beach) - 0-1999	$12.00	
City of Pensacola - In-City	$12.00	$21.23
City of Milton	$12.06	$26.53
Tallahassee Utilities	$12.52	$336.41
City of Chipley - Outside City	$12.77	$38.32
City of Defuniak Springs - Outside City	$13.14	$19.70
City of Pensacola - Outside City	$13.39	$24.12
Okaloosa Gas	$15.00	$17.00 - $100.00
Clearwater Gas	$16.00	$40.00-$95.00
City of Sunrise	$16.75	$16.75 - Calculated
Ft. Pierce Utilities Authority	$17.49-$194.26	
Florida City Gas	$19.00	$44.00
Peoples Gas	$23.00	$63.00
Beaches Energy Services (City of Jacksonville Beach) - 2,000-9,999	$40.00	

APPENDIX C – CURRENT AND FORECASTED DEBT SERVICE

Series	2027	2028	2029	2030	2031	2032	2033
2016	$2,040,907						
2026*		$992,651	$992,651	$1,393,474	$1,393,474	$1,393,474	$1,393,474

Pensacola Energy

Pensacola Energy– Comparison of Cash Flows

	FY24 Utility Fund	FY25 Utility Fund
Cash flows from operating activities:		
Cash received from customers	$ 53,140,136	60,315,030
Cash received from other funds		
Cash payments to suppliers for goods and services	(31,763,868)	(51,444,213)
Cash payments to employees for services	(6,737,814)	(7,468,249)
Net cash provided by (used for) operating activities	14,638,454	1,402,568

$15,900,000 from legal settlement

Net increase (decrease) in cash and cash equivalents	(1,897,233)	(6,389,682)
Cash and cash equivalents at beginning of year	10,510,072	8,612,839
Cash and cash equivalents at end of year	$ 8,612,839	2,223,157

Recommended Cash Reserve Levels – FY27

Component	Level	Current Target Amount
Operations & Maintenance	90 Days	$4,928,775
Gas Cost	3 Months	$6,592,627
Capital	90 Days	$867,187
Total Recommended Reserves		$12,388,589

Issue #1: There is a need to build towards this type of reserve limit.

Capital Improvement Program

Project	2027	2028	2029	2030	2031	2032
Distribution System Expansion	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	3,000,000
Meters & Regulators	925,000	925,000	925,000	925,000	925,000	1,500,000
Machinery & Equipment	200,000	218,000	90,000	90,000	80,000	145,000
Office Equipment	-	-	20,000	20,000	-	-
Vehicles	145,000	60,000	145,000	205,000	145,000	345,000
Automated Meter Reading	-	-	-	-	95,000	-
Building Improvements	-	-	-	-	-	-
Infrastructure Recovery/DIMP	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,200,000
Building Improvements	13,000,000					
Total	$18,170,000	$5,103,000	$5,080,000	$5,140,000	$5,210,000	$6,190,000

Issue #2: The lack of cash in the fund will in part force either elimination of projects or debt financings.

City Franchise Fee

- A 6% fee was previously charged on gross revenues of Pensacola Energy. This was shown as a separate charge on a bill. These monies accrued to the City's General Fund.

- Previous to the institution of the 6% fee, this charge was included in the base rate on a bill. When the 6% separate fee was itemized, the base rate was correspondingly decreased.

- When this fee disappeared, the City's General Fund lost about $900,000 annually.

Issue#3: The loss of $900,000 annually.

Pensacola Energy Transfer to the General Fund – ROI to the Citizens for the Purchase of the System

- Policy prior to the loss of the franchise fees was 15% of Pensacola Energy's gross revenues.
- The current FY27 budget contemplates 15% of gross revenues plus $1,000,000 to approximate the loss of the City's franchise fees.

Issue#4: Recoup of ROI

Recap of Issue

- Reserve Recovery – The City needs to build toward a reasonable reserve limit of approximately $12,388,589.
- Provide day-to-day cashflow for capital improvement projects.
- Replacement of the fees lost to the General Fund of about $900,000.
- Establishment of the reasonable transfer from Pensacola Energy to the General Fund as the citizen's return on investment for the purchase of the system.

Sample Residential Bill–In City

Balance Forward:	$0.00
Customer Charge	$12.00
Fuel Cost	$23.33
Distribution Cost	$21.04
Gross Receipts Tax	$1.30
Utility Tax	$3.39
Residental Sanitation/Recycling Charge	$32.99
Sanitation Equip Surcharge	$5.12
Sanitation Fuel Surcharge	$2.00
Total Current Charges:	$101.17
TOTAL BILL DUE:	$101.17

Basic residential rate for In-City customer. Flat rate every month.

Purchase Gas Adjustment to pay for the cost of gas. Includes a weather normalization adjustment. Charged per ccf of gas used.

Charged per ccf of gas purchased. Used to fund the operations and maintenance of the system.

10% tax on the customer charge and the distribution charge.

*Some commercial customers also pay sales tax

Example: Purchase Gas Adjustment Analysis–01 March Cycle

Line#	Item	Cost
1	Average Cost of Gas Purchased per MMBtu	$8.7737
2	The average cost of gas per Mmbtu for March 2026 was determined by applying the cost from Pensacola Energy's gas suppliers in effect on March 1, 2026 to the prior 12 months gas purchases as of February 28, 2026.	
3	Sales Purchase Ratio Factor	1.0611
4	***Average Cost of Gas Sold per Mcf***	9.3098
5	Base Gas Cost	0.0000
6	Gas Cost Flow Through Cost	9.3098
7	Prior Period Over/Under Recovery	-0.1811
7a	Under Recovery Adjustment**	1.0000
8	Based on the reconciliation as of February 28, 2026 to be applied to sales March 1, 2026 through March 31, 2026.	
9	Reserve Recovery Fee	1.00
12	**Monthly Purchase Gas Adjustment**	**$11.1287**

Scenario #1

- Increase Customer Charge 8% year-over-year along with a regular 2.5% increase in the distribution charge year-over-year until 2035

Customer Charge	2026	2027
Residential In-City	$12.00	$12.96
Residential County	$13.39	$14.46
Commercial In-City	$21.23	$22.93
Commercial County	$24.12	$26.05

2028	2029	2030	2031	2032	2033	2034	2035
$14.00	$15.12	$16.33	$17.63	$19.04	$20.57	$22.21	$23.99
$15.62	$16.87	$18.22	$19.67	$21.25	$22.95	$24.78	$26.77
$24.76	$26.74	$28.88	$31.19	$33.69	$36.38	$39.30	$42.44
$28.13	$30.38	$32.81	$35.44	$38.28	$41.34	$44.64	$48.22

Distribution Charge	2026	2027
Residential In-City	1.052	1.0783
Residential County	1.245	1.2761
Commercial In-City	1.052	1.0783
Commercial County	1.245	1.2761

2028	2029	2030	2031	2032	2033	2034	2035
1.1053	1.1329	1.1612	1.1902	1.22	1.2505	1.2818	1.3138
1.308	1.3407	1.3742	1.4086	1.4438	1.4799	1.5169	1.5548
1.1053	1.1329	1.1612	1.1902	1.22	1.2505	1.2818	1.3138
1.308	1.3407	1.3742	1.4086	1.4438	1.4799	1.5169	1.5548

Effect to Monthly Bills

Bill Comparisons								
Pensacola Energy								
	Existing			**Proposed**				
	Total Bill	**Total Bill**		**Total Bill**	**Total Bill**		**Change**	**Change**
	January	**February**		**January**	**February**		**January**	**February**
Residential - In City	$186.13	$59.96		$189.34	$61.60		$3.20	$1.64
GIT Commercial	$4,814.35	$8,091.55		$4,843.58	$8,139.46		$29.23	$47.90
Commercial Restaurant	$4,712.32	$5,677.78		$4,774.80	$5,752.67		$62.47	$74.90
Residential 1 - In County	$270.39	$527.72		$274.64	$534.83		$4.25	$7.11
Residential 2 - In County	$80.18	$133.64		$82.16	$136.30		$1.98	$2.66
Residential 3 - In County	$123.40	$202.59		$125.94	$206.42		$2.53	$3.84
* February - March								

Scenario #2

- Increase Customer Charge 8% year-over-year along with a regular 1.0% increase in the distribution charge year-over-year until 2035
- Increase the Reserve Recovery Fee from $.10 per ccf to $.185 per ccf exempting GIT Commercial categories.

Distribution Charge	2026	2027
Residential In-City	1.052	1.0625
Residential County	1.245	1.2575
Commercial In-City	1.052	1.0625
Commercial County	1.245	1.2575

2028	2029	2030	2031	2032	2033	2034	2035
1.1053	1.1329	1.1612	1.1902	1.22	1.2505	1.2818	1.3138
1.308	1.3407	1.3742	1.4086	1.4438	1.4799	1.5169	1.5548
1.1053	1.1329	1.1612	1.1902	1.22	1.2505	1.2818	1.3138
1.308	1.3407	1.3742	1.4086	1.4438	1.4799	1.5169	1.5548

Effect to Monthly Bills

Bill Comparisons						
Pensacola Energy						
	Existing		**Proposed**			
	Total Bill	**Total Bill**	**Total Bill**	**Total Bill**	**Change**	**Change**
	January	**February**	**January**	**February**	**January**	**February**
Residential - In City	$186.13	$59.96	$195.75	$63.33	$9.61	$3.37
GIT Commercial	$4,814.35	$8,091.61	$5,095.33	$8,563.50	$280.99	$471.89
Commercial Restaurant	$4,712.32	$5,677.78	$4,903.27	$5,907.62	$190.95	$229.84
Residential 1 - In County	$270.39	$493.17	$281.40	$513.15	$11.01	$19.98
Residential 2 - In County	$80.18	$133.64	$83.97	$139.58	$3.79	$5.94
Residential 3 - In County	$123.40	$202.59	$128.93	$210.87	$5.53	$8.28

Scenario #3

- Increase Customer Charge 8% year-over-year- along with a 1.5% increase in the distribution charge year-over-year until 2035.
- Eliminate the construction of the building. This will reduce the size of the 2026 financing from $20 million to $8 million and reduce the annual debt service.

Distribution Charge	2026	2027
Residential In-City	1.052	1.0678
Residential County	1.245	1.2637
Commercial In-City	1.052	1.0678
Commercial County	1.245	1.2637

2028	2029	2030	2031	2032	2033	2034	2035
1.0838	1.1001	1.1166	1.1333	1.1503	1.1676	1.1851	1.2028
1.2826	1.3019	1.3214	1.3412	1.3613	1.3818	1.4025	1.4235
1.0838	1.1001	1.1166	1.1333	1.1503	1.1676	1.1851	1.2028
1.2826	1.3019	1.3214	1.3412	1.3613	1.3818	1.4025	1.4235

Effect to Monthly Bill

Bill Comparisons Pensacola Energy						
	Existing		Proposed			
	Total Bill January	Total Bill February	Total Bill January	Total Bill February	Change January	Change February
Residential - In City	$186.13	$59.96	$189.24	$61.57	$3.11	$1.61
GIT Commercial	$4,814.35	$8,091.61	$4,832.70	$8,121.13	$18.35	$29.52
Commercial Restaurant	$4,712.32	$5,677.78	$4,750.68	$5,723.59	$38.36	$45.81
Residential 1 - In County	$270.39	$493.17	$273.37	$497.87	$2.98	$4.69
Residential 2 - In County	$80.18	$133.64	$81.82	$135.69	$1.64	$2.05
Residential 3 - In County	$123.40	$202.59	$125.37	$205.04	$1.97	$2.45

Scenario #4

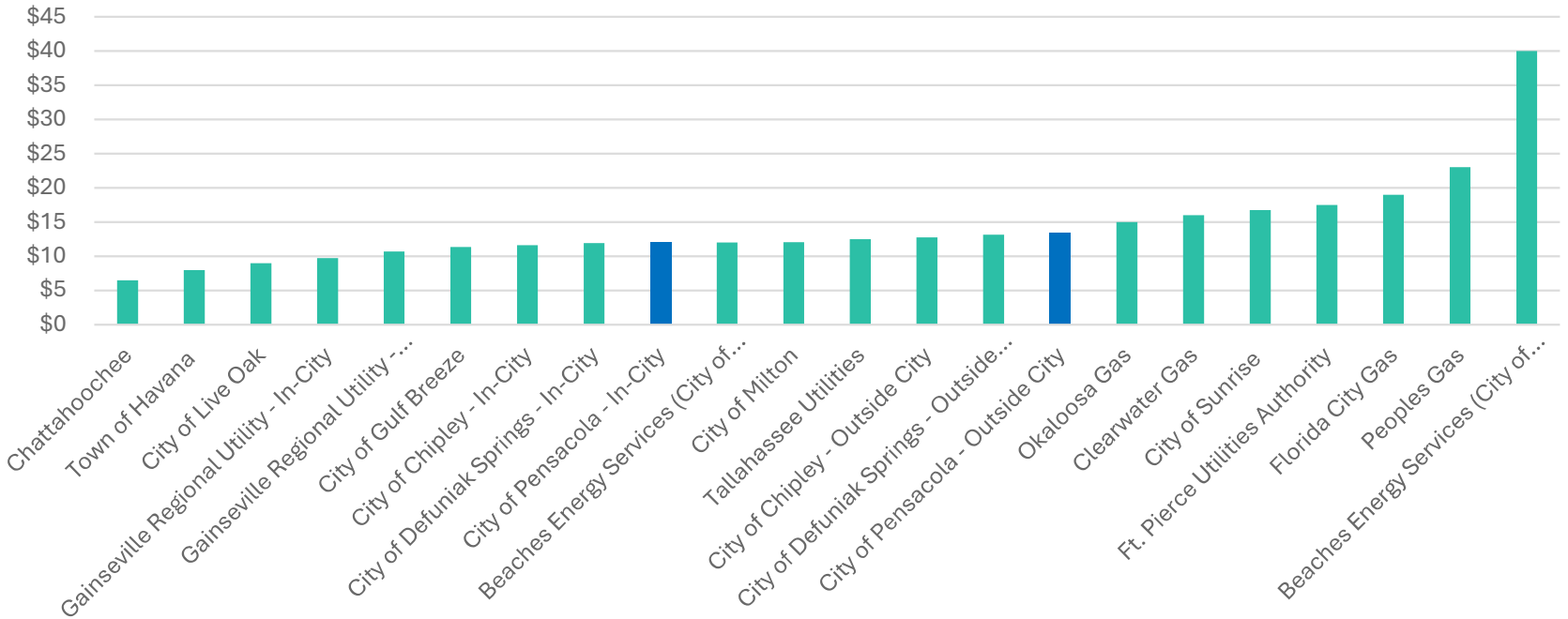
- Establish a Capital Recovery Charge in 2027 for $.175 per ccf and gradually increase it to $.42 per ccf until 2030.
- Remove the $.10 Reserve Recovery Fee currently charged.
- Increase the Customer Charge 3% annually through 2029
- Increase the Distribution Charge 3% beginning in 2027 through 2029 followed by normal CPI increases as needed.

	2027	2028	2029	2030	2031	2032	2033	2034	2035
Customer Charge Increase	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Charge Increase	3.0%	3.0%	3.0%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Capital Recovery Increase	.175	.20	.25	.42	.42	.42	.42	.42	.42

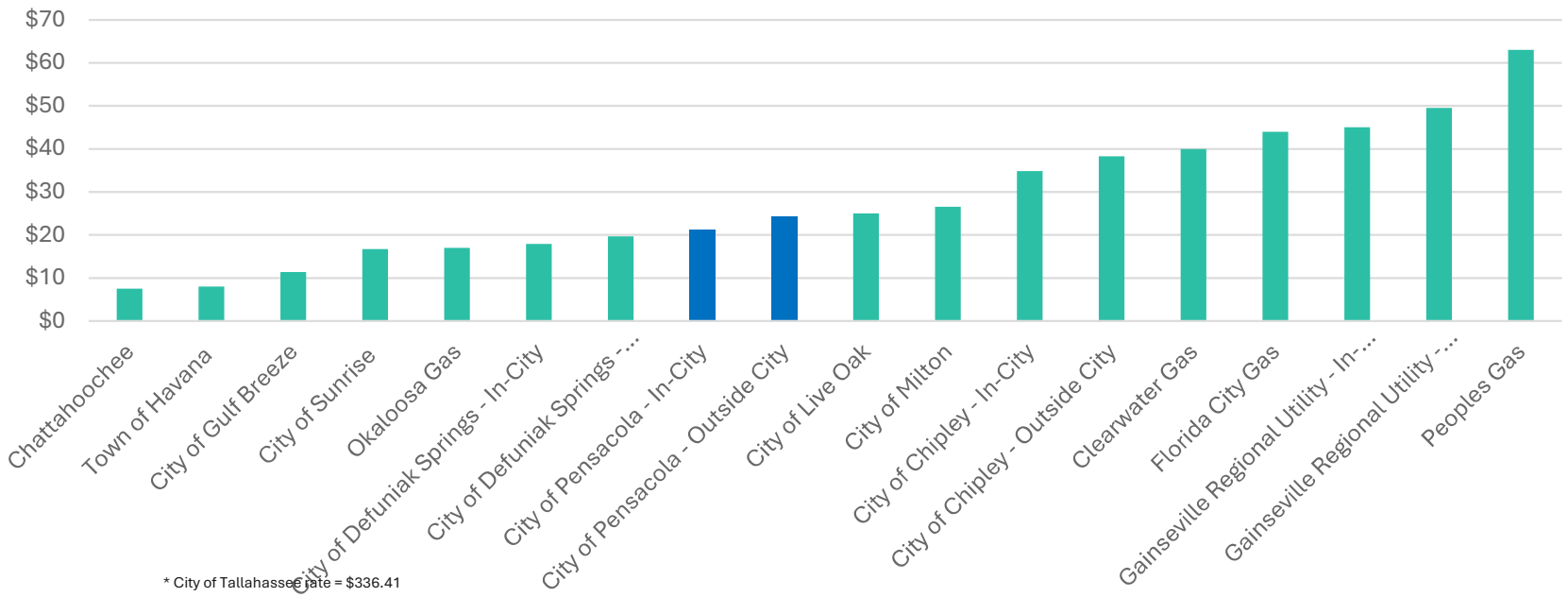
Effect to Monthly Bill

	---2027---		---2028---		---2029---		---2030---	
	Change January	Change February	Change January	Change February	Change January	Change February	Change January	Change February
Residential - In City	$8.52	$2.59*	$3.06	$1.13	$8.70	$2.66	$15.08	$4.39
GIT Commercial	$269.94	$454.15	$34.41	$57.41	$271.98	$457.54	$563.14	$947.95
Commercial Restaurant	$194.61	$234.55	$75.36	$90.72	$212.69	$256.33	$365.01	$440.05
Residential 1 - In County	$11.86	$22.20	$4.34	$7.88	$12.12	$22.66	$20.83	$39.23
Residential 2 - In County	$3.49	$5.97	$1.49	$2.34	$3.58	$6.11	$5.93	$10.34
Residential 3 - In County	$5.12	$8.72	$2.17	$3.26	$5.46	$8.91	$9.12	$15.23

Customer Charges Across the Region – Residential



Customer Charges Across the Region – Commercial



* City of Tallahassee rate = $336.41

Comparison of Long-Term Effect of Scenarios