PRELIMINARY OFFICIAL STATEMENT DATED ________, 2026

NEW ISSUE - FULL BOOK-ENTRY ONLY **RATING: See "RATING" herein.**

In the opinion of Bryant Miller Olive P.A., Bond Counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Series 2026 Bonds.

$20,790,000*
CITY OF MARCO ISLAND, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2026

Dated: Date of Delivery Due: October 1 in each year as shown below

The $20,790,000* Utility System Refunding Revenue Bonds, Series 2026 (the "Series 2026 Bonds") are being issued by the City of Marco Island, Florida (the "City") as fully registered bonds and will be initially issued to and registered in the name of Cede & Co., as nominee for The Depository Trust Company, ("DTC"), which will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be available to purchasers in denominations of $5,000 or any integral multiple thereof under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, Direct Participants (as defined herein). Purchasers will not receive physical delivery of the Series 2026 Bonds. For so long as any purchaser is the beneficial owner of a Series 2026 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Direct or Indirect Participant in order to receive payment of principal of and interest on such Series 2026 Bond. For so long as the book-entry only system is in effect, any reference to a Series 2026 Bondholder or Series 2026 Bondholders shall be deemed to be Cede & Co. and not the beneficial owners of the Series 2026 Bonds. See "DESCRIPTION OF THE SERIES 2026 BONDS -- Book-Entry Only System" herein. Interest on the Series 2026 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2027. Computershare Trust Company, N.A., shall serve as Paying Agent and Registrar for the Series 2026 Bonds.

The Series 2026 Bonds are not subject to optional redemption prior to their stated dates of maturity.

The Series 2026 Bonds are being issued pursuant to and under the authority of the Constitution and the laws of the State of Florida including Chapter 166, Part II, Florida Statutes, Chapter 159, Part I, Florida Statutes, the municipal charter of the City and other applicable provisions of law, and under and pursuant to Resolution No. 03-55, adopted by the City Council of the City (the "City Council") on September 29, 2003, as amended and supplemented from time to time, and as particularly amended by Resolution No. 05-71 adopted by the City Council on October 17, 2005, and as supplemented by Resolution No. 26-_____ adopted by the City Council on August 3, 2026 (collectively, the "Bond Resolution"). The Series 2026 Bonds are being issued, together with other legally available funds, to (i) refund all or a portion of the City's Utility System Refunding Revenue Bonds, Series 2016, and (ii) pay the costs of issuance of the Series 2026 Bonds.

The Series 2026 Bonds will be issued on a parity with the City's Utility System Refunding Revenue Bond, Series 2016, not refunded with proceeds of the Series 2026 Bonds, and the Tax-Exempt Utility System

Refunding Revenue Bond, Series 2023 (collectively, the "Outstanding Parity Bonds"). The City may issue Additional Parity Obligations (as defined herein) on a parity with the Series 2026 Bonds and the Outstanding Parity Bonds, subject to compliance with certain conditions set forth in the Bond Resolution.

THE SERIES 2026 BONDS SHALL NOT BE NOR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES AS PROVIDED IN THE BOND RESOLUTION. NO HOLDER OR HOLDERS OF ANY SERIES 2026 BONDS ISSUED UNDER THE BOND RESOLUTION SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM OF ANY REAL OR PERSONAL PROPERTY THEREIN, OR TO COMPEL THE CITY TO PAY SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY.

This cover page contains certain information for quick reference only. It is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2026 Bonds are offered when, as and if issued and received by the Underwriter, subject to the opinion as to legality by Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Weiss Serota Helfman Cole & Bierman, P.L., Fort Lauderdale, Florida, City Attorney and by Bryant Miller Olive P.A., Tallahassee, Florida, Disclosure Counsel. PFM Financial Advisors LLC, Orlando, Florida is serving as Municipal Advisor to the City. It is expected that the Series 2026 Bonds in definitive form will be available for delivery through the facilities of DTC, on or about __________, 2026.

Electronic bids for the Bonds will be received through IHS Markit's PARITY/BiDCOMP Competitive Bidding System as described in the Official Notice of Sale.

Dated: ____________, 2026

*Preliminary, subject to change.

$20,790,000*

CITY OF MARCO ISLAND, FLORIDA

Utility System Refunding Revenue Bonds, Series 2026

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND INITIAL CUSIP NUMBERS

$____________ Serial Series 2026 Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Price	Yield	Initial CUSIP No.**
	$	%	$	%	

---

* Preliminary, subject to change

** CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the owners of the Series 2026 Bonds. The City is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2026 Bonds or as indicated above.

RED HERRING LANGUAGE:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2026 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The City has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission.

CITY OF MARCO ISLAND, FLORIDA
PRINCIPAL OFFICIALS

CITY COUNCIL
Darrin Palumbo, Chair
Rene Champagne, Vice-Chair
Kevin Dohm, Councilor
Tamara Goehler, Councilor
Stephen Gray, Councilor
Deb Henry, Councilor
Bonita Schwan, Councilor

ADMINISTRATION
Casey Lucius, Ph. D., City Manager
Marcia N. Saulo, CPA, Finance Director
Jeffrey E. Poteet, MBA, Utilities System General Manager
Joan Taylor, City Clerk

CITY ATTORNEY
Weiss Serota Helfman Cole & Bierman, P.L.
Fort Lauderdale, Florida

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
Orlando, Florida

BOND COUNSEL
Bryant Miller Olive P.A.
Tampa, Florida

DISCLOSURE COUNSEL
Bryant Miller Olive P.A.
Tampa, Florida

No dealer, broker, salesman or other person has been authorized by the City or the underwriter listed in the section entitled "UNDERWRITING" herein (the "Underwriter") to give any information or to make any representation with respect to the Series 2026 Bonds other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor will there be any sale of the Series 2026 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information set forth herein has been obtained from the City, DTC, and other sources which are believed to be reliable, but it is not guaranteed as to completeness or accuracy and is not to be construed as a representation by the City with respect to any information provided by others. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereon.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement they will be furnished on request.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2026 BONDS HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2026 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE HOLDERS OF THE SERIES 2026 BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM AND WWW.EMMA.MSRB.ORG. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITES.

TABLE OF CONTENTS

Page

APPENDICES:

OFFICIAL STATEMENT
Relating To

$20,790,000*
CITY OF MARCO ISLAND, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2026

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, inside cover page and the appendices, is to furnish certain information with respect to the sale of $20,790,000* Utility System Refunding Revenue Bonds, Series 2026 (the "Series 2026 Bonds") by the City of Marco Island, Florida (the "City").

The Series 2026 Bonds are being issued pursuant to and under the authority of the Constitution and the laws of the State of Florida (the "State") including Chapter 166, Part II, Florida Statutes, Chapter 159, Part I, Florida Statutes, the municipal charter of the City and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 03-55, adopted by the City Council of the City (the "City Council") on September 29, 2003, as amended and supplemented from time to time, and as particularly amended by Resolution No. 05-71 adopted by the City Council on October 17, 2005, and as supplemented by Resolution No. 26-_____ adopted by the City Council on August 3, 2026 (collectively, the "Bond Resolution").

The Series 2026 Bonds will be issued on a parity with the City's Utility System Refunding Revenue Bond, Series 2016, not refunded with proceeds of the Series 2026 Bonds, and the Tax-Exempt Utility System Refunding Revenue Bond, Series 2023 (collectively, the "Outstanding Parity Bonds"). The City may issue Additional Parity Obligations (as defined herein) on a parity with the Outstanding Parity Bonds and the Series 2026 Bonds, subject to compliance with certain conditions set forth in the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Parity Obligations" herein. The Outstanding Parity Bonds, the Series 2026 Bonds and any Additional Parity Obligations are herein collectively referred to as the "Bonds."

Capitalized terms used but not otherwise defined herein have the same meaning as when used in the Bond Resolution unless the context would clearly indicate otherwise. Complete descriptions of the terms and conditions of the Series 2026 Bonds are set forth in the Bond Resolution, a composite form of which is contained in APPENDIX B to this Official Statement. The descriptions of the Series 2026 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein, are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from the office of the City Clerk, Joan Taylor, 50 Bald Eagle Drive, Marco Island, Florida 34145 (239) 389-5000.

---

*Preliminary, subject to change.

THE CITY

General

The City was incorporated on August 28, 1997, and is located on a barrier island approximately three miles wide and four miles long in Collier County, Florida (the "County") in the Gulf of America on the southwestern portion of the Florida coast. The City has a permanent population of approximately 17,700, which grows up to approximately 43,500 in peak winter season with the influx of part-time residents and tourists. The City is the second largest municipality located in the County after the City of Naples, Florida. The State Legislative Office of Economics and Demographic Total population of the County is estimated at 413,314 for 2025, which places it as the 19th most populated county in the State.

City and Water and Sewer Department Administration

Casey Lucius, Ph.D., City Manager,

Casey Lucius started her career at the Ohio House of Representatives, then joined the U.S. Navy and was commissioned as a Naval Intelligence Officer in 1998. Ms. Lucius served on active duty for seven years including a tour to the Middle East on an aircraft carrier, and a tour at the Pacific Fleet Headquarters in Hawaii. She attended the University of Hawaii where she earned a Ph.D. in Political Science. Ms. Lucius also worked at the U.S. Embassy in Hanoi as the Chief of Staff to the U.S. Ambassador to Vietnam. She then went on to teach National Security Decision Making for the U.S. Naval War College. During this time, Casey was elected to the Pacific Grove City Council and served from 2012-2016. In 2017, Ms. Lucius and her family moved to Naples, Florida and she began working in local government as a consultant with the Florida League of Cities, the Florida City Clerks Association, and the Florida Public Pension Trustee Association. She was hired by the City of Marco Island in 2020 where she now serves as the City Manager.

Marcia Saulo, CPA, CGMA, Finance Director,

Marcia N. Saulo, CPA, CGMA, serves as Finance Director for the City and brings 18 years of experience in governmental and nonprofit financial management. She holds a Bachelor of Arts from The College of William & Mary, a Bachelor of Science in Accounting from the University of South Florida, an MBA from Drexel University, and a Master of Public Policy from Jacksonville University.

Prior to joining the City, Ms. Saulo served as City Comptroller for the City of Jacksonville, where she was the chief accounting and financial reporting executive for a consolidated government with a $1.4 billion General Fund. She directed preparation of the Annual Comprehensive Financial Report, coordinated annual external audits, and ensured compliance with Governmental Accounting Standards Board requirements. She led a 53-member division responsible for fund accounting, grants, payroll, accounts payable and receivable, and financial systems administration. During her tenure, she implemented financial workflow improvements, strengthened internal controls, and enhanced the accuracy and transparency of financial information used by City leadership and the public.

Ms. Saulo’s earlier experience includes a decade of financial leadership in the education sector with Imagine Schools, the School District of DeSoto County, and Lighthouse Academies, where she managed multi-site financial reporting, audits, compliance, and board engagement. She also served as Controller for Gulf Coast Community Foundation, overseeing accounting operations for a $300 million nonprofit and supporting the implementation of an integrated charitable operations and accounting platform.

Throughout her career, Ms. Saulo has focused on building strong financial infrastructure, improving reporting clarity, and advancing modern, reliable systems that support effective public stewardship.

Jeffrey E. Poteet, Water and Sewer General Manager

Jeffrey E. Poteet, MBA, serves as General Manager of the City's Water and Sewer Department and brings 34 years of experience in drinking water and wastewater utility operations. He earned a Bachelor's degree in Mathematics Education from the University of South Florida and an MBA from Hodges University. Mr. Poteet began his career as a wastewater operator trainee and advanced through the ranks to his current leadership role, demonstrating a lifelong commitment to operational excellence and public service. He holds dual State treatment plant operator licenses, including a Class "A" Wastewater Operator License and a Class "C" Drinking Water License. A respected leader within State's water industry, Mr. Poteet served as President of the Florida Water & Pollution Control Operators Association (FW&PCOA) in 2013 and 2014. Throughout his career, he has been recognized by FW&PCOA, the Florida Water Environment Association, and the Florida Section of the American Water Works Association for his significant contributions to the drinking water and wastewater profession. His distinguished honors include designation as an Honorary Life Member of FW&PCOA, induction into the Florida Select Society of Sanitary Sludge Shovelers, the 2004 William Hatfield Award, the 2010 Ralf Baker Award, the 2016 Leroy H. Scott Award, and the 2017 William Hatfield Award. Under Mr. Poteet's leadership, the City's Water and Sewer Department has earned numerous state and national awards recognizing outstanding performance, innovation, and professionalism within the utility industry.

PURPOSE OF THE SERIES 2026 BONDS

The Series 2026 Bonds are being issued, together with other legally available funds, if any, to (i) refund all or a portion of the City's Utility System Refunding Revenue Bonds, Series 2016 (the "Refunded Bonds"), and (ii) pay the costs of issuance of the Series 2026 Bonds.

THE REFUNDING PLAN

General

The City has determined that it is in the best interests of the City to provide for the refunding of the Refunded Bonds, to obtain net present value debt service savings. The Refunded Bonds will be redeemed prior to maturity and no longer than ninety (90) days following the issuance of the Series 2026 Bonds, at a redemption price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the redemption date. Provision for payment will be accomplished through the issuance of the Series 2026 Bonds and the use of a portion of the proceeds thereof, together with other legally available funds, to refund the Refunded Bonds.

Irrevocable Escrow Funds, Cash Sufficiency and Yield Verification

Upon delivery of the Series 2026 Bonds, Computershare Trust Company, N.A., as escrow agent (the "Escrow Agent") will enter into an Escrow Deposit Agreement (the "Escrow Agreement") with the City to provide for the defeasance of the Refunded Bonds. The Escrow Agreement will create an irrevocable escrow deposit trust fund or funds (collectively, the "Escrow Fund") which will be held by the Escrow Agent. The money and securities held in the Escrow Fund are to be applied to the payment of principal of and interest on the Refunded Bonds, as the same become due and payable upon redemption. Immediately upon the issuance and delivery of the Series 2026 Bonds, the City will deposit net proceeds of the Series 2026 Bonds and other legally available funds of the City, if any, into the Escrow Fund. Such money will be invested in certain noncallable United States Treasury obligations (the "Acquired Obligations"). The maturing principal amount of and interest on the Acquired Obligations, and any cash held in the Escrow Fund uninvested, (i) will be sufficient to pay the principal of and interest on the Refunded 2010A Bonds to the redemption date according to the schedules prepared by the Municipal Advisor (as defined herein) and verified by Robert Thomas CPA, LLC, (the "Verification Agent"), (ii) will be pledged solely for the benefit of the holders of the Refunded Bonds, and (iii) will not be available for payment of debt service on the Series 2026 Bonds. The Verification Agent will also verify certain schedules prepared by the Municipal Advisor which demonstrate that the "yield" on the Series 2026 Bonds does not exceed the yield on the Acquired Obligations, to be relied upon by Bond Counsel in opining that the Series 2026 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, as amended. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS" herein.

Legal Defeasance Opinion

In reliance upon the above-referenced schedules and verification, at the time of delivery of the Series 2026 Bonds, Bond Counsel will deliver to the Underwriter and the City an opinion to the effect that the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the City to the Holders of the Refunded Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

DESCRIPTION OF THE SERIES 2026 BONDS

General

The Series 2026 Bonds will be initially issued as a single fully registered Series 2026 Bond for each respective maturity, registered in the name of Cede & Co., as nominee of The Depository Trust Company, ("DTC"). See the subheading "Book-Entry Only System" below. Computershare Trust Company, St. Paul, Minnesota, shall serve as Paying Agent and Registrar for the Series 2026 Bonds.

The Series 2026 Bonds will be dated the Date of Delivery, shall bear interest at the rates per annum set forth on the inside cover page hereof, pay interest semiannually on each April 1 and October 1 (or the first business day following an interest payment date if such interest payment date is not a business day), commencing April 1, 2027 (the "Interest Payment Dates"), and shall mature on October 1 in the years and in the principal amounts set forth on the inside cover page hereof.

Interest on the Series 2026 Bonds shall be payable by the Paying Agent on each Interest Payment Date to the person appearing on the registration books of the City by check or draft mailed to the registered owner at its address as it appears on such registration books or by wire transfer to Holders of $1,000,000 or more in principal amount of the Series 2026 Bonds. Interest on the Series 2026 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The principal of the Series 2026 Bonds shall be payable upon the presentation and surrender thereof as the same falls due at the principal office of the Registrar.

Book-Entry Only System

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE. THE CITY AND THE UNDERWRITER TAKE NO

RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2026 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2026 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2026 BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2026 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2026 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2026 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2026 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2026 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2026 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, NEITHER THE CITY NOR THE UNDERWRITER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2026 Bond certificate will be issued for each maturity of the Series 2026 Bonds as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has an S&P Global Inc. ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026 Bond ("Beneficial Owner") is in turn to be recorded on the

Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2026 Bonds may wish to ascertain that the nominee holding the Series 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, redemption premium, if any, and interest on the Series 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and/or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Series 2026 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2026 Bond certificates will be printed and delivered to DTC.

Negotiability, Registration and Transfer

So long as the Series 2026 Bonds are registered in the name of Cede & Co., as the nominee of DTC, the transfer and exchange of any Series 2026 Bonds shall be governed by rules established between DTC and its Direct and Indirect Participants. See the subheading "Book-Entry Only System" above. Upon the discontinuance of the book-entry only registration system for the Series 2026 Bonds, the following provisions described under this subheading shall apply for Beneficial Owners.

The Registrar shall keep books for the registration of and for the registration of transfers of Series 2026 Bonds as provided in the Bond Resolution. The transfer of any Series 2026 Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Series 2026 Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer, the City shall execute and the Registrar shall authenticate and deliver in exchange for such Series 2026 Bond, a new Series 2026 Bond or Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Series 2026 Bond or Bonds so surrendered.

In all cases in which Series 2026 Bonds shall be exchanged, the City shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Series 2026 Bond or Bonds of the same type (e.g., Serial Bonds will be exchanged for Serial Bonds) in accordance with the provisions of the Bond Resolution. All Series 2026 Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Registrar. The City or the Registrar may make a charge for every such exchange or registration of transfer of Series 2026 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Series 2026 Bondholder for the privilege of exchanging or registering the transfer of Series 2026 Bonds under the provisions of the Bond Resolution. Neither the City nor the Registrar shall be required to make any such exchange or registration of transfer of Series 2026 Bonds after the Record Date.

No Early Redemption

The Series 2026 Bonds are not subject to redemption prior to their stated dates of maturity.

Notice of Redemption

Notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar, and mailed by the Registrar on behalf of the City, first class mail, postage prepaid, to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for on the Record Date, but failure to mail such notice to one or more Holders of Bonds, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to Holders of Bonds to which notice was duly mailed hereunder and no defect occurred. Such notice shall also be sent to the registered securities depositories and two or more nationally recognized municipal securities information repositories. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Any notice of optional redemption given pursuant to the Bond Resolution may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected Holders of Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Notwithstanding the foregoing, so long as Cede & Co. is the registered owner of the Series 2026 Bonds pursuant to DTC's book-entry only system of registration, notice of redemption required to be mailed to holders of Series 2026 Bonds shall only be sent to Cede & Co.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The payment of the principal of and interest and redemption premium, if any, on the Bonds is secured by a pledge of and an irrevocable lien on (1) the Net Revenues derived from the operation of the City's Utility System (as hereinafter defined), (2) the Sewer System Capital Facilities Fees and Water System Capital Facilities Fees (as defined below), and (3) until applied in accordance with the Bond Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Bond Resolution, except (A) the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance as defined and in accordance with the Bond Resolution, and (C) to the extent moneys on deposit in a subaccount of the Reserve Fund or Project Fund shall be pledged solely for the payment of a particular Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution (clauses (1), (2) and (3) above are collectively referred to as the "Pledged Revenues"). Such lien would be prior and superior to all other liens and encumbrances on such Pledged Revenues. (Neither the Reserve Fund nor any subaccount created therein shall secure the Series 2026 Bonds.) The City has covenanted that it will deposit all Gross Revenues it collects from the operation of or ownership of the Utility System into the Revenue Fund, where they will be subject to the lien of the Bonds.

THE BONDS SHALL NOT BE NOR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF THE CONSTITUTION OF

THE STATE, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES AS PROVIDED IN THE BOND RESOLUTION. NO HOLDER OR HOLDERS OF ANY BONDS ISSUED UNDER THE BOND RESOLUTION SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM OF ANY REAL OR PERSONAL PROPERTY THEREIN, OR TO COMPEL THE CITY TO PAY SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY.

The Bond Resolution has ascribed the following meanings to the terms "Cost of Operation and Maintenance," "Gross Revenues," "Net Revenues," "Sewer System Capital Facilities Fees," "Sewer System," "System" or "Utility System," "Water System" and "Water System Capital Facilities Fees."

For all other terms not otherwise defined herein, see "APPENDIX B — FORM OF COMPOSITE BOND RESOLUTION" attached hereto.

"Cost of Operation and Maintenance" shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the Utility System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

"Gross Revenues" or "Revenues" shall mean all income and earnings, including Connection Fees, received by the City or accrued to the City from the ownership, use or operation of the Utility System and all parts thereof, including, without limitation, unencumbered, non-ad valorem special assessments which are not pledged for the repayment of, or as security for, any indebtedness of the City, whether currently outstanding or hereafter issued, other than the Bonds, and which are legally available to be used as contemplated in the Bond Resolution, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms of the Bond Resolution, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the City as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to the Bond Resolution, except for the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee Fund, and also including any income or earnings (including investment income) derived from the Utility System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the City from a Qualified Agreement Provider pursuant to a Qualified Agreement, but "Gross Revenues" or "Revenues" shall not include non-ad valorem special assessments which are pledged for the repayment of, or as security for, any indebtedness of the City, whether currently outstanding or hereafter issued, other than the Bonds, proceeds from the sale or other disposition of the Utility System or any part thereof, condemnation awards or proceeds of insurance received with respect to the Utility System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the City determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees or unrealized gains or losses from investments.

"Net Revenues" of the Utility System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

"Sewer System" shall mean the complete sewer, wastewater and residential reuse system now owned, operated and maintained by the City and which the City is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

"Sewer System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the City upon and collected from new users of the Sewer System which represent an equitable share of the capital costs of the Sewer System which are attributable to the increased demand such additional connections create upon the Sewer System. The term "Sewer System Capital Facilities Fees" in each year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage applicable to the Sewer System. The Expansion Percentage for the Sewer System is 65.29%.

"System" or "Utility System" shall mean, collectively, the Water System and the Sewer System of the City. Upon compliance with the provisions of the Bond Resolution, the term "System" may be deemed to include other utility functions added to the System, including, but not limited to a stormwater system, the acquisition, distribution and sale of natural gas, the providing of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interest in properties of the City which the City determines shall not constitute a part of the System for the purpose of the Bond Resolution.

"Water System" shall mean the complete water system now owned, operated and maintained by the City or which is proposed to be acquired by and operated and maintained by the City and which the City is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

"Water System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the City upon and collected from new users of the Water System which represent an equitable share of the capital costs of the Water System which are attributable to the increased demand such additional connections create upon the Water System. The term "Water System Capital Facilities Fees" in each year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage applicable to the Water System. The Expansion Percentage for the Water System 44.50%.

No Reserve Fund for the Series 2026 Bonds

The Series 2026 Bonds will not be secured by any amounts or deposit in the Reserve Fund or any subaccount therein. In the future, the City may secure Additional Parity Obligations hereafter issued with the Reserve Fund or a subaccount created therein. The Series 2026 Bonds will not be secured by any such Reserve Fund or subaccount created therein.

Rate Covenant

Pursuant to the Bond Resolution, the City has covenanted to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the Utility System as will always provide, (1) Net Revenues in each Fiscal Year sufficient to pay 110% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, or (2) Net Revenues in each Fiscal Year sufficient to pay 105% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, Water System Capital Facilities Fees and Sewer System Capital Facilities Fees in each Fiscal Year adequate to pay at least 120% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with either (1) or (2) above, Net Revenues in each Fiscal Year shall also be sufficient to provide 100% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required in the Bond Resolution to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Revenues of the Utility System, and other payments, and all allocations and applications of revenues required in such Fiscal Year by the terms of the Bond Resolution.

Net Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by the Bond Resolution. Nothing in the Bond Resolution obligates the City to impose Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

Additional Parity Obligations

No Additional Parity Obligations may be issued under the Bond Resolution unless the City shall have first complied with the following requirements:

(1) There shall have been obtained and filed with the Clerk of the City a certificate of the Finance Director stating:

(a) that the books and records of the City relative to the Utility System and the Net Revenues and if applicable, the Sewer System Capital Facilities Fees and the Water System Capital Facilities Fees, have been reviewed by the Finance Director; and either

(b) that the amount of the Net Revenues derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as described in paragraphs (2), (3), (4), (5) and/or (6) below, is equal to not less than 110% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, or

(c) that the amount of the Net Revenues during the Test Period adjusted as described in paragraphs (2), (3), (4), (5) and/or (6) below is equal to not less than 105% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, and Net Revenues during the Test Period as so adjusted plus Sewer System Capital Facilities Fees and Water System Capital Facilities Fees during the Test

Period is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified as described in to (b) and (c) in the previous paragraph may be adjusted, for the purpose of determining whether Additional Parity Obligations may be issued, by including: (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the City from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Bond Year, and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve (12) month period after the facilities of the Utility System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants, if the Additional Parity Obligations are to be issued for the purpose of acquiring an existing water system and/or sewer system and/or any other utility system in accordance with the Bond Resolution, the Net Revenues certified as described in (b) or (c) in paragraph (1) above may be adjusted by including: 100% of the additional estimated Net Revenues which in the written opinion of the Qualified Independent Consultants will be derived from the acquired facilities during the first full twelve (12) month period after the issuance of such Additional Parity Obligations (the Qualified Independent Consultants' report shall be based on the actual operating revenues of the acquired utility for a recent twelve (12) month period adjusted to reflect the City's ownership and the City's rate structure in effect with respect to the Utility System at the time of the issuance of the Additional Parity Obligations).

(4) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during such twelve (12) consecutive month period, then the Net Revenues certified as described in (b) or (c) in paragraph (1) above may be adjusted to include the Net Revenues which would have been received in such 12 consecutive months if those additional connections had also been connected to the Utility System during all of such twelve (12) consecutive months.

(5) Upon recommendation of the Qualified Independent Consultant, if the City shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the City shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any water system or any other utility system, then the Net Revenues certified as described in (b) or (c) in paragraph (1) above may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the City, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(6) Upon recommendation of the Qualified Independent Consultants, if there is an estimated increase in Net Revenues to be received by the City as a result of additions, extensions or improvements to the Utility System during the period of three years following the completion of such additions, extensions

or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the Utility System certified as described in (b) or (c) in paragraph (1) above may be increased by 50% of the average annual additional Net Revenues calculated for such three year period.

(7) The City need not comply with the provisions of paragraph (1) above if and to the extent the Additional Parity Obligations to be issued are Refunding Bonds, if the City shall cause to be delivered a certificate of the Finance Director of the City setting forth the Average Annual Debt Service Requirement (a) for the Bonds then Outstanding, and (b) for all Series of Bonds to be immediately Outstanding thereafter, and stating that the Average Annual Debt Service Requirement as described in (b) is not greater than that set forth as described in (a).

(8) The City need not comply with the provisions described in paragraph (1) above if and to the extent the Additional Parity Obligations to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the Utility System ("Completion Bonds") if originally financed with the proceeds of Bonds; provided that such Completion Bonds for which the City need not comply with the provision described in paragraph (1) above may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the Utility System at the time of issuance of the initial Series of Bonds to finance such improvements.

(9) The Finance Director of the City shall have certified that the City is not in default in the carrying out of any of the obligations assumed under the Bond Resolution and no event of default shall have occurred under the Bond Resolution and shall be continuing, and all payments required by the Bond Resolution to be made into the funds and accounts established under the Bond Resolution shall have been made to the full extent required.

(10) The Supplemental Bond Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained in the Bond Resolution will be applicable to such Additional Parity Obligations.

Capital Facilities Fees

Pursuant to the Bond Resolution, the City is required to deposit, as received, all Sewer System Capital Facilities Fees into the Sewer System Capital Facilities Fees Fund. The City is also required to deposit, as received, all Water System Capital Facilities Fees into the Water System Capital Facilities Fees Fund. The aggregate amount of Sewer System Capital Facilities Fees and Water System Capital Facilities Fees (collectively, the "Capital Facilities Fees") applied to pay principal of, redemption premium, if any, and interest on the Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

Generally, under State law, impact fees (such as the Capital Facilities Fees) may be validly imposed against new construction or development in order to fund capital improvements or capacity which are necessitated by such new construction or development or to satisfy debt service for the bonds or other obligations issued for such purposes. Moneys in the Sewer System Capital Facilities Fees Fund and Water System Capital Facilities Fees Fund may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service.

The receipt of the Capital Facilities Fees, if any, by the City is dependent on new development within the geographical limits of the service area of the City and the extent to which such fees may be used to pay principal of and interest on the Series 2026 Bonds is limited by State law. Although the City has had substantial growth in the past, no assurance can be given that new development will continue within the City or that the City will ever receive a significant amount of Capital Facilities Fees that would be permitted to be applied to pay debt service on the Series 2026 Bonds.

No Free Service

Pursuant to the Bond Resolution, so long as any Bonds are outstanding, the City shall not furnish or supply the facilities, services and commodities of the System either free of charge or for a nominal charge to any person, firm or corporation, public or private, including the City's departments, agencies and instrumentalities which avail themselves of the services of the Utility System. The City shall promptly enforce the payment of any and all accounts owing to the City and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

Mandatory Cut Off

Pursuant to the Bond Resolution, the City is required to establish a written policy consistent with sound business judgment for the disconnection from the Utility System of any customer who fails to pay for services rendered by the Utility System, and shall enforce such policy diligently and fairly.

Mandatory Connections; No Competing System

Pursuant to the Bond Resolution, so long as service is in fact available as reasonably determined by the City, the City will, to the full extent permitted by law, require all lands, buildings and structures within the area being served by the Utility System, to connect with and use such facilities within sixty (60) days after notification. To the extent permitted by law, the City will not grant a franchise for the operation of any competing utility system or systems within the area served by the Utility System until all Bonds issued under the Bond Resolution, together with the interest thereon, and redemption premium, if any, have been paid in full. Notwithstanding the foregoing, the City shall not be required to duplicate services being provided by private or public utilities in the area being served by such private or public utilities. In addition, the City shall not be prohibited from allowing other private or public utilities to provide services within the area being served by the Utility System, if the City shall not be providing such service in such area on that date. Nothing in the Bond Resolution shall be deemed to constitute the approval of the City for any private or public utility (other than the Utility System) to provide any services within the boundaries of the City or within the area being served by the Utility System or within any other area of the City.

Enforcement of Collections

Pursuant to the Bond Resolution, the City has covenanted to diligently enforce and collect the rates, fees and other charges for the services and facilities of the Utility System and will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues shall, as collected, be held in trust to be applied as provided in the Bond Resolution.

Disposition of the System

Pursuant to the Bond Resolution, the Utility System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient to fully retire all of the Outstanding Bonds issued pursuant to the Bond Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates and to make any termination payments required under any Qualified Agreement. The proceeds from such sale or other disposition of the Utility System shall immediately be deposited first in the Bond Service Fund and then in the Subordinated Debt Service Fund and shall be used only for the purpose of paying Parity Contract Obligations, and paying the principal of and interest on the Bonds and Subordinated Debt as the same shall become due, or the redemption price of callable Bonds and Subordinated Debt, or the purchase of Bonds and Subordinated Debt at a price not greater than the redemption price of said Bonds and Subordinated Debt, or, if the Bonds or Subordinated Debt are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds or Subordinated Debt on the next ensuing redemption date.

The foregoing provision notwithstanding, the City shall have and has reserved the right under the Bond Resolution to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the Utility System in the following manner, if any one of the following conditions exist: (a) such property is not necessary for the operation of the Utility System or (b) such property is not useful in the operation of the Utility System or (c) such property is not profitable in the operation of the Utility System.

Prior to any sale, lease, exchange or other disposition of said property:

(1) if the amount to be received therefor is not in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the Utility System, the officer of the City charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Utility System for which disposition is sought, may determine that such property comprising a part of such Utility System is either no longer necessary, useful or profitable in the operation thereof.

(2) if the amount to be received therefor is in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the Utility System, the officer of the City charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Utility System for which disposition is sought and the Consulting Engineers shall each first make a finding in writing determining that such property comprising a part of such Utility System is either no longer necessary, useful or profitable in the operation thereof, and the City shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Consulting Engineers.

The net proceeds realized from such disposal of a part of the Utility System shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the Utility System or the purchase or redemption of Outstanding Bonds.

Notwithstanding any other provision of the Bond Resolution to the contrary, except for the initial paragraph described in this subsection, the City may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the Utility System provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Utility System for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the City, determining that (i) such sale, lease, exchange or other disposition will not materially impair or restrict the City's ability to realize Gross Revenues in compliance with the requirements therefor as set forth in the Bond Resolution, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the City.

Notwithstanding any other provision of the Bond Resolution to the contrary, the City may transfer ownership and/or operation of all or a portion of the Utility System to any public body authorized by the laws of the State to own and/or operate such Utility System on an installment sale basis provided that the City (i) has received an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds (not including taxable Bonds) will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable State law, and (ii) the City adopts a resolution to the effect that, based upon such certificates and opinions of its independent certified public accountants, Bond Counsel, Municipal Advisor or other Qualified Independent Consultant as the City shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds.

FLOW OF FUNDS

Creation of Funds

Pursuant to the Bond Resolution, the City created and established the following funds and accounts, which funds and accounts shall be trust funds held by the Finance Director for the purposes provided in the Bond Resolution and used only in the manner as provided in the Bond Resolution:

(1) the Revenue Fund;

(2) the Bond Service Fund, which consists of the Interest Account, the Principal Account, the Parity Contract Obligation Account and the Redemption Account;

(3) the Reserve Fund (which may also include various subaccounts), none of which secure the Series 2026 Bonds (see "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — No Reserve Fund for the Series 2026 Bonds);

(4) the Subordinated Debt Service Fund;

(5) the Renewal, Replacement and Improvement Fund;

(6) the Project Fund;

(7) the Sewer System Capital Facilities Fees Fund;

(8) the Water System Capital Facilities Fees Fund;

(9) the Rate Stabilization Fund;

(10) the Surplus Fund; and

(11) the Rebate Fund.

The Revenue Fund, the Bond Service Fund (including the accounts therein), the Reserve Fund, the Renewal, Replacement and Improvement Fund, the Project Fund, the Sewer System Capital Facilities Fees

Fund, the Water System Capital Facilities Fees Fund, the Rate Stabilization Fund, the Surplus Fund and any other special funds established and created by the Bond Resolution shall be deemed to be held in trust for the purposes provided in the Bond Resolution for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State.

Revenue Fund

All Gross Revenues of the Utility System shall, upon receipt thereof, be deposited by the City in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes and used only for the purposes and in the manner provided in the Bond Resolution.

Disposition of Revenues

All Net Revenues in the Revenue Fund, after payment of Cost of Operation and Maintenance of the Utility System, shall be disposed of monthly, but not later than the 25th day of each month only in the following manner and the following order of priority:

(1) The City shall first deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Interest Account and Parity Contract Obligation Account shall be on parity with each other, and the payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) <u>Interest Account:</u> Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as described above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a).

(b) <u>Parity Contract Obligation Account:</u> Taking into account the actual and anticipated earnings in the Parity Contract Obligation Account in the Bond Service Fund within the current Bond Year, a pro rata estimated amount necessary to build up over time the amount of any Parity Contract Obligation which will next be due and payable or reasonably expected to be due and payable under any Qualified Agreement on the next payment date thereunder; provided, however, that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (e.g., if such Parity Contract Obligations are required to be paid semi-annually, the City shall be required to deposit monthly an amount which is estimated to equal one-sixth (1/6th) of the next such payment). Moneys in the Parity Contract Obligations Account may be used only for the purposes set forth in this paragraph (b).

(c) <u>Principal Account:</u> Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning the month which is 12 months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as described above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (c).

(d) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is 12 months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as described above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The City may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the City may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the City, the City shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the City. If the City shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the City shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (d).

(2) To the extent that the amounts on deposit in the Reserve Fund are less than the applicable Reserve Requirement, the City shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as described above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund, in no event shall the City be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement and the amounts on deposit in the Reserve Fund on the date of calculation shall be restored not later than 60 months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund for such 60 month period).

(3) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the resolution or agreement of the City authorizing such Subordinated Debt, but for no other purposes.

(4) The City shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth (1/12th) of 5% of the Gross Revenues received during the immediately preceding Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extraordinary repairs, extensions, enlargements or additions to, or the replacement of capital assets of the Utility System or emergency repairs thereto. No further deposits shall be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an amount equal to or greater than 1% of the gross book value of the fixed assets of the Utility System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineers. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(5) The balance of any moneys remaining in the Revenue Fund after the above described payments have been made shall be deposited into the Surplus Fund and may be used for any lawful purpose of the City; provided, however, that none of such moneys shall be used for any purposes other than those as described above unless all current payments, including any deficiencies for prior payments, have been made in full and unless the City shall have complied fully with all the covenants and provisions of the Bond Resolution.

Capital Facilities Fees Funds

All Sewer System Capital Facilities Fees and Water System Capital Facilities Fees shall be deposited into the Sewer System Capital Fees Fund and Water System Capital Facilities Fees Fund, respectively. On or before the 26th day of each month, all or any portion of the amounts then on deposit in the Sewer System Capital Facilities Fees Fund and Water System Capital Facilities Fees Funds, respectively, shall, on a pro-rata basis, be applied by the City as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Capital Facilities Fees Fund and Water System Capital Facilities Fees Funds, respectively, may be applied by the City for any use allowed by law.

The aggregate amount of Capital Facilities Fees applied to pay principal of, redemption premium, if any, and interest on the Series 2026 Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

Rate Stabilization Fund

The City may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The City may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Parity Contract Obligation Account, the Principal Account and the Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due and to pay any Parity Contract Obligations, but only to the extent moneys transferred from the Surplus Fund and Renewal, Replacement and Improvement Fund for such purposes, shall be inadequate to fully provide for such insufficiency.

[Remainder of page intentionally left blank]

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2026 Bonds, together with other legally available funds of the City, are expected to be applied as follows:

Sources:	
Par Amount of Series 2026 Bonds	$__________
Plus/Minus: Original Issue[Net] [Premium/Discount]	__________
Plus Other Legally Available Funds	__________
Total	$__________
Uses:	
Deposit to Escrow Fund(1)	$__________
Costs of Issuance(2)	__________
Total	$__________

____

(1) See "THE REFUNDING PLAN" herein.

(2) Includes Underwriter's discount (which includes fees of Underwriter's counsel), legal, accounting and other fees incurred with respect to the issuance of the Series 2026 Bonds.

[Remainder of page intentionally left blank]

DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the Outstanding Parity Bonds and the Series 2026 Bonds.

Year Ending October 1	Outstanding Parity Bonds[1]	Series 2026 Bonds Principal	Series 2026 Bonds Interest	Series 2026 Bonds Total	Total Debt Service
2026	$8,638,108.76	$	$	$	$
2027	8,648,828.76				
2028	8,659,278.76				
2029	8,679,208.76				
2030	8,703,208.76				
2031	8,715,948.76				
2032	8,731,788.76				
2033	3,752,748.76				
2034	2,804,718.76				
2035	2,808,118.76				
2036	2,807,918.76				
2037	2,804,637.50				
2038	2,803,037.50				
2039	2,802,637.50				
2040	2,803,237.50				
Total	$84,163,426.36	$	$	$	$

(1) Does not take into account the refunding of all or a portion of the Series 2016 Bonds through the issuance of the Series 2026 Bonds. See "REFUNDING PLAN" herein.

OUTSTANDING UTILITY SYSTEM DEBT

The following is a summary of the outstanding bonds and loans that have been issued by the City and attributable to the Utility System.

Debt Obligation	Outstanding Amount[1]	Source of Security
Utility System Refunding Revenue Bond, Series 2016	$32,940,000	Net Revenues and Capital Facilities Fees
Taxable Utility System Refunding Revenue Bond, Series 2023	45,210,000	Net Revenues and Capital Facilities Fees
Master Equipment Lease/Purchase Agreement 2025	7,623,000	Net Revenues
State Revolving Fund Loan — DW 110301	1,917,219	Subordinated Lien on Net Revenues
State Revolving Fund Loan — WW715090 Sheffield	1,568,836	Assessments
State Revolving Fund Loan — WW715100 Lamplighter	785,767	Assessments
State Revolving Fund Loan — WW715040, 715041	1,204,477	Assessments-West Winterberry/Backup Covenant to Budget and Appropriate
State Revolving Fund Loan — WW715050, 715051	961,192	Assessments-North Barfield/Backup Covenant to Budget and Appropriate
State Revolving Fund Loan — WW715060, 715061	679,703	Assessments-North Marco/Backup Covenant to Budget and Appropriate
State Revolving Fund Loan — WW110710 Mackle Park	1,406,123	Assessments
State Revolving Fund Loan — WW110700 Kendall	1,539,898	Assessments
State Revolving Fund Loan — WW110720 Gulfport	188,440	Assessments
State Revolving Fund Loan — WW110730 E. Winterberry S	680,587	Assessments
State Revolving Fund Loan — WW110740 E. Winterberry N	264,196	Assessments
State Revolving Fund Loan — WW110750 Goldenrod	1,440,640	Assessments
State Revolving Fund Loan — WW110760 Copperfield	888,697	Assessments
State Revolving Fund Loan — WW110770 Estates	2,844,558	Assessments
Special Assessment Revenue Bond, Series 2008 (Tigertail Assessment Area Project)	473,774	Assessments
Special Assessment Revenue Bond, Series 2008 (South Barfield Assessment Area Project)	149,439	Assessments
North Barfield Assessment Bonds, Series 2009	510,103	Assessments
North Marco Assessment Bonds, Series 2009	241,401	Assessments
Old Marco Assessment Bonds, Series 2009 (Taxable)	84,689	Assessments
West Winterberry Assessment Bonds, Series 2009	704,086	Assessments
Lamplighter Assessment Bonds, Series 2010	411,681	Assessments
Sheffield Assessment Bonds, Series 2010	544,007	Assessments
Kendall Assessment Bonds, Series 2012	511,892	Assessments
Mackle Park Assessment Bonds, Series 2012	547,195	Assessments
Special Assessment Revenue Bond, Series 2013 (Gulfport Assessment Area Wastewater Treatment Capacity Improvements)	435,000	Assessments
Special Assessment Revenue Bond, Series 2013 (East Winterberry (North) Area Wastewater Treatment Capacity Improvements)	125,000	Assessments
Total Outstanding Bonds and Loans	$106,881,598	

(1) As of September 30, 2025.

(2) The City intends to refund the Refunded Bonds with proceeds of the Series 2026 Bonds. See "THE REFUNDING PLAN" herein.

Source: City of Marco Island, Florida Finance Department.

THE UTILITY SYSTEM

General

The majority of the City's Utility System was acquired in October, 2003 with the purchase of the Florida Water Services Corporation water and sewer utility system (the "FWS System"). The acquisition included potable water and wastewater systems serving both the City and Marco Shores, an off-island community located approximately 2.5 miles northeast of the City on the mainland. The Marco Shores wastewater service area also includes the Isle of Capri, another nearby off-island community. At the time of acquisition, the City and Marco Shores systems operated as separate utility systems with respect to operations, accounting, and rate development; however, the potable water systems shared a common water source consisting of a reservoir, pumping facility, and transmission pipeline.

In 2009, the Marco Shores drinking water treatment plant was decommissioned, after which potable water service to the area was provided by the County public utilities pursuant to an interlocal service arrangement. This arrangement remained in effect until 2019, when the City completed construction of a new potable water transmission pipeline connecting the City's island-wide potable water distribution system to the Marco Shores service area. The completion of this project enabled the City to directly supply potable water to off-island customers utilizing existing treatment and distribution capacity within the Utility System, thereby improving operational control, system reliability, and long-term cost efficiency.

Although the County no longer provides routine potable water service to Marco Shores, the physical interconnection with the County's distribution system has been maintained and continues to serve as an emergency backup supply connection to enhance system redundancy and emergency preparedness.

Following completion of the interconnection project, the operations, maintenance, and financial accounting associated with the Marco Shores potable water system were fully integrated into the City's island-wide utility operations. However, for rate-setting and cost allocation purposes, the Marco Shores service area continues to be maintained as a separate rate district in recognition of the unique infrastructure, service characteristics, and historical development of the off-island system.

Prior to acquisition of the FWS System, the City owned and operated only a sanitary sewer collection system serving limited portions of the City and did not own a potable water utility system. Upon completion of the acquisition, the City began providing potable water service to customers within its service area. Currently, all developed properties within the City receive potable water service from the Utility System. The City's potable water service area includes customers located both within and outside the City limits, including Marco Shores. In addition, the City provides bulk potable water service to the County for the County-owned Goodland Water District.

Water System

General

The City's potable water supply system is comprised of raw water supply, water treatment, and finished water transmission and distribution facilities (the "Water System"). During the Fiscal Year 2026, the Water System provided service to an average of 11,451 retail and general service accounts and 17,444.5 corresponding equivalent residential connections ("ERCs") within the Water System service area. With respect to the retail accounts, approximately ninety percent (90%) are classified as individually metered residential with the remaining ten percent (10%) consisting of master metered residential, commercial, and irrigation services. Water supply and treatment are measured in terms of an ERC. An "ERC" for the Water System represents the equivalent usage requirements for an individually metered residential customer and is established as 440 gallons per day ("gpd") of metered water service pursuant to the current policies and regulations as adopted by the City. Since commercial and master metered residential customers can be served by larger sized meters than the standard residential customer, it is useful to classify commercial accounts and usage in terms of ERCs for a consistent presentation of the total customer base served.

Sources of Water Supply

Raw water is obtained from two sources, fresh surface water derived from Henderson Creek on the mainland which flows into Marco Lakes, and brackish groundwater derived from the Floridan Aquifer system. The surface water source is currently treated by conventional lime softening followed by membrane filtration. The brackish groundwater is treated by a reverse osmosis ("RO") membrane technology and disinfection. To supplement water supply in the dry season, when creek flow is low, Aquifer Storage-Recovery ("ASR") technology is used. In the wet season when water is abundant, surplus water is diverted from Marco Lakes, which is subsequently filtered, and is stored underground in ASR wells. ASR technology allows very large amounts of fresh water to be stored and recovered economically.

Water recovered from the ASR system is conveyed to the lime softening plant, known as the North Water Treatment Plant ("NWTP"). The brackish ground water from brackish supply wells is conveyed to the RO water treatment plant, the South Water Treatment Plant ("SWTP"). Potable water produced by the treatment plants is distributed throughout the City and additional areas in the mainland through a water distribution system that includes storage tanks, pumping stations and water transmission mains of various sizes.

Demand for Potable Water

The City's potable water service area includes all of the incorporated areas of the City and Marco Shores. The City also has an agreement to sell bulk potable water to the County to distribute to their customers in Goodland and Key Marco.

Water Use Permit

The City is authorized to withdraw surface water from Henderson Creek, either directly from Marco Lakes or indirectly through Aquifer Storage and Recovery ("ASR") wells located within the mid-Hawthorn Aquifer. Such withdrawals are authorized pursuant to Water Use Permit No. 11-00080-W (the "WUP") issued by the South Florida Water Management District ("SFWMD"). The WUP is currently in the process of renewal, and the City's hydrogeological consultant is responding to requests for additional information from SFWMD as part of the renewal review process.

The WUP authorizes withdrawals from three primary water sources: (i) surface water from Marco Lakes; (ii) recovered surface water stored within the ASR system; and (iii) brackish groundwater withdrawn from supply wells located within the City. The permit authorizes a combined annual withdrawal of approximately 3,286.65 million gallons ("MG"), equivalent to an average annual withdrawal of approximately 9.0 million gallons per day ("MGD"). In addition, the WUP allocates up to 1,515.21 MG of surface water from Marco Lakes for seasonal storage within the ASR system during wet periods for recovery and use during dry periods or peak demand conditions.

Under the current allocation, the Utility System may withdraw up to 1,966.37 MG annually directly from Marco Lakes and up to 1,320.28 MG annually from the mid-Hawthorn Aquifer, provided that the combined annual withdrawal from all sources does not exceed the permitted annual allocation. The WUP also establishes a maximum monthly consumptive use limitation of approximately 408.09 MG, equivalent to a 30-day average withdrawal rate of approximately 13.16 MGD.

Withdrawals from Marco Lakes may be seasonally limited during extended dry weather conditions due to low lake elevations, reduced groundwater levels, and limited rainfall. Similarly, withdrawals from the brackish groundwater wells serving the reverse osmosis (“RO”) treatment system may be constrained to prevent excessive salinity increases within the source aquifer.

Water recovered from the ASR system provides additional operational flexibility and may be utilized to supplement potable water supply during periods of high seasonal demand, drought conditions, or other supply constraints. The ASR system also provides additional reliability should monthly system demand approach or exceed the permitted monthly allocation. Historically, however, the probability of exceeding the monthly allocation has remained low. During the most recent year, peak monthly demand occurred in March and totaled approximately 383.29 MG, which remained well below the permitted monthly limit. Water recovered from ASR storage can be used to supplement the high seasonal demand when additional capacity is needed. Withdrawal from the ASR Wells could also be used if the maximum monthly withdrawal to meet demand exceeds 408.09 MG; however, the probability of demand exceeding 408.09 MG maximum monthly allocation is relatively low. The peak monthly demand (during the month of March) for all sources in the past year was 360.6 MG.

Water Treatment Facilities

The City owns and operates two potable water treatment plants within the Utility System: the North Water Treatment Plant ("NWTP") and the South Water Treatment Plant ("SWTP"). Both facilities are regulated by the Florida Department of Environmental Protection ("FDEP") under Public Water System Identification Number 5110183.

The NWTP treats surface water and recovered ASR water utilizing lime softening and membrane filtration processes, while the SWTP treats brackish groundwater utilizing reverse osmosis ("RO") desalination technology. The NWTP has a permitted treatment capacity of 6.67 MGD, and the SWTP has a permitted treatment capacity of 6.0 MGD, resulting in a combined permitted potable water production capacity of approximately 12.67 MGD.

North Water Treatment Plant

The NWTP is located at 807 East Elkcam Circle within the City. The facility typically operates near its permitted capacity of 6.67 MGD throughout the year. Approximately 3.6 MGD of finished water produced at the NWTP is distributed directly to the northern portion of the City through local high service pumps. The remaining treated water is conveyed to the SWTP for blending with RO permeate in order to achieve desired finished water quality characteristics, including optimal hardness and corrosion control, before distribution to the southern service area.

The NWTP treatment process currently includes lime softening utilizing a reactor-clarifier system followed by membrane filtration. Lime and alum are added during the clarification process to remove color, alkalinity, and other contaminants from the source water supply. The pressurized membrane filtration system removes remaining turbidity and provides an additional barrier against microorganisms. Final disinfection and chloramine residual are provided through the addition of chlorine and ammonia following filtration.

Finished water not immediately distributed within the northern service area is transferred to finished water storage facilities located at the SWTP for additional storage, disinfection contact time, and system-wide distribution.

Proposed Improvements to the North Water Treatment Plant

The City is undertaking a series of capital improvements at the NWTP intended to enhance water quality, improve operational reliability, increase treatment efficiency, and position the Utility System to meet future regulatory requirements and long-term service demands.

As part of these improvements, two Biologically Active Filters ("BAFs") are currently being installed at the City's source water facility. The BAF system is designed to improve raw water quality by reducing naturally occurring organic compounds, taste and odor constituents, and other source water contaminants prior to the primary treatment process. In addition to improving finished water quality, the BAFs are expected to enhance treatment resiliency, improve operational performance, and reduce the potential formation of disinfection byproducts within the distribution system.

Replacement of the existing lime softening press is also anticipated to be completed by the end of fiscal year ending September 30, 2026. The replacement project is intended to improve sludge handling efficiency, reduce maintenance requirements, and extend the operational reliability of the existing lime softening process pending implementation of a planned treatment technology conversion.

The City is also evaluating a long-term transition from conventional lime softening technology to membrane softening treatment. The proposed membrane softening project is intended to modernize the treatment process, improve treatment efficiency, reduce chemical usage, lower residuals management requirements, and enhance operational flexibility. The proposed improvements are expected to include construction of two new 1.8 MGD low-pressure RO membrane filtration trains and a new building to house the associated membrane treatment systems and support equipment.

Upon completion of the membrane softening project, several existing lime softening facilities are expected to be retired and demolished, including the existing lime thickener tank, lime sludge press, lime silo, and lime clarifier. The transition to membrane softening technology is anticipated to provide long-term operational, financial, and environmental benefits to the Utility System.

North Water Treatment Plant Finished Water Storage and Pumping

The NWTP includes a 4.0 MG finished water storage tank that provides operational storage capacity to meet peak daily demands, maintain fire flow reserves, and provide additional disinfection contact time for chloramines. Existing high service pumping capacity at the NWTP is provided by four pumps with a combined firm capacity of approximately 10,230 gallons per minute ("gpm"), measured with the largest pump out of service.

The City also maintains an emergency standby power generator at the NWTP to provide continuous treatment and pumping capability during electrical outages. Standby power capability is required for publicly owned water treatment facilities in the State and enhances overall system resiliency during emergency conditions.

Water Supply for the North Water Treatment Plant

The City's source water facility is located approximately nine miles north of the NWTP on the mainland. The facility includes one 250,000-gallon ground storage tank ("GST") for storage of raw surface water and/or recovered ASR water.

The ASR system currently consists of seven ASR wells, each with an injection and recovery capacity of approximately 1.5 MGD, resulting in a combined recovery capacity of approximately 10.5 MGD. Well pumps transfer recovered water to the GST for transmission to the NWTP.

The source water facility also includes two 5,000 gpm vertical turbine raw water transfer pumps with a combined installed capacity of approximately 14.4 MGD for direct withdrawal from Marco Lakes to the GST. In addition, two 6,800 gpm vertical turbine pumps with a combined installed capacity of approximately 19.6 MGD are utilized for ASR injection operations and can also provide additional transfer capacity to the GST.

Water is transferred from the GST to the NWTP through five high-pressure centrifugal raw water pumps with a combined installed capacity of approximately 22,200 gpm, equivalent to approximately 32 MGD. The firm pumping capacity, with the largest pump out of service, is approximately 27.9 MGD.

The Marco Lakes source water system is connected to the NWTP through a 24-inch diameter transmission main that transitions to a 16-inch diameter transmission main near the plant site. The hydraulic limitations associated with the 16-inch transmission segment restrict maximum transfer capacity to approximately 9 MGD. However, the existing raw water supply and transmission system remains more than adequate to support the current permitted treatment capacity of the NWTP.

South Water Treatment Plant

The SWTP is located within the southern portion of the City and serves as the primary potable water supply source for the southern service area. The facility typically operates between approximately 1 and 5 MGD depending upon seasonal demand conditions. In addition to locally treated groundwater, the south service area receives treated surface water transferred from the NWTP for blending with RO permeate in order to achieve desired finished water quality characteristics.

Source water for the SWTP is provided by 15 brackish groundwater wells located within the central and eastern portions of the City.

The SWTP utilizes RO treatment technology to desalinate brackish groundwater. Pretreatment is provided through sand separators followed by cartridge filtration to remove particulate matter prior to membrane treatment. The desalination process utilizes two-stage RO membrane trains with interstage energy recovery systems to improve operational efficiency.

RO permeate is subsequently degasified for sulfide removal and disinfected utilizing chloramines prior to transfer to finished water storage facilities for blending with treated surface water received from the NWTP. Blending of treated waters provides finished water quality with appropriate hardness characteristics while minimizing corrosivity within the distribution system.

The SWTP was originally placed into service in 1991. Since that time, many system components have been upgraded or replaced as part of the City's ongoing capital improvement and asset management programs.

Finished water storage at the SWTP consists of two 2.0 MG storage tanks, one 1.0 MG storage tank, and one 3.0 MG storage tank, providing a combined storage capacity of approximately 8.0 MG.

The SWTP currently operates six high service pumps with a firm pumping capacity of approximately 16,500 gpm, measured with the largest pump out of service. The existing high service pumping capacity is equivalent to approximately 23.7 MGD and is considered adequate to meet both current and projected peak hourly potable water demands within the Utility System service area.

South Water Treatment Plant Raw Water Supply

The brackish groundwater supply for the SWTP is obtained from the mid-Hawthorn Aquifer through a network of groundwater supply wells located throughout the City. The wellfield currently consists of 15 operating supply wells designed to provide raw water for the SWTP RO treatment process.

Over time, several wells have been removed from service due to increasing salinity levels and changing source water conditions within portions of the aquifer. Wells 2, 3, 5, 6, and 9 have been permanently abandoned due to elevated native groundwater salinity that rendered them unsuitable for continued production. In addition, Well 8 has been permanently disconnected from the system and is anticipated to be formally abandoned during Fiscal Year 2026.

The remaining active wellfield facilities currently provide a firm raw water supply capacity of approximately 9.0 MGD, measured with the largest production well out of service. The SWTP requires approximately 8.0 MGD of raw brackish groundwater supply to produce its permitted finished water treatment capacity of 6.0 MGD, based on an approximate RO recovery rate of 75%. Accordingly, the existing wellfield capacity is considered adequate to support operation of the SWTP at its full permitted treatment capacity while maintaining appropriate operational redundancy and reliability.

Pursuant to the City's existing WUP, the Utility System is authorized to withdraw up to approximately 1,460 MG annually from the mid-Hawthorn Aquifer through the RO well system, equivalent to an average annual withdrawal rate of approximately 4.0 MGD. Based upon the current RO recovery rate of approximately 75%, this allocation yields approximately 1,095 MG annually, or approximately 3.0 MGD on an average annual basis, of finished potable water production from the SWTP.

The highest groundwater withdrawals typically occur during the dry winter season, when irrigation demands increase and rainfall levels are limited. During these peak seasonal demand periods, the SWTP may operate near its maximum permitted treatment capacity. When combined with the production capacity of the NWTP, the Utility System possesses sufficient potable water production capacity to meet existing and projected system demands while maintaining operational flexibility and system reliability.

Water Transmission and Distribution System

The City's potable water transmission and distribution system consists of a network of major transmission mains, distribution pipelines, storage facilities, pumping stations, valves, hydrants, and related infrastructure designed to deliver potable water throughout the Utility System service area. Major transmission mains convey treated water from the water treatment facilities to various service areas, while smaller distribution mains provide service connections to individual customers and support fire protection requirements throughout the system.

The City's island-wide potable water transmission and distribution network currently includes approximately 564,000 linear feet ("lft"), or approximately 108 miles, of water transmission and distribution piping. In addition, the Marco Shores off-island service area contains approximately 26,300 lft, or approximately 5 miles, of potable water distribution piping.

The distribution system has been expanded and upgraded over time through ongoing capital improvement projects intended to improve hydraulic performance, increase reliability, enhance fire flow capacity, replace aging infrastructure, and accommodate future growth and redevelopment within the Utility System service area. Recent improvements have included transmission main upsizing projects, replacement of aging asbestos cement piping, installation of new interconnections, and expansion of potable water service to off-island customers through the City's integrated Water System infrastructure.

Upgrading the Distribution System

Notable recent capital improvements to the Utility System include the installation of approximately three miles of new 16-inch diameter PVC potable water transmission main along Collier Boulevard between the Judge S.S. Jolley Bridge and Mainsail Drive. This project established a direct connection between the City's island-wide potable water distribution system and the off-island service areas, enabling the City to fully utilize existing treatment and distribution capacity within its own system. As a result, the City eliminated the need to purchase bulk potable water from the County for service to Marco Shores, thereby enhancing operational independence, improving long-term system reliability, and reducing operating costs.

The City has also completed significant water infrastructure improvements within the historic North Marco area. These improvements included the replacement and upsizing of aging and undersized water distribution mains to improve hydraulic performance, enhance fire flow capacity, increase system reliability, and provide more consistent water pressure throughout the Old Marco community. The project was designed to address existing service limitations while accommodating anticipated future demand associated with redevelopment and continued growth within the area.

Additional Utility System enhancements included the upsizing of the potable water transmission main crossing at the Bluebonnet Waterway to match the larger diameter transmission mains located on either side of the bridge crossing. This improvement eliminated a hydraulic restriction within the distribution system, increased flow capacity, and improved overall Utility System resiliency and operational flexibility.

Currently, the City's Public Works Department is undertaking roadway and intersection improvements at the intersection of North Collier Boulevard and North Barfield Drive. In coordination with this effort, the City's Water and Sewer Department is proactively replacing and upgrading existing water and wastewater infrastructure within the project corridor, including the replacement of aging asbestos cement piping. These utility improvements are expected to improve long-term reliability, reduce maintenance requirements, and modernize critical underground infrastructure while minimizing future disruptions to the roadway network.

Over the years, the City's Water and Sewer Department has routinely replaced potable water meters due to age-related deterioration, mechanical failures, and declining measurement accuracy. Historically, however, the rate at which meters could be replaced was not sufficient to keep pace with the aging inventory throughout the Utility System. As a result, City Water and Sewer Department staff were often required to prioritize replacement of meters that had completely failed or ceased registering usage, rather than proactively replacing meters approaching the end of their useful lives. Consequently, a portion of the older meter inventory experienced reduced accuracy over time, resulting in some customer consumption not being fully measured or billed.

To address these issues and modernize the Utility System's metering infrastructure, the City initiated a comprehensive Advanced Metering Infrastructure ("AMI") replacement program. The City has retained a specialized contractor to replace all existing customer water meters throughout the service area with new AMI-compatible meters and communication equipment. As of the date hereof, approximately 70% of the system's meters have been replaced, with full system implementation anticipated to be completed by September 2026.

In addition to significantly improving meter accuracy and reliability, the new AMI system provides substantial operational and customer service benefits. The upgraded meters allow for automated remote meter reading, eliminating the need for manual meter reading activities and improving billing efficiency. The Utility System also provides near real-time consumption data, enabling the City to more quickly identify potential leaks, unauthorized usage, and abnormal consumption patterns. Customers will also benefit from improved access to detailed water usage information, allowing for greater awareness of consumption trends and enhanced water conservation efforts.

The AMI implementation is expected to improve revenue capture by ensuring more accurate measurement of customer usage throughout the Utility System while also reducing operational costs associated with manual meter reading and maintenance activities. In addition, the enhanced data collection and system monitoring capabilities provided by the AMI network will support improved utility planning, asset management, and long-term operational efficiency.

Importantly, all of these capital improvements have been funded through available utility revenues, reserves, and pay-as-you-go financing mechanisms without the issuance of additional debt. The City's ability to complete major infrastructure investments on a cash-funded basis reflects the strong financial position of the Utility System, prudent fiscal management practices, and the City's ongoing commitment to maintaining and modernizing its utility infrastructure in a financially sustainable manner.

Regulatory Compliance of the Water System

The City's Water System is subject to comprehensive regulation by FDEP, SFWMD, and the United States Environmental Protection Agency ("USEPA"). These regulatory agencies establish and enforce requirements governing water supply, treatment, distribution, environmental protection, water quality standards, and public health compliance. FDEP and USEPA regulations primarily govern the quality of source water, treatment processes, finished drinking water quality, distribution system operations, monitoring protocols, and reporting requirements associated with public water systems. These regulations are intended to ensure that potable water supplied to customers meets all applicable federal and state drinking water standards established under the Safe Drinking Water Act and related state regulations.

Consumptive use and allocation of water resources within the Utility System are regulated by the SFWMD through the issuance of Water Use Permits (“WUPs”). Water use permits are generally issued for periods of up to ten years and establish authorized withdrawal quantities based upon factors including service population, projected demand, source water availability, environmental considerations, and the long-term sustainability of the water supply source. Water use permits may be modified by SFWMD if warranted by changing conditions, operational needs, or approved increases in water demand.

The Water System is currently properly permitted at both the state and federal levels and operates in compliance with applicable regulatory requirements. Operation of the Water System is subject to extensive monitoring, testing, recordkeeping, and reporting obligations intended to verify ongoing compliance with applicable permit conditions and water quality standards. FDEP conducts routine inspections of public drinking water facilities, generally on an annual basis, to evaluate operational performance, regulatory compliance, treatment processes, maintenance practices, and overall facility condition. The City maintains ongoing operational, maintenance, and capital improvement programs designed to ensure continued compliance with all applicable regulatory requirements and to support the long-term reliability and integrity of the Water System.

In recent years, the City Water and Sewer Department has also remained proactive in addressing evolving federal and state environmental regulations, including emerging Per- and Polyfluoroalkyl Substances (“PFAS”) requirements and the USEPA Lead and Copper Rule Revisions (“LCRR”). Compliance activities have included enhanced PFAS sampling and laboratory monitoring, evaluation of advanced treatment technologies, development and maintenance of lead service line inventories, continued corrosion control monitoring, and updates to public notification and compliance reporting procedures. Additional recent regulatory requirements have included implementation of Collection System Action Plans (“CSAP”) and Power Outage Contingency Plans (“POCP”) related to sanitary sewer overflow prevention, expanded wastewater treatment evaluations for future nutrient reduction standards, and increased operational documentation and laboratory quality assurance requirements. The utility continues to address these evolving requirements through infrastructure planning, operational improvements, preventive maintenance, staff training, enhanced recordkeeping, and coordination with certified laboratories and regulatory agencies to maintain compliance and protect public health and environmental quality.

Sales and Customer Usage Statistics

Fiscal Years 2021 through Fiscal Year 2025 Water Service Area

Fiscal Year	Average Day Water Demand, MGD	Maximum Day Water Demand, MGD
2021	8.44	11.63
2022	8.90	11.84
2023	9.84	12.19
2024	9.86	12.37
2025	10.28	12.69

Source: City of Marco Island Water and Sewer Department.

Water System Sales and Customer Usage Statistics

Fiscal Year Ended September 30	Average Annual Water Accounts	Water Sales (000s of gallons)	Average Monthly Water Use per Account (Gallons)
2021	10,601	2,432,800	19,124
2022	10,705	2,554,217	19,883
2023	10,902	2,820,772	21,561
2024	10,964	2,870,431	21,817
2025	11,020	3,013,254	22,786
Average Annual Historical Growth Rate	0.97%	5.29%	

Source: City of Marco Island, Florida Finance Department

As can be seen below, approximately 92% of the total average annual accounts are classified by the City as residential service.

Water System Customer Accounts and Equivalent Residential Connections
Fiscal Year Ended September 30, 2025

	Average Annual No. of Customers	Percent to Total	Equivalent Residential Connections[1]	Percent to Total
Residential	10,124	92%	16,412	87%
Commercial	896	8%	2,352	13%
Total	11,020	100%	18,764	100%

(1) ERCs were determined by applying the American Water Works Association ("AWWA") meter equivalent factors to the various meter sizes served by the System for residential and commercial accounts and based on the actual number of dwelling units served behind the master metered accounts.

Source: City of Marco Island, Florida Finance Department

It is anticipated that the customer growth and sales declines within the Water System continue to be consistent with recent historical trends. Furthermore, it is anticipated that the increase will be primarily for single-family residential service.

Sewer System

Sewer Collection

The City's wastewater utility system (the "Sewer System") consists of an integrated network of wastewater collection, transmission, pumping, treatment, reclaimed water production, and effluent disposal facilities serving customers throughout the Utility System service area. The Sewer System includes gravity sewer mains, force mains, lift stations, master pump stations, wastewater treatment and reclaimed water production facilities, and a reclaimed water distribution system that provides reclaimed water service for irrigation and other approved reuse purposes within the City and surrounding service areas.

During Fiscal Year 2025, the Sewer System provided wastewater service to approximately 10,687 retail and general service accounts, representing approximately 16,320.5 ERCs within the Sewer System service area. The majority of customers receiving potable water service from the Utility System also receive centralized wastewater service from the City.

Of the total retail wastewater accounts, approximately ninety-three percent (93%) are classified as individually metered residential customers, with the remaining accounts consisting of master-metered residential, commercial, institutional, irrigation, and other non-residential customer classifications.

Wastewater treatment demand and system capacity are measured in terms of ERCs. For purposes of the Sewer System, an ERC represents the estimated wastewater flow characteristics of a typical individually metered residential customer and is currently defined by City policy and regulation as 220 gpd of estimated wastewater flow. ERC classifications are utilized by the City for utility planning, capacity allocation, impact fee calculations, and rate-setting purposes.

Sewer Treatment

Historically, the City and the off-island communities of Marco Shores and Isle of Capri were served by two separate wastewater treatment systems operating independently in support of their respective collection and transmission networks. Wastewater generated within the City was treated at the Marco Island Reclaimed Water Production Facility (“RWPF”), while wastewater collected from Marco Shores and Isle of Capri was treated at the smaller Marco Shores Wastewater Treatment Plant (“MSWWTP”).

In 2019, the City completed a significant wastewater regionalization and infrastructure improvement project that consolidated treatment operations and eliminated the need for the MSWWTP. As part of this project, the existing master lift station that previously conveyed wastewater to the MSWWTP was decommissioned and replaced with a new regional master pump station and associated force main transmission infrastructure. The new facilities were designed to convey wastewater flows collected from the Marco Shores and Isle of Capri service areas to the RWPF on Marco Island for centralized treatment, disposal, and reclaimed water production.

The regionalization of wastewater treatment operations provided substantial operational, financial, and environmental benefits to the Utility System. By eliminating the need to operate and maintain a separate wastewater treatment facility in Marco Shores, the City reduced long-term operating and maintenance costs, improved overall treatment efficiency, and enhanced system reliability and operational flexibility. In addition, consolidation of treatment operations at the RWPF allowed the City to centralize staffing, laboratory services, process control, maintenance activities, and regulatory compliance functions within a single modern treatment facility.

The project also strengthened environmental protection and regulatory resiliency by directing all wastewater flows to the City’s larger and more advanced reclaimed water production facility, which is designed to meet stringent federal and state wastewater treatment and reuse standards. The RWPF utilizes advanced wastewater treatment processes to produce high-quality reclaimed water suitable for irrigation and other approved reuse applications throughout the Utility System service area.

Reclaimed water produced at the RWPF continues to be distributed through the City's reclaimed water distribution network, including service to customers located within the off-island communities. The increased wastewater flows resulting from regionalization have also enhanced the City's reclaimed water production capacity, supported broader water conservation efforts and reducing reliance on potable water supplies for irrigation purposes.

The elimination of the MSWWTP and integration of the off-island wastewater service areas into the City's regional treatment system represents a major long-term infrastructure investment that has improved operational efficiency, strengthened system resiliency, enhanced environmental sustainability, and increased the City's ability to provide reliable wastewater and reclaimed water services to both island and off-island customers.

Marco Island Reclaimed Water Production Facility

The RWPF is located off East Elkcam Circle on the northern portion of the City adjacent to the NWTP. The RWPF site is generally bounded by a canal to the east, the NWTP and surrounding residential development to the south and west, and facilities operated by Lee County Electric Cooperative and the Collier County Sheriff's Office to the north.

The RWPF was originally constructed in 1972 with two 1.25 MGD wastewater treatment trains, providing an initial treatment capacity of 2.5 MGD. The original treatment process utilized a variation of the activated sludge process commonly referred to as contact stabilization and provided secondary wastewater treatment. In 1990, an additional 1.0 MGD contact stabilization treatment train was constructed, increasing the facility's total treatment capacity to 3.5 MGD.

As part of the continued expansion and modernization of the Utility System, the City constructed a Class I deep injection well ("IW #1") in 1991 for disposal of treated effluent. A second Class I deep injection well ("IW #2") was subsequently constructed in 2009 to provide additional disposal capacity and operational redundancy. In 1999, the City added reclaimed water storage facilities and a reclaimed water distribution system to support beneficial reuse of treated effluent for irrigation and other approved non-potable applications.

In 2010, the City completed a major upgrade and expansion of the RWPF that modernized the wastewater treatment process and increased permitted treatment capacity from 3.5 MGD to 4.92 MGD. As part of this project, the facility was converted from the original contact stabilization process to the Modified Ludzack-Ettinger ("MLE") biological nutrient removal process followed by membrane filtration utilizing membrane bioreactor ("MBR") technology. These improvements significantly enhanced treatment performance, effluent quality, nutrient removal capabilities, and overall regulatory compliance. Waste activated sludge and other biological solids generated during treatment are mechanically thickened, dewatered, and transported offsite for landfill disposal.

Upgrading the Marco Island Reclaimed Water Production Facility

On May 4, 2026, the City Council unanimously approved a major capital improvement initiative to upgrade the RWPF in order to achieve AWT nutrient standards. The approved project is intended to enable the facility to consistently meet a Total Nitrogen concentration of no more than 3 milligrams per liter ("mg/L") expressed as nitrogen and a Total Phosphorus concentration of no more than 1 mg/L expressed as phosphorus.

This significant investment reflects the City's ongoing commitment to environmental stewardship, regulatory compliance, sustainability, and the long-term protection of regional waterways, groundwater resources, and environmentally sensitive coastal ecosystems. The planned improvements are expected to modernize critical treatment processes, improve operational resiliency and redundancy, enhance nutrient removal performance, and further improve the quality of reclaimed water produced by the facility.

The AWT upgrades will also position the Utility System to proactively address evolving state and federal regulatory requirements associated with wastewater treatment, nutrient management, and water reuse while supporting continued growth and long-term system reliability

Regulatory Compliance of the Sewer System

The RWPF currently operates under FDEP Permit No. FLA014167 and is permitted to treat up to 4.92 MGD of wastewater on a maximum three-month average daily flow basis.

The facility includes extensive preliminary, biological, membrane filtration, disinfection, solids handling, and reclaimed water storage infrastructure. Preliminary treatment facilities consist of three drum screens, four 500,000-gallon flow equalization basins, and three biological odor control systems serving the headworks, equalization basins, and influent splitter box.

Advanced biological wastewater treatment is provided through two MLE treatment systems designed for enhanced nitrogen removal, including an existing 3.0 MGD advanced secondary activated sludge process and a newer 3.0 MGD MLE treatment unit. Secondary treatment is followed by membrane filtration utilizing five 1.25 MGD MBR units, each equipped with six membrane cassettes. The MBR systems operate in conjunction with the MLE process trains to provide high-quality effluent treatment and Class I reliability for the expanded 4.92 MGD treatment facility.

Disinfection is provided through two expanded chlorine contact basins utilizing a sodium hypochlorite disinfection system prior to reclaimed water distribution, storage, or disposal.

The RWPF also includes facilities for reclaimed water storage and beneficial reuse. Public-access quality reclaimed water storage is currently provided by two onsite 500,000-gallon reclaimed water storage tanks and an additional 0.44-acre reclaimed water storage pond. These facilities allow treated effluent to be stored and distributed through the City's reclaimed water reuse system for irrigation and other approved reuse applications throughout the Utility System service area.

The Sewer System is subject to comprehensive regulations by FDEP and USEPA, including monitoring, testing, reporting, operational, and maintenance requirements intended to ensure continued compliance with all applicable wastewater treatment, disposal, reuse, and environmental regulations. The City maintains ongoing operational and capital improvement programs to ensure continued regulatory compliance, environmental protection, and reliable wastewater and reclaimed water service to customers throughout the Utility System service area.

The RWPF operating permit authorizes disposal of treated effluent through the City's Class I deep injection well system at a total maximum three-month average daily flow capacity of approximately 13.14 MGD. Of this total permitted capacity, up to 7.78 MGD may be disposed through IW #1 and up to 7.80

MGD through IW #2. In addition, the permit authorizes operation of the City's public-access reclaimed water reuse system with a permitted reuse capacity of up to 2.56 MGD.

The current FDEP wastewater operating permit for the RWPF was issued on November 6, 2025, became effective on February 2, 2026, and is scheduled to expire on February 1, 2031.

The City currently maintains two primary methods for disposal and beneficial reuse of treated effluent produced at the RWPF, listed below in order of operational and environmental preference:

1. Beneficial Reuse Through the Reclaimed Water System.

   The preferred method of effluent management is beneficial reuse through the City's reclaimed water distribution system, which provides reclaimed water for golf course irrigation, landscape irrigation, and other approved non-potable applications within the City and the Marco Shores service area. The reclaimed water reuse system currently has a permitted capacity of 2.56 MGD.

2. Deep Injection Well Disposal.

   Treated effluent not utilized within the reclaimed water reuse system is disposed of through the City's Class I deep injection well facilities located at the RWPF site adjacent to the NWTP. The permitted disposal capacities of the two existing deep injection wells are approximately 7.78 MGD for IW #1 and 7.80 MGD for IW #2.

The City prioritizes beneficial reuse of reclaimed water over deep well disposal whenever practicable, as reuse represents the most environmentally sustainable and resource-efficient use of treated effluent. In addition to supporting water conservation efforts and reducing demand on potable water supplies, reclaimed water utilization also provides an additional source of operating revenue to the Utility System, as reclaimed water service is metered and billed to customers. The City continues to evaluate opportunities for further expansion of the reclaimed water distribution system in order to maximize beneficial reuse and reduce reliance on deep well disposal.

The table below identifies the current major users of reclaimed water within the Utility System service area.

Large Users of Reclaimed Water

User Name	Capacity (MGD)	Use
Marco Island Golf Course	0.450	Golf Course Irrigation
Marco Shores Golf Course	0.342	Golf Course Irrigation
Hideaway Beach	0.181	Golf Course & Landscape Irrigation
Total	0.973	

Source: RWPF Permit FLA014167.

The City's reclaimed water system includes two 0.5 MG storage tanks. A third 0.5 MG storage tank was demolished when the MSWWTP was decommissioned in 2019.

The expansion and upgrade of the RWPF increased the facility's treatment capacity from 3.5 MGD to 4.92 MGD. In addition, the regionalization of wastewater flows from the off-island communities of

Marco Shores and Isle of Capri provided additional wastewater influent to the RWPF, thereby increasing the volume of high-quality reclaimed water available for beneficial reuse purposes.

The increased availability of reclaimed water has significantly reduced the demand for potable water previously used for irrigation throughout the service area. By offsetting irrigation demand with reclaimed water, the Utility System has enhanced overall water conservation efforts, reduced stress on potable water treatment and supply facilities, and strengthened long-term water resource sustainability.

A major expansion of the reclaimed water distribution system was completed in 2008 through the extension of reclaimed water transmission and distribution piping along Collier Boulevard to serve condominium developments located south of Winterberry Drive. Prior to the availability of reclaimed water service, these properties relied exclusively on potable water for landscape irrigation and historically consumed an average annual daily flow of approximately 0.48 MGD, with peak irrigation demands reaching approximately 0.56 MGD. Conversion of these irrigation demands from potable water to reclaimed water resulted in substantial potable water savings and improved utilization of the City's reclaimed water resources.

The City continues to evaluate additional opportunities for expansion of the reclaimed water distribution system in order to further increase reuse utilization, reduce potable water consumption for non-potable applications, and maximize the beneficial reuse of treated effluent produced at the RWPF. These ongoing evaluations are consistent with the City's long-term commitment to environmental stewardship, water conservation, and sustainable utility system management.

The reclamation system meets demand for treated sewage and raw water. There are certain times of the year that the reuse system is supplemented with raw water. The raw water comes from the City's raw water facility. The additional flows coming from the Septic Tank Replacement Program ("STRP"), combined with the raw water source help meet the reclamation system demands.

Marco Shores Sewer Treatment Plant

The MSWWTP was permanently decommissioned in 2019 as part of a regional wastewater infrastructure modernization initiative. To support this transition, a new master pump station and force main system were constructed to convey wastewater more efficiently and reliably to the City's RWPF.

Under the new system, raw sewage generated within the Marco Shores and Isles of Capri service areas is collected through the local wastewater collection network and conveyed to the new master pump station. From there, the wastewater is pumped through the newly constructed force main to the RWPF, where it undergoes comprehensive treatment and disposal in accordance with all applicable environmental regulations and operational standards.

This regionalized approach eliminated the need for continued operation of the aging MSWWTP, improved system reliability and operational efficiency, reduced long-term maintenance requirements, and centralized wastewater treatment operations at the RWPF.

Sales and Customer Usage Statistics

The Sewer System of the City has experienced a slight increase in customers at an average annual rate of approximately 1.60%, while overall sewer sales has also increased slightly at an average annual rate of approximately 5.48%.

Fiscal Years 2021 through and including 2025 Actual Sewer Service Area

Fiscal Year	Average Day Sewer Treatment, MGD	Maximum 3-Month Daily Average, MGD
2021	2.32	2.63
2022	2.32	2.71
2023	2.23	2.65
2024	2.40	2.80
2025	2.23	2.62

Source: City of Marco Island Water and Sewer Department.

Sewer System Sales and Customer Usage Statistics

Fiscal Year Ended September 30	Average Annual Sewer Accounts	Sewer Sales (000s of gallons)	Average Monthly Sewer Use per Account (Gallons)
2021	10,030	2,548,672	21,175
2022	10,136	2,728,113	22,429
2023	10,324	2,975,103	24,014
2024	10,628	2,952,471	23,150
2025	10,687	3,146,918	24,539
Average Annual Historical Growth Rate	1.60%	5.48%	

Source: City of Marco Island, Florida Finance Department

As shown below, the residential class accounts for approximately 94% of the wastewater accounts served and is consistent with the Water System customer relationships.

Sewer System Customer Accounts and Equivalent Residential Connections
Fiscal Year Ended September 30, 2025

	Average Annual No. of Customers	Percent to Total	Equivalent Residential Connections(1)	Percent to Total
Residential	10,012	94%	14,633.0	90%
Commercial	675	6	1,687.5	10%
Total	10,687	100%	16,320.5	100%

(1) ERCs were determined by applying the AWWA meter equivalent factors to the various meter sizes served by the System for residential and commercial accounts and based on the actual number of dwelling units served behind the master metered accounts.

Source: City of Marco Island, Florida Finance Department

Rates, Fees and Charges

The Water System rates which are currently in effect include: (i) a constant service charge (readiness-to-serve charge) which varies by meter size for residential, commercial, and irrigation classes and is based on a per unit basis for the multi-family class; and (ii) a volumetric flow charge based on metered water consumption which increases as consumption increases in order to promote water conservation (applicable only to the residential class and based on lot size). As part of the consumptive use permitting process, SFWMD requires that utilities located within its boundaries have a water conservation promoting rate structure. This requirement is part of SFWMD's water conservation goals relative to the regulation of raw water withdrawals. SFWMD does not regulate the rates of the Utility System but requires that a conservation promoting pricing structure be in place. The current water rates of the Utility System as adopted by the City currently do employ a water conservation rate structure, which the City believes is consistent with the general water conservation program goals required by SFWMD.

The Sewer System rates are similar in structure to that of the Water System and include: (i) a constant service charge (readiness-to-serve charge) which varies by meter size; and (ii) a volumetric flow charge based on metered water consumption which serves as the basis for sewer use. Furthermore, with respect to the individually metered single-family residential class, the sewer consumption charges include a maximum residential billing threshold of 6,000 gallons per month per unit. All other sewer customers do not have a maximum billing threshold for the determination of the sewer flow (revenue gallons) for the application or billing of the consumption charge.

Over the years, the City Council has approved utility rate adjustments as necessary to support the operation, maintenance, and capital improvement needs of the Utility System. However, since 2017, the City's utility rates have remained stable with no increases to base water or wastewater rates. The only modification to customer utility bills during this period was the elimination of the STRP surcharge, which was reduced to zero in 2020 following completion of the program and repayment of the related obligations. The City's ability to maintain stable utility rates reflects continued operational efficiencies, sound financial management, and strategic infrastructure investments undertaken by the Utility System.

To the extent that future rate adjustments are not implemented, or are delayed beyond currently anticipated timeframes, the Utility System may not generate sufficient Net Revenues and/or Capital Facilities Fees (impact fees) necessary to satisfy operational, maintenance, capital improvement, and debt-related cash flow requirements without corresponding reductions in utility expenditures or deferral of certain capital projects.

In addition to monthly water and wastewater service charges, the City Council has historically adopted certain utility rate surcharges applicable only within the City service area to finance capital improvements and infrastructure investments determined by the City Council to directly benefit the Utility System. Such surcharges are not imposed within the Marco Shores service area.

Price Index Rate Adjustment Clause

As part of the City's utility rate structure, the City has adopted a Price Index Rate Adjustment Clause within the City Code of Ordinances. The purpose of this provision is to provide the City with a mechanism to periodically adjust monthly water and wastewater rates in response to inflationary increases in operating and maintenance costs without requiring a comprehensive formal rate study or rate hearing process for relatively minor annual adjustments.

The index-based adjustment mechanism is intended to assist the Utility System in maintaining appropriate Net Revenue margins and financial stability by allowing modest annual rate adjustments that reflect increases in the cost of providing utility services. Similar inflationary adjustment mechanisms are commonly utilized within the public utility industry and are also authorized by the Florida Public Service Commission ("FPSC") for investor-owned utilities regulated by the State.

Pursuant to the City Code of Ordinances, the Price Index Rate Adjustment Clause authorizes an automatic annual adjustment to monthly water and wastewater rates effective each October 1, based upon changes in the FPSC Deflator Index (the “Deflator Index”). In the event that the annual change in the Deflator Index exceeds three percent (3%), any proposed rate adjustment must be presented to the City Council for approval by resolution prior to implementation.

Legislative Matters Affecting System Rates

House Bill 1451, passed during the 2026 State Legislative Session and was signed into law by the Governor, creates new annual reporting requirements to the FPSC for municipalities that provided utility service outside its municipal boundaries. A municipality that fails to file this report is subject to the penalties provided in Section 366.095, Florida Statutes. In addition, a municipality that intends to offer retail electric, natural gas, water, or sewer utility service in another municipality or unincorporated area outside of the municipality’s boundaries must hold a public meeting in conjunction with the governing body of each municipality or unincorporated area to be served. The public meeting must take place before a new agreement to provide such service, or a renewal, extension, or material amendment of an existing agreement, may take effect.

In addition, House Bill 1451 removes provisions of Section 180.191, Florida Statutes, that provided a municipal water or sewer utility to add, for customers outside the municipal boundaries, a surcharge of up to 25% of the rates, fees, and charges. Furthermore, the bill changes the limit on the rates, fees, and charges such utilities can impose on customers outside of municipal boundaries to no more than 25%, previously 50%, in excess of the rates, fees, and charges that the municipal water or sewer utility charges customers within the municipal boundaries, provided rates for outside customers are set in a public hearing using the same methods used to set rates for customers within the municipal boundaries.

The City does not impose an outside-the-city surcharge on customers located outside the City limits. However, the Utility System maintains separate rate structures for the Marco Island and Marco Shores service areas. These separate rate structures reflect the continuation of historical rate differentials that existed at the time of the City’s acquisition of the FWS System.

Rate Comparisons

The table below provides a comparison of the monthly cost of combined water and wastewater service for a standard 5/8-inch by 3/4-inch residential water meter at various usage levels based upon the City’s current utility rate structure. Also included in the comparison are monthly utility charges for selected neighboring State utilities as of the fiscal year ended September 30, 2025.

The utility bill comparisons are presented exclusive of any applicable local taxes, surcharges, or franchise fees in order to provide a more consistent comparison among utility systems. In addition, pursuant to Section 180.191, Florida Statutes, municipally owned utilities are authorized to impose surcharges of up to 50% on customers located outside municipal boundaries. While certain municipal utilities included in the comparison may impose such outside-city surcharges, only the in-city residential rates for those utilities have been included for comparative purposes.

The comparison utilizes a 5/8-inch by 3/4-inch meter size because this meter classification represents the majority of residential water and wastewater customers served by the City as well as the predominant residential customer classification utilized by the neighboring utilities included in the comparison.

Average residential water consumption differs significantly between the City's service area and the Marco Shores service area due to differences in customer characteristics, irrigation practices, lot sizes, and development patterns. Accordingly, separate comparisons have been prepared for each service area to provide a more representative evaluation of typical customer bills.

For the City service area comparison, an average monthly residential consumption level of approximately 10,000 gallons was utilized, reflecting the higher typical residential usage patterns within the island service area, including irrigation demand. In contrast, because the Marco Shores service area is predominantly comprised of multi-family residential development with lower average per-unit water consumption and limited individual irrigation usage, an average monthly residential consumption level of approximately 3,000 gallons was assumed for purposes of the comparison.

Based upon these comparisons, the City's utility rates generally produce residential monthly bills that are somewhat higher than certain neighboring publicly owned utilities but remain generally competitive and comparable within the regional utility market. The City's rates reflect the costs associated with maintaining high service reliability, advanced treatment processes, environmental compliance, reclaimed water production and reuse programs, ongoing infrastructure reinvestment, and long-term capital improvement planning necessary to support the Utility System.

[Remainder of page intentionally left blank]

Monthly Individually-Metered Residential Service by Service Area

City of Marco Island	Marco Island - Assuming 10,000 Gallons of Monthly Utility Service[1] Water	Sewer	Total	Marco Shores – Assuming 3,000 Gallons of Monthly Utility Service[1] Water	Sewer	Total
Marco Island System[2]	$80.86	$64.06	$144.92			
Marco Shores System				$41.70	$65.25	$106.95
Other Florida Utilities:						
Bonita Springs Utilities, Inc.[2]	$58.81	$74.17	$132.98	$26.24	$44.84	$71.08
Charlotte County[2]	101.72	109.26	210.98	50.55	64.74	115.29
City of Cape Coral	84.00	145.38	229.38	37.55	64.32	101.87
City of Fort Myers	108.95	178.23	287.18	28.01	68.75	96.76
City of LaBelle[2]	123.27	66.11	189.38	74.55	46.01	120.56
City of Naples[2]	32.82	78.98	111.80	16.32	42.51	58.83
City of North Port	121.98	133.09	255.07	49.64	69.25	118.89
City of Punta Gorda	62.79	74.56	137.35	31.53	45.44	76.97
City of Sanibel	49.25	74.46	123.71	22.90	74.46	97.36
City of Sarasota[2]	72.89	123.60	196.49	34.17	54.84	89.01
Collier County[2]	88.54	127.66	216.20	46.16	75.44	121.60
FGUA - Lehigh Acres System (Lee County) [2]	89.16	95.07	184.23	38.75	63.03	101.78
FGUA – Lake Fairway/Pine Laked Service Area	110.36	86.31	196.67	46.03	55.62	101.65
Hillsborough County[2]	68.10	81.78	149.88	29.27	46.43	75.70
Okeechobee Utility Authority	98.49	117.49	215.98	41.72	55.26	96.98
Port Labelle Utility System (Hendry/Glades County)	70.80	47.20	118.00	34.50	25.20	59.70
Sarasota County[2]	67.80	144.20	212.00	32.86	60.48	93.34
Other Florida Utilities' Average	$82.93	$103.39	$186.31	$37.69	$56.27	$93.96

(1) Unless otherwise noted, amounts shown reflect residential rates in effect as of April 2026 and are exclusive of taxes and franchise fees, if any, and reflect rates charged for inside the service area. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a compete listing of all rates and charges offered by each listed utility.

(2) Utilities are either currently involved in a rate study, planning to conduct one, or will be implementing a rate revision in the next twelve months.

Source: City of Marco Island, Florida Water and Sewer Department.

Ten Largest Customers of the Utility System

The following is a summary of the top ten utility customers for the Utility System as of the fiscal year ended September 30, 2025:

Water and Sewer Top Ten Utility Customers
Total System (Based on Sales Revenue)[1]

Account[2]	Service Class	Type of Service	Total	% of Total System Rate Revenues
Marriott Full Service	Commercial	W & S	$1,005,046	2.83%
Collier County	Government (Bulk)	W	510,553	1.44
Hilton Marco Resort	Commercial	W&S	211,861	0.60
Marriott Club International	Commercial	W&S	208,024	0.59
Anglers Cove Condo Association	Multi-Family	W&S	128,025	0.36
Eagles Nest	Multi-Family	W&S	121,873	0.34
Riverside Club	Multi-Family	W&S	111,024	0.31
Southseas North TWR3	Multi-Family	W&S	88,251	0.25
San Marco Villas	Multi-Family	W&S	68,351	0.19
Villas at Waterside Assoc	Multi-Family	W&S	51,518	0.15
Totals			$2,504,526	7.05%
Total Water and Sewer Rate Revenues[3]			$35,507,877	100.00%

Service: W=Water; S=Sewer

* Sewer provided by North Marco Utilities (NMU).

(1) Based on information provided by the City and includes both the City and Marco Shores service areas; reflects amounts for the twelve (12) months ended September 30, 2025.

(2) Represents the sum of all meters (accounts) which are considered as service to an individual customer, where applicable.

(3) Amount reflects revenues derived from the application of monthly water and sewer service charges and does not include reclaimed water or other operating revenues.

Source: City of Marco Island, Florida Water and Sewer Department.

Capital Improvement Program

In order to maintain, modernize, and expand the Utility System to meet existing and future service demands, the City has developed a multi-year Capital Improvement Program (“CIP”) consisting of major additions, extensions, replacements, rehabilitations, upgrades, and system enhancements to both the Water System and Sewer System. The current CIP includes approximately $31.317 million of funded capital improvements planned for the fiscal years ending September 30, 2026 through and including 2030.

The planned improvements are intended to support continued customer growth, address aging infrastructure, improve operational reliability and resiliency, maintain regulatory compliance, enhance treatment and distribution capabilities, and ensure the long-term sustainability of the Utility System. Projects included within the CIP encompass a wide range of water, wastewater, reclaimed water, pumping, treatment, transmission, and distribution infrastructure improvements throughout the Utility System service area.

The City currently anticipates funding the CIP through a combination of Net Revenues of the Utility System, Capital Facilities Fees (impact fees), available unencumbered reserves, pay-as-you-go funding, grants, and other legally available funding sources. The projected funding plan also assumes implementation of future utility rate adjustments as described herein under the heading "THE UTILITY SYSTEM - Rates, Fees and Charges."

The City reviews and updates the CIP annually as part of its budgeting and long-term financial planning process. The scope, timing, prioritization, and estimated costs of individual projects may change over time due to variations in customer demand, regulatory requirements, construction market conditions, inflationary pressures, project bidding results, availability of funding, and other economic or operational factors. Accordingly, the total cost of the CIP may ultimately be greater or less than currently projected.

In the event that projected Net Revenues, Capital Facilities Fees, or other available funding sources are insufficient to support the full implementation of the CIP, or if anticipated rate adjustments are not implemented, the City may revise the CIP by modifying project schedules, reducing project scope, identifying alternative funding sources, or deferring certain capital expenditures as deemed appropriate by the City.

Based upon the City's current analysis of available funding sources, including Capital Facilities Fees, available capital reserves, projected Utility System revenues, and other available funds, the City currently anticipates funding the CIP from the sources identified below.

CIP Funding Sources

	Estimated Funding Amount[(1)]	Percent
Operating Reserve Fund	$34,832,193	40.2%
Renewal, Replacement and Improvement Fund	7,739,518	8.9
Additional Future Debt	0	0.0
Water Capital Facilities Fees	2,385,324	2.8
Capital Reserve Fund/Debt Service Reserve Fund	41,662,824	48.1
Total	$86,619,859	100.0%

(1) Amounts shown derived from City of Marco Island financial records.
(2) No additional debt to fund the Utility System identified CIP is planned by the City.
(3) Total includes all funds that are available. Includes funds that are not specifically appropriated for capital needs on a dollar for dollar basis. Therefore, the amount of funds available to fund the CIP is greater than the estimated capital improvement needs of the City.

Source: City of Marco Island, Florida Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2025.

Historical Operating Results

Historical operating results for the Utility System are presented for the fiscal years ended September 30, 2021 through and including September 30, 2025 (the "Historical Period"). The financial and operating information for the Historical Period was derived from financial records, accounting data, and other information compiled and provided by the City, including the City's Annual Comprehensive Financial Reports ("ACFRs") for the respective fiscal years presented.

The historical operating results have been prepared in a manner consistent with the provisions of the Bond Resolution governing the determination of Net Revenues of the Utility System. As a result, the presentation of operating results herein differs in certain respects from the presentation contained within the City's ACFRs. These differences primarily relate to the treatment and classification of certain revenues, expenses, transfers, and non-cash accounting adjustments required under governmental accounting standards but not recognized for purposes of calculating Net Revenues under the Bond Resolution.

In particular, the historical operating results presented herein differ from the ACFR presentation in the following principal respects:

1. Cost of Operation and Maintenance Adjustments.

   Certain non-cash expenses and non-operating items reflected in the ACFRs are excluded from the determination of Cost of Operation and Maintenance under the Bond Resolution. Such excluded items include, among others, depreciation expense, amortization expense, and payments in lieu of taxes or franchise fees transferred to the City's General Fund.

2. Interest Income Adjustments.

   Interest earnings presented herein exclude certain investment income associated with monies held in restricted funds, including the Capital Facilities Fees Fund and Project Funds established in connection with Utility System bond proceeds, to the extent such funds are restricted for specific purposes. In addition, unrealized fair market valuation adjustments required under Governmental Accounting Standards Board ("GASB") reporting standards are excluded to reflect only realized investment earnings for purposes of calculating Net Revenues.

3. Transfer and Financing Adjustments.

   Certain transfers and financing-related expenditures reflected in the ACFRs are excluded from operating expenses for purposes of determining Net Revenues under the Bond Resolution. These exclusions include transfers associated with payment of Bond Service Requirements and other financing-related obligations that are not considered Costs of Operation and Maintenance of the Utility System.

Accordingly, the historical operating results presented herein are intended to provide a financial presentation consistent with the requirements of the Bond Resolution and may not be directly comparable to the Utility System financial information presented in the City's audited financial statements or ACFRs).

Utility System Historical Operating Results and Bond Service Coverage Results

Description	Fiscal Year Ended September 30,[1] 2021	2022	2023	2024	2025
Gross Revenues	$33,569,463	$34,264,352	$36,387,318	$36,375,379	$36,673,771
Total Cost of Operations & Maintenance[2]	14,166,697	14,896,980	16,692,238	18,277,590	18,707,711
Net Revenues	19,402,766	19,367,372	19,695,080	18,097,789	17,966,060
Available Capital Facilities Fees[3]	2,496,872	2,048,634	1,512,281	1,197,398	1,111,229
Net Revenues with Capital Facilities Fees	21,899,638	21,416,007	21,207,361	19,295,187	19,077,289
Bond Service Requirement[4]	8,094,651	10,020,880	10,153,588	7,311,412	9,172,194
Bond Service Coverage:					
Net Revenue Basis	2.40x	1.93x	1.94x	2.48x	1.96x
Minimum Required Coverage	1.10x	1.10x	1.10x	1.10x	1.10x
OR					
Net Revenue with Available[5] Capital Facilities Fees Basis"	2.71x	2.14x	2.09x	2.64x	2.08x
Minimum Required Coverage	1.20x	1.20x	1.20x	1.20x	1.20x

(1) Amounts derived are based on information reported in the City's ACFRs for each respective Fiscal Year and other System financial information as provided by the City for such years.

(2) Amounts shown do not include depreciation or amortization expenses which are non-cash expense of the Utility System and not considered as a Cost of Operation and Maintenance as delineated in the Bond Resolution.

(3) Amounts based on the lesser of Capital Facilities Fees received or the amount of Bond Service Requirement that is considered to be expansion-related; in all Fiscal Years the amount of the fees received was less than the expansion-related Bond Service Requirement.

(4) Outstanding Bonds defined as all Bonds that were issued pursuant to the terms and conditions of the Bond Resolution and includes Outstanding Parity Bonds. The Refunded Bonds will be refunded through the issuance of the Series 2026 Bonds. See "THE REFUNDING PLAN" herein.

(5) Pursuant to the Bond Resolution, the Pledged Revenue Coverage Test is a two-part test that includes the following: Test 1 = Net Revenues must be 110% of the annual Bond Service Requirement; or Test 2 = Net Revenues must be 105% of the annual Bond Service Requirement and Net Revenues and Capital Facilities Fees (Pledged Revenues) must be 120% of the annual Bond Service Requirement.

Source: City of Marco Island, Florida Finance Department.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2026 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Bond Resolution and the Series 2026 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See APPENDIX B - "FORM OF COMPOSITE BOND RESOLUTION" attached hereto for a description of events of default and remedies.

LITIGATION

[UNDER REVIEW]

There is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the Series 2026 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Bond Resolution, or the collection of Net Revenues. Neither the creation, organization or existence, nor the title of the present members of the City Council, or other officers of the City is being contested.

The City experiences claims, litigation, and various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the City, but may, in the aggregate, have a material impact thereon. In the opinion of the City Attorney, however, the City will either successfully defend such actions or otherwise resolve such matters without any material adverse consequences on the financial condition of the City.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the Series 2026 Bonds are subject to the approval of Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2026 Bonds.

The proposed form of Bond Counsel opinion is attached hereto as Appendix D and reference is made to such form of opinion for the complete text thereof. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Bond Counsel has not been engaged to, nor has it undertaken to, review (1) the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the Series 2026 Bonds; provided, however, that Bond Counsel will render an opinion to the Underwriter and the City relating to the accuracy of certain statements contained hereunder under the heading "TAX MATTERS" and certain statements which summarize provisions of the Bond Resolution and the Series 2026 Bonds, and (2) the compliance with any federal or state law with regard to the sale or distribution of the Series 2026 Bonds.

Certain legal matters will be passed upon for the City by Weiss Serota Helfman Cole & Bierman, P.L., Fort Lauderdale, Florida, City Attorney and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2026 Bonds in order that interest on the Series 2026 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2026 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2026 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2026 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Resolution with respect to the Series 2026 Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2026 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2026 Bonds. Prospective purchasers of Series 2026 Bonds should be aware that the ownership of Series 2026 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2026 Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on Series 2026 Bonds; (iii) the inclusion of interest on Series 2026 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Series 2026 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on Series 2026 Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2026 Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2026 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Series 2026 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2026 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2026 Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2026 Bonds and proceeds from the sale of Series 2026 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2026 Bonds. This withholding generally applies if the owner of Series 2026 Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2026 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2026 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2026 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2026 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2026 Bonds.

Prospective purchasers of the Series 2026 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2026 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount

Under the Code, the difference between the maturity amount of the Series 2026 Bonds maturing on October 1, _____ and October 1, _____ (collectively, the "Discount Bonds"), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium

The difference between the principal amount of the Series 2026 Bonds maturing on October 1, _____ and October 1, _____ (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

AUDITED FINANCIAL STATEMENTS

The audited financial statements of the City as of September 30, 2025 and for the Fiscal Year then ended, included in the attached "APPENDIX C – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025," have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing therein. The consent of the City's auditor to include in this Official Statement the aforementioned report was not requested, and the general purpose financial statements of the City are provided only as publicly available documents. The City's auditor was not requested nor did it perform any procedures with respect to the preparation of this Official Statement or the information presented herein. In its audit for the Fiscal Year ended September 30, 2024, the Auditor identified certain significant deficiencies in internal controls over financial reporting, major federal programs, and major state projects, of which the controls over financial reporting were considered a material weakness. In its audit for the Fiscal Year ended September 30, 2025, the Auditor identified that significant deficiencies, including the material weakness for the internal controls over certain financial reporting matters, still exist from the prior Fiscal Year's findings. In response to the Auditor's findings the City has implemented a corrective action plan which includes internal staffing and procedural changes, as well as additional training and restructuring measures to correct the identified deficiencies.

The Series 2026 Bonds are payable solely from Net Revenues as provided in the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. The audited financial statements are presented for general information purposes only.

INVESTMENT POLICY

The City's investment policy was established by Ordinance No. 02-19 and establishes guidelines as to the type, maturity, composition and risk relating to the City's investment portfolio. Permitted investments pursuant to such investment policy include the following:

1. Direct obligations of the U.S. Treasury: Treasury Bills, Notes and Bonds. Up to 100% of the total cash and investments of the portfolio may be invested in this class of investment.

2. Securities backed by the full faith and credit of the U.S.: Government National Mortgage Association ("GNMA"), GNMA ARMs, GNMA PCs, Small Business Administration ("SBA") loans or pools. Up to 35% of the total cash and investments of the portfolio may be invested in GNMA securities; up to 10% of the total cash and investments of the portfolio may be invested in SBA loans or pools.

3. Securities backed by Federal Agencies: Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Home Loan Institutions ("FHLB"), Student Loan Marketing Association ("SLMA"), Federal Farm Credit Institutions ("FFCB"), Federal Housing Administration ("FHA"), Step-Ups, Short-Term Floating Rate Notes and other similar instruments issued by above agencies. Up to 75% of the total cash and investments of the portfolio may be invested in this class of investment; however, no more than 50% of the portfolio may be invested with any one agency.

4. Agency-Issued Mortgage-Backed Securities: FNMA, FNMA ARMs, FHLMC, FHLMC ARMs, FNMA or FHLMC Collateralized Mortgage Obligations ("CMOs") or Private Issue CMOs backed by Agency MBS. All CMOs must qualify at purchase as appropriate non-"high risk" investments under proposed or enacted regulatory guidelines and must meet the Federal Financial Institution Examination Council ("FFIEC") test. Up to 35% of the total cash and investments of the portfolio may be invested in this class of securities.

5. Repurchase agreements made in compliance with State Statutes: A Master Repurchase Agreement will be executed with each counterparty detailing the requirements of all authorized institutions/dealers involved in repurchase agreement transactions on behalf of the City. Repurchase collateral shall be perfected and delivered to an unaffiliated third-party safekeeping account. Repurchase agreements shall be collateralized at a minimum of 101 percent of the purchase price of the repurchase agreement. Collateral shall be marked-to-market at least weekly by the Investment Officer or designee.

Counterparty to the repurchase agreement will be required to immediately provide additional collateral to cure any deficiency. Collateral must be securities which this policy would allow for direct purchase by the City. Up to 50% of the total cash and investments of the portfolio may be invested in this class of securities.

6. Non-negotiable interest-bearing time certificates of deposit in State or Federal banks or State or Federal savings and loan associations: As permitted and/or prescribed by State or Federal law. Collateral as required by State law shall be held through an agreement with an independent, third-party custodian and any CDs held shall be federally insured. Up to 35% of the total cash and investments of the portfolio may be invested in this class of securities.

7. Negotiable interest-bearing time certificates of deposit issued by institutions whose long-term debt is rated at time of purchase at least "A" or equivalent by S&P's or Moody's Investors Service, Inc. ("Moody's) or who are approved as a Certified Public Depository by the State: Collateral as required by State law shall be held through an agreement with an independent, third-party custodian and any CDs held shall be federally insured. Up to 35% of the total cash and investments of the portfolio may be invested in this class of securities.

8. Bankers acceptances which are issued by domestic institutions whose long-term debt is rated at time of purchase at least "A" or equivalent by S&P's or Moody's. Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities; however, no more than $1,000,000 in principal may be invested with any individual institution.

9. Prime commercial paper, which is commercial paper which has received a S&P's rating at time of purchase of at least "A-1" and/or Moody's rating at time of purchase of "Prime-1". Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities; however, no more than $1,000,000 may be invested with any individual corporation.

10. State and/or local government taxable and tax-exempt debt, general obligation and/or revenue bonds rated at time of purchase at least "A" by S&P's or Moody's. Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities.

11. Dollar denominated money market mutual funds registered with the United States Securities and Exchange Commission. The City will be required to receive a mutual fund prospectus prior to purchasing mutual fund shares. Only mutual funds investing exclusively in short-and intermediate-term instruments are permitted. Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities.

12. Fixed-income mutual funds comprised of only those securities which would be eligible for direct purchase under provisions of the City's investment policy; and, where the average weighted maturity of the portfolio of such fund is no greater than five years. Such funds must be registered with the Securities and Exchange Commission. The City will be required to receive a mutual fund prospectus prior to purchasing shares. Up to 25% of the total cash and investments of the portfolio may be invested in this class of securities.

13. Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida

Statutes. Up to 100% of the total cash and investments of the portfolio may be invested in this class of securities.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

At the time of the delivery of the Series 2026 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of the computations contained in schedules provided to them and prepared by PFM Financial Advisors LLC relating to (a) the sufficiency of the anticipated cash and maturing principal amounts and interest on Acquired Obligations to pay, when due, the principal, whether at maturity or upon prior redemption and interest requirements of the Refunded Bonds and (b) the "yield" on the Series 2026 Bonds and on the Acquired Obligations considered by Bond Counsel in connection with its opinion that the Series 2026 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, as amended.

UNDERWRITING

The Series 2026 Bonds are being purchased by __________, on behalf of itself and __________ (collectively, the "Underwriter") at an aggregate purchase price of $_________ (representing the par amount of the Series 2026 Bonds of $____________ [plus/less] a[n] [net] original issue [premium/discount] of $____________.and less an Underwriter's discount of $____________). The Underwriter's obligations are subject to certain conditions precedent described in a contract of purchase with the Underwriter, and it will be obligated to purchase all of the Series 2026 Bonds if any Series 2026 Bonds are purchased. The Series 2026 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2026 Bonds into investment trusts) at prices lower than the public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its respective affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATING

Moody's has assigned a rating of "___" and "___," (_________) to the Series 2026 Bonds. The rating reflects only the view of said rating agency and an explanation of the rating may be obtained only from said rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency, if in its judgment, circumstances so warrant. A downward change in or withdrawal of any of such rating may have an adverse effect on the market price of the Series 2026 Bonds. An explanation of the significance of the rating can be received from the rating agency at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Series 2026 Bondholders to provide certain financial information and operating data relating to the City and the Series 2026 Bonds in each year the Series 2026 Bonds are Outstanding, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the U.S. Securities and Exchange Commission (the "SEC") to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board ("MSRB"). The City has also agreed to file notices of certain enumerated material events, when and if they occur, with the Repository.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. The Continuing Disclosure Agreement shall be executed by the City upon the issuance of the Series 2026 Bonds. These covenants have been made in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

The City has generally provided continuing disclosure information with respect to its existing continuing disclosure obligations in accordance with the Rule during the last five (5) years; provided, however, a review of filings made pursuant to prior agreements indicated that: the City failed to timely file its audited financial statements by April 30th for the fiscal year ended September 30, 2025. The audited financial statement has since been filed and cured by subsequent filings. Except as described above, in the past five years, the City has complied in all material respects with any prior agreement to provide continuing disclosure information pursuant to the Rule. The City fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. In furtherance of this intention, the City has engaged HSC Continuing Disclosure Services, a Division of Hilltop Securities Inc., as its dissemination agent. With respect to the audited financial statements and relate operating data and financial information for the fiscal years ended September 30, 2023 and 2024, and the operating data and financial information for the fiscal year ended September 30, 2025, the City timely filed its unaudited information and then subsequently filed the audited information when available to comply with its continuing disclosure obligations.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC, Orlando, Florida, is serving as Municipal Advisor to the City with respect to the issuance and sale of the Series 2026 Bonds. The Municipal Advisor has assisted the City in the preparation of this Official Statement and has advised the City in other matters relating to the planning, structuring and issuance of the Series 2026 Bonds. PFM Financial Advisors LLC will not engage in any underwriting activities with regard to the issuance and sale of the Series 2026 Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official

Statement. The Municipal Advisor or an affiliate may receive a fee for bidding investments for certain proceeds of the Series 2026 Bonds.

CONTINGENT FEES

The City has retained Bond Counsel, Disclosure Counsel, the Municipal Advisor and the Underwriter with respect to the authorization, sale, execution and delivery of the Series 2026 Bonds. Payment of the fees of such professionals and an Underwriter's discount (including the fees of Underwriter's counsel) is contingent upon the issuance of the Series 2026 Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities, other than general obligation bonds and those industrial or commercial development bonds where payments are made or unconditionally guaranteed by a person whose securities are exempt from registration under section 18(b)(1) of the Securities Act of 1933, as amended, of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rule 69W-400.003, the FFSC has required the disclosure of the amount, date, status and type of each default, specified descriptions of any legal proceedings resulting from such defaults and discussion of any materially relevant pending legal proceedings, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975, that would be considered material by a reasonable investor.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2026 Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2026 Bonds, the security for the payment of the Series 2026 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument. Copies of such documents may be obtained from the office of the City Clerk, Joan Taylor, 50 Bald Eagle Drive Marco Island, Florida 34145, (239) 389-5000.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2026 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

[Remainder of page intentionally left blank]

AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the Series 2026 Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry only system of registration and the information contained under the caption "TAX MATTERS" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2026 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

THE CITY OF MARCO ISLAND, FLORIDA

By:____________________________________
Chair

By:____________________________________
City Manager

By:____________________________________
Finance Director

APPENDIX A

GENERAL INFORMATION REGARDING MARCO ISLAND, FLORIDA AND COLLIER COUNTY, FLORIDA

General Information

The City of Marco Island, Florida (the "City") was incorporated on August 28, 1997 and is located in the southwestern portion of the State of Florida (the "State"), in Collier County, Florida (the "County"). The City is a 7.4 square mile island community located at the north edge of the Ten Thousand Islands of the Florida Everglades. Originally discovered by the Spanish and named Isla de San Marco (Saint Mark's Island), modern development of the island began in the late 1960's by the Deltona Corporation. Prior to incorporation in 1997, the island was a part of unincorporated Collier County and was served by a local Fire Protection District. The City serves a permanent population of approximately 17,000, which grows up to approximately 45,000 in the peak winter season with the influx of part-time residents and tourists.

The County was established in 1923 by the Legislature of the State of Florida (the "State") from portions of Lee and Monroe Counties. Its territorial limits, as they presently exist, contain approximately 2,026 square miles. In terms of land area, it is the largest county in the State. The County is located on the southwest coast of the Florida peninsula directly west of the Miami-Fort Lauderdale area. In 2025, the County had an estimated population of 417,131 with the influx of part-time residents and tourists. Part of the Everglades National Park, the United States' only subtropical national park, comprises a portion of the County. Principal industries within the County include wholesale and retail trade, tourism, medical services, agriculture, forestry, fishing, cattle ranching and construction.

Governance

The City is governed by a City Council of seven elected council members (the "City Council"). The current members of the City Council and the expiration dates of their terms of office are as follows:

Council Member	Term Expires
Darrin Palumbo, Chairman	November, 2026
Rene Champagne, Vice-Chairman	November, 2026
Stephen Gray	November, 2028
Tamara Goehler	November, 2028
Deb Henry	November, 2028
Bonita Schwan	November, 2028

Local Economy

The City was developed as a planned community of exclusive water-access and waterfront residences with hotels, condominiums, and commercial businesses to support the vitality of the island lifestyle. Originally marketed as a winter retreat for people with permanent homes in the north, the City has evolved over the years into a community of diverse age groups and interests and an increasing number of permanent residents. The business community primarily provides goods and services to the seasonal, permanent, and visitor communities

The City continues to enjoy the results of a planned, platted and deed-restricted community. A full 75% of the single-family building lots are located on man-made canals and bays affording easy boating access to the Gulf of Mexico and the Ten Thousand Islands forming the western boundary of the Everglades. The community offers public beach access at both ends of the island, an additional beach access for the exclusive use of island residents, and river access between the island and the mainland. Beachfront property is high-density, with multi-family and tourist-oriented accommodations.

The long-term economic outlook for the City is positive. The island economy has enjoyed an exceptionally strong residential real estate market with growth in new home starts and home and condominium re-sales. The City will never be duplicated because the U.S. Army Corps of Engineers now prohibits "dredge and fill" coastal development and mangrove forests are Federally-protected.

The 2024 assessed taxable valuations used for property taxes in fiscal year 2025 showed an 8.1% increase from the prior year. The 2025 assessed taxable valuations to be used for property taxes in fiscal year 2026 reflected an increase of 7.7% from the 2024 assessed valuations. It is projected that the 2026 valuations used to determine property taxes for fiscal year 2027 will again increase, although not at the same level as in prior years.

Demographic and Economic Statistics
Last Ten Fiscal Years

	Population			Income			
Fiscal Year	City of Marco Island	Collier County	State of Florida	Florida Personal Income (in millions of dollars)	Naples-Marco Island Per Capita Personal Income	Florida Per Capita Personal Income	Florida Unemployment Rate
2016	16,930	350,202	20,148,654	$900,636	$78,473	$44,429	4.7%
2017	17,036	357,470	20,484,142	985,795	84,101	46,876	3.8
2018	17,094	367,347	20,840,568	1,000,624	87,829	47,684	3.3
2019	17,348	376,706	21,208,589	1,124,128	92,686	51,894	3.1
2020	17,834	384,902	21,477,737	1,125,984	99,382	52,426	7.4
2021	15,760	375,752	21,538,187	1,299,645	103,865	60,341	3.4
2022	15,969	385,980	22,244,823	1,160,014	117,984	52,148	2.6
2023	16,172	397,994	22,610,726	1,441,599	126,031	54,746	2.8
2024	16,210	416,233	23,372,215	1,645,166	134,527	70,390	3.5
2025	16,554	417,131	23,462,518	1,804,673	150,140	76,865	3.9

Source: City of Marco Island, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025.

Top Ten Employers
Naples-Marco Island
Fiscal Year 2025

Employer	Business Type	Employees	Rank
Collier County Public Schools	Public Education	6,091	1
Collier County Government (non-Sheriff)	Government	5,262	2
NCH Healthcare System	Health Care	3,940	3
Arthex Manufacturing	Health Care	3,883	4
Publix Supermarkets	Supermarket	3,306	5
Physicians Regional Healthcare System	Health Care	2,630	6
Gargiulo, Inc.	Food Safety	2,082	7
Walmart, Inc.	Retail	1,860	8
Marriott International, Inc.	Hospitality	763	9
JR Wood Properties	Real Estate	761	10
Total		30,578	17,971

Source: City of Marco Island, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025.

The following table shows historical employment within the County in the period from 2016 to 2025:

COLLIER COUNTY EMPLOYMENT
(2016—2025)

Year	Labor Force	Employment	Unemployment	County Unemployment Rate	State of Florida Unemployment Rate
2016	157,630	149,769	7,861	5.0	4.9
2017	160,386	153,309	7,077	4.4	4.3
2018	164,205	158,117	6,088	3.7	3.6
2019	166,444	160,865	5,579	3.4	3.2
2020	163,617	151,080	12,537	7.7	8.0
2021	167,721	160,912	6,809	4.1	4.7
2022	174,939	169,566	5,373	3.1	3.0
2023	181,192	175,710	5,482	3.0	2.9
2024	186,128	179,929	6,199	3.3	3.4
2025	185,522	177,973	7,549	4.1	3.9

Source: Florida Insight, Florida Department of Economic Opportunity.

Property Taxes

The following table shows the assessed and taxable value of property within the City for the last ten Fiscal Years:

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed January 1st	Real Property	Personal Property	Total Assessed Taxable Value	Percentage Increase (Decrease) Over Prior Year	Total Direct Tax Rate
2017	2016	9,298,441,136	67,431,937	9,365,873,073	8.7	2.0844
2018	2017	9,900,723,843	115,347,306	10,016,071,149	6.9	1.9797
2019	2018	10,276,265,025	115,939,756	10,392,204,781	3.8	1.9288
2020	2019	10,667,801,697	131,419,687	10,799,221,384	3.9	1.8821
2021	2020	11,196,470,023	117,110,761	11,313,580,784	4.8	1.7610
2022	2021	11,734,336,671	114,282,690	11,848,619,361	4.7	1.7088
2023	2022	13,717,256,825	124,574,893	13,841,831,718	16.8	1.4837
2024	2023	15,676,418,395	141,894,925	15,818,313,320	14.3	1.3137
2025	2024	16,968,402,468	134,364,026	17,102,766,494	8.1	1.2400
2026	2025	18,262,192,845	156,178,150	18,418,370,995	7.7	1.2670

Source: City of Marco Island, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025.

The following table shows the tax levies and collections within the City for the last ten Fiscal Years:

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Assessed January 1st	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Collections	Percent of Total Collections
2016	2015	$18,463,103	$17,796,052	96.4%	$2,994	$17,799,046	96.4%
2017	2016	19,518,479	18,806,052	96.3	2,994	18,809,046	96.4
2018	2017	19,828,816	19,108,784	96.4	4,742	19,113,526	96.4
2019	2018	20,044,485	19,266,581	96.1	14,675	19,281,256	96.2
2020	2019	20,325,214	19,266,581	94.8	3,470	19,270,051	94.8
2021	2020	20,246,921	19,253,362	95.1	5,630	19,258,992	95.1
2022	2021	20,246,921	19,504,744	96.3	-	19,504,744	96.3
2023	2022	20,537,126	19,737,410	96.1	3,261	19,740,671	96.1
2024	2023	20,780,518	20,001,959	96.3	-	20,001,959	96.3
2025	2024	21,214,004	20,454,092	96.4	4,424	20,458,516	96.4

Source: City of Marco Island, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025.

The following table shows largest ten taxpayers within the City as of January 1, 2024:

Principal Taxpayers
Fiscal Year 2025

Taxpayer	Property by Type	Taxable Valuation	% of Total Assessed Valuation
Marco Hotel LLC	Hospitality	$255,984,063	1.50%
Marco Beach Hotel Inc.	Hospitality	48,774,374	0.29
Land Trust No 1082-0300	Residential	44,343,725	0.26
Marriott Ownership Resorts	Hospitality	29,001,320	0.17
Mardap Ltd	Hospitality	22,644,000	0.13
BRE SE Retail Holdings	Shopping Center	22,535,236	0.13
Bates, Wesley	Residential	21,525,891	0.13
Charter Club of M/B Assoc	Hospitality	18,424,412	0.11
Van Cleef, Gary R & Louise	Residential	18,398,145	0.11
Publix Super Markets LLC	Shopping Center	18,373,199	0.11
Total		$500,004,365	2.92

Source: City of Marco Island, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025.

The following table contains the property tax rates within the City the last ten Fiscal Years::

Property Tax Rates - Direct and Overlapping Governments
(Per $1,000 of Assessed Value)
Last Ten Fiscal Years

	Direct		Overlapping							
Fiscal Year Ended	City Operative	City Debt Service	Collier County Operating	Collier School Board	Mosquito Control	South FL Water Mgmt	Water Pollution Control	Big Cypress Basin	Collier County Other	Total Levy
2016	2.0466	0.0953	3.5645	5.4800	0.0940	0.1459	0.0293	0.1429	0.0000	11.5985
2017	1.9966	0.0878	3.5645	5.2450	0.0878	0.1359	0.0293	0.1336	0.0000	11.2805
2018	1.8976	0.0821	3.5645	5.1220	0.1832	0.1275	0.0293	0.1270	0.0000	11.1332
2019	1.8492	0.0796	3.5645	5.0490	0.1775	0.1209	0.0293	0.1231	0.0000	10.9931
2020	1.8057	0.0764	3.5645	5.0830	0.1720	0.1152	0.0293	0.1192	0.0000	10.9653
2021	1.7610	0.0000	3.5645	5.0160	0.1662	0.1103	0.0293	0.1152	0.0000	10.7625
2022	1.7088	0.0000	3.5645	4.8890	0.1609	0.1061	0.0293	0.1116	0.2500	10.8202
2023	1.4837	0.0000	3.5645	4.4590	0.1609	0.0948	0.0293	0.0978	0.2500	10.1400
2024	1.3137	0.0000	3.2043	4.2920	0.1443	0.0948	0.0293	0.0978	0.2242	9.3974
2025	1.2400	0.0000	3.0107	4.3132	0.1349	0.0948	0.0246	0.0978	0.2096	9.1256

Source: City of Marco Island, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025.

Agriculture

Agriculture is a dominant factor in the economy of the County. Rainfall averages about 54 inches annually with most of the precipitation occurring during the late spring and summer. The high yearly rainfall and year-round mild temperature enable agriculture to be a productive sector of the County economy. The agricultural industry represents five percent of the workforce. Farming activities are located approximately 40 miles inland primarily centered around the community of Immokalee. Major crops include tomatoes, peppers, cucumbers, melons and citrus. Beef cattle are also a significant farming commodity.

Tourism

Tourism is a major factor in the economy of the County. Visitors to the County enjoy its Gulf of Mexico beaches, golf, tennis and other attractions. Everglades National Park, the United States only subtropical National Park, located near Naples, comprises a substantial portion of the County. Collier-Seminole Park and Corkscrew Swamp are also located nearby. Salt water fishing in the Gulf of Mexico, as well as fresh water fishing, makes the many lakes and waterways popular vacation spots. The County is regarded as one of the largest shelling areas in the United States.

Transportation

The County is served by U.S. Highway 41 (otherwise known as the Tamiami Trail) and Interstate 75, which links Naples to the east coast of Florida and intersects U.S. Highway 27, providing access to the Florida Turnpike. Interstate 75 also provides access to the County from the North. Greyhound Bus Lines connects the County to all points within the State.

Air service is available at the Naples Airport owned by the City of Naples and covers an area of approximately 650 acres. The airport has two lighted 5,000 feet hard surfaced runways, each 150 feet wide. Activity at this airport mainly consists of charter flights and general aviation. Air service at the Southwest Florida International Airport near Fort Myers, 35 miles north of Naples, reaches many major cities. In addition, the County owns and operates three public airports: the Marco Island Executive Airport and the Immokalee and Everglades City Airparks.

Educational System

The County school system serves approximately 48,000 students in 29 elementary schools, 10 middle schools, 8 high schools, a 18 charter schools, and 9 alternative and specialized education centers. The public schools provide a varied adult education program and a special program for pre-school children. There are several private and parochial schools in the County offering classes from kindergarten through the twelfth grade. Florida Southwestern State College's main campus in Fort Myers, with a branch campus in Naples, offers technical training as well as college preparation for students. In August of 2003, Ave Maria University, a private Catholic University located within the County, began admitting students. The University offers bachelor's degrees in biology, classics, economics, history, literature, mathematics, music, philosophy, politics and theology. Pre-professional programs are offered in pre-law, pre-medicine and pre-business. Although not located within the County, Florida Gulf Coast University, the tenth college in the State University System, is operating in Lee County, immediately north of the County.

Medical Facilities

Naples Community Hospital, a non-profit, private corporation provides health services to the residents of the County. It opened as a 50-bed facility in 1956, financed exclusively by contributions from members of the community. Since 1956, Naples Community Hospital has grown to encompass approximately 422,000 square feet and include two six-story towers that house Naples Community Hospital's 716 licensed beds and patient care ancillary services and a two-story support services wing located between the two towers. Hospital services are also provided in the Carpenter-Briggs Radiation Therapy Center located across the street from Naples Community Hospital, at the Golden Gate Urgent Care Center located in leased space approximately seven miles from Naples Community Hospital, and in several other outpatient facilities that provide urgent care, rehabilitation, wellness and infusion services. In addition, Physician's Regional operates two hospitals within the County with a total of 201 beds.

The Collier County Health Department operates in every community in the County under the direction of a licensed physician and with a staff of trained specialists, including public health workers, nurses, sanitarians and clinical psychologists.

Property Tax Reform

General. During recent years, various legislative proposals and constitutional amendments relating to ad valorem taxation and revenue limitation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon the City or its finances.

Constitutional Exemptions. Certain exemptions from property taxes have been enacted. Constitutional exemptions include, but are not limited to, property owned by a municipality and used exclusively by it for municipal or public purposes, certain household goods and personal effects to the value fixed by general law, certain locally approved community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as defined by general law and historic preservation ad valorem tax exemptions to owners of historic properties, $25,000 of the assessed value of property subject to tangible personal property tax, the assessed value of solar devices or renewable energy source devices subject to tangible personal property tax may be exempt from ad valorem taxation, subject to limitations provided by general law, and certain real property dedicated in perpetuity for conservation purposes, including real property encumbered by perpetual conservation easements or by other perpetual conservation protections, as defined by general law.

Household Goods and Personal Effects. The State Constitution provides that there shall be exempt from taxation, cumulatively, to every head of a family residing in the State, household goods and personal effects to the value fixed by general law, not less than one thousand dollars and to every widow or widower or person who is blind or totally and permanently disabled, property not less than five hundred dollars. State law exempts from taxation to every person residing and making his or her permanent home in the State, all household goods and personal effects and exempt property up to the value of $5,000 of every widow, widower, blind person, or totally and permanently disabled person who is a resident of the State.

Economic Development. The State Constitution provides that any county or municipality may, for the purpose of its respective tax levy and subject to the State Constitution and general law, grant community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as defined by general law. Such an exemption may be granted only by ordinance of the county or municipality, and only after the electors of the county or municipality voting on such question in a referendum authorize the county or municipality to adopt such ordinance. An exemption so granted shall apply to improvements to real property made by or for the use of a new business and improvements to real property related to the expansion of an existing business and shall also apply to tangible personal property of such new business and tangible personal property related to the expansion of an existing business. The amount or limits of the amount of such exemption shall be specified by general law (up to 100% in certain circumstances) and the period of time for which such exemption may be granted to a new business or expansion of an existing business shall be determined by general law. State law provides that the authority to grant such exemption shall expire ten years from the date of approval by the electors of the county or municipality, and may be renewable by referendum as provided by general law and that exemptions may be granted for up to 10 or 20 years depending on the use of the applicable facility. The City **[has/has <u>not</u>]** enacted an ordinance granting the exemption described in this paragraph.

Historic Preservation. The State Constitution provides that any county or municipality may, for the purpose of its respective tax levy and subject to the provisions of the State Constitution and general law, grant historic preservation ad valorem tax exemptions to owners of historic properties. This exemption may be granted only by ordinance of the county or municipality. The amount or limits of the amount of this exemption and the requirements for eligible properties must be specified by general law. State law provides that such exemption may be for an amount up to 50% of the assessed value of the property. The period of time for which this exemption may be granted may continue until the ordinance is repealed or the property no longer qualifies for the exemption. The City **[has/has <u>not</u>]** enacted an ordinance granting the exemption described in this paragraph.

Tangible Personal Property and Solar Devices. The State Constitution provides that by general law and subject to conditions specified therein, $25,000 of the assessed value of property subject to tangible personal property tax shall be exempt from ad valorem taxation. Effective January 1, 2018 through December 31, 2037, the assessed value of solar devices or renewable energy source devices subject to tangible personal property tax may be exempt from ad valorem taxation, subject to limitations provided by general law.

Property Dedicated In Perpetuity for Conservation. The State Constitution provides that there shall be granted an ad valorem tax exemption for certain real property dedicated in perpetuity for conservation purposes, including real property encumbered by perpetual conservation easements or by other perpetual conservation protections, as defined by general law.

Limitation on Increase in Assessed Value of Property. The State Constitution limits the increases in assessed just value of homestead property to the lower of (1) 3% of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. The accumulated difference between the assessed value and the just value is known as the "Save Our Homes Benefit." Further, any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status; new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead; and changes, additions, reductions or improvements to the homestead shall initially be assessed as provided for by general law.

Owners of homestead property may transfer up to $500,000 of their Save Our Homes Benefit to a new homestead property purchased within three years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead.

For all levies other than school district levies, assessment increases for specified nonhomestead real property may not exceed 10% of the assessment for the prior year. This assessment limitation is, by its terms, to be repealed effective January 1, 2019; however, the legislature by joint resolution approved an amendment abrogating such repeal, which was approved by the electors in the November 6, 2018 general election and went into effect January 1, 2019.

Homestead Exemption. In addition to the exemptions described above, the State Constitution also provides for a homestead exemption. Every person who has the legal title or beneficial title in equity to real property in the State and who resides thereon and in good faith makes the same his or her permanent residence or the permanent residence of others legally or naturally dependent upon such person is eligible to receive a homestead exemption of up to $50,000. The first $25,000 applies to all property taxes, including school district taxes, such amount shall be adjusted annually on January 1 of each year for inflation. The additional exemption, up to $25,000, applicable to the assessed value of the property between $50,000 and $75,000, applies to all levies other than school district levies. A person who is receiving or claiming the benefit of an ad valorem tax exemption or a tax credit in another state where permanent residency, or residency of another legally or naturally dependent upon the owner, is required as a basis for the granting of that ad valorem tax exemption or tax credit is not entitled to the homestead exemption. In addition to the general homestead exemption described in this paragraph, the following homestead exemptions are authorized by State law.

Millage Rollback Legislation. In 2007, the State Legislature adopted a property tax plan which significantly impacted ad valorem tax collections for State local governments (the "Millage Rollback Legislation"). One component of the Millage Rollback Legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 Fiscal Year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by 0% to 9%. In addition, the Rollback Legislation also limited how much the aggregate amount of ad valorem tax revenues may increase in future Fiscal Years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

Certain Persons 65 or Older. A board of county commissioners or the governing authority of any municipality may adopt an ordinance to allow an additional homestead exemption of (i) not exceeding $50,000 for persons who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner and has attained age 65 or older with household income that does not exceed the statutory income limitation of $20,000 (as increased by the percentage increase in the average cost of living index each year since 2001) or (ii) the assessed value of the property to a person who has the legal or equitable title to real estate with a just value less than $250,000, as determined the first tax year that the owner applies and is approved, for any person 65 or older who has maintained the residence as his or her permanent residence for not less than 25 years and whose household income does not exceed the statutory income. The City **[has/has <u>not</u>]** enacted an ordinance granting the exemption described in this paragraph.

In addition, veterans 65 or older who are partially or totally permanently disabled may receive a discount from tax on homestead property if the disability was combat related and the veteran was honorably discharged upon separation from military service. The discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Department of Veteran's Affairs. A Surviving Spouse of a veteran who died from service while on active duty as a member of the United Stated Armed Forces is allowed the same ad valorem tax discount on homestead property for combat-disabled veterans age 65 or older to transfer to the surviving spouse of a veteran receiving the discount if the surviving spouse holds the legal or beneficial title to the homestead, permanently resides thereon, and does not remarry.

<u>Deployed Military Personnel</u>. The State Constitution provides that by general law and subject to certain conditions specified therein, each person who receives a homestead exemption who was a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard; and who was deployed during the preceding calendar year on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature shall receive an additional exemption equal to a percentage of the taxable value of his or her homestead property. The applicable percentage shall be calculated as the number of days during the preceding calendar year the person was deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature divided by the number of days in that year.

<u>Certain Active Duty Military and Veterans</u>. A military veteran who was honorably discharged, is a resident of the State, and who is disabled to a degree of 10% or more because of misfortune or while serving during wartime may be entitled to a $5,000 reduction in the assessed value of his or her property. This exemption is not limited to homestead property. A military veteran who was honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on homestead property. A similar exemption is available to disabled veterans confined to wheelchairs. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over these exemptions.

<u>Certain Totally and Permanently Disabled Persons</u>. Real estate used and owned as a homestead by a quadriplegic, less any portion used for commercial purposes, is exempt from all ad valorem taxation. Real estate used and owned as a homestead by a paraplegic, hemiplegic, or other totally and permanently disabled person, who must use a wheelchair for mobility or who is legally blind, is exempt from taxation if the gross household income is below statutory limits.

<u>Survivors of First Responders</u>. Any real estate that is owned and used as a homestead by the surviving spouse of a first responder (law enforcement officer, correctional officer, firefighter, emergency medical technician or paramedic), who died in the line of duty may be granted a total exemption on homestead property if the first responder and his or her surviving spouse were permanent residents of the State on January 1 of the year in which the first responder died.

Property Tax Relief for Natural Disasters. In light of the recent natural disasters, the state legislature created a property tax relief credit for homestead parcels on which certain residential improvements were damaged or destroyed by a hurricane that occurred in 2016 or 2017, namely hurricanes Hermine, Matthew, and Irma. If the residential improvement is rendered uninhabitable for at least 30 days due to a hurricane that occurred during the 2016 or 2017 calendar year, taxes initially levied in 2019 may be abated. Due to this reduction in ad valorem tax revenue, the legislature is required to appropriate funds to offset the deficit in certain taxing jurisdictions.

Affordable Housing. The State has several statutes providing for property tax exemptions related to affordable and workforce housing including, but not limited to, Sections 196.1978, 196.19781, and 196.19782, Florida Statutes. The City Council **[has/has not]** enacted and ordinance pursuant to Section 196.1978(3)(o), Florida Statutes, opting-out of providing the property tax exemption for multifamily projects that are used to house natural persons or families whose annual household income is greater than 80% but not more than 120% of the median annual adjusted gross income for households within the metropolitan statistical area or, if not within a metropolitan statistical area, within the county in which the person or family resides.

Other Exemptions. Other exemptions include, but are not limited to, nonprofit homes for the aged (subject to income limits for residents), proprietary continuing care facilities, not for profit sewer water/wastewater systems, certain hospital facilities and nursing homes for special services, charter schools, certain historic property used for commercial purposes and certain tangible personal property.

Recent Constitutional Amendments. During the 2021 State legislative session, State Senate Bill 7061 was passed by the Senate and the House and signed into law by the Governor. This law exempts fully from ad valorem taxation certain affordable housing properties that previously received a 50% discount from ad valorem taxes, along with certain other insignificant or indeterminate modifications to State law regarding ad valorem taxes.

During the 2022 State legislative session, State House Bill 7071 was passed by the Senate and the House and signed into law by the Governor. This law contains provisions for tax relief and changes to tax policy including, but not limited to, the following: providing property tax relief for residential property rendered uninhabitable for 30 days or more due to a catastrophic event; providing property tax relief for property owners affected by the sudden and unforeseen collapse of a residential building; increasing the widows, widowers, blind, or totally and permanently disabled property tax exemption from $500 to $5,000; providing an alternative assessment methodology for land used in the production of aquaculture products; clarifying the extent of the homestead exemption on classified lands; updating the qualifying operations for the deployed service member property tax exemption; and providing alternative dates from which to calculate the 15-year required term of an affordable housing agreement for establishing qualification for a property tax exemption. This law took effect on July 1, 2022. Further, State House Bill 777 was passed by the Senate and the House, which requires a local government seeking voter approval to levy certain optional local taxes to be held at a general election. The bill applies to the following local option taxes: tourist development taxes; tourist impact taxes; ad valorem taxes levied by a children's services independent special district; county, municipal and school district voted millage increase and local option fuel taxes and took effect on October 1, 2022.

During the 2023 State legislative session, State House Bill 7063 was passed by the Senate and the House and signed into law by the Governor. This law makes property tax exemptions for veterans, first responders and surviving spouses more accessible by eliminating certain requirements related to residency and property ownership, and revises the definition of "first responder" to include federal law enforcement officers and their surviving spouses. Additionally, this law creates a property tax exemption for certain leased property used for educational purposes. State House Bill 7063 also provides that property that is used as a parsonage, burial grounds or tomb and is owned by an exempt organization that owns a house of public worship is exempt for a religious purpose.

During the November 2024 general election, voters approved State House Joint Resolution 7017, Amendment 5, authorizing an amendment to Article VII, Section 6(a) of the State Constitution regarding the existing $25,000 homestead property tax exemption on property with an assessed valuation greater than $50,000 that is applicable to all ad valorem taxes except school district taxes. The amendment requires the homestead exemption to be adjusted annually for positive inflation growth. The State legislature passed and the Governor approved State House Bill 7019 during the 2024 legislative session which amended Section 196.031, Florida Statutes, to implement the annual positive inflation adjustment. The inflation adjustment began January 1, 2025. State House Bill 7019 also created Section 218.136, Florida Statutes, requiring the State legislature to appropriate funds to offset reductions in ad valorem revenue in fiscally constrained counties as a result of the annual positive inflation adjustment. The bill provides emergency rulemaking authority to the Department of Revenue to administer the provisions of the act.

During the 2025 State legislative session, the State legislature passed Committee Substitute for House Joint Resolution 1215 ("CS/HJR 1215") which would create a property tax exemption for certain agricultural tangible personal property from ad valorem taxation. CS/HJR 1215 is not subject to the Governor's veto power but is subject to approval by 60 percent of voters during the 2026 general election, if passed the bill will take effect on January 1, 2027. The State legislature also passed House Bill 7031 ("HB 7031") which includes new or expanded exemptions for affordable housing which will apply to the 2026 tax rolls.

Future Potential Legislation and/or Constitutional Amendments Relating to Ad Valorem Taxation.

Historically, various legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced by the State legislature. Many of these proposals have provided for the elimination or phase-out of non-school ad-valorem taxes, new or increased exemptions from ad valorem taxation, limiting increases in the assessed valuation of certain types of property or have otherwise restricted the ability of local governments in the State to levy ad valorem taxes at then current levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would have a material adverse effect on the collection of ad valorem taxes by the City, the City's finances in general or the City's ad valorem taxing power.

To address property tax reform with the goal of placing a property tax reform amendment on the upcoming November 2026 ballot, the Governor of the State issued a proclamation calling a special legislative session that began on Monday, June 1, 2026. Senate Joint Resolution 2-F was filed on May 28, 2026, as amended, and proposed amendments to the State Constitution to, among other things, revise the limitation on annual assessment increases from 10% to 5% for specified real property, increase the homestead exemption for non-school ad valorem taxes to the first $150,000 of assessed value of homestead properties in 2027 and to the first $250,000 of assessed value of homestead properties in 2028, with a mandate for the Florida Legislature to create a schedule for full elimination of ad valorem taxes, and impose other limitations on the use of ad valorem taxes levied by counties and municipalities. House Joint Resolution 1F, as amended, an identical bill to Senate Joint Resolution 2-F, was subsequently passed the Florida House and Florida Senate, placing such amendments on the November 2026 ballot. For such amendments to become effective, they require approval by at least 60% of voters in the statewide November general election. If approved, the reduction in the ad valorem tax base and the restriction of the use of ad valorem taxes would increase the amount of non-ad valorem revenues needed to fund essential governmental functions, other operations, and debt service, which could materially and adversely affect local government finances. There can be no assurance that the statewide referendum will pass.

Firefighters' Pension Plan

The City administers a single-employer, defined benefit pension plan (the "Firefighters' Plan") that covers all fulltime firefighters hired after January 1, 1996. The Firefighters' Plan was created by ordinance of the City Council which grants the authority to establish and amend the benefit terms to the Board of Trustees, subject to City Council approval. Management of the Firefighters' Plan is vested in the Board of Trustees, which consists of five members, two of whom are current or retired members of the Firefighters' Plan, one is a City resident, one is a City employee, and one of whom is appointed by the City Council from nonmembers of the Firefighters' Plan. The Firefighters' Plan does not prepare separate financial statements and is included as part of the pension trust funds in the City's financial reporting entity since it is not legally separate from the City.

As of October 1, 2023, (date of the latest annual actuarial valuation), employee membership data related to the Firefighters' Plan were:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	5
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	40
	51

Benefits Provided: The Firefighters' Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with six or more years of service, or after accumulating twenty-five years of service with the City, regardless of age. For members hired on or after July 1, 2022, upon attainment of age 55 and 10 years of Credited Service.

Retired employees or their beneficiaries are entitled to pension payments for the longer of ten years or the retirees' remaining life equal to 3% of their final five-year average compensation times the number of years of credited service. The final five-year average compensation is the average annual compensation of the five highest years within the last ten years of service.

Compensation includes overtime, up to a maximum of 300 hours, but excludes lump-sum payments of unused leave. Maximum annual pension payments to retirees are the lesser of $90,000 or 100% of the average aggregate compensation for the three consecutive calendar years during which the firefighter was an active member and had his/her highest aggregate compensation. An additional supplemental benefit is also payable in the monthly amount of $3 multiplied by credited service.

Early retirement is available at age 50, with six years of credited service. For members hired on or after July 1, 2022, upon attainment of age 50 and 10 years of Credited Service. The benefit is reduced by 3% per year for each year early. Delayed retirement is permitted, with the benefit calculated the same as the normal retirement benefit but based on credited service and average final compensation as of the actual retirement date.

Participants are not vested until they reach six years of service, at which time they become 100% vested. For members hired on or after July 1, 2022, the vesting requirement is changed from 6 years to 10 years of Credited Service. Terminated non-vested employees receive refunds of their accumulated member contribution only. Terminated vested employees receive their vested accrued benefit payable at early (after reduction) or normal retirement.

Pension provisions include disability benefits, whereby a disabled employee is entitled to receive the greater of the normal retirement benefits or a percentage of the five-year average annual compensation (42% if service incurred or 25% if non-service incurred). Pension provisions also include death benefits, whereby the surviving spouse is entitled to receive the vested pension benefit over ten years. Firefighters' Plan amendments are initiated by the Pension Board, and adopted by City Ordinance, after the required public hearings. The cost of administering the Firefighters' Plan is financed by contributions made to the Firefighters' Plan.

Benefit terms provide for a 3% annual cost-of-living adjustment(COLA) to each member's retirement allowance subsequent to the member's retirement date. COLA changed from a 3.0% increase each year for all retirees and beneficiaries to a 3% increase each year for the benefit based on service earned before October 1, 2022 and the future average final compensation at termination. The COLA for service earned on and after October 1, 2022 will be equal to the COLA provided under Title II of the Social Security Act with a minimum of 1.0% and a maximum of 1.5%.

Contributions: The City Ordinance grants the Board of Trustees authority to establish and amend the contribution requirements of the City and active plan members. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2025, active member contribution rate was 3%, which the City contributes based on the collective bargaining agreement, and the City's contribution rate was 28.18%. The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 185, Florida Statutes, and the City contributes the required remaining balance, as determined by the actuary. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City makes periodic contributions totaling 100% of the actuarially determined amount (after state contributions) annually to the Firefighters' Plan. An actuarial valuation of the Firefighters' Plan is to be completed at least once every two years. Contributions for the fiscal year ended September 30, 2025, were based on actuarial computations performed in 2024, for the actuarial report as of October 1, 2023.

The components of the net pension liability of the City at September 30, 2025 for the Firefighters' Plan, were as follows:

Total pension liability	$38,291,995
Firefighters' Plan fiduciary net position	44,885,373
City's net pension liability	$(6,593,378)
Firefighters' Plan fiduciary net position as a percentage of the total pension liability	117.22%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements (attached hereto as APPENDIX C) presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

<u>Actuarial Assumptions</u>: The total pension liability was determined by an actuarial valuation as of October 1, 2018, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2025. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	7.5% to 13.0% based on service, including inflation
Investment rate of return	7.0%

Mortality rates were based on the Pub-2010 Headcount Weighted Safety Table for Males or Females, using scale MP-2018.

In the October 1, 2024 valuation, a formal actuarial experience study has not been performed. The active group is too small to provide statistically significant experience on which to base certain demographic assumptions. Mortality assumptions are based on a commonly used fully generational mortality table and projection scale mandated by Florida Statutes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025 are: Domestic Equity Securities – 6.8%, International Equity Securities, – 7.2%, Fixed Income Securities – 5.2%, and Real Estate – 6.3%.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The discount rate of 7.00 percent was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined.

[Remainder of page intentionally left blank]

Changes in the Net Pension Liability of the City: The changes in the components of the net pension liability (asset) of the City as of the measurement date September 30, 2024 and for the year ended September 30, 2025, were as follows:

	Total Pension Liability (a)	Firefighters' Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2024	$ 27,977,454	$ 30,424,851	$ (2,447,397)
Changes for the year:			
Service cost	1,423,835	-	1,423,835
Interest	2,047,390	-	2,047,390
Changes of benefit terms	-		-
Differences between expected and actual experience	918,661	-	918,661
Assumption Changes	-	-	-
Contributions - employer (from city)	-	1,290,632	(1,290,632)
Contributions - employer (from state)	-	989,671	(989,671)
Contributions - employee	-	119,429	(119,429)
Net investment income	-	6,072,925	(6,072,925)
Benefit payments, including refunds of employee contributions	(305,712)	(305,712)	-
Administrative expense	-	(75,680)	75,680
Other changes	573,773	-	573,773
Net changes	4,657,947	8,091,265	(3,433,318)
Balances at 9/30/2025	$ 32,635,401	$ 38,516,116	$ (5,880,715)

The Firefighters' Plan fiduciary net position as a percentage of the total pension liability	118.02%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements (attached hereto as APPENDIX B) presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability (asset)	$(2,199,534)	$(5,880,715)	$(8,869,836)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2023, and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $1,230,678. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,410,986	$
Changes in assumptions	-	288,221
Net difference between projected and actual earnings on pension plan investments	2,330,790	3,968,507
City contributions subsequent to the measurement date	2,330,429	-
Total	$ 6,072,205	$ 6,037,868

City contributions subsequent to the measurement date of $2,330,429 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	
2026	$(518,108)
2027	(16,374)
2028	(1,022,098)
2029	(783,022)
2030	(65,604)
Thereafter	109,114
Total	$(2,296,092)

Police Officers' Pension Plan

In 2005, the City established and currently administers a single-employer, defined benefit pension plan (the "Police Officers' Plan") that covers all full-time sworn police officers. The Police Officers' Plan was created by Ordinance of the City Council which grants the authority to establish and amend the benefit terms to the Board of Trustees, subject to City Council approval. Management of the Police Officers' Plan is vested in the Board of Trustees, which consists of five members, two of whom are current or retired members of the Police Officers' Plan, one is a City resident, one is a City employee, and one of whom is appointed by the City Council from non-members of the Police Officers' Plan. The Police Officers' Plan does not prepare separate financial statements and is included as part of the pension trust fund in the City's financial reporting entity since it is not legally separate.

Plan Membership: As of October 1, 2023, Police Officers' Plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	27
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	31
Active Plan Members	36
	94

Benefits Provided: The Police Officers' Plan provides retirement benefits, deferred allowances, and death and disability benefits. A participant may retire after reaching the age of 55, with six or more years of service, or accumulating twenty-five years of service with the City, regardless of age. If hired on or after October 1, 2021, earlier of 1) age 57 and 6 years of Credited Service, or 2) age 52 and 25 years of Credited Service.

Retired employees or their beneficiaries are entitled to pension payments for the longer of ten years or the retirees' remaining life equal to 3% of their final five-year average compensation times the number of years of credited service. The final five-year average compensation is the average annual compensation of the five highest years within the last ten years of service.

Compensation includes overtime of up to 300 hours annually and lump-sum payments of unused leave, but excludes pay for special duty or extra-details. An additional supplemental benefit is also payable in the monthly amount of $3, multiplied by credited service.

Early retirement is available at age 50, with six years of credited service, with the benefit reduced by 3% per year for each year early.

Participants are not vested until they reach six years of service, at which time they become 100% vested. Terminated non-vested employees receive refunds of their accumulated member contribution only. Terminated vested employees receive their vested accrued benefit payable at normal retirement.

Pension provisions include disability benefits, whereby a disabled employee is entitled to receive the greater of the normal retirement benefits or a percentage of the five-year average annual compensation (42% if service incurred or 25% if non-service incurred, provided the employee has at least 8 years of credited service). Pension provisions also include death benefits, whereby the surviving spouse is entitled to receive the vested pension benefit over ten years. Police Officers' Plan amendments are initiated by the Pension Board, and adopted by City Ordinance, after the required public hearings. The cost of administering the Police Officers' Plan is financed by contributions made to the Police Officers' Plan.

Benefit terms provide for a 3% annual cost-of-living adjustment (COLA) to each member's retirement allowance subsequent to the member's retirement date. For credited service earned on and after October 1, 2021, rate equal to the COLA under title II of the Social Security Act, with a minimum of 1.00% and maximum of 1.50%, automatic lifetime COLA, beginning the first July 1st following the later of termination or otherwise Normal Retirement Date.

Contributions: The City Ordinance grants the Board of Trustees authority to establish and amend the contribution requirements of the City and active plan members. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended September 30, 2025, the active member contribution rate was 3%, which the City contributes based on the collective bargaining agreement, and the City's contribution rate was 35.69%. The State of Florida contributes casualty insurance premium taxes pursuant to Chapter 185, Florida Statutes, and the City contributes the required remaining balance, as determined by the actuary. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City makes periodic contributions totaling 100% of the actuarially determined amount (after state contributions) annually to the Police Officers' Plan. An actuarial valuation of the Police Officers' Plan is to be completed at least once every two years. Contributions for the fiscal year ended September 30, 2025, were based on actuarial computations performed in 2023, for the actuarial report as of October 1, 2023.

The components of the net pension liability (asset) of the City at September 30, 2025 for the Police Officers' Plan, were as follows:

Total pension liability	$29,750,916
Police Officers' Plan fiduciary net position	29,242,994
City's net pension liability	$507,922
Police Officers' Plan fiduciary net position as a percentage of the total pension liability	98.29%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2024 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2025. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Service based table
Investment rate of return	7.0%
Mortality	All rates were based on the PubS-2010 and PubG.H-2010 for Males or Females, as outlined in Milliman's July 1, 2024 FRS valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025, are: Domestic Equity Securities – 5.81%, International Equity Securities, – 4.67%, Fixed Income Securities – 1.19%, Real Estate – 3.20%, and Private Equity/Credit – 6.30%.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset) of the City: The changes in the components of the net pension liability of the City for the year ended September 30, 2025 for the Police Officers' Plan, were as follows:

	Total Pension Liability (a)	Police Officers' Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2024	$24,563,111	$21,929,746	$2,633,365
Changes for the year:			
Service cost	755,448	-	755,448
Changes in excess state money	-	-	-
Interest	1,736,535	-	1,736,535
Changes of benefit terms	-	-	-
Differences between expected and actual experience	535,125	-	535,125
Assumption Changes	663,778	-	663,778
Contributions - employer (from city)	-	919,872	(919,872)
Contributions - employer (from state)	-	324,660	(324,660)
Contributions - employee	-	87,715	(87,715)
Net investment income	-	4,296,340	(4,296,340)
Benefit payments, including refunds of employee contributions	(1,021,823)	(1,028,589)	6,766
Administrative expense	-	(67,949)	67,949
Other changes	121,750	-	121,750
Net changes	2,790,813	4,532,049	(1,741,236)
Balances at 9/30/2025	$27,353,924	$26,461,795	$892,129
The Police Officers' Plan's fiduciary net position as a percentage of the total pension liability			96.74%

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00)	1% Increase (8.00)
City's net pension liability (asset)	$4,520,577	$892,129	$(2,275,472)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $2,256,933. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$675,470	$-
Changes in assumptions	442,518	-
Net difference between projected and actual earnings on pension plan investments	-	1,265,805
City contributions subsequent to the measurement date	789,257	-
Total	$2,741,138	$1,265,805

City contributions subsequent to the measurement date of $1,623,150 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	
2026	$ 490,357
2027	561,169
2028	(656,152)
2029	(543,191)
Total	$(147,817)

City Employee Pension Fund

The City is a single employer that contributes to a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). The City of Marco Island's 401A Plan is available to all employees not covered under the Firefighters' or Police Officers' Pension Plans or the Firefighters' Florida Retirement System. The City has contracted with MassMutual for the plan administration.

For employees hired by the City as part of its acquisition of the water system from Florida Utility, Inc., the City contributes 6.5% of annual covered payroll plus a match up to 4% of any employee's voluntary contribution. For all other employees, the City contributes 6.5% of annual covered payroll, and employees do not contribute. Employer contributions for fiscal year ended September 30, 2025, was $820,631. Employee contributions for fiscal year ended September 30, 2025, was $95,330. Plan provision and contribution requirements are established and may be amended by the City Manager.

Other Post-Employment Benefits ("OPEB")

Plan Description: The Other Postemployment Benefits Plan ("OPEB Plan") is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the City's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City's health and hospitalization plan for medical, prescription drug, dental, and vision coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the City and the OPEB Plan members are established and may be amended through recommendations of the Employee Benefits Committee and action from the Council. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms: At September 30, 2024, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	233
Covered Spouses	1
Total	238

Total OPEB Liability: The City's total OPEB liability of $1,191,396 was measured as of September 30, 2024, and was determined by an actuarial valuation as September 30, 2024, using standard actuarial practices.

Actuarial Assumptions and Other Inputs: The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	6.00%
Discount Rate	4.06%
Healthcare Cost Trend Rates	6.75 percent, decreasing to an ultimate rate of 4.0 percent over 50 years later

Mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using scale MP-2018. Demographic Assumptions Mortality rates are consistent with mortality rates used for the pension valuations. The mortality rates are mandated by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in the July 1, 2024 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements. Retirement rates, termination and disability rates are deemed reasonable and will continue to be monitored to ensure they capture plan experience. The participation rate and spousal coverage election percentage are the same as the previous valuation. They are deemed reasonable and will continue to be monitored.

Health care inflation rates reflect recent healthcare trend rate surveys, blended with the long-term rates surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. The discount rate as of the measurement date used has been updated to utilize the mandated discount rate based on the S&P Municipal Bond 20 Year High Grade Rate as published by S&P Dow Jones indices as of the measurement date, as required under GASB 75. The valuation results were calculated using the Entry Age cost method as required under the GASB 74/75 standards.

Changes in the Total OPEB Liability:

	Utilities	All Other Employees	Total
Balance at September 30, 2034	$323,036	$1,095,931	$1,418,967
Changes for the year:			
Service cost	31,572	77,970	109,542
Interest	16,726	56,132	72,858
Differences between expected and actual experience	(18,301)	(69,764)	(88,065)
Changes in assumptions	(91,798)	(164,394)	(256,192)
Changes of benefit terms	-	-	-
Benefit payments	(22,602)	(43,112)	(65,714)
Net Changes	(84,403)	(143,168)	(227,571)
Balance at September 30, 2025	$238,633	$952,763	$1,191,396

Changes of assumptions and other inputs reflect a change in the discount rate from 4.87 percent in 2024 to 4.06 percent in 2025. Also reflected as assumption changes are updated health care costs and premiums, updated retirement, termination and mortality rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06 percent) or 1 percentage point higher

	1% Decrease (3.06%)	Current Discount (4.06%)	1% Increase (5.06%)
Utility	$254,459	$238,633	$224,156
Other	1,043,480	952,763	872,958
Total OPEB Liability	$1,297,939	$1,191,396	$1,097,114

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.75 percent decreasing to 3.00 percent) or 1 percentage point higher (7.75 percent decreasing to 5.00 percent) than the current healthcare cost trend rates:

	1% Decrease (3.00% to 5.75%)	Healthcare Cost Trend Rates (4.00% to 6.75%)	1% Increase (5.00% to 7.75%
Utility	$218,742	$238,633	$261,943
Other	863,703	952,763	1,055,229
Total OPEB Liability	$1,082,445	$1,191,396	$1,317,172

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2025, the City recognized OPEB expense of $77,739, of which $14,109 pertained to Utility employees and the remaining $63,630 to all other employees. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$145,181	$79,928
Change of assumptions	-	533,016
Employer contributions subsequent to the measurement date	46,702	-
Total	$191,883	$612,944

Of the total amount reported as deferred outflows of resources related to OPEB, $46,702 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	
2026	$(120,561)
2027	(104,322)
2028	(92,593)
2029	(69,601)
2030	(53,165)
Thereafter	(27,521)
Total	$(467,763)

APPENDIX B

FORM OF COMPOSITE BOND RESOLUTION

APPENDIX C

FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE