



Water & Wastewater Utility Master Plan
Financial Forecast Evaluation

July 14, 2009

Purpose & Methodology

- Identify the Water and Wastewater System Funding Needs (5-Year Projection)
- Develop a Financing Strategy to Minimize Overall Financial Impact to Customers
- Evaluate Projected Compliance with Trust Indenture Covenants
- Identify Sufficiency of Existing Rate Revenues / Recommend Rate Adjustments

Purpose & Methodology (continued)

- Evaluating the Revenue Requirements Funded from Rates:
 - + Cost of Operation and Maintenance
 - + Debt Service Payments
 - + R&R Fund Transfers
 - + Capital Project Financing
 - + Working Capital Reserves / Financial Compliance
 - Other Operating Revenue
 - Interest Income

- = Net Revenue Requirements (Funded from Rates)

Issues Facing the Utility

- Expenses Outpacing Revenues Due to:
 - Declining Revenues (lower sales / no growth)

Combined Water and Wastewater System			
Fiscal Year	Rate Revenues	Other Operating Rev [*]	Connection Fee Rev (New Growth)
Historical	2005	\$50,499,435	\$2,048,276
	2006	50,675,401	2,276,016
	2007	49,777,282	2,788,069
	2008	53,468,599	2,733,944
	Growth	1.92%	10.10%

Notes:

[*] Other operating revenues are primarily comprised of Guaranteed Revenues, Capacity Reservation Fees, Meter Connections, Billing Fees, Administrative Fees, and Other Miscellaneous revenues.

- Recognizes 2008 10.5% Rate Adjustments; Without Revenues estimated at \$48.4 Million
- 2008 Study Reflected Interim Increase; Prior to Completion of Master Plan
- Prior to 2008 Rates Not Adjusted Since Oct 1998

Issues Facing the Utility

Operating Costs

- Expenses Outpacing Revenues Due to:
 - Increases in Operating Expenses (Power, Chemical, Labor)
 - Overall Increase of \$9 million Since FY 2004 or 6.9% per Year
 - Anticipate Continued Expense Trends
 - Funding of OPEB
 - Incremental Expenses due to Capital Program
 - Continued Inflation on Costs
 - Continued Increases in Power/Chemical above CPI

Issues Facing the Utility

Required Capital Projects

- Need to Fund Significant Capital Improvements
 - Renewals and Replacements & Unfunded Mandates (Regulatory Requirements)
 - Maximized Use of Debt to Minimize Financial Impact (Wrapped Debt Structure)

Regulatory,
\$54,878,586 , 13%

R&R = Replacement of Existing Assets

Regulatory = State & WMD Mandated Requirements

Alternative Water Resource and Growth
= Requirements that Serve New Growth

Alternative Water
Resource and Growth,
\$94,336,627 , 22%

Renewals and
Replacements,
\$273,420,162 , 65%

Renewals and Replacements

Alternative Water Resource and Growth

Regulatory

Priority Project First Debt Service

ID	Project Name	Cost	Driver	2009	2010	2011	2012	2013	2014	2015	
				'09	'10	'11	'12	'13	'14	'15	
1	Priority Projects First Debt Service	\$128,465,000.00		[Growth Bar]							
2	Sawgrass Phase I Brackish RO 3.0 mgd WTP	\$9,715,000.00	R	[Growth Bar]							
4	SW Water Reclamation Demonstration Plant (1 mgd)	\$20,000,000.00	R	[Growth Bar]				[Growth Bar]			
5	Park City High Service Pump and Transmission Main	\$5,120,000.00	S		[Service Bar]						
8	Indian Trace High Service Pumps	\$2,530,000.00	S		[Service Bar]						
9	Park City WTP Storage Tank	\$3,900,000.00	S				[Service Bar]				
10	Park City Fire Flow Requirements	\$9,500,000.00	S	[Service Bar]							
11	Springtree Network - Lift Stations	\$3,560,000.00	S		[Service Bar]						
17	Springtree Forcemain Replacements	\$2,900,000.00	S		[Service Bar]						
21	Sawgrass Network - Lift Station and Forcemain Replacement	\$1,700,000.00	S			[Service Bar]					
26	Distribution System Repairs	\$21,000,000.00	S		[Service Bar]			[Service Bar]			
27	Sawgrass Clarifier & Scum System Improvements	\$4,950,000.00	S	[Service Bar]							
30	Wastewater Biosolids and Odor Control	\$43,590,000.00	S	[Service Bar]							

Legend
 R- Regulatory
 S-Service
 G-Growth



Issues Facing Utility

- Proposed Funding Sources for CIP Program
 - Proceeds from New Debt Issuance - \$280 Million
 - \$ 92 Million FY 2010 Debt Issuance Proceeds
 - Renewal and Replacement Fund - \$81 Million
 - Impact Fees Fund - \$49 Million
 - Prior Period Bond Proceeds - \$13 Million

Total: \$423 Million

Financial Forecast Results

Recommended Rate Adjustments

Description	Projected Fiscal Year Ending September 30,					
	2009	2010	2011	2012	2013	2014
Net Revenue Requirements	\$61,639,100	\$83,254,174	\$91,631,398	\$100,920,210	\$111,132,796	\$114,429,440
Recognized Annual Rate Index	N/A	2.80%	2.80%	2.80%	2.80%	2.80%
Revenue From Existing Rates (w/ Index)	\$57,786,656	\$59,467,274	\$61,169,220	\$62,962,554	\$64,798,226	\$66,720,340
Revenue From Prior Period Rate Adj.	0	23,786,900	24,467,600	31,355,400	39,064,200	47,709,100
Rate Revenue Surplus/(Deficiency):						
Amount	(\$3,852,444)	(\$0)	(\$5,994,578)	(\$6,602,256)	(\$7,270,370)	(\$0)
Percent of Annual Rate Revenue	(6.67%)	(0.00%)	(7.00%)	(7.00%)	(7.00%)	(0.00%)
RATE RECOMMENDATIONS:						
Identified Increase	40.00%	0.00%	7.00%	7.00%	7.00%	0.00%
Effective Months of Rate Adj.	2	12	12	12	12	12
Revenue From Identified Rates:						
Current Year Rate Adjustment	3,852,444	0	5,994,577	6,602,257	7,270,370	0
Prior Year Rate Adjustment	0	23,786,900	24,467,600	31,355,400	39,064,200	47,709,100
Adjusted Rate Revenue	\$61,639,100	\$83,254,174	\$91,631,398	\$100,920,211	\$111,132,796	\$114,429,440

Financial Forecast Results

Projected Rate Covenant Requirement

Description	Projected Fiscal Year Ending September 30,					
	2009	2010	2011	2012	2013	2014
System Revenues:						
Water and Wastewater Rate Revenue	\$61,639,100	\$83,254,174	\$91,631,398	\$100,920,211	\$111,132,796	\$114,429,440
Other Operating Revenue	1,911,097	1,752,686	1,789,743	1,887,483	1,992,455	2,135,024
Unrestricted Interest Income	271,900	281,900	503,300	720,200	1,052,300	1,160,400
Total	\$63,822,097	\$85,288,760	\$93,924,441	\$103,527,893	\$114,177,551	\$117,724,865
A.) 1.0 x Operating Expenses:	\$42,559,990	\$48,914,193	\$53,086,200	\$56,419,516	\$60,570,633	\$64,855,239
B.) 1.1 x Annual Debt Service (Senior Lien)	\$17,983,281	\$24,135,905	\$29,723,134	\$35,279,241	\$41,068,819	\$42,540,612
C.) Required Reserve Account Transfers	\$0	\$0	\$0	\$0	\$0	\$0
D.) Required Minimum R&R Transfers	\$3,191,105	\$4,264,438	\$4,696,222	\$5,176,395	\$5,708,878	\$5,886,243
Total Coverage Requirements (A+B+C+D)	\$63,734,376	\$77,314,536	\$87,505,556	\$96,875,152	\$107,348,330	\$113,282,094
System Revenues less Coverage Requirements	\$87,721	\$7,974,224	\$6,418,885	\$6,652,741	\$6,829,222	\$4,442,770
Coverage Requirements Met (Yes / No)	Yes	Yes	Yes	Yes	Yes	Yes



Customer Bill Impact

- Customer Bill Impact from Proposed Rate Adjustment

Individually Metered Residential Customer - 5/8" Meter

Average Water & Wastewater Utility Bill at 7,000 Gallons of Usage

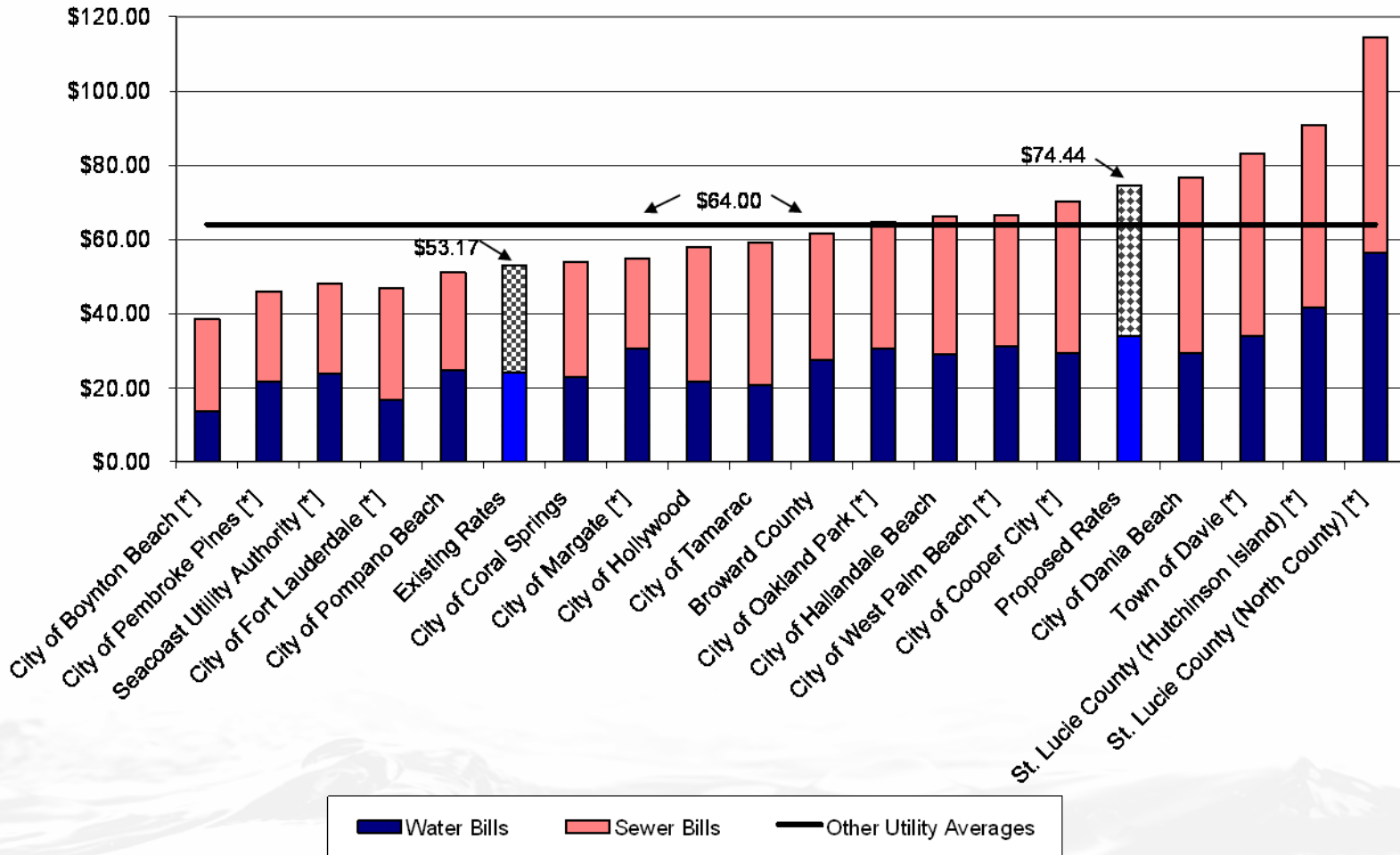
	7,000 Gallons of Usage		
	Existing Rates	Proposed Rates	Amount of Increase
Water Bill	\$ 24.32	\$ 34.05	\$ 9.73
Wastewater Bill	28.85	40.39	11.54
Combined Bill	\$ 53.17	\$ 74.44	\$ 21.27
Percent Increase			40.0%

Customer Bill Impact

- Other “Neighboring” Utilities Recent Rate Activity:
 - Boynton Beach 68% (FY 2009 Through 2013)
 - Cooper City 26% (FY 2008 Through FY 2010)
 - Dania Beach 52% (FY 2009 Through FY 2011)
 - Davie 139% (FY 2008 Through FY 2011)
 - Fort Lauderdale 26% (FY 2009 Through 2011)
 - Lake Worth (FY 2010 Through FY 2014)
 - Water 88%
 - Wastewater 55%
 - Margate 44% (FY2009 Through FY 2011)
 - Miramar 25% (FY 2008)
 - West Palm Beach 75.6% (FY 2008 Through FY 2011)
- Other “Neighboring” Utilities Involved in Rate Studies or Considering Additional Rate Increases
 - Palm Beach County
 - Plantation (Adopted 1st Reading 35% FY 2010 Through 2011)

Customer Bill Impact

Comparison of 5/8" Metered Residential Water and Wastewater Bills at 7,000 Gallons



[*] Utility shown is currently reviewing existing rates, is involved in a rate study, or will implement a rate revision within the next twelve months.

Conclusions and Recommendations

- Adopt Recommended Fiscal Year 2009 Rate Adjustment (40%)
- Only One (1) Year of Increase Being Recommended
- Apply Uniformly to Monthly Charges for Service
- Provides Necessary Revenue to
 - Meet Forecasted Operations and Maintenance Expenses
 - Issue Debt to Fund Required R&R and Regulatory CIP Projects
 - Meet Financial Targets and Ending Cash Balances
 - Remain In Compliance with Bond Resolution
- Continue to Monitor Financial Position