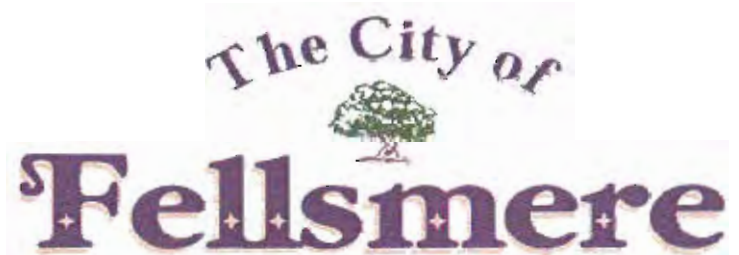




gai consultants



**Revenue Sufficiency Analysis  
And Financial Feasibility Study**  
For the Water Utility Enterprise Fund

GAI # A050080.01

September 2008



gai consultants |  
... transforming ideas into reality



September 2008  
GAI Proj. # A050080.01

Larry W. Napier, CGFO  
Director of Finance and Accounting  
Interim Utility Director  
City of Fellsmere  
21 South Cypress Street  
Fellsmere, FL 32948-6714

**Subject: Revenue Sufficiency Analysis and Financial Feasibility Study for the City's Water Enterprise Fund**

Dear Mr. Napier:

GAI Consultants, Inc. (GAI) is pleased to present herein the Revenue Sufficiency Analysis and Financial Feasibility Study (the "Report") for the City's Water Enterprise Fund. The Report includes a general introduction together with discussions and tables concerning customers, historic and projected revenues and operating expenses, as well as a schedule of existing user rates and charges. The five-year projection of revenues and expenses details the probable financial results based on certain adjustments to the user rates and demonstrates the ability of the City to meet both existing and proposed debt service requirements over the projection period of Fiscal Year 2008 through 2012.

The estimates, projections, assumptions, and conclusions outlined in this Report reflect expectations as to future activities and events. The expectations are based on an understanding of the City and information provided by the City as well as experience with this and similar utilities. Some of the assumptions inevitably will not materialize and unanticipated events could occur which might significantly change the results shown herein.

We appreciate the opportunity to be of service in this matter and thank the City and its staff for the valuable cooperation and assistance in completion of this study.

Very truly yours,

**GAI Consultants, Inc.**

Tara L. Hollis, C.P.A., M.B.A.  
Environmental Group Manager



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# REPORT

## 1.0 INTRODUCTION

The City of Fellsmere (the “City”) retained GAI Consultants, Inc. (GAI) to provide a revenue sufficiency analysis relative to the City’s Water Enterprise Fund. The primary objectives of this Study were to identify if the City’s current and proposed rates were sufficient to provide for the operating and maintenance, capital, transfers, and existing and proposed debt service of the water system for the projection period of Fiscal Year 2008 through Fiscal Year 2012. Discussions included herein address the identification and projection of customers and annual water demand, identification and projection of fiscal requirements, and identification of rate adjustments required to maintain revenues sufficient to meet the operating requirements of the water system.

## 2.0 HISTORIC AND PROJECTED CUSTOMERS AND CHARACTERISTICS

A review of the City’s customer base indicated that the water system provides services to three different identifiable customer classes: 1) Single Family Residential, 2) Multi-Family Residential, and 3) Commercial. Residential Single Family and Multi-Family customers receive services to their dwellings including single-family homes, apartment complexes, mobile homes, and condominiums. Commercial customers receive services in places of business including office buildings, storefronts, and restaurants. The City’s current rate structure utilizes two criteria, Equivalent Residential Units (ERU) and flow, in assessing the cost to each customer. For the water system, ERUs are based on meter size. The purpose of this section is to identify the number of ERUs and flow associated with each customer class for use in determining revenue sufficiency/insufficiency.

The City provided detailed customer records for the period of October 2006 through May 2008 (the “analysis period”). An analysis of this information indicated that the number of accounts, ERUs, and billable flow are materially similar to those projected and utilized in the Water and Wastewater Utility System Rate and Fee Study, dated June 2006. The average number of accounts, ERUs, and billable flows by user classification for the analysis period are shown in **Tables 2-1A and 2-1B**.

**Table 2-1A**  
**Average Water Meters, ERUs, and Billable Flows**  
**Analysis Period October 2006 through September 2007**

<b>Customer Class</b>	<b>Meters</b>	<b>%</b>	<b>ERUs</b>	<b>%</b>	<b>Annual Flow <sup>(1)</sup></b>	<b>%</b>	<b>Flow/ERU/Mo.</b>
<b>Residential</b>							
Single Family	1,089	93.48	1,090	79.74	77,495	79.81	5,925
Multi-Family	4	0.34	169	12.36	10,113	10.42	4,987
Subtotal	1,093	93.82	1,259	92.10	87,608	90.23	
<b>Commercial</b>	<b>72</b>	<b>6.18</b>	<b>108</b>	<b>7.90</b>	<b>9,491</b>	<b>9.77</b>	<b>7,323</b>
<b>Total</b>	<b>1,165</b>	<b>100.00</b>	<b>1,367</b>	<b>100.00</b>	<b>97,099</b>	<b>100.00</b>	

Note: (1) 1,000 gallons

**Table 2-1B**  
**Average Water Meters, ERUs, and Billable Flows**  
**Analysis Period October 2007 through May 2008**

<b>Customer Class</b>	<b>Meters</b>	<b>%</b>	<b>ERUs</b>	<b>%</b>	<b>Annual Flow <sup>(1)</sup></b>	<b>%</b>	<b>Flow/ERU/Mo.</b>
<b>Residential</b>							
Single Family	1,093	93.42	1,094	79.74	46,815	80.24	5,349
Multi-Family	4	0.34	169	12.32	5,706	9.78	4,220
Subtotal	1,097	93.82	1,263	92.06	52,251	90.02	
<b>Commercial</b>	<b>73</b>	<b>6.24</b>	<b>109</b>	<b>7.94</b>	<b>5,823</b>	<b>9.98</b>	<b>6,678</b>
<b>Total</b>	<b>1,170</b>	<b>100.00</b>	<b>1,372</b>	<b>100.00</b>	<b>58,344</b>	<b>100.00</b>	

Note: (1) 1,000 gallons

As growth has slowed throughout the Central Florida Region, only minor customer growth is anticipated over the projection period. For the purposes of this study, growth

is anticipated to range from approximately 2.0% to 3.5% over the projection period of Fiscal Year 2009 through 2012. Projections of customer accounts, ERUs, and billable flows for the water system for Fiscal Years 2008 through 2012 are shown on **Schedule 1** at the end of this Report.

### 3.0 HISTORICAL OPERATING RESULTS

The historical revenues and expenses of the Utility for the three Fiscal Years ended September 30, 2007 are shown on **Table 3-1**. Operating results for Fiscal Years 2005 through 2007 are based on audited information contained in the City's Comprehensive Annual Financial Reports (CAFRs). The Debt Service Requirements were based on the debt service schedules as provided by the City.

**Table 3-1  
Historical Operating Results  
Fiscal Year 2005 through 2007**

	Fiscal Year		
	2005	2006	2007
Operating Revenues			
Charges for Services	\$ 582,946	\$ 798,150	\$ 803,987
Miscellaneous Charge	467	30,939	3,904
Interest Income	20,429	47,267	60,103
Total Operating Revenues	\$ 603,842	\$ 876,356	\$ 867,994
Operating Expenses			
Personnel Services	\$ 35,210	\$ 35,900	\$ 40,392
Materials, Supplies, Services, and Other	208,548	327,675	236,264
Total Operating Expenses	\$ 243,758	\$ 363,575	\$ 276,656
Operating Income (Loss)	\$ 360,084	\$ 512,781	\$ 591,338
Debt Service			
Series 1993 Bonds	\$ 100,000	\$ 99,740	\$ 99,435
Nationsbank Loan	52,915	50,314	47,700
Total Debt Service	\$ 152,915	\$ 150,054	\$ 147,135
Income (Loss) Before Transfers	\$ 207,169	\$ 362,727	\$ 444,203
Transfers			
Transfers In	\$ -	\$ -	\$ -
Transfers Out	(67,350)	(67,350)	(168,466)
Total Transfers In (Out)	\$ (67,350)	\$ (67,350)	\$ (168,466)
Net Income (Loss)	\$ 139,819	\$ 295,377	\$ 275,737

#### 4.0 RATES, FEES, AND CHARGES

The City last modified its water rate structure with the adoption of Resolution No. 06-J on September 21, 2006. The major modification to the rates included the implementation of an inclining block rate structure to promote water resource conservation. Another modification was the elimination of any flows included in the base charge. The Water and Wastewater Utility System Rate and Fee Study, dated June 2006 also included a recommendation that the City should address the effect of inflation on revenue sufficiency by annually indexing the user rates and charges effective October 1 of each fiscal year for inflation. As a result, the City passed an inflationary adjustment of approximately 3.0% for Fiscal Year 2008, with the resulting rates shown in **Table 4-1** as adopted on September 20, 2007.

The City also imposes an impact fee of \$1,240.00 per each water ERU. The impact fees are established for the purpose of reimbursing the equitable share of the capital costs relating to constructing, expanding, or equipping of excess capacity necessary to serve new users of the Utility as well as to finance capital expenditures and the payment of City indebtedness associated with the expansion of the City's water system. The obligation of payment of such fees by a new customer (or developer) arises prior to development or construction.

**Table 4-1  
Water Rates  
Fiscal Year 2008**

<b>Description</b>	<b>ERU Factor</b>	<b>Charge</b>	
<b>BASE CHARGE</b>			
Single Family			
5/8"	1.00	\$	11.41
3/4"	2.00	\$	22.82
1.0"	3.00	\$	33.31
1.5"	5.00	\$	57.06
2.0"	8.00	\$	91.30
Multi-Family <sup>(1)</sup>	1.00	\$	11.41
Commercial			
5/8"	1.00	\$	11.41
3/4"	2.00	\$	22.82
1.0"	3.00	\$	33.31
1.5"	5.00	\$	57.06
2.0"	8.00	\$	91.30
3.0"	16.00	\$	182.59
4.0"	25.00	\$	285.30
6.0"	50.00	\$	570.60
8.0"	80.00	\$	912.97
10.0"	115.00	\$	1,312.39
<b>GALLONAGE CHARGE</b>			
Block 1		\$	3.70
Block 2		\$	4.63
Block 3		\$	5.56
Block 4		\$	6.66
Block 5		\$	8.40

Note: (1) Billed per dwelling unit.

## 5.0 PROJECTED OPERATING RESULTS

### 5.1 General

Projections of the operating results of the Water Utility for the five Fiscal Years, 2008 through 2012, were based on budgetary information for the Utility, actual year-to-date results for Fiscal Year 2008 as provided by the City, discussions with City staff regarding current and future trends of the Utility, and the consultant's experience with similar operations. Since the City has owned and managed the Utility, fiscal conditions have continued to improve. City management has fully understood the importance of growth and quality services and demonstrated such through expanding capacity, cleaning and maintaining lines, and installing energy efficiency improvements.

Presented in **Schedules 2, 3, and 4** at the end of this Report, and summarized in **Table 5-1** are the financial projections for the Utility. The table includes, for example, annual projections of revenue, projected operation and maintenance expenses, debt service, other income and required payments and balances available for capital outlay and other Utility purposes. Projected revenue includes those from sales (rate revenue), interest income on the available funds, and other miscellaneous revenues derived from operations.

### 5.2 Principal Considerations and Assumptions Regarding Projected Operating Results

In the preparation of this Report, certain assumptions were made with respect to conditions, which may occur in the future. While it is believed that the assumptions are reasonable for the purpose of this Report, they are dependent upon future events and actual conditions may differ from those assumed. In addition to the projections, estimates, and studies, certain information and assumptions provided or prepared by others have been used and relied upon. While believed to be reasonable for the purpose of this Report, no further assurances with respect thereto are offered, other than for the purpose of this Report. To the extent that actual conditions differ from those assumed herein or from information or assumptions provided or prepared by others, the actual results will vary from those estimated and projected herein. Such

projections are, therefore, subject to adjustment and there are no assurances that the projections will be realized.

The principal considerations and assumptions used in projecting the net fiscal requirements and operating results shown **Schedules 3** and **4** include the following:

1. Projected revenues from the operation of the Utility have been based on rates and charges adopted by the City effective October 1, 2007, together with adjustments anticipated to occur during the projection period for inflation and revenue sufficiency. The projections include an annual inflationary adjustment to the rates of 3.0 percent (3.0%) and will apply to all user rates and charges.
2. The projected rate revenues for the Utility are based on customer growth projections ranging from 2.0% to 3.5% annually. The majority of customer growth is assumed in the residential customer class.
3. Projected operation and maintenance (O&M) expenses for Fiscal Years 2009 through 2012 have been escalated based on the estimated rate of inflation and customer growth. In addition, labor and other key budget line items including electricity and chemicals have been adjusted to account for expanded system facility and customer needs anticipated in the future. The following escalation factors were used in projected O&M expenses and other miscellaneous revenues:

Escalation Category	Escalation Reference	Fiscal Year Ending September 30,			
		2009	2010	2011	2012
Constant Factor	1	1.0000	1.0000	1.0000	1.0000
General Inflation	2	1.0275	1.0275	1.0275	1.0275
Labor Escalator	3	1.0450	1.0450	1.0450	1.0450
Customer Growth Factor	4	1.0350	1.0300	1.0250	1.0200
Customer Growth/Inflation Factor	5	1.0635	1.0583	1.0532	1.0481
Rate Revenue Factor	6	1.0250	1.0250	1.0250	1.0250
Supplies/Repairs & Maintenance	7	1.0300	1.0300	1.0300	1.0300

4. The annual debt service payments for the Series 1993 Bonds and the Nationsbank Loan are based on amortization schedules provided by the City. Additionally, the City is projecting to enter into a loan for approximately \$1,100,000 with USDA Rural Development during Fiscal Year 2009. Repayment of this loan has been projected over a 30 year period with semiannual principal and interest payments.

### 5.3 Summary of Projected Operating Results

Projections of the operating results for the Water Utility for the Fiscal Years ending September 30, 2008 through 2012 are shown in **Table 5-1** (as summarized from **Schedule 2** at the end of this Report). Such projections were prepared in accordance with the assumptions and considerations used in the projections as previously discussed.

**Table 5-1  
Operating Projections**

	Fiscal Year				
	2008	2009	2010	2011	2012
Operating Revenue					
Charges for Services	\$ 681,400	\$ 732,700	\$ 792,000	\$ 820,700	\$ 856,500
Other Operating Revenue	114,000	120,100	122,400	124,800	127,200
Total Operating Revenues	\$ 795,400	\$ 852,800	\$ 914,400	\$ 945,500	\$ 983,700
O&M Expenses	481,400	502,900	524,800	544,900	565,400
Net Revenues	\$ 314,000	\$ 349,900	\$ 389,600	\$ 400,600	\$ 418,300
Total Debt Service	145,200	180,600	217,100	213,800	211,600
Balance After Debt Service	\$ 168,800	\$ 169,300	\$ 172,500	\$ 186,800	\$ 206,700
Total Other (Revenues)/Expenses	154,500	162,100	170,700	179,800	187,500
Available for Other Uses	\$ 14,300	\$ 7,200	\$ 1,800	\$ 7,000	\$ 19,200
Proposed Rate Increase		3.00%	3.00%	3.00%	3.00%

**6.0 RATE COMPARISON**

A comparison of the cost of providing monthly water and wastewater service for a residential single-family customer with a 5/8 x 3/4-inch meter calculated under the rates of the City and other neighboring Florida utilities is provided in **Table 6-1**. The rates utilized for the utilities shown were in effect for Fiscal Year 2008, unless otherwise noted, and are exclusive of local taxes, franchise fees, surcharges for outside City service, if any, or other rate adjustments. For comparison purposes, monthly bills for all utilities were calculated on the basis of 3,000 gallons, 5,000 gallons, and 10,000 gallons per month consumption for water.

**Table 6-1  
Water User Rate Comparison**

	<b>Typical Residential Single-Family Service</b>		
	<b>Monthly Bills Based on Usage</b>		
	<b>3,000 Gallons</b>	<b>5,000 Gallons</b>	<b>10,000 Gallons</b>
<b>City of Fellsmere</b>	\$ 22.51	\$ 29.91	\$ 53.06
<b><u>Other Utilities</u></b>			
Titusville	\$ 12.27	\$ 16.31	\$ 31.46
Barefoot Bay	17.07	21.91	34.01
Melbourne	16.54	23.40	40.55
Palm Bay	18.59	24.85	45.25
West Melbourne	18.40	28.00	52.00
Indian River County	15.65	20.49	36.88
Vero Beach	13.60	18.80	31.80
Martin County	20.66	24.50	34.10
Port St. Lucie	16.93	23.45	42.95
Fort Pierce	19.00	24.50	38.25
<b>Average of Other Utilities</b>	<b>\$ 16.87</b>	<b>\$ 22.62</b>	<b>\$ 38.73</b>

## 7.0 CONCLUSIONS

Based upon the principal considerations and assumptions and the results of our studies and analyses, as summarized in this Report, which should be read in its entirety in conjunction with the following, we are of the opinion that:

1. The Utility is financially well managed and the administrative staff is capable of maintaining and expanding the Utility as scheduled, needed, and required.
2. Historical operating revenues and expenses reflect favorable results for Fiscal Years 2005 through 2007.
3. The combined Utility revenue for the Fiscal Years 2008 through 2012 under the Utility's existing rates and the application of annual rate adjustments as projected herein, are anticipated to be sufficient to: i) pay all projected expenses; ii) pay the debt service on the Series 1993 Bonds, the Nationsbank Loan, and the proposed USDA Rural Development Loan; and iii) make the projected deposits to the Renewal and Replacement Fund.
4. The existing and projected revenues and expenses are reasonable based on the Utility's historic data and current expansion program.
5. The projected growth in customers and usage appear to be reasonable for the purpose of this Report based on the Utility's historic data and the current expansion program.
6. Nothing has come to our attention, which would adversely affect the continued operating and financial condition of the Utility.

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# SCHEDULES

**SCHEDULE 1**  
**PROJECTED CUSTOMER ACCOUNTS, ERUs and GALLONAGE**  
**WATER SYSTEM**  
**TEST YEAR 2008**

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>ACCOUNTS</b>					
<b><u>Residential/Single Family</u></b>					
5/8"	1,093.00	1,136.00	1,171.00	1,206.00	1,241.00
3/4"	1.00	1.00	1.00	1.00	1.00
<b>Subtotal</b>	<b>1,094.00</b>	<b>1,137.00</b>	<b>1,172.00</b>	<b>1,207.00</b>	<b>1,242.00</b>
<b><u>Multi-Family</u></b>					
5/8"	4.00	4.00	4.00	4.00	4.00
<b>Subtotal</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
<b><u>Commercial</u></b>					
5/8"	63.00	63.00	63.00	63.00	63.00
1.0"	5.00	5.00	5.00	5.00	5.00
1.5"	3.00	4.00	4.00	4.00	4.00
2.0"	2.00	3.00	3.00	3.00	3.00
3.0"	-	-	-	-	-
<b>Subtotal</b>	<b>73.00</b>	<b>75.00</b>	<b>75.00</b>	<b>75.00</b>	<b>75.00</b>
<b>TOTAL ACCOUNTS</b>	<b>1,171.00</b>	<b>1,216.00</b>	<b>1,251.00</b>	<b>1,286.00</b>	<b>1,321.00</b>
<b>ERUs</b>					
<b><u>Residential/Single Family</u></b>					
5/8"	1,093.00	1,136.00	1,171.00	1,206.00	1,241.00
3/4"	2.00	2.00	2.00	2.00	2.00
<b>Subtotal</b>	<b>1,095.00</b>	<b>1,138.00</b>	<b>1,173.00</b>	<b>1,208.00</b>	<b>1,243.00</b>
<b><u>Multi-Family</u></b>					
5/8"	169.00	169.00	169.00	169.00	169.00
<b>Subtotal</b>	<b>169.00</b>	<b>169.00</b>	<b>169.00</b>	<b>169.00</b>	<b>169.00</b>
<b><u>Commercial</u></b>					
5/8"	63.00	63.00	63.00	63.00	63.00
1.0"	15.00	15.00	15.00	15.00	15.00
1.5"	15.00	20.00	20.00	20.00	20.00
2.0"	16.00	24.00	24.00	24.00	24.00
3.0"	-	-	-	-	-
<b>Subtotal</b>	<b>109.00</b>	<b>122.00</b>	<b>122.00</b>	<b>122.00</b>	<b>122.00</b>
<b>TOTAL ERUs</b>	<b>1,373.00</b>	<b>1,429.00</b>	<b>1,464.00</b>	<b>1,499.00</b>	<b>1,534.00</b>

**SCHEDULE 1**  
**PROJECTED CUSTOMER ACCOUNTS, ERUs and GALLONAGE**  
**WATER SYSTEM**  
**TEST YEAR 2008**

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>GALLONAGE</b>					
<b><u>Block 1</u></b>					
Single Family	54,080	56,204	60,829	61,153	61,389
Multi-Family	5,552	5,552	5,830	5,691	5,552
Commercial	3,637	4,070	4,274	4,172	4,070
<b>Subtotal</b>	<b>63,269</b>	<b>65,826</b>	<b>70,932</b>	<b>71,015</b>	<b>71,011</b>
<b><u>Block 2</u></b>					
Single Family	23,056	23,961	25,933	25,435	26,172
Multi-Family	665	665	698	665	665
Commercial	2,506	2,805	2,945	2,805	2,805
<b>Subtotal</b>	<b>26,227</b>	<b>27,431</b>	<b>29,576</b>	<b>28,905</b>	<b>29,642</b>
<b><u>Block 3</u></b>					
Single Family	7,717	8,020	8,267	8,513	8,760
Multi-Family	915	915	915	915	915
Commercial	1,152	1,290	1,290	1,290	1,290
<b>Subtotal</b>	<b>9,784</b>	<b>10,225</b>	<b>10,472</b>	<b>10,718</b>	<b>10,965</b>
<b><u>Block 4</u></b>					
Single Family	1,445	1,502	1,548	1,595	1,641
Multi-Family	1,048	1,048	1,048	1,048	1,048
Commercial	643	720	720	720	720
<b>Subtotal</b>	<b>3,136</b>	<b>3,270</b>	<b>3,316</b>	<b>3,363</b>	<b>3,409</b>
<b><u>Block 5</u></b>					
Single Family	1,445	1,502	1,548	1,595	1,641
Multi-Family	2,454	2,454	2,454	2,454	2,454
Commercial	3,556	3,980	3,980	3,980	3,980
<b>Subtotal</b>	<b>7,455</b>	<b>7,936</b>	<b>7,982</b>	<b>8,029</b>	<b>8,075</b>
<b>TOTAL ALL BLOCKS</b>	<b>109,871</b>	<b>114,688</b>	<b>122,278</b>	<b>122,030</b>	<b>123,102</b>

**SCHEDULE 2  
FISCAL REQUIREMENTS  
WATER SYSTEM  
TEST YEAR 2008  
(Rounded)**

	<u>Budget 2008</u>	<u>Adjustments</u>	<u>Adjusted Budget 2008</u>
<b>Operating &amp; Maintenance Expenses</b>			
<b><i>Personal Services</i></b>			
Regular Salaries & Wages	\$ 68,300		\$ 68,300
Other Salaries & Wages	-		-
Overtime	500		500
FICA/SS	4,800		4,800
FICA/Medicare	1,100		1,100
ICMA/Retirement	8,200		8,200
Health Insurance	12,500		12,500
Life Insurance	400		400
Dental Insurance	800		800
Vision Insurance	200		200
Health Reimbursement ACCO	2,100		2,100
Workers Compensation	3,500		3,500
Unemployment Compensation	-		-
<b>Total Personal Services</b>	<b>\$ 102,400</b>	<b>\$ -</b>	<b>\$ 102,400</b>
<b><i>Operating Expenses</i></b>			
Professional Services	\$ 50,000		\$ 50,000
Legal Water	8,000		8,000
Consultant	-		-
Medical	200		200
Auditing	10,500		10,500
Contractual Services	60,000		60,000
Contingency	68,400	(5,240)	63,200
Travel & Per Diem	500		500
Postage	8,500		8,500
Telephone	6,000		6,000
Electric	20,000		20,000
Water	500		500
Rentals & Leases	2,500		2,500
Insurance	29,700		29,700
R & M Building	2,500		2,500
R & M Equipment	25,000		25,000
R & M Vehicle	1,000		1,000
R & M Other	4,000		4,000
Legal Ads	500		500
Current Expenses/Misc.	200		200
Bank Service Charges	1,200		1,200
Court Recordings	400		400

**SCHEDULE 2  
FISCAL REQUIREMENTS  
WATER SYSTEM  
TEST YEAR 2008  
(Rounded)**

	<u>Budget 2008</u>	<u>Adjustments</u>	<u>Adjusted Budget 2008</u>
County Landfill Fee	800		800
Franchise Fee Payment	44,200	(3,300)	40,900
Office Supplies	1,000		1,000
Operating Supplies	35,000		35,000
Clothing/Uniforms	400		400
Gas/Fuel/Oil	4,000		4,000
Books, Pub ,Subs & Memberships	1,000		1,000
Depreciation Expense	88,000	(88,000)	-
Training & Education	1,500		1,500
<b>Total Operating Expenses</b>	<b>\$ 475,500</b>	<b>\$ (96,540)</b>	<b>\$ 379,000</b>
<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 577,900</b>	<b>\$ (96,540)</b>	<b>\$ 481,400</b>
<b>Non-Operating Expenses</b>			
<b>Capital Outlays</b>			
Improvements Other than Building	\$ 90,500		\$ 90,500
Capital Outlay/Equipment	-		-
CIP/Water Interconnect	-		-
<b>Total Capital Outlays</b>	<b>\$ 90,500</b>	<b>\$ -</b>	<b>\$ 90,500</b>
<b>Debt Service and Transfers</b>			
Debt Service Series 1993 Bonds	\$ 100,100		\$ 100,100
Debt Service Nationsbank Loan	45,100		45,100
Debt Service USDA Rural Development Loan	-		-
Transfers Other	-	-	-
Transfer (G&A)	122,100		122,100
Transfer to R&R	-	32,400	32,400
<b>Total Debt Service and Transfers</b>	<b>\$ 267,300</b>	<b>\$ 32,400</b>	<b>\$ 299,700</b>
<b>Total Non-Operating Expenses</b>	<b>\$ 357,800</b>	<b>\$ 32,400</b>	<b>\$ 390,200</b>
<b>Total Fiscal Requirement</b>	<b>\$ 935,700</b>	<b>\$ (64,140)</b>	<b>\$ 871,600</b>
<b>Other Revenues</b>			
Water Late Fee \$2	5,500		5,500
Water Turn Off/On Fee	9,900		9,900
Water Impact Fee (R&R)	90,500		90,500
Wastewater Impact Fee	-		-
Fire Flow Charge	22,600		22,600
Misc. Water Use/Hydrant	1,000		1,000

**SCHEDULE 2  
FISCAL REQUIREMENTS  
WATER SYSTEM  
TEST YEAR 2008  
(Rounded)**

	<u>Budget 2008</u>	<u>Adjustments</u>	<u>Adjusted Budget 2008</u>
Other Charges for Service	-		-
Interest Earnings	50,000		50,000
Other Miscellaneous Revenues	25,000		25,000
<b>Total Other Revenues</b>	<b>\$ 204,500</b>	<b>\$ -</b>	<b>\$ 204,500</b>
<b>Net Fiscal Requirements</b>	<b>\$ 731,200</b>	<b>\$ (64,140)</b>	<b>\$ 667,100</b>

**SCHEDULE 3  
PROJECTED FISCAL REQUIREMENTS  
WATER SYSTEM  
TEST YEAR 2008**

Escalation Reference	Fiscal Year Ended September 30,				
	2008	2009	2010	2011	2012
	\$ 68,300	\$ 71,400	\$ 74,600	\$ 78,000	\$ 81,500
	-	-	-	-	-
	500	500	500	500	500
	4,800	5,000	5,200	5,400	5,600
	1,100	1,100	1,100	1,100	1,100
	8,200	8,600	9,000	9,400	9,800
	12,500	13,100	13,700	14,300	14,900
	400	400	400	400	400
	800	800	800	800	800
	200	200	200	200	200
	2,100	2,200	2,300	2,400	2,500
	3,500	3,700	3,900	4,100	4,300
	\$ 102,400	\$ 107,000	\$ 111,700	\$ 116,600	\$ 121,600
	\$ 50,000	\$ 53,200	\$ 56,300	\$ 59,300	\$ 62,100
	8,000	8,500	9,000	9,500	10,000
	-	-	-	-	-
	200	200	200	200	200
	10,500	10,800	11,100	11,400	11,700
	60,000	61,700	63,400	65,100	66,900
	63,200	64,900	66,700	68,500	70,400
	500	500	500	500	500
	8,500	9,000	9,500	10,000	10,500
	6,000	6,200	6,400	6,600	6,800
	20,000	21,300	22,500	23,700	24,800
	500	500	500	500	500
	2,500	2,600	2,700	2,800	2,900

**Operating & Maintenance Expenses**

**Personal Services**

Regular Salaries & Wages

Other Salaries & Wages

Overtime

FICA/SS

FICA/Medicare

ICMA/Retirement

Health Insurance

Life Insurance

Dental Insurance

Vision Insurance

Health Reimbursement ACCO

Workers Compensation

Unemployment Compensation

**Total Personal Services**

**Operating Expenses**

Professional Services

Legal Water

Consultant

Medical

Auditing

Contractual Services

Contingency

Travel & Per Diem

Postage

Telephone

Electric

Water

Rentals & Leases



**SCHEDULE 3  
PROJECTED FISCAL REQUIREMENTS  
WATER SYSTEM  
TEST YEAR 2008**

	Escalation Reference	Fiscal Year Ended September 30,				
		2008	2009	2010	2011	
					2012	
<b>Debt Service and Transfers</b>						
Debt Service Series 1993 Bonds	Input	\$ 100,100	\$ 99,600	\$ 100,200	\$ 99,600	\$ 100,000
Debt Service Nationsbank Loan	Input	45,100	42,500	39,900	37,200	34,600
Debt Service USDA Rural Development Loan	Input	-	38,500	77,000	77,000	77,000
Transfers Other	Input	-	-	-	-	-
Transfer (G&A)	1	122,100	125,500	129,000	132,500	136,100
Transfer to R&R	1	32,400	34,100	36,600	39,600	41,000
<b>Total Debt Service and Transfers</b>		<b>\$ 299,700</b>	<b>\$ 340,200</b>	<b>\$ 382,700</b>	<b>\$ 385,900</b>	<b>\$ 388,700</b>
<b>Total Non-Operating Expenses</b>		<b>\$ 390,200</b>	<b>\$ 433,200</b>	<b>\$ 478,300</b>	<b>\$ 484,100</b>	<b>\$ 489,600</b>
<b>Total Fiscal Requirement</b>		<b>\$ 871,600</b>	<b>\$ 936,100</b>	<b>\$ 1,003,100</b>	<b>\$ 1,029,000</b>	<b>\$ 1,055,000</b>
<b>Other Revenues</b>						
Water Late Fee \$2	4	5,500	5,800	6,100	6,400	6,700
Water Turn Off/On Fee	4	9,900	10,500	11,100	11,700	12,300
Water Impact Fee (R&R)	0	90,500	90,500	90,500	90,500	90,500
Wastewater Impact Fee	1	-	-	-	-	-
Fire Flow Charge	1	22,600	27,100	27,800	28,600	29,400
Misc. Water Use/Hydrant	1	1,000	1,000	1,000	1,000	1,000
Other Charges for Service	1	-	-	-	-	-
Interest Earnings	0	50,000	50,000	50,000	50,000	50,000
Other Miscellaneous Revenues	1	25,000	25,700	26,400	27,100	27,800
<b>Total Other Revenues</b>		<b>\$ 204,500</b>	<b>\$ 210,600</b>	<b>\$ 212,900</b>	<b>\$ 215,300</b>	<b>\$ 217,700</b>
<b>Net Fiscal Requirements</b>		<b>\$ 667,100</b>	<b>\$ 725,500</b>	<b>\$ 790,200</b>	<b>\$ 813,700</b>	<b>\$ 837,300</b>

**SCHEDULE 3A  
ESCALATION FACTORS  
WATER SYSTEM  
TEST YEAR 2005/06**

Escalation Category	Escalation Reference	Fiscal Year			
		2009	2010	2011	2012
Constant Factor	0	1.0000	1.0000	1.0000	1.0000
General Inflation	1	1.0275	1.0275	1.0275	1.0275
Labor Escalator	2	1.0450	1.0450	1.0450	1.0450
Customer Growth Factor	3	1.0350	1.0300	1.0250	1.0200
Customer Growth / Inflation Factor	4	1.0635	1.0583	1.0532	1.0481
Rate Revenue Factor	5	1.0250	1.0250	1.0250	1.0250
Rate Revenue / Customer Growth	6	1.0609	1.0558	1.0506	1.0455
Supplies / Repairs & Maintenance	7	1.0300	1.0300	1.0300	1.0300

**SCHEDULE 4**  
**PROFORMA OPERATING RESULTS**  
**WATER SYSTEM**  
**Test Year FY 2008**

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Operating Revenues</b>					
Base Facility Charge	\$ 188,000	\$ 201,500	\$ 212,400	\$ 224,100	\$ 236,100
Gallorage Charge	493,400	531,200	579,600	596,600	620,400
<b>Subtotal</b>	<b>\$ 681,400</b>	<b>\$ 732,700</b>	<b>\$ 792,000</b>	<b>\$ 820,700</b>	<b>\$ 856,500</b>
<b>Other Operating Revenues</b>	<b>114,000</b>	<b>120,100</b>	<b>122,400</b>	<b>124,800</b>	<b>127,200</b>
<b>Total Operating Revenues</b>	<b>\$ 795,400</b>	<b>\$ 852,800</b>	<b>\$ 914,400</b>	<b>\$ 945,500</b>	<b>\$ 983,700</b>
<b>Total O &amp; M Expenses</b>	<b>\$ 481,400</b>	<b>\$ 502,900</b>	<b>\$ 524,800</b>	<b>\$ 544,900</b>	<b>\$ 565,400</b>
<b>Net Revenues</b>	<b>\$ 314,000</b>	<b>\$ 349,900</b>	<b>\$ 389,600</b>	<b>\$ 400,600</b>	<b>\$ 418,300</b>
<b>Debt Service</b>					
Series 1993 Bonds	\$ 100,100	\$ 99,600	\$ 100,200	\$ 99,600	\$ 100,000
Nationsbank Loan	45,100	42,500	39,900	37,200	34,600
USDA Rural Development Loan	-	38,500	77,000	77,000	77,000
<b>Total Debt Service</b>	<b>\$ 145,200</b>	<b>\$ 180,600</b>	<b>\$ 217,100</b>	<b>\$ 213,800</b>	<b>\$ 211,600</b>
<b>Balance after Debt Service</b>	<b>\$ 168,800</b>	<b>\$ 169,300</b>	<b>\$ 172,500</b>	<b>\$ 186,800</b>	<b>\$ 206,700</b>
<b>Other (Revenues) / Expenses</b>					
Impact Fees Used	\$ (90,500)	\$ (90,500)	\$ (90,500)	\$ (90,500)	\$ (90,500)
Capital From Rates	90,500	93,000	95,600	98,200	100,900
Renewal & Replacement	32,400	34,100	36,600	39,600	41,000
Transfer to Operating Reserve	-	-	-	-	-
Transfer (G&A)	122,100	125,500	129,000	132,500	136,100
<b>Total Other (Revenues) / Expenses</b>	<b>\$ 154,500</b>	<b>\$ 162,100</b>	<b>\$ 170,700</b>	<b>\$ 179,800</b>	<b>\$ 187,500</b>
<b>Available for Other Uses</b>	<b>\$ 14,300</b>	<b>\$ 7,200</b>	<b>\$ 1,800</b>	<b>\$ 7,000</b>	<b>\$ 19,200</b>
<b>Proposed Rate Increase</b>		<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Coverage - Series 1993 Bonds</b>					
Net Revenues	\$ 314,000	\$ 349,900	\$ 389,600	\$ 400,600	\$ 418,300
Debt Service - Series 1993 Bonds	\$ 100,100	\$ 99,600	\$ 100,200	\$ 99,600	\$ 100,000
<b>Calculated Coverage</b>	<b>314%</b>	<b>351%</b>	<b>389%</b>	<b>402%</b>	<b>418%</b>