



**Public Resources Management Group, Inc.**

*Utility, Rate, Financial and Management Consultants*

August 28, 2012

Ms. Judi Jankosky  
City Administrator  
City of Arcadia  
23 N. Polk Street,  
Arcadia, FL 34266

Subject: **Updated Water and Wastewater Enterprise Fund Financial Forecast**

Dear Ms. Jankosky:

Public Resources Management Group, Inc. ("PRMG") is pleased to submit this letter report on behalf of the City of Arcadia (the "City") for your review and consideration. The purpose of this letter report is to summarize our findings, conclusions and recommendations concerning a high-level update to the water and wastewater utility system (the "System" or "Utility") financial forecast previously prepared in Fiscal Year 2011 in support of the most recent Master Plan and issuance of the Florida Department of Environmental Protection (the "FDEP") State Revolving Fund (the "SRF") Loan DW140100. The financial forecast is intended to identify the sufficiency of existing water and wastewater rates to fund future or anticipated expenditures and revenues requirements for the six (6) year period encompassing the Fiscal Years 2012 through 2017 (the "Forecast Period"). It should be noted that certain information and assumptions were provided to PRMG and relied upon in the preparation of this analysis, which are disclosed in this letter report and should be read in its entirety. Based on our findings the existing rates for water and wastewater service are not anticipated to be sufficient to fund the projected expenditures and revenue requirements of the System and the following rate adjustments were identified as an outcome:

**Summary of Identified Water and Wastewater Rate Adjustments**

Fiscal Year Ending September 30,					
2012	2013	2014	2015	2016	2017
N/A	20.0%	2.0%	2.0%	5.0%	5.0%

Note: assumes rate adjustments are implemented as of October 1<sup>st</sup> (beginning) with each respective fiscal year.

The principle driver for the identified rate adjustments relate to the need for capital funding and payment of new or additional debt service associated primarily with the construction of the upgrade to the City's water treatment facility.

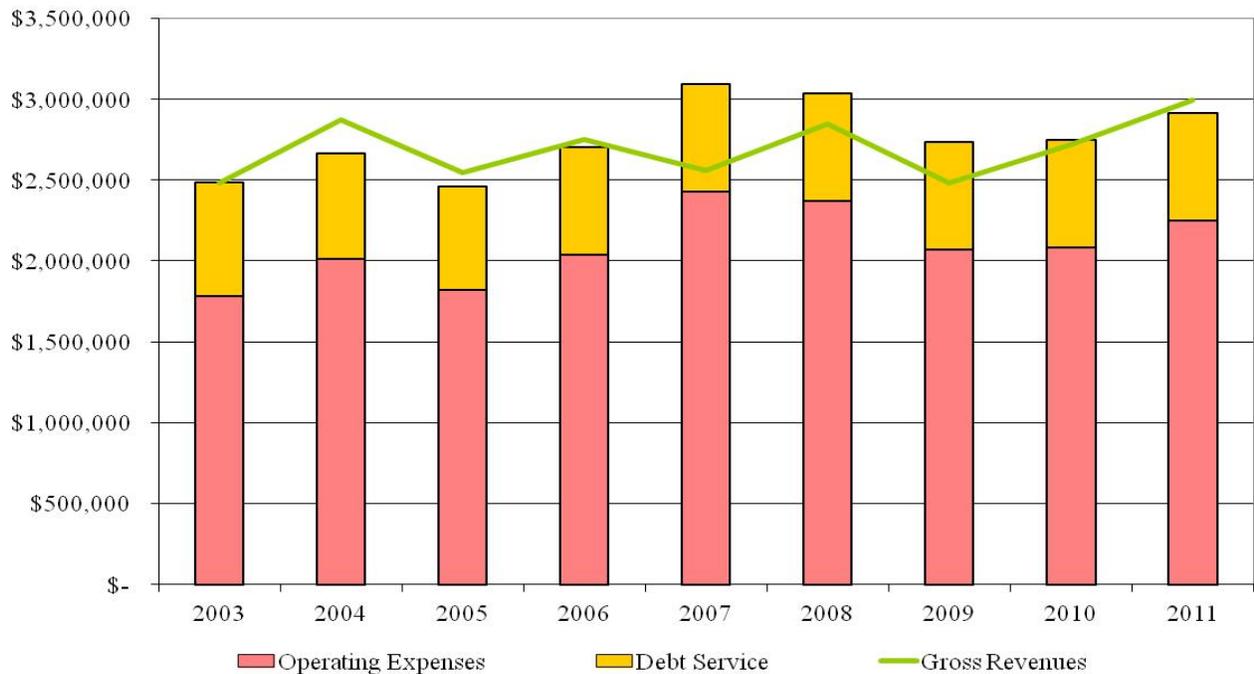
**RECENT TRENDS**

The Utility has in recent history maintained minimal or negative operating margins defined as the Gross Revenues less operating expenses and annual debt service. The operating margin does

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not reflect the total or gross revenue requirements to be funded by rates, but rather illustrates the margin of cash flows available to fund the other expenditures of the system such as: i) capital lease payments; ii) renewal and replacement capital; and iii) transfers for the maintenance of cash reserves.

### Historical Operating Margin



As reported in the Fiscal Year 2011 Comprehensive Annual Financial Report for the City, the Utility Enterprise Fund owed approximately \$950,000 to the General or pooled funds of the City. The operating deficiencies in prior years have contributed to the negative balance or amount due to the pooled funds. In order to address these issues the City has implemented approximately 40% in cumulative rate adjustments since the Fiscal Year 2010. These rate increases have had the effect of increasing revenues and providing a minor positive operating margin for the Fiscal Year 2011. The recommended and implemented rate adjustments were intended to produce greater revenues than realized, however based on discussions with City staff it is believed that the loss of industry within and around the City has had a material and negative impact on water sales.

### REVENUE SUFFICIENCY METHODOLOGY

The determination of the revenue sufficiency from rates requires the identification of the Gross Revenue Requirements of the System comprising the operating expenses, transfers to other funds (typically for future capital funding), annual debt service payments, capital lease payments,

transfers to the General Fund (if any), budgeted departmental capital outlay (e.g., equipment and vehicles) funded directly from rate revenues, other non-operating expenses and any funding reserve requirements. The Gross Revenue Requirements are then reduced by income and funds from other sources mainly comprised of other operating revenues (generated from fees or charges other than monthly user charges) and non-operating revenues such as interest income to determine the Net Revenue Requirements to be funded from the monthly or recurring user charges.

+	Cost of Operation and Maintenance
+	Debt Service Payments (Senior and Subordinate)
+	Transfers and Administration Payments
+	Capital Project Financing
+	<u>Working Capital Reserves / Financial Compliance</u>
=	Gross Revenue Requirements (Funded from All Sources)
-	<u>Less Other Operating Revenue / Interest Income</u>
=	<u>Net Revenue Requirements (Funded from Rates)</u>

This methodology for the determination of revenue sufficiency is evaluated for each fiscal year of the Forecast Period. However, the determination of revenue sufficiency also comprises an evaluation of projected financial compliance with the covenants and provisions of the Utility's outstanding Bond Resolution and Loan Agreements. Pursuant to the Bond Resolutions and SRF loan agreement, the Utility has covenanted to maintain certain financial operating margins and required transfers to maintain compliance. These covenants are referred to as the rate covenants and are as follows:

Pursuant to the Bond Resolution authorizing the issuance of the Series 2003 Bonds the Utility has covenanted "*...to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide Revenues in each year sufficient to pay...*"

- i. 100% of all Cost of Operation and Maintenance (also referred to as "Operating Expenses");
- ii. 125% of the Bond Service Requirement (i.e., bond debt service payments); and
- iii. 100% of required deposits to the Reserve Account and the Renewal and Replacement Fund.

The rate covenants pursuant to the Bond Resolution require greater net revenue margins than the rate covenant requirements of the SRF loan agreement. For purposes of this analysis, compliance with these rate covenants was calculated on a combined basis. It is assumed that in meeting the minimum requirements of the rate covenant pursuant to the Bond Resolution

recognizing all debt service payments, the Utility would maintain compliance with all outstanding loan agreements.

#### **PRINCIPLE ASSUMPTIONS:**

In updating the financial forecast, we have used and relied upon certain information and assumptions provided to us or prepared by others, including: i) information and assumptions provided by the City regarding historical financial information; ii) information contained in the City's CAFR; and iii) information provided by the City's Consulting Engineer with respect to the projected capital needs of the Utility, including any incremental operating expenses associated with the implementation of such capital programs. While we believe the assumptions are reasonable for the purpose of this analysis, we offer no further assurances with respect thereto. To the extent that actual conditions differ from those assumed herein or from information or assumptions provided to us, or prepared by others, additional analysis and revision to the financial forecast would be required. The financial projections prepared by PRMG can be found at the end of this report. The table includes annual projections of revenues, operating expenses, other revenue requirements such as necessary or required fund transfers, anticipated and existing debt service requirements and projected revenue surplus or deficiencies.

In making the projections and estimates summarized in this Report, the principal considerations and assumptions made by us and the principal information and assumptions provided to us or prepared by others, include the following:

1. The Fiscal Year 2012 Budget served as the primary baseline for the expenditure projections and represents the most recent budget as approved by the Council. The budgeted operating expenses were compared to prior Fiscal Year actual results, adjusted where necessary, and then incorporated into the Fiscal Year 2012 component of the financial forecast.
2. Due to the lack of or availability of customer billing data, the projection of existing rate revenues were determined based upon the reported revenues collected for the immediately preceding Fiscal Year 2011 and held constant for the Forecast Period. No assumed growth or decline in such revenues as a result of customer growth or changes in water demands were recognized based on discussions with City staff. It should be noted that the closing of Juvenile Detention Center (the "JDC") resulting in the elimination of industry and several hundred jobs has negatively affected utility customers and utility revenues. To the extent that the full affects from the closing of the JDC continue to erode the City's Utility revenues additional identified rate adjustments may be required.
3. Included in the financial projections are other operating revenues associated with fire hydrant rentals, meter installation charges, customer-requested services (e.g., turn-on charges, meter testing fees, extension charges, etc.), and other miscellaneous revenue (e.g., late fees). The financial projections of other operating revenue were based on: i) the

Fiscal Year 2011 reported revenue and the Fiscal Year 2012 Budget estimates and were held constant for the Forecast Period.

4. The projected Operating Expenses associated with operation and maintenance of the System were based upon the budgeted Fiscal Year 2012 operating expenses and were specifically increased for insurance expenses, Other Post Employment Benefits ("OPEB") liabilities and a 1% contingency factor based on discussions with City staff. The adjusted Fiscal Year 2012 Budget was not escalated for the Fiscal Year 2013 since it is anticipated that the City may adopt the proposed Fiscal Year 2013 Budget which currently assumes a lower projected operating expense level when compared to the current Fiscal Year 2012 estimates. With respect to the remainder of the Forecast Period beginning with the Fiscal Year 2014 the projected operating expenditures were escalated as follows:
  - a. Unless otherwise noted the forecast of operating expenses were escalated for inflation pursuant to the projected Consumer Price Index (CPI) reported by the Congressional Budget Office (the "CBO") in *The Budget and Economic Outlook: Fiscal Years 2012 to 2022* dated January 31, 2012. The projected inflation factors range from 1.5% to 2.2%.
  - b. The projected cost of personnel wages and salary expenses were escalated above the Fiscal Year 2013 for inflation to provide for cost of living adjustments. With respect to personnel benefits related to health and life insurance, such expenses were escalated 5.5% annually above the Fiscal Year 2013 based on recent historical trends and discussions with City staff.
  - c. No additional personnel additions were reflected or assumed for the Forecast Period beyond budgeted positions identified within the Fiscal Year 2012 budget.
  - d. The projection of variable costs for Utility operations, which include expenses such as electricity chemicals, and operating supplies, recognize no assumed growth in water production and wastewater treated plus an allowance for inflationary unit price increases. It was assumed that the variable costs will increase at levels greater than the estimated general inflation rate at 5% based on recent trends in the cost of utilities and chemical prices. Based on discussions with City staff, no cost increase in the cost of power and chemicals was assumed based on the implementation of the Capital Improvement Plan, since the majority of the improvements are for facility upgrades, rehabilitation, and replacement as opposed to expansion and new programs.
  - e. Although considered a Utility operating expense for financial reporting purposes, depreciation and amortization expenses have not been recognized as a component of the operating expenses consistent with the provisions of the Bond Resolution since such amounts represent non-cash expenses.

5. An annual allowance for bad debt expense has been made to recognize that a certain amount of revenues will be uncollectible and written off throughout the year. This expenditure item reflects an adjustment to the Fiscal Year 2011 Budget and was projected based on trends incurred by utilities statewide and discussions with City staff. A bad debt expense ratio of one (1%) of rate revenues was assumed in each year of the Forecast Period. Recognition of this allowance increased the projected annual operating expenses of the Utility by approximately \$37,000 on average.
6. A contingency allowance of one (1%) percent of the total operating expenses was recognized in each fiscal year of the Forecast Period. The allowance has been included in order to have additional funds to meet unknown or unplanned expenditures. For the Forecast Period, recognition of this contingency allowance increased the projected annual operating expenses of the Utility by approximately \$22,000 on average.
7. As of August 1, 2012 the City had outstanding in the principal amount of \$3,285,000 of Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003 (the "Series 2003 Bonds") issued pursuant to the Bond Resolution. The Series 2003 Bonds were issued to refund prior outstanding debt and to finance capital improvements to the Utility. Repayment of the Series 2003 Bonds is pledged from the revenues derived from Utility operations.
8. The Bond Service Requirement is projected based upon the actual debt service schedules for the Series 2003 Bonds and is presented on a "gross" basis (i.e., not net of interest earnings on any debt service related funds or accounts). Furthermore, the amounts shown are based on the monthly funding requirements (on an accrual basis) as required by the Bond Resolution as opposed to when the debt service requirements are actually paid. The Bond Service Requirement for the Series 2003 Bonds has been structured as essentially level payments of approximately \$430,000 annually for the Forecast Period. Final repayment for the Series 2003 Bonds is currently scheduled in the Fiscal Year 2020 or the Fiscal Year 2019 should the City decide to utilize the restricted cash held in the Debt Service Reserve Fund for final repayment.
9. The City has also secured a low-interest loan from the SRF Loan Program that is administered by the FDEP. The SRF Program provides low-interest loans to public utilities such as the City to help finance certain types of capital projects. Repayment of the SRF Loan (referred to as "Subordinate Indenture") is secured by the Revenues as defined in the SRF Loan Agreement for such debt, which represents the Net Revenues less payment of all Outstanding and Additional Parity Bonds (having a senior lien) issued pursuant to the Bond Resolution. It should be noted that the definition of the Pledged Revenues in the Loan Agreement mirrored the definition of revenues in the Bond Resolution. The currently outstanding SRF Loan DW140100 was initially issued to finance certain improvements to the water system associated with replacing the existing water treatment facilities for the City. Construction is still-in-progress and the loan is not yet finalized. The original loan

agreement provided for funding up to \$5,000,000 comprised of \$3,000,000 in loan funding and \$2,000,000 in grant funding. The loan agreement was subsequently amended on or about October 7, 2011 to provide additional funding for water system improvements increasing the total funding available by an additional \$2,454,619 comprised of \$1,454,619 in loan funding and \$1,000,000 in grant funding. Based on discussions with City staff and the City's Consulting Engineers it is anticipated that the City may execute a third amendment to the loan agreement for further improvements to the water system thereby increasing the total funding available by an additional \$500,000 comprised of \$250,000 in loan funding and \$250,000 in grant funding. It is anticipated that the semiannual loan payments will approximate \$161,500 (\$323,000 annually) with initial repayment beginning June 15, 2013.

10. The Fiscal Year 2011 CAFR reported an amount due to the City's general pooled funds of approximately \$950,000. The amount due back to the pooled funds was generated from financial / operational deficiencies of the Utility which occurred in prior periods. Based on discussions with City staff it was assumed the Utility Fund would make annual transfers to repay the pooled funds beginning with the Fiscal Year 2013 over a twenty (20) year period and assuming a 1% interest rate resulting in annual installments of approximately \$53,000.
11. In order to finance the water meter replacement program, the City executed a capital lease. The annual payments for the lease are \$147,364 with final repayment expected during the Fiscal Year 2017. It should be noted that final repayment in Fiscal Year represents a reduced or partial payment accrual of \$11,773 pursuant to notes to the 2011 CAFR.
12. In order to fund the replacement and improvement of the wastewater treatment facilities, the need to secure additional SRF Loans was assumed beginning in the Fiscal Year 2015. The loan assumes two (2) years of construction and capitalized interest with repayment beginning in the Fiscal Year 2017. The terms of the loan assume: i) approximate principal amount of funding of \$5,000,000 including allowances for capitalized interest and a 2% loan service fee; ii) an interest rate of 3.5%; iii) a twenty (20) year loan repayment; and iv) annual debt service payments estimated at approximately \$350,000.
13. In accordance with normal utility operations and the flow of funds as defined in the Bond Resolution that authorized the issuance of the Series 2003 Bonds, interest income has been recognized as an available revenue source to fund the annual expenditure needs of the System. Cash balances were calculated based upon the reported amounts within the 2011 CAFR and were projected based upon the assumptions and operating results of this financial forecast. Interest income was estimated based on the average balances for all cash accounts or funds anticipated to be on deposit. Projected investment income average approximately \$7,032 for the Forecast Period and assumed interest earnings rates ranging from 0.10% to 1.0%.

14. As a requirement of the Bond Resolution, the City must make annual transfers to the Renewal and Replacement Fund equivalent to one (1%) of the prior year's gross revenues. It should be noted that no transfer is required should the City accrue a balance in the fund equivalent to at least one (1%) of the reported gross fixed asset value of the Utility. Pursuant to the anticipated capital funding requirements of the system the annual transfers to the Renewal and Replacement Fund were assumed at approximately \$250,000 consistent with the budgeted transfer for the Fiscal Year 2012 and increased for the remainder of the Forecast Period to approximately \$450,000.
15. As previously mentioned the City is in process of performing certain water system capital improvements and the replacement of the existing Water Treatment Plant all funded by the approved SRF Loan DW140100. Due to the availability of information and timing associated with this analysis no funding requirements related to capital projects funded from the SRF loan DW140100 is recognized in the forecast of capital funding needs since: i) these improvements are being funded through reimbursements by the SRF loan; and ii) the full debt service for the SRF loan is assumed for the Forecast Period (including additional funding for an anticipated 3<sup>rd</sup> amendment as previously discussed). The following table identifies the forecasted capital funding needs above those contemplated and funded via the SRF Loan DW14011 and is based on assumptions and direction provided by City staff and the City's Consulting Engineer.

**Summary of Projected Capital Funding Uses and Sources [1]**

Description	Fiscal Year Ending September 30,						Total
	2012	2013	2014	2015	2016	2017	
Water Trans System R&R	\$0	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102	\$1,061,827
Wastewater System R&R	0	250,000	257,500	265,225	273,182	281,377	1,327,284
Wastewater Treatment Plant	0	0	0	424,360	4,370,908	0	4,795,268
Budgeted Dept. Capital	98,638	98,638	101,567	104,645	107,784	111,018	622,321
<b>Total</b>	<b>\$98,638</b>	<b>\$548,638</b>	<b>\$565,097</b>	<b>\$1,006,410</b>	<b>\$4,970,420</b>	<b>\$617,497</b>	<b>\$7,806,700</b>
Funding Sources:							
R&R Fund	\$0	\$450,000	\$463,500	\$477,405	\$491,727	\$506,479	\$2,389,111
Rate Revenues	98,638	98,638	101,567	104,645	107,784	111,018	622,321
FY 2015 SRF Loan	0	0	0	424,360	4,370,908	0	4,795,268
<b>Total</b>	<b>\$98,638</b>	<b>\$548,638</b>	<b>\$565,097</b>	<b>\$1,006,410</b>	<b>\$4,970,420</b>	<b>\$617,497</b>	<b>\$7,806,700</b>

[1] Derived from Table 5 at the end of this letter. Amounts shown do not reflect the total capital funding needs anticipated to be funded from SRF Loan DW140100.

As can be seen from the prior table it is anticipated that the City will be required to issue additional SRF loan on or about the Fiscal Year 2015 to finance the replacement of the existing wastewater treatment facility. Where possible, recurring funding sources were utilized to minimize the amount of future indebtedness for the renewal and replacement of the existing infrastructure.

**PROJECTED OPERATING RESULTS:**

Based upon the assumptions and information provided as discussed in this report we have prepared several tables attached to the end of this report and summarized herein presenting the projected operating results.

**Table 1 – Summary of Projected Net Revenue Requirements**

The summary of projected net revenue requirements provides a forecast of the gross revenue requirements, income and funds from other sources, net revenue requirements and the existing rate revenues, and identified rate adjustments. This table identifies the sufficiency of cash flows and funding requirements due from the existing rate revenues of the System. The following is a summary of Table 1 attached to the end of this letter.

Description	Summary of Projected Net Revenue Requirements [1]					
	Fiscal Year Ending September 30,					
	2012	2013	2014	2015	2016	2017
<b>Gross Revenues:</b>						
Charges for Service (Existing Rates)	\$2,934,340	\$2,934,340	\$2,934,340	\$2,934,340	\$2,934,340	\$2,934,340
Other Operating Revenues	93,584	93,584	93,584	93,584	93,584	93,584
Interest Income [2]	801	2,767	5,932	5,950	12,330	14,415
<b>Gross Revenues</b>	<b>\$3,028,725</b>	<b>\$3,030,692</b>	<b>\$3,033,856</b>	<b>\$3,033,874</b>	<b>\$3,040,254</b>	<b>\$3,042,339</b>
<b>Gross Revenue Requirements:</b>						
Operating Expenses	\$2,092,731	\$2,098,658	\$2,162,464	\$2,231,329	\$2,307,840	\$2,390,057
<b>Debt Service Payments:</b>						
Series 2003 Bonds	433,001	431,899	430,039	431,481	428,682	428,468
2011 SRF Loan DW140100	0	255,529	322,773	322,773	322,773	322,773
Proposed 2015 SRF Loan	0	0	0	0	0	349,314
General Fund Repayment [3]	0	52,783	52,783	52,783	52,783	52,783
Capital Lease Payments	147,364	147,364	147,364	147,364	147,364	11,773
R&R Fund Transfers [4]	250,497	450,497	450,497	450,497	450,497	450,497
Capital Funded from Rates [5]	98,638	98,638	101,597	104,645	107,784	111,018
<b>Gross Revenue Requirements</b>	<b>\$3,022,231</b>	<b>\$3,535,368</b>	<b>\$3,667,517</b>	<b>\$3,740,873</b>	<b>\$3,817,723</b>	<b>\$4,116,682</b>
<b>Net Surplus / (Deficiency)</b>	<b>\$6,495</b>	<b>(\$504,676)</b>	<b>(\$633,662)</b>	<b>(\$706,999)</b>	<b>(\$777,469)</b>	<b>(\$1,074,343)</b>
Identified Rate Adjustments	N/A	20.00%	2.00%	2.00%	5.00%	5.00%
Current Year Additional Revenues	N/A	\$586,868	\$70,424	\$71,833	\$183,173	\$192,332
Additional Rev from Prior Period Rate Adj.	N/A	0	586,868	657,292	729,125	912,298
<b>Total Additional Revenues</b>	<b>N/A</b>	<b>\$586,868</b>	<b>\$657,292</b>	<b>\$729,125</b>	<b>\$912,298</b>	<b>\$1,104,630</b>
<b>Net Available for Other Purposes [6]</b>	<b>\$6,495</b>	<b>\$82,192</b>	<b>\$23,631</b>	<b>\$22,126</b>	<b>\$134,829</b>	<b>\$30,287</b>

[1] Amounts shown derived from Table 1.

[2] Reflects unrestricted interest income on available cash balances. Excludes interest income on debt proceeds.

[3] Reflects twenty year repayment related to general fund repayment of approximately \$950,000.

[4] Reflects transfers in excess of the minimum required transfer pursuant to the Bond Resolution (at least 1% of prior year's revenues).

[5] Reflects payments made to fund minor equipment, vehicles and improvements based on budgeted amounts

[6] Any surplus amounts shown are assumed to be transferred to operating reserves to provide minimum for unrestricted cash reserves and any remaining amounts thereafter to be used to fund the capital needs of the Utility.

As can be seen from the above table the existing System rate revenues are not anticipated to be sufficient to fund the net revenue requirements of the System. The principle driver for the identified rate adjustments relate to the need for dedicated funding (R&R Fund for ongoing renewals, replacements and system upgrades) and new indebtedness for capital improvements to the System.

**Table 2 – Summary of Projected Debt Service Compliance**

As previously discussed, in determination of the sufficiency of rates, an evaluation of the projected compliance with the Bond Resolution and SRF Loan Agreement was performed. The rate covenants pursuant to the Bond Resolution require greater net revenue margins than the rate covenant requirements of the SRF loan agreement. For purposes of this analysis, compliance with these rate covenants was calculated on a combined (“All-in” debt) basis. It is assumed that in meeting the minimum requirements of the rate covenant pursuant to the Bond Resolution recognizing all debt service payments, the Utility would maintain compliance with all outstanding loan agreements.

**Summary of Projected Debt Service Compliance [1]**

Description	Fiscal Year Ending September 30,					
	2012	2013	2014	2015	2016	2017
<b>Gross Revenues:</b>						
Charges for Service (Existing Rates)	\$2,934,340	\$2,934,340	\$2,934,340	\$2,934,340	\$2,934,340	\$2,934,340
Revenue from Identified Rate Adj. [2]	0	586,868	657,292	729,125	912,298	1,104,630
Other Operating Revenues	93,584	93,584	93,584	93,584	93,584	93,584
Interest Income [3]	801	2,767	5,932	5,950	12,330	14,415
<b>Gross Revenues</b>	<b>\$3,028,725</b>	<b>\$3,617,560</b>	<b>\$3,691,148</b>	<b>\$3,762,999</b>	<b>\$3,952,552</b>	<b>\$4,146,969</b>
<b>Rate Covenants:</b>						
100% of Operating Expenses	\$2,092,731	\$2,098,658	\$2,162,464	\$2,231,329	\$2,307,840	\$2,390,057
125% of Debt Service Payments:						
Series 2003 Bonds	541,252	539,874	537,549	539,352	535,852	535,585
2011 SRF Loan DW140100	0	319,411	403,467	403,467	403,467	403,467
Proposed 2015 SRF Loan	0	0	0	0	0	436,642
<b>Required Transfers:</b>						
Reserve Account [4]	0	0	0	0	0	0
R&R Fund Transfer [5]	29,703	29,343	35,212	35,916	36,635	38,466
<b>Net Amount Above Minimum Required Compliance / (Non-Compliance)</b>	<b>\$365,040</b>	<b>\$630,273</b>	<b>\$552,457</b>	<b>\$552,935</b>	<b>\$668,759</b>	<b>\$342,752</b>

[1] Amounts shown derived from Table 2.

[2] Assumes implementation of rate adjustments as previously identified.

[3] Reflects unrestricted interest income on available cash balances. Excludes interest income on debt proceeds.

[4] Reserve Account Requirement is assumed to be fully funded and no required transfers are recognized during the Forecast Period.

[5] Reflects minimum required transfer pursuant to the Bond Resolution, equivalent to 1% of prior year's revenues.

As can be seen above, recognizing the identified rate adjustments the Utility is projected to maintain compliance with the revenue requirements of the System.

### **Table 3 – Summary of Projected Operating Expenses**

The summary of forecasted operating expenses provides a comparison of the historical and prospective operating expenses to identify trends in operating expenses. As previously discussed, the Fiscal Year 2012 operating expense budget served as the basis for the forecast and assumptions pertaining to any adjustments and escalation of future costs are addressed in prior sections of this letter. Table 3 can be found attached to the end of this report.

### **Table 4 – Summary of Projected Cash Balances**

The summary of projected cash balances provides detail concerning investment earnings, ending cash balances and projected transfers to and from the Utility enterprise related funds including: Revenue Fund, Operation and Maintenance Fund, Renewal and Replacement Fund, Debt Service Reserve Account, Project Fund and Debt Service Sinking Funds. Table 4 can be found attached to the end of this letter.

### **Table 5 – Summary of Projected Capital Improvements**

The summary of forecasted capital improvements identifies the future capital funding requirements based upon recommendations by the City's Consulting Engineer and is discussed in greater detail within prior sections of this report. It should be noted that amounts shown in Table 5 do not reflect the total Utility capital funding requirements and exclude those improvements funded from the recent SRF Loan DW140100 due to the timing of this analysis and in recognition that such improvements are fully funded through the loan reimbursements of the issued loan. Table 5 can be found attached to the end of this letter.

### **OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS:**

As previously mentioned, based on the assumption and findings of this analysis the existing rates for water and wastewater service are not anticipated to be sufficient to fund the revenue requirements of the System. The following observations and recommendations are summarized for your consideration:

1. Based on the findings of this analysis the existing rate revenues of the System are not anticipated to be sufficient to fund the net revenue requirements of the System. The primary driver for the identified rate adjustments relate to increase in debt service payments and funding for the identified capital needs of the System. Implementation of the identified rate adjustments for the Forecast Period are anticipated to produce sufficient rate revenues to maintain compliance with covenants of the Bond Resolution and SRF loan agreement and fully fund the identified capital needs and Net Revenue Requirements of the System for the Forecast Period.
2. The loss of customers associated with the closing of the JDC is estimated to have materially affected existing and future rate revenues. The City may still continue to realize negative long-term effects associated with the loss of industry to the utility and any

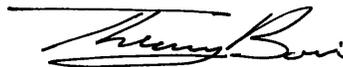
continued downward effects to the rate revenues is not recognized in this financial forecast and may require additional rate adjustments or cost reductions beyond those already recognized in this financial forecast;

3. Consider repayment of approximately \$950,000 due to the pooled funds as discussed and assumed in this financial forecast;
4. Recognizing that the Utility has a gross investment in capital and plant assets in excess of \$28.9 million (2011 CAFR), consider annual transfers to the Renewal and Replacement Fund at least equal to \$250,000 in the Fiscal Year 2012 and increasing to approximately \$450,000 on a recurring basis in order to finance the renewal and replacement of existing infrastructure needs as identified by the City staff and the Consulting Engineers;
5. Consider recommendation for implementation of the Fiscal Year 2013 identified rate adjustment of 20.0% to become effective October 1, 2012 to fund the Net Revenue Requirements of the System including increases in SRF loan payments and dedicated funding for the Renewal and Replacement Fund;
6. Consider implementation of the Florida Public Service Commission annually approved Price Index to water and wastewater rates assumed in the financial forecast for the Fiscal Years 2014 and 2015 at 2%;
7. Re-evaluate the identified rate adjustments for the Fiscal Years 2016 and 2017 to more accurately align rates to the issuance of debt associated with the design and subsequent replacement of the wastewater treatment plant; and
8. Continue to annually re-evaluate the five (5) or six (6) year financial forecast in order to identify the long-term funding requirements of the System and possibly mitigate future rate shock.

We appreciate the assistance provided by City staff to PRMG with respect to the preparation of this report. If you have any questions concerning the contents of this report, please feel free to contact us at your convenience.

Very truly yours,

**Public Resources Management Group, Inc.**



Thierry A. Boveri  
Senior Rate Consultant

Attachments

**CITY OF ARCADIA, FLORIDA**  
**UPDATED WATER AND WASTEWATER**  
**ENTERPRISE FUND FINANCIAL FORECAST**

**LIST OF TABLES**

Table No.	Description
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**Table 2**  
**City of Arcadia**  
**Water and Wastewater Financial Forecast**

**Summary of Projected Debt Service Compliance [1]**

Line No.	Description	Fiscal Year Ending September 30,					
		2012	2013	2014	2015	2016	2017
1	Gross System Revenues	\$3,028,725	\$3,617,560	\$3,691,148	\$3,762,999	\$3,952,552	\$4,146,969
2	Total Operating Expenses	2,092,731	2,098,658	2,162,464	2,231,329	2,307,840	2,390,057
3	Net Revenues	\$935,995	\$1,518,902	\$1,528,684	\$1,531,670	\$1,644,713	\$1,756,913
4	Series 2003 Bonds Debt Service	\$433,001	\$431,899	\$430,039	\$431,481	\$428,682	\$428,468
	SRF Debt Service						
5	Existing SRF	\$0	\$255,529	\$322,773	\$322,773	\$322,773	\$322,773
6	Proposed SRF	0	0	0	0	0	349,314
7	Total SRF Debt Service	\$0	\$255,529	\$322,773	\$322,773	\$322,773	\$672,087
8	Total Annual Debt Service	\$433,001	\$687,428	\$752,813	\$754,255	\$751,455	\$1,100,555
	Calculated Bond Coverage						
9	Coverage Ratio - Calculated	216%	221%	203%	203%	219%	160%
10	Coverage Ratio - Required	125%	125%	125%	125%	125%	125%
11	Net Available after Debt and Coverage	\$502,994	\$831,474	\$775,872	\$777,415	\$893,257	\$656,357
	Required Transfers:						
12	Coverage Allowance [2]	\$108,250	\$171,857	\$188,203	\$188,564	\$187,864	\$275,139
13	R&R Fund Deposit [3]	29,703	29,343	35,212	35,916	36,635	38,466
14	Reserve Account Requirement	0	0	0	0	0	0
15	Total Required Transfers	\$137,954	\$201,200	\$223,415	\$224,480	\$224,498	\$313,605
16	Debt Service Coverage Test Balance	\$ 365,040	\$ 630,273	\$ 552,457	\$ 552,935	\$ 668,759	\$ 342,752
17	Coverage Met (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes

## Footnotes:

- [1] The rate covenants pursuant to the Bond Resolution require greater net revenue margins than the rate covenant requirements of the SRF loan agreement. For purposes of this analysis, compliance with these rate covenants was calculated on a combined basis.
- [2] Reflects 25% of the annual debt service for debt service coverage.
- [3] Reflects the minimum required Renewal and Replacement Fund transfer pursuant to the Bond Resolution equivalent to 1% of prior year's gross

**Table 3**  
**City of Arcadia**  
**Water and Wastewater Financial Forecast**

Summary of Historical and Projected Operating Expenses

Line No.	Description	Fiscal Year Ended September 30, [1]			Annual Compound Growth [2]	Fiscal Year Ending September 30,						Annual Compound Growth [3]
		2009	2010	2011		2012	2013	2014	2015	2016	2017	
	Expense Summary:											
1	Salary	\$ 656,907	\$ 666,110	\$ 634,558	(1.72%)	\$ 643,150	\$ 643,150	\$ 652,797	\$ 663,895	\$ 677,173	\$ 692,070	1.48%
2	Benefits	317,012	352,154	340,704	3.67%	351,137	351,137	364,248	378,302	393,508	409,764	3.14%
3	Professional Services	84,489	73,693	152,486	34.34%	85,200	85,200	86,478	87,948	89,707	91,681	1.48%
4	Contractual Services	145,657	179,988	248,441	30.60%	178,500	178,500	181,178	184,258	187,943	192,077	1.48%
5	Travel	-	101	-	N/A	600	600	609	619	632	646	1.48%
6	Communication Services	35,974	49,451	43,059	9.41%	29,230	29,230	29,668	30,173	30,776	31,453	1.48%
7	Utility services	251,563	216,924	221,155	(6.24%)	185,700	185,700	194,985	204,734	214,971	225,720	3.98%
8	Rentals	609	2,127	-	(100.00%)	2,910	2,910	2,954	3,004	3,064	3,131	1.48%
9	Repairs & Maintenance	41,299	37,952	32,576	(11.19%)	40,500	40,500	42,525	44,651	46,884	49,228	3.98%
10	Insurance	23,453	23,002	39,245	29.36%	78,490	78,490	82,415	86,535	90,862	95,405	3.98%
11	Printing & Binding	1,393	1,455	902	(19.54%)	2,150	2,150	2,182	2,219	2,264	2,314	1.48%
12	Other Current Charges	87,710	77,982	103,246	8.50%	5,000	5,000	5,075	5,161	5,265	5,380	1.48%
13	Operating Supplies	399,429	401,898	429,403	3.68%	402,150	402,150	421,504	441,928	463,518	486,297	3.87%
14	Other Expenses	27,191	4,388	5,814	(53.76%)	37,950	37,950	38,519	39,174	39,958	40,837	1.48%
15	Contingency	-	-	-	N/A	20,720	20,779	21,411	22,092	22,850	23,664	2.69%
16	Bad Debt	-	-	-	N/A	29,343	35,212	35,916	36,635	38,466	40,390	6.60%
17	Total Expense Summary:	<u>\$ 2,072,686</u>	<u>\$ 2,087,225</u>	<u>\$ 2,251,589</u>	<u>4.23%</u>	<u>\$ 2,092,731</u>	<u>\$ 2,098,658</u>	<u>\$ 2,162,464</u>	<u>\$ 2,231,329</u>	<u>\$ 2,307,840</u>	<u>\$ 2,390,057</u>	<u>2.69%</u>

## Footnotes:

- [1] Amounts shown are derived from the reported operating expenses detailed within the Comprehensive Annual Financial Report for the City for each respective historical fiscal year shown.
- [2] Reflects the average annual rate of change for the historical period encompassing the Fiscal Years 2009 through 2011.
- [3] Reflects the average annual rate of change for the Forecast Period encompassing the Fiscal Years 2012 through 2017. It should be noted that the forecast of such expenses assumes no change for the Fiscal Year 2013.

**Table 4**  
**City of Arcadia**  
**Water and Wastewater Financial Forecast**

**Summary of Projected Cash Balances and Investment Income**

Line No.	Description	Interest Income Unrestricted (U) or Restricted (R)	Fiscal Year Ending September 30,					
			2012	2013	2014	2015	2016	2017
Summary of Projected Ending Balances:								
1	1 Revenue Fund		\$ 6,499	\$ 88,691	\$ 112,321	\$ 134,447	\$ 269,276	\$ 299,563
2	2 Revenue Fund - Customer Deposit Account		235,370	235,370	235,370	235,370	235,370	235,370
3	3 Operation and Maintenance Fund		-	-	-	-	-	-
4	4 Sinking Fund - Principal, Interest and Amortization Accounts		N/A	N/A	N/A	N/A	N/A	N/A
4	5 Sinking Fund - Reserve Account		438,520	438,520	438,520	438,520	438,520	438,520
5	6 Renewal and Replacement Fund		250,497	250,994	237,991	211,083	169,853	113,871
5	7 Subordinate Indebtedness Fund (Debt Service)		N/A	N/A	N/A	N/A	N/A	N/A
6	8 Project Fund		-	-	-	-	-	-
7	Total Projected End of Year Fund Balances		\$ 930,886	\$ 1,013,575	\$ 1,024,202	\$ 1,019,420	\$ 1,113,019	\$ 1,087,324
Revenue Fund								
8	Beginning Balance		\$ 4	\$ 6,499	\$ 88,691	\$ 112,321	\$ 134,447	\$ 269,276
9	Transfers In - Water Rate Revenues		1,721,100	2,065,320	2,106,627	2,148,759	2,256,197	2,369,007
10	Transfers In - Wastewater Rate Revenues		1,213,240	1,455,888	1,485,006	1,514,706	1,590,441	1,669,963
11	Transfers In - Other Operating Revenues		93,584	93,584	93,584	93,584	93,584	93,584
12	Transfers In - Other Funds		-	-	-	-	-	-
13	Unrestricted Interest Income		801	2,767	5,932	5,950	12,330	14,415
14	Total Funds Available		\$ 3,028,729	\$ 3,624,059	\$ 3,779,839	\$ 3,875,320	\$ 4,087,000	\$ 4,416,245
15	Transfers Out - Operating Fund		2,240,095	2,246,022	2,309,828	2,378,693	2,455,204	2,401,830
16	Transfers Out - Operating Fund Additional Transfers		-	-	-	-	-	-
17	Transfers Out - Sinking Fund - Principal / Interest Account		433,001	431,899	430,039	431,481	428,682	428,468
18	Transfers Out - Sinking Fund - Reserve Account		-	-	-	-	-	-
19	Transfers Out - Subordinate Indebtedness Fund		-	308,312	375,556	375,556	375,556	724,870
20	Transfers Out - Project Fund		-	-	-	-	-	-
21	Transfers Out - Renewal and Replacement Fund		250,497	450,497	450,497	450,497	450,497	450,497
22	Transfers Out - Capital Funded from Rates		98,638	98,638	101,597	104,645	107,784	111,018
23	Transfers Out - General Fund		-	-	-	-	-	-
24	Transfer Out - Loan Service Fee SRF Loan		-	-	-	-	-	-
25	Total Funds Transferred		\$ 3,022,231	\$ 3,535,368	\$ 3,667,517	\$ 3,740,873	\$ 3,817,723	\$ 4,116,682
26	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
27	Interest Income		3	119	503	617	2,019	2,844
28	Interest Income to Fund Revenue Requirements	(U)	3	119	503	617	2,019	2,844
29	Ending Balance		\$ 6,499	\$ 88,691	\$ 112,321	\$ 134,447	\$ 269,276	\$ 299,563
Revenue Fund - Customer Deposit Account								
30	Beginning Balance		\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370
31	Transfers In - New Customer Connections		-	-	-	-	-	-
32	Transfers In - Customer Reconnect		-	-	-	-	-	-
33	Total Funds Available		\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370
34	Transfers Out - Terminated Customer		-	-	-	-	-	-
35	Transfers Out - Overdue Bills		-	-	-	-	-	-
36	Total Funds Transferred		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Interest Rate		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
38	Interest Income		-	-	-	-	-	-
39	Interest Income to Fund Revenue Requirements	(U)	-	-	-	-	-	-
40	Ending Balance		\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370	\$ 235,370
Operation and Maintenance Fund								
41	Beginning Balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	Transfers In - Revenue Fund		2,240,095	2,246,022	2,309,828	2,378,693	2,455,204	2,401,830
43	Transfers In - Additional Transfers for Reserves		-	-	-	-	-	-
44	Total Funds Available		\$ 2,240,095	\$ 2,246,022	\$ 2,309,828	\$ 2,378,693	\$ 2,455,204	\$ 2,401,830
45	Transfers Out - Operating Expenses		2,092,731	2,098,658	2,162,464	2,231,329	2,307,840	2,390,057
46	Transfers Out - Capital Lease Payments		147,364	147,364	147,364	147,364	147,364	11,773
47	Total Funds Transferred		\$ 2,240,095	\$ 2,246,022	\$ 2,309,828	\$ 2,378,693	\$ 2,455,204	\$ 2,401,830
48	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
49	Interest Income		-	-	-	-	-	-
50	Interest Income to Fund Revenue Requirements	(U)	-	-	-	-	-	-
51	Ending Balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Table 4**  
**City of Arcadia**  
**Water and Wastewater Financial Forecast**

**Summary of Projected Cash Balances and Investment Income**

Line No.	Description	Interest Income Unrestricted (U) or Restricted (R)	Fiscal Year Ending September 30,					
			2012	2013	2014	2015	2016	2017
<b>Sinking Fund - Principal, Interest and Amortization Accounts</b>								
52	Average Balance		\$ 216,501	\$ 215,950	\$ 215,020	\$ 215,741	\$ 214,341	\$ 214,234
53	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
54	Interest Income		217	540	1,075	1,079	2,143	2,142
55	Interest Income to Fund Revenue Requirements	(U)	217	540	1,075	1,079	2,143	2,142
56	Percent Allocable to Water System		50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
57	Amount Allocable to Water System		108	270	538	539	1,072	1,071
58	Amount Allocable to Wastewater System		108	270	538	539	1,072	1,071
<b>Sinking Fund - Reserve Account</b>								
59	Beginning Balance		\$ 473,629	\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520
60	Transfers In - Additional Indebtedness (Funded from Proceeds)		-	-	-	-	-	-
61	Transfers In - Revenue Fund		-	-	-	-	-	-
62	Total Funds Available		\$ 473,629	\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520
63	Transfers Out - Revenue Fund (Debt Retirement)		35,109	-	-	-	-	-
64	Total Funds Transferred		35,109	-	-	-	-	-
65	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
66	Interest Income		456	1,096	2,193	2,193	4,385	4,385
67	Interest Income to Fund Revenue Requirements	(U)	456	1,096	2,193	2,193	4,385	4,385
68	Ending Balance		\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520	\$ 438,520
<b>Renewal and Replacement Fund</b>								
69	Beginning Balance		\$ -	\$ 250,497	\$ 250,994	\$ 237,991	\$ 211,083	\$ 169,853
70	Transfers In- Renewal and Replacement		250,497	450,497	450,497	450,497	450,497	450,497
71	Total Funds Available		\$ 250,497	\$ 700,994	\$ 701,491	\$ 688,488	\$ 661,580	\$ 620,350
72	Transfers Out		-	450,000	463,500	477,405	491,727	506,479
73	Total Funds Transferred		-	450,000	463,500	477,405	491,727	506,479
74	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
75	Interest Income		125	627	1,222	1,123	1,905	1,419
76	Interest Income to Fund Revenue Requirements	(U)	125	627	1,222	1,123	1,905	1,419
77	Ending Balance		\$ 250,497	\$ 250,994	\$ 237,991	\$ 211,083	\$ 169,853	\$ 113,871
<b>Subordinate Indebtedness Fund (Debt Service)</b>								
78	Average Balance		\$ -	\$ 154,156	\$ 187,778	\$ 187,778	\$ 187,778	\$ 362,435
79	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
80	Interest Income		-	385	939	939	1,878	3,624
81	Interest Income to Fund Revenue Requirements (U)		-	385	939	939	1,878	3,624
<b>Project Fund</b>								
82	Beginning Balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
83	Transfers In - New Indebtedness		-	-	-	424,360	4,370,908	-
84	Transfers In - Revenue Fund		-	-	-	-	-	-
85	Total Funds Available		\$ -	\$ -	\$ -	\$ 424,360	\$ 4,370,908	\$ -
86	Transfers Out - CIP		-	-	-	424,360	4,370,908	-
87	Total Funds Transferred		-	-	-	424,360	4,370,908	-
88	Interest Rate		0.10%	0.25%	0.50%	0.50%	1.00%	1.00%
89	Interest Income		-	-	-	-	-	-
90	Interest Income to Fund Revenue Requirements	(R)	-	-	-	-	-	-
91	Ending Balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Table 4**  
**City of Arcadia**  
**Water and Wastewater Financial Forecast**

**Summary of Projected Cash Balances and Investment Income**

Line No.	Description	Interest Income Unrestricted (U) or Restricted (R)	Fiscal Year Ending September 30,					
			2012	2013	2014	2015	2016	2017
<b>INTEREST INCOME</b>								
Unrestricted								
92	Water System	\$ 401	\$ 1,394	\$ 3,009	\$ 3,028	\$ 6,340	\$ 7,453	
93	Wastewater System	400	1,373	2,922	2,922	5,990	6,961	
94	Total	\$ 801	\$ 2,767	\$ 5,932	\$ 5,950	\$ 12,330	\$ 14,415	
Restricted								
95	Water System	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
96	Wastewater System	-	-	-	-	-	-	
97	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL INTEREST INCOME</b>								
98	Water System	\$ 401	\$ 1,394	\$ 3,009	\$ 3,028	\$ 6,340	\$ 7,453	
99	Wastewater System	400	1,373	2,922	2,922	5,990	6,961	
100	Total	\$ 801	\$ 2,767	\$ 5,932	\$ 5,950	\$ 12,330	\$ 14,415	

**Table 5**  
**City of Arcadia**  
**Water and Wastewater Financial Forecast**

**Summary of Projected Capital Improvements [1]**

Line No.	Description	Funding Source	Projected Fiscal Year Ending September 30,					Total	
			2012	2013	2014	2015	2016		2017
<b>CAPITAL INFLATIONARY FACTORING</b>				0.00%	3.00%	3.00%	3.00%	3.00%	
<b>CAPITAL PROJECTS - WATER SYSTEM</b>									
1	Water Transmission and Distribution System Rehabilitation/Replacement	RR	\$ -	\$ 200,000	\$ 206,000	\$ 212,180	\$ 218,545	\$ 225,102	\$ 1,061,827
2	Budgeted Departmental Capital Outlay	Rates	49,500	49,500	50,985	52,515	54,090	55,713	312,302
3	Total Water System		<u>\$ 49,500</u>	<u>\$ 249,500</u>	<u>\$ 256,985</u>	<u>\$ 264,695</u>	<u>\$ 272,635</u>	<u>\$ 280,814</u>	<u>\$ 1,374,129</u>
<b>CAPITAL PROJECTS - WASTEWATER SYSTEM</b>									
4	Wastewater Treatment Facility Improvements	D1-NE	\$ -	\$ -	\$ -	\$ 424,360	\$ 4,370,908	\$ -	\$ 4,795,268
5	Other Wastewater Facilities Improvements (Lift Stations, GIS, SCADA, etc.)	RR	-	250,000	257,500	265,225	273,182	281,377	1,327,284
6	Budgeted Departmental Capital Outlay	Rates	49,138	49,138	50,612	52,131	53,694	55,305	310,018
7	Total Wastewater System		<u>\$ 49,138</u>	<u>\$ 299,138</u>	<u>\$ 308,112</u>	<u>\$ 741,716</u>	<u>\$ 4,697,784</u>	<u>\$ 336,682</u>	<u>\$ 6,432,570</u>
8	<b>TOTAL WATER AND WASTEWATER SYSTEM</b>		<u>\$ 98,638</u>	<u>\$ 548,638</u>	<u>\$ 565,097</u>	<u>\$ 1,006,410</u>	<u>\$ 4,970,420</u>	<u>\$ 617,497</u>	<u>\$ 7,806,700</u>
<b>FUNDING SOURCES FOR CAPITAL IMPROVEMENT PROGRAM</b>									
9	Rate Revenue	Rates	\$ 98,638	\$ 98,638	\$ 101,597	\$ 104,645	\$ 107,784	\$ 111,018	\$ 622,321
10	Renewal and Replacement Fund	RR	-	450,000	463,500	477,405	491,727	506,479	2,389,111
11	Debt Issue No. 1 - 2015 SRF Loan - Non-Expansion	D1-NE	-	-	-	424,360	4,370,908	-	4,795,268
12	Total		<u>\$ 98,638</u>	<u>\$ 548,638</u>	<u>\$ 565,097</u>	<u>\$ 1,006,410</u>	<u>\$ 4,970,420</u>	<u>\$ 617,497</u>	<u>\$ 7,806,700</u>

## Footnotes:

- [1] Amounts shown reflect the capital funding requirements above those funded from the SRF Loan DW 140100. Such amounts shown are based upon guidance and information provided by City staff and the City's Consulting Engineers. Provided amounts were then escalated for inflation beginning in the Fiscal Year 2014 assuming a 3% inflation rate.