

## **SSRUS Historical Perspective February 2010**

### *Introduction*

The purpose of this paper is to provide some history of the systems that were consolidated into the South Santa Rosa Utility System and how the new entity came to be owned by the City. It is certainly possible to expand on any part of the paper. For example, the struggle by the utility and the City to maintain the right to spray effluent on the golf course is only briefly mentioned.

The same is true for the overall decision by private and public utility managers to consolidate three small wastewater plants into one. The water systems evolved and were consolidated as well. Some major assets of each system were closed down and expanded as it made sense.

One outcome of this 20 plus year history is a different rate structure for utility users in the City and outside the City. As can be shown in these pages, the reasons for the differential include:

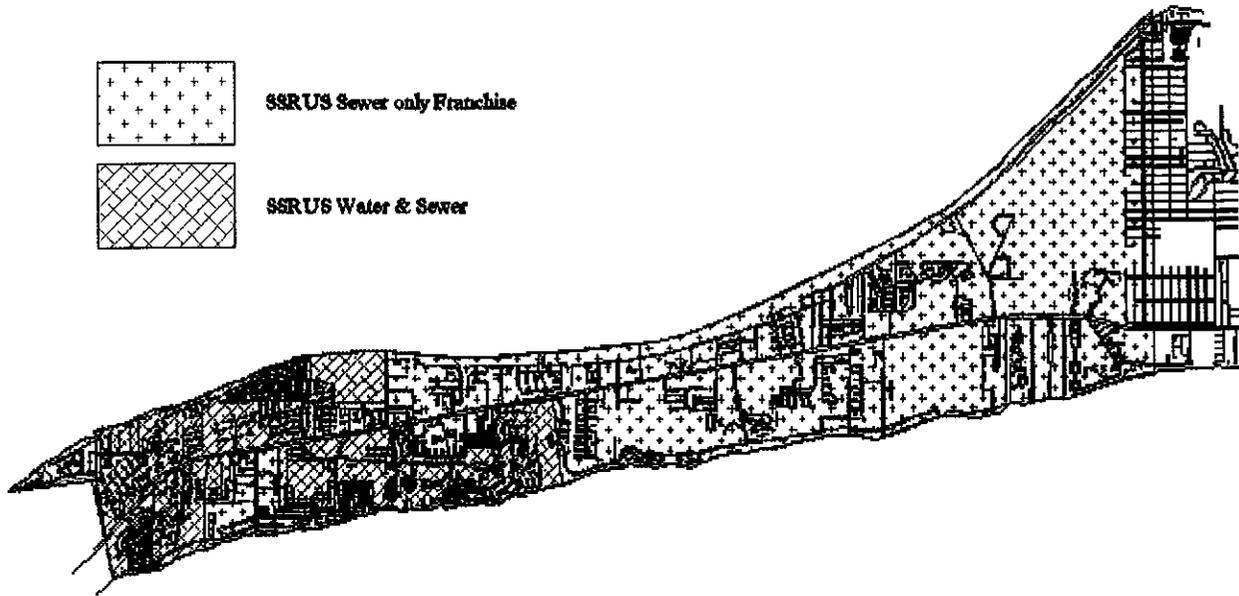
1. The difference in the physical assets of the City's water and wastewater system and the SSRU system that was acquired from private owners, and subsequently improved over the years.

We list in the report the major upgrades that were made to the SSRU system. Most of which do not benefit utility customers in the City. In the cases where benefits were derived by City utility customers, a proportionate share of the cost of that improvement was charged back to the City.

2. Certain parts of the SSRU system were taken out of service due to age or regulatory action, yet debt service remains. For example, water is purchased for the City and SSRUS from the Fairpoint Regional Utility System at the same cost. There must be a rate differential if for no other reason that the City bought SSRU wells that are no longer viable.
3. The purchase of SSRUS included purchases of a "franchise area." This potential growth area had a value to the previous owners that they were compensated for. Future growth may reduce utility costs in the future for SSRUS customers. As growth has slowed way down, the cost of the purchase of this asset must be borne by existing customers.

## Historical Perspective of South Santa Rosa Utility System

The South Santa Rosa Utility System is a utility/enterprise fund known as 403 on the City's chart of accounts. In 2010 SSRUS consists of 352 water, 3,868 water and waste water, and 1,956 wastewater only customers (5,824 total wastewater). The physical assets of the SSRUS include water distribution systems and wastewater collection and treatment facilities necessary to serve these customers as well as future customers in the SSRUS franchise area.



As with any enterprise utility system, the rates and charges established for SSRUS services are designed to cover costs. These costs include operations and maintenance of the water distribution facilities, wastewater collection and treatment facilities, capital improvements, debt service and establishment of a prudent level of cash reserves.

Today's utility operations including rates and charges for service have evolved over the more than 20 years the City has owned the SSRUS. We will attempt to explain the operational evolution as well as the basis for rates and charges in this paper.

### Origin

Water and Wastewater service was originally provided to the Peninsula, west from Holley Navarre by the following entities:

**City of Gulf Breeze:** water and sewer inside the city limits.

**Gulf Isle Utility:** water and sewer, Villa Venyce, Sand Piper and Whisper Bay areas.

**South Santa Rosa Utility Inc:** water and sewer, Santa Rosa Shores and Tiger Point.

**Midway Water:** water only, intermingled with Gulf Isle Utility franchise on west end. Main portion of franchise is from Tiger Point East to Holley by the Sea Subdivision.

**The City of Gulf Breeze**, (publicly owned) in 1985 consisted of approx. 1000 sewer customers. The City owned and operated a wastewater collection system, a WWTP capable of treating .500 MGD with effluent discharge to Santa Rosa Sound. Water distribution facilities served approx. 2100 customers with a large ground level water storage tank with necessary pumping equipment. (The City's potable water supply came from Midway Water ready for consumption by City customers with only re-chlorination as treatment.)

**Gulf Isle Utility** (privately owned) in 1985 consisted of approx. 600 customers and a small .250 mgd WWTP with Disposal to percolation ponds located on the property where the SSRUS Field Operations is currently located. The Utility utilized six (6) 2" shallow water wells located along Hwy 98 near the current Oaks elevated tank. These wells provided potable water service via a hydro-pneumatic system after pH adjustment and chlorination.

**Midway Water System** (501C3 Not for Profit Corporation, community owned) in 1985 consisted of a water only utility providing service to areas not served by Gulf Isles or SSRUS. Midway also provided wholesale water to the City via a long term 30 year contract and served as backup supply to both Gulf Isle and SSRU Utilities.

**South Santa Rosa Utilities, Inc.** (privately owned) in 1985 consisted of approx. 2000 wastewater customers and a WWTP capable of treating .600 mgd. The sewer system also included lift stations, gravity and force mains to collect wastewater. The Water system served approx. 2000 customers and was located on the West Golf Course with 4 (4) four inch 140'-220' water wells, treatment systems for potable water and an elevated water tank located at the WWTP known as the "Golf Ball". This tank was dismantled in 1993, as a new tank had been constructed on Hwy 98 in 1987 at The Oaks Subdivision. SSRU, Inc also owned an office and utility billing systems.

Each Utility commenced operations as areas began to be developed along the peninsula in the early 60's. The typical wastewater treatment methods were known as Imhoff tanks. (aka giant septic tank). In the late 60's the Utility's expanded/improved their WWTP's to activated sludge (an aerobic process) initially using the extended air process and later moving to contact stabilization as the wastewater flow increased over the years due to population growth.

In the mid 80's each of the (3) WWTP's located on the Peninsula were reaching the end of their useful life, and increased levels of environmental regulation meant that significant plant upgrades were needed at each small WWTP to comply with the more stringent regulations promulgated by the Florida Department of Environmental Regulation. This included higher levels of treatment for Nitrogen, Phosphorus, and

Turbidity, which would require larger and more complex Treatment Plants, increased staffing, a requirement to provide for surplus capacity for growth, and make a profit. It is safe to assume that each utility was short of the number of customers necessary to keep rates about the same and pay the costs of the coming upgrades. Each Utility was maintaining its own operations including permitting, staffing, billing, repairs, etc.

SSRU Inc. purchased Gulf Isle Utility (GIU) in 1985 and consolidated operations by shutting down the GIU shallow water wells and WWTP. The GIU WWTP was no longer a viable operation in that the percolation ponds were located in an area known for a high water table and therefore the functionality of the ponds was often in question.

SSRU Inc. obtained a new DEP WWTP permit to construct a new 2.0 mgd WWTP (1.3mgd disposal via land application) in 1987.

They also constructed a new 150,000 gallon elevated tank located at The Oaks Subdivision to serve the combined water systems.

The City's compartmentalized WWTP tank was constructed in 1968 with a capacity of .500 mgd with contact stabilization as the operation process. In 1986 the aeration was upgraded to provide better dissolved oxygen levels and an additional blower was installed to provide redundancy. The City also undertook significant efforts to reduce Infiltration in the sewer system by inspection and correction of problems mainly on Bear Dr. and a section of pipe between Washington and Camelia streets. These repairs and improvements provided the time necessary for the City to evaluate the options available for the long term wastewater needs of the City.

Similar to SSRU and GIU, the City was also facing the prospect of costly upgrades of its wastewater treatment facility to comply with FDEP regulations. There was also pressure from FDEP to eliminate the City's surface water discharge. In addition, the distribution of the cost to upgrade and operate the City's wastewater facilities over a customer base that was likely to remain stable would have caused service rates to increase manifold.

The Department of Community Affairs also played a role in the shaping the way that the Peninsula would be developed as they were considering imposing a ban on development in the south end of Santa Rosa County until a plan was in place (or facilities in place and operable) to insure potable water and wastewater service was available to areas east of Gulf Breeze.

Area leaders from inside and outside the City limits requested the City to help or sponsor construction of needed utility services for the area. When the idea of the City sponsoring what eventually became the SSRUS became public knowledge, the citizens of Gulf Breeze protested and did not favor the proposal. They did not want to pay for or be responsible for utilities outside the City limits.

It was pointed out that there would be a mutual synergy in that the Tiger Point WWTP needed additional influent flow for operation and revenue, and the City needed the treatment capacity and was willing to pay a fair cost for plant utilization.

Over the course of 1988-1990, the City decided to purchase South Santa Rosa Utilities, Inc. From an operational and long-term planning perspective, there were several factors that guided the decision of the City Council.

1. The City was already in the business of providing utility service outside its corporate limits through Gulf Breeze Natural Gas.
2. The current owners of SSRU were not interested in partnering with the City to combining the WWTP(S). They would only consider a complete purchase of all utility assets.
3. Closure of the City's wastewater treatment plant and diversion of City wastewater to the new Upgraded Tiger Point facility enabled wastewater to be provided from one central facility with a better economy of scale.
4. The City desired to remove the effluent discharge from Santa Rosa Sound.
5. The FDEP desired to remove the effluent discharge from Santa Rosa Sound.
6. The EPA desired to remove the effluent discharge from Santa Rosa Sound.
7. The profit motive was removed from utility operations.
8. Unified management of utility expansion by the City was encouraged by Santa Rosa County in order to meet the growth needs of the region in an orderly fashion. (City/SSRU was granted a franchise by the County to be the exclusive provider of water and wastewater services in certain areas of South Santa Rosa County.)
9. A separate financing mechanism would be used for the acquisition of the utility systems outside the City's corporate limits. An independent board would be established to oversee utility staff, operation and financing.
10. The City Council assured the citizens that the acquired utility would stand alone be responsible for all capital costs (bonds) and be sufficient in generating operating and maintenance costs.

### **Evolution**

The City closed its wastewater treatment plant in March 1992 and diverted its wastewater flow of approximately .350-.420 mgd of wastewater per day to the new SSRU WWTP (Tiger Point). Anticipated economies of scale were achieved as the staffing of the City and SSRU plant were merged. The City transferred funds to account 403 to cover the proportion of the treatment plant costs represented by the proportion of flow. In addition the City paid for the cost of a force main to transfer wastewater to the SSRU system.

In 1993 potential saltwater intrusion issues were recognized in SSRU wells by utility staff and the Northwest Florida Water Management District. A decision was made to shutdown the water wells and water treatment facilities owned by SSRU by switching SSRUS to Midway for water supply and transfer City customers to water provided by Escambia County Utility Authority (ECUA). ECUA was in the process of designing/installing a water line to serve Pensacola Beach and both the City and SSRUS participated in the upsizing of the water line crossing Pensacola Bay in order to serve the future water needs of both entities.

In 1994 the City refinanced at a lower rate, the original bonds that were used to finance the purchase of SSRU. A better financial position was achieved for the utility by eliminating subordinate debt requirements and providing added cash for extension of a 5.5 mile wastewater force main to the east. This action enabled SSRU to retain sewer franchise rights over that portion that was not currently served.

Water rates for 403 customers were recalculated to include the purchase cost per thousand gallons of water provided by Midway. This was added to water debt service costs for original acquisition of the now scrapped water facilities, operational costs for the distribution system, capital improvement needs and cash reserves.

Wastewater rates for 403 customers now consisted of cost of operations for the collection system, cost of operations for the wastewater plant (less the proportion paid by the City), cost of the debt for acquisition of the WWTP and collection systems (less the proportion of the WWTP debt paid by the City), funding of capital improvements and cash reserves.

Attached to this report is a compilation of utility rates paid by SSRU and the City customers over the years. The rates for each were developed to cover costs in each fund.

From 1997 to 2002 several upgrades of SSRUS infrastructure were undertaken.

- 1.74 million gallon water storage and booster pumping facility located in Villa Venyce.
- A Field Operations Building was also constructed on the same site.
- 5.5 miles of force main was installed to serve the East end of the Sewer Franchise.
- The WWTP was upgraded to Advanced Waste Treatment capability
- Approx. 8 miles of new Reclaim Water Main were constructed to convey effluent from the WWTP to new spray fields located near the ZOO.
- 4 parcels of land were purchased and developed for uplands effluent distribution
- The effluent disposal capacity of the WWTP was increased.

In each case, a proportionate share of the new debt was assigned to the City consistent with the benefit realized by the City of the new facilities. Rates were established for fund 401 and 403 to cover costs.

Rapid growth in the SSRUS area resulted in payment of significant impact fees to the 403 fund. These were used for capital upgrades of the systems, debt service and to establish a cash reserve.

The refinancing of the debt and financing of new debt for improvements and upgrades of SSRUS was done with the full backing and guarantee of the City. As a result, better long term interest rates were realized.

The costs of debt, operation and capital improvement for the 401 and 403 funds were sequestered, allocated, and assigned on a proportionate basis. Each year the SSRUS Board evaluates costs and rates and recommends any changes necessary to sustain SSRUS operations, debt service, capital improvements and reserves. Customer rates recommended by the Board are ultimately approved by the City Council.

### **The KPMG Report**

The City Council authorized the hiring of the consulting firm KPMG Peat Marwick LLP in September 1997 after questions were raised about the allocation of costs to the 403 fund. The firm was to accomplish three (3) tasks:

1. Analyze the sufficiency of the current rate structures in covering current costs.
2. Properly allocate costs of the two utility funds between City and non-City users SSRUS.
3. Examine the current rate structures and comment on the policy implications of each.

After the Report was submitted to the City, a number of workshops were held by KPMG with members of the Council, SSRUS Board members, Staff, and concerned utility customers.

The recommendations and implemented decisions from the workshops provided the following changes to the allocation criteria:

#### City Fund 401

City continues to pay % share of WWTP costs based on usage.  
City continues contribution to % of WWTP R&E based on usage.  
City continues to transfer 80% of sewer tap fees to SSRUS  
City Debt Service for Original Construction \$77,072 - annually  
**City Debt Service for Original Acquisition \$85,301 - annually**  
**City Debt Service for Reuse Expansion \$21,685 - annually**

The outcome of the workshops provided two (2) new revenue allocations for implementation into the 1999 SSRUS Budget from the City's 401 fund. Staff also changed the budget presentation to better illustrate the allocations between the 401 and 403 funds.

The new allocation for Original Acquisition was implemented to reflect the value gained by City customers through the purchase of an existing WWTP with surplus capacity. (basically a "connection" fee). The discussion did not include a termination date for the new allocation; however if the City paid this fee for the same period of time as existed for the original bonds, (20 years), this fee would be retired in 2018. The total payment after 20 years would be \$1,706,020 or approx. \$1,499 for each of the 1,138 existing City sewer customers in March 1992 who connected to the WWTP. Additionally, the sewer tap on fee for both utilities was \$1,500 at the time of the 1989 purchase.

The City has paid these amounts over the years through rates independently established by the City Council following a review of City revenues from all water and sewer sources, cash revenues and capital improvement requirements.

The allocation for Reuse Expansion (\$21,685) represents the City's share of costs associated with the reduction in Golf Course Capacity from 1.1 mgd to .850 mgd in 1998 and also a nominal amount (\$5,000 annually) that the City would contribute to expand/improve the reclaim system. A review of the Reuse Expansion Debt Service Schedule indicates that the City needs to increase its payment by (\$722.14) to (\$22,407.14) for F/Y2010 due to increases in the schedule of payments.

Since the Utility was required to expand its own reclaim disposal capacity, a portion of this debt was assigned to existing customers and allocated between funds 401 and 403. The Golf Course's disposal amount was subsequently increased to 1.3mgd effective with the DEP Permit issued in 2007 and due for renewal in 2012.

It is our understanding that the Reuse Expansion Debt Service for F/Y 2010 of \$17,407.14 plus \$5,000 annually will run concurrent with the \$5.5 million dollar loan currently financed with Coastal Bank and Trust. This loan is projected to retire on 11/1/20.

During the life of most utility systems, long term financing is typically undertaken when the cost of a project is too great to pay from cash on hand. In addition, the benefits or use of a new project, or facility will be realized for a 20 or 30 year period. The beneficiaries of the utility services financed, therefore, also are the ones who pay for it.

There may be other projects that warrant long term financing for SSRUS operations. Whenever such a financing is undertaken, a proportionate share of the debt will be allocated to the 403 (SSRUS) and to the 401 (City) funds.

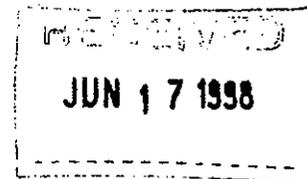
### **2002 Burton and Associates Rate Study**

In 2002 the SSRUS Board desired to have an independent firm review the Utility's water and sewer rates including a revenue sufficiency analysis, and provide a report for consideration by the Board. The selected firm, Burton and Assoc. met with staff and the Board and provided their report in April 2002 which detailed different rate increase scenarios in conjunction with rate structure recommendations.

The Board endorsed some of the findings from the report and implemented a rate increase to begin positioning the utility to better recoup its operational costs. Soon after, a discussion began within the Board about the proper utilization of tap fees and whether it was appropriate to increase customer's water and sewer rates when the utility had significant cash reserves. This discussion kept the Board in grid lock for quite some time.

# **CITY OF GULF BREEZE, FLORIDA**

## **UTILITY COST ALLOCATION STUDY Executive Summary**



**June 1998**

**KPMG** Peat Marwick LLP

## Background

The City of Gulf Breeze, up until 1989, operated a water and sewer utility operation for the use and benefit of city residents. In 1989, The City purchased the South Santa Rosa Utility System (Santa Rosa County Utilities, Inc.), the service area of which consists of unincorporated land to the east of the City. The reasons given for the City acquiring SSRUS were to 1) achieve economies of scale in operating the Tiger Point WWTF, 2) to eliminate regular effluent discharge to Santa Rosa Sound, 3) to avoid constructing a replacement City WWTF, and 4) to put control of the Utility in customer hands. At the time of acquisition, the City initiated construction projects which would benefit both customers within the City limits, and within the unincorporated areas. These projects included construction of a Force Main from the City limits to the Tiger Point WWTF, construction of a Master Lift Station, Golf Course Drainage improvements, and various engineering studies related to future System projects. At the time of purchase, and subsequently when debt service expenditures were incurred on the construction projects, an allocation methodology was developed to assign costs based on assumed present and future benefit derived from the projects, to both City customers and South Santa Rosa customers. These costs were generally assigned to usage rates for present System customers, and impact fees for future customers.

Bonds were issued in 1989 to both fund the projects outlined above, and to pay off the System owners at the time of acquisition. Debt service on the acquisition of SSRUS was allocated entirely to SSR customers, while the debt service on the construction projects was allocated as follows: Force Main related projects, City 50%, SSR 50%; Master Lift Station related projects, 100% City; Golf Course related projects, 100% SSR. The "City Share" of the original \$1,490,000 of construction project cost was \$755,000, or approximately 50%.

The City engaged KPMG to accomplish three tasks, per the engagement letter dated September 18, 1997:

1. Analyze the sufficiency of the current rate structures in covering current costs.
2. Properly allocate costs of the two utility funds between City and non-City users (SSR).

3. Examine the current rate structures and comment on the policy implications of each.

The field work was completed, and a slide presentation was given to the South Santa Rosa Utilities System Board on our findings and recommendations. This report is a narrative format of that presentation. In addition, the indirect cost allocation plan is a separate, stand-alone document which presents the results of our analysis of the City-wide administrative costs of services provided to all City departments, including the utility operations.

## **Basis of Study**

### **Current revenues, current costs**

One of the primary focuses of this cost allocation study was the allocation of actual FY 97 system costs, and the comparison of these to actual FY 97 revenues. Before the project was initiated, and during the course of the analysis, several potential, opportunity, and future costs were brought up in discussion. For example, it was pointed out that perhaps the City paid an inordinately high price for the acquisition of SSR, or perhaps the force main to the Tiger Point WWTF was too large, and too costly. It is not in the scope of this study to analyze what the costs **should be**, but rather what the costs **are**. Rates that are charged to system users are not reflective of potential costs, or prescribed costs, but **actual** costs. For that reason, and because the financials are reflective of actual costs, the basis for cost allocation in this analysis is actual FY 97 cash costs per the year end expenditure journals.

### **Allocation of costs between City and SSR customers**

The direct system costs are identified in the two utility funds, and the indirect administrative costs are identified through the central service cost allocation plan. Together, they constitute the total system costs. The central task of this analysis was to identify and properly allocate costs between the two utility systems, so that these costs could be properly recovered through the rates charged to both City and SSR customers, if so desired.

In order to accomplish this, a detailed analysis of line item expenditures at the transaction level was accomplished:

- Interviews were conducted with system managers to determine the use and benefit of various expenditures within the two utility funds (one City, one SSR) on the City's books.
- These expenditures were then tabulated by system: City and SSR.
- Credit was given for expenditures that were split out between the two funds when the expenditures were recorded.
- The net costs remaining to be allocated or transferred are detailed below, and should properly be recovered through rate adjustments. A policy decision needs to be made as whether the costs should be recovered from **present** or **future** customers.

#### **Policy implications of current rate structure**

With only \$20,200 of current system revenue being accounted for as "impact fees", it is obvious that either a) impact fee revenue is being recorded as something else or b) customers are not hooking up to the system in the numbers anticipated when the allocation of debt service between future and existing customers was made back in 1989.

There are several other issues relative to cost recovery and rate setting which we pointed out in our presentation to the Board, and which are discussed in a later section.

#### **Central Tenets of Study**

The following are central tenets of this study:

**Costs should be allocated based on current system use, regardless of intent**

At the time of SSR system acquisition, there were certain assumptions made regarding who would benefit from the construction projects that were initiated at that time. These

assumptions and policy decisions affected, for example, the size of the force main that was constructed from the City limits to the Tiger Point WWTF. KPMG, in keeping with the central tenet of allocating **current** costs based upon **current** use of the system, gathered **current** statistics relating to flow (use), and allocated costs (including debt service on past construction projects) accordingly. These actual statistics may be different from the projected statistics that were used to make policy decisions regarding the acquisition of the SSR system, or resultant construction projects.

#### **Costs used are audited FY 97 costs**

These costs are actual, and not potential or opportunity. In keeping with our objective of analyzing **current** costs, we used Reports GM259L and GM267L , FY 97 year to date as the basis of our cost allocation. As discussed above, there were several "potential" or "opportunity" costs attendant to the acquisition of SSR by the City, as well as construction projects that were initiated afterwards. These costs are were not the basis of our analysis, even though they may be of extreme interest to the customers of the respective utility systems. They are not **actual** cash costs, and thus not borne, or recovered through rates charged to users of the system.

#### **Allocated costs will be "poured" into existing rate structure "mold"**

If, for example, the costs for the City increase by 10% after the allocation is made, then the rates for the City should be increased 10% to pass on the increased costs to the users of the service.

#### **System Costs**

#### **Separate Costs**

- City system. At present, the City's utility costs are accounted for in Fund 401, Water and Sewer Fund.
- SSRU system. At present, the SSR utility costs are accounted for in Fund 403, South Santa Rosa Utility Fund.

#### **Common costs are allocated based on best available flow statistics**

In lieu of meters in strategic locations to properly measure flow, KPMG relied upon estimates provided by the SSR utility system. These statistics estimated flow out of the City at the Food World supermarket, and at the Tiger Point WWTF. Also, flow was estimated at the Gulf Isles Lift Station where the following subdivisions' flow enters the main: Whisper Bay, Sandpiper Village, Settlers Colony, Blue Heron Cove, Grand Pointe, and Villa Venyce.

Force Main, city limits to Tiger Point WWTF; the allocation statistics used here were: 430,000 gallons per day, traveling 7 miles.

Gulf Isles Lift Station to Tiger Point WWTF; the allocation statistics used here were: 184,267 gallons per day, traveling 2.75 miles.

Using the above statistics to "weigh" the flow into Tiger Point, the City "uses" 85.6% of the Force Main, while the SSR subdivisions at Gulf Isles "use" 14.4% of the Force Main.

Adding the additional estimated 600,000 gallons per day that goes into the Tiger Point WWTF from SSR customers, the breakout of use of the Tiger Point Facility is 35% City, and 65% SSR.

### **Common System Costs**

#### **Most costs are accounted for separately**

On the whole, costs for the City system and costs for SSR are accounted for separately, in the two utility funds. In many cases, expenditures are split between the two systems at the point when the check is actually cut. There is minimal "cross over" costs, and the accounting appears to be relatively clean.

An exception to this is the Citywide indirect costs, which by definition and necessity are accounted for in the City's General Fund. These are costs which benefit all City departments, and which have been allocated to departments, including the City and SSR utility funds, based on an objective allocation statistic such as square footage occupied, number of employees etc.

#### **Treatment Plant costs and Force Main costs, accounted for in both funds**

At present, there are costs for the Tiger Point WWTF and the Force Main to Tiger Point found in both funds. Most of the costs of these two are found in the SSR fund

There are no SSR costs in City funds other than allocated costs - that is, the only SSR costs in the City funds have been transferred or direct charged to reflect the City's "share" of Tiger Point or Force Main costs.

**Costs to be Allocated  
FY 97**

**Operating costs** - allocated using existing fixed and variable assumptions. The last rate review that was accomplished made assumptions concerning the delineation of fixed vs variable costs. Operating costs that were allocated in FY 97 used those same assumptions.

**Treatment Plant and Force Main** - allocated using activity report and vouchers. The costs for the Tiger Point WWTF and the Force Main are located mostly in the SSR funds. KPMG used transaction journals and copies of vouchers to identify these costs, and then allocated them to both City and SSR funds based on system utilization statistics.

**Debt service (principal/interest)** - allocated using original use of proceeds to assets. The original bond issue was refinanced in 1994. FY 97 financials reflect debt service expenditures on the 1994 refinancing of the 1989 issue, as well as the 1996 loan pool

The original issue (1989) was used as follows for the following means:

Acquisition of SSRUS 84.78%

Construction projects 15.22%

The acquisition of SSRUS (84.78% of total) is broken down as follows:

Tiger Point WWTF 19.46%

Other SSR 65.32%

The construction projects (15.22% of total) funded by the initial debt issue are as follows:

Force Main 9.91%

Other SSR 5.31%

Total allocation of 1989/1994 series bond debt service then is as follows:

Tiger Point WWTF 19.46% (City 35%, SSR 65%)

Force Main 9.91% (City 85.6%, SSR 14.4%)

Other 70.63% (SSR 100%)

1996 Loan Pool proceeds were used as follows:

Tiger Point WWTF 73.25% (City 35%, SSR 65%)

Other 26.75% (SSR 100%)

As such, debt service expenditures have been allocated accordingly.

#### **Cost of asset allocated based on flow statistics**

In keeping with the central tenet of allocating cost based on system use, the cost of each asset has been allocated based on the best available measure of asset use - in this case, flow statistics. These statistics were provided to KPMG by the SSR system manager. They are based on the best available flow statistics available.

**Indirect costs** - allocated based on relevant operating statistics to both SSR and City. These costs are central service administrative costs (City Manager, Finance etc.) that have been allocated to direct service "user" departments of the City (Police, Recreation etc.) on the citywide indirect cost allocation plan. For each central service cost function (payroll, personnel, building maintenance etc.), an appropriate allocation statistic

(number of paychecks issued, amount of square footage occupied etc.) has been developed to fairly and reasonably allocate those costs to departments who use their services. These costs (\$245,140) have been allocated to both the City and SSR utility funds, to reflect the cost of services provided to these operations.

### **Total System Costs**

Total City System costs = Fund 401 +/- adjustments - old indirect costs + new indirect costs. The City utility fund include a reimbursement to the General Fund for indirect costs per the last indirect costs allocation plan that was prepared. These costs were deleted, and the new costs were factored in.

Total SSR System costs = Fund 403 +/- adjustments - old indirect costs + new indirect costs. The SSR utility fund include a reimbursement to the General Fund for indirect costs per the last indirect costs allocation plan that was prepared. These costs were deleted, and the new costs were factored in.

**Treatment Plant Cost Allocation** All costs relating to the Tiger point WWTF were allocated based on the best available use statistics. Converting these flow statistics into percentages yields: 35 % for the City, and the remaining 65% to SSR.

### **19.46% of Proceeds of 1994 Series Bonds**

The 1994 Series Bonds refunded the 1989 Series Bonds, which provided for the acquisition of the SSR system, and the construction of a force main and master lift station. Since 19.46% of the proceeds of the 1989 bonds relate to the Tiger Point WWTF, a like percentage was applied to the debt service expenditures of the 1994 Bond issue. These debt service expenditures attributable to Tiger Point were then allocated based on the scenario described above, with 35% allocated to the City, and 65% allocated to SSR.

### **73.25% of Proceeds of 1996 Loan Pool**

The proceeds of the 1996 Loan Pool were used for projects relating to the Tiger Point WWTF as well as other projects

benefiting SSR, with 73.25% of the cost of the projects relating to the Tiger Point WWTF. These debt service expenditures attributable to Tiger Point were then allocated based on the scenario described above, with 35% allocated to the City, and 65% allocated to SSR.

### **Actual Operating & Maintenance Costs in SSR Fund**

As mentioned above, Tiger Point WWTF costs are located in the SSR utility funds, except for costs that are transferred or direct billed to the City Utility funds. An examination of vouchers and transactions resulted in the allocation of expenses between the City and SSR, and the amount of \$227,126 which are City costs currently being paid for out of the SSR funds.

### **Credits for Operating Costs Previously Billed to City**

After the Tiger Point WWTF costs were allocated to the City, credit was given for those expenses that were already charged to city funds through transfer or direct billing. These costs amounted to \$177,050

### **Remaining Costs Allocated Based on Flow**

- City 35%,
- SSR 65%

As detailed above, the best available flow statistics, weighted by mileage, yields 35% of the cost that should be allocated to the City, and 65% that should be allocated to SSR. The remaining costs amounted to \$50,076, and were allocated 35%, or \$17,527 to the City, and 65%, or \$32,549 to SSR.

### **Force Main Calculation**

#### **9.91% of Proceeds of 1994 Series Bonds**

The 1994 Series Bonds refunded the 1989 Series Bonds, which provided for the acquisition of the SSR system, and the construction of a force main and master lift station. Since 9.91% of the proceeds of the 1989 bonds relate to the Force Main, a like percentage was applied to the debt service

expenditures of the 1994 Bond issue. These debt service expenditures attributable to the Force Main were then allocated based on flow statistics weighted by mileage, with 85.6% allocated to the City, and 14.4% allocated to SSR

**Actual Operating & Maintenance Costs in SSR Fund**

As mentioned above, Force Main costs are located in the SSR utility funds, except for costs that are transferred or direct billed to the City Utility funds. An examination of vouchers and transactions resulted in the allocation of expenses between the City and SSR, and the amount of \$6,163 which are City costs currently being paid for out of the SSR funds.

**Costs Allocated Based on Flow**

- City 85.6%,
- SSR 14.4%

As detailed above, the best available flow statistics, weighted by mileage, yields 85.6% of the cost that should be allocated to the City, and 14.4% that should be allocated to SSR. The costs amounted to \$6,163, and were allocated 85.6%, or \$5,276 to the City, and 14.4%, or \$887 to SSR.

**Costs Incurred by SSRU for City Use**

	Total	Credit	Net
Debt Service	\$232,812	(\$12,100)	\$220,712
Operating & Maintenance	\$233,289	(\$177,050)	\$56,239
Total			\$276,951
Previously Paid to SSR			(\$155,906)
Excess Costs Incurred by SSR for City Use			\$121,045

After KPMG analyzed the current costs on a transaction level, and allocated costs according to the methodologies discussed above, we found that there were \$232,812 in debt service costs attributable to City use of the system which were located in the SSR utility fund. Also, there were \$233,289 in operating and

maintenance costs attributable to City use of the system which were located in the SSR utility fund. Over against these costs, there were expenses of \$12,100 in debt service and \$177,050 in operating and maintenance costs that were already booked in the City fund, making the net costs chargeable to the City \$220,712 in debt service, and \$56,239 in operating and maintenance, for a total of \$276,951 chargeable to the City. An amount of \$155,906 has already been transferred from the City funds to SSR funds. Net of this transfer, the amount of **\$121,045** in FY 1997 costs attributable to City use of the Treatment Plant and Force Main is located in the SSR fund. This amount could be transferred to the SSR fund, and rates increased accordingly for City customers, which would amount to a **11.28%** increase in rates, if recovered entirely from existing customers. Correspondingly, this would amount to a **5.92%** rate reduction for SSR customers.

#### **Comparison with Prior SSR Estimates**

In 1997, a rate analysis was accomplished using 1997 SSR estimated costs and gallons used. Here is how the estimated costs and gallons compare with actual:

	Estimate	Actual
Net Costs	\$2,145,000	\$2,028,956
Indirect Costs	61,992	245,140
Water Gallons	1,050,000	898,271
Water Customers	3,750	3,569
Sewer Gallons	790,000	792,616
Sewer Customers	3,700	3,381

As is evident from the data, total costs were similar, but water gallons and water and sewer customers were significantly less than estimated. Impact fee collections (\$20,300) to pay for the "future customer" component of debt service has also been less than projected.

#### **SSR System Revenue**

Charges for Service	\$2,044,189
Interest	\$265,055
Rent	\$22,334
Impact Fees	\$20,300
Misc/Payment from City	\$212,752

## **Policy Decisions**

### **Definition of Fixed vs Variable Costs**

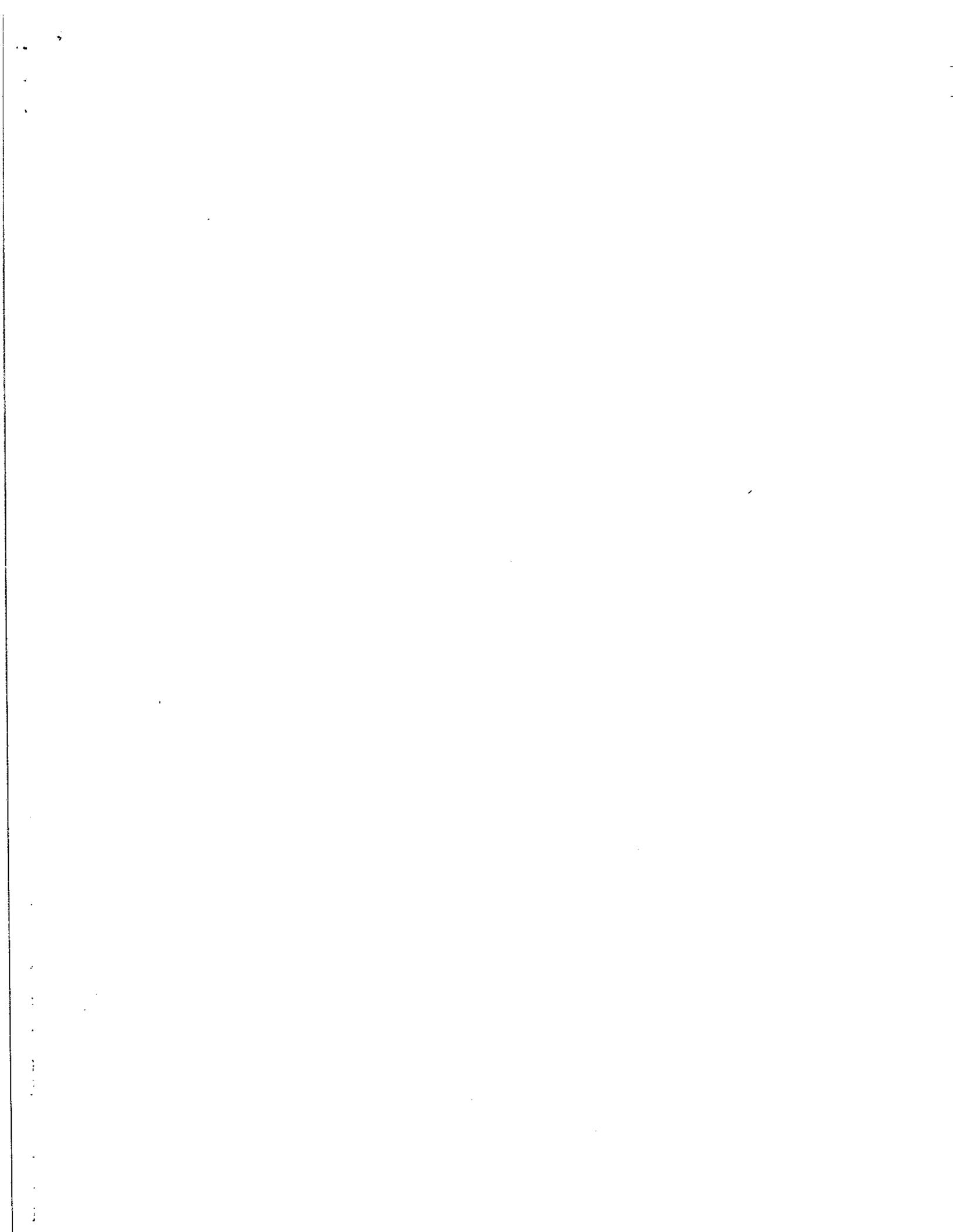
At the time of the last comprehensive rate study, there was a delineation of fixed and variable costs, and how each would be recovered through the rate setting process. Fixed costs were to be recovered through the base rate charge, while variable costs were to be recovered by means of a per gallon usage charge. The definition of what constituted fixed and variable costs was not well-documented. The important issue is the means by which each of these cost categories are recovered from system users. Fixed costs at present are recovered from all system users, while variable costs are recovered mostly from high volume users, since the more a user consumes, the greater the charge. The policy implications of this is that everyone, regardless of use, is paying the same base rate to cover the fixed costs of the operation. Shifting costs by reducing the base rate and recovering the costs through the volumetric rate puts more of the cost recovery burden on high volume users. Conversely, reducing the volumetric rate and increasing the base rate puts proportionally more of the cost burden on small volume users. What is classified as "fixed" vs. "variable" system costs determines how these costs will be recovered, and from whom. In addition, how revenue offsets from the City (debt service payments, transfers etc.) are allocated, to water and/or sewer, affects the net rates. Care should be exercised to properly apply the revenue offsets to the appropriate rate component.

### **Who Should Pay for Excess Capacity**

This is a critical policy consideration. The current rate structure was developed in anticipation of future system users. Past projections of future users may or may not have materialized. This has a significant effect on current cost recovery. Current expenditures must be recovered - from current system users if projected "future" users are not on board. Also, the users who do come on board may have to pay higher fees to make up the shortfall.

### **Is the System One System, or Two?**

This is perhaps the most critical policy decision to be made. Will the "system" continue to operate as a "dual" system - City and South Santa Rosa, with separate funds and rate structures? Or will the system be operated as a single entity? Right now, there is a need to allocate costs between the two systems. Lack of objective documentation re: the original acquisition of SSRUS, plus the lack of an effective means of objectively and accurately documenting the use of system infrastructure will continue to necessitate the regular updating of system costs, the allocation of same, and the adjustment of rates, not to mention the considerable distrust that now exists between the System management and system users. Perhaps the City needs to make the two systems "one" and end the acrimony that now exists, as well as the ongoing need to allocate costs. Making the system "one" would entail a single rate structure for all users, as well as a single set of funds (water and sewer).





# **THE CITY OF GULF BREEZE**

## ***South Santa Rosa Utility System (SSRUS)*** **Water and Sewer Rate Study** *Final Draft Report - Phase I*

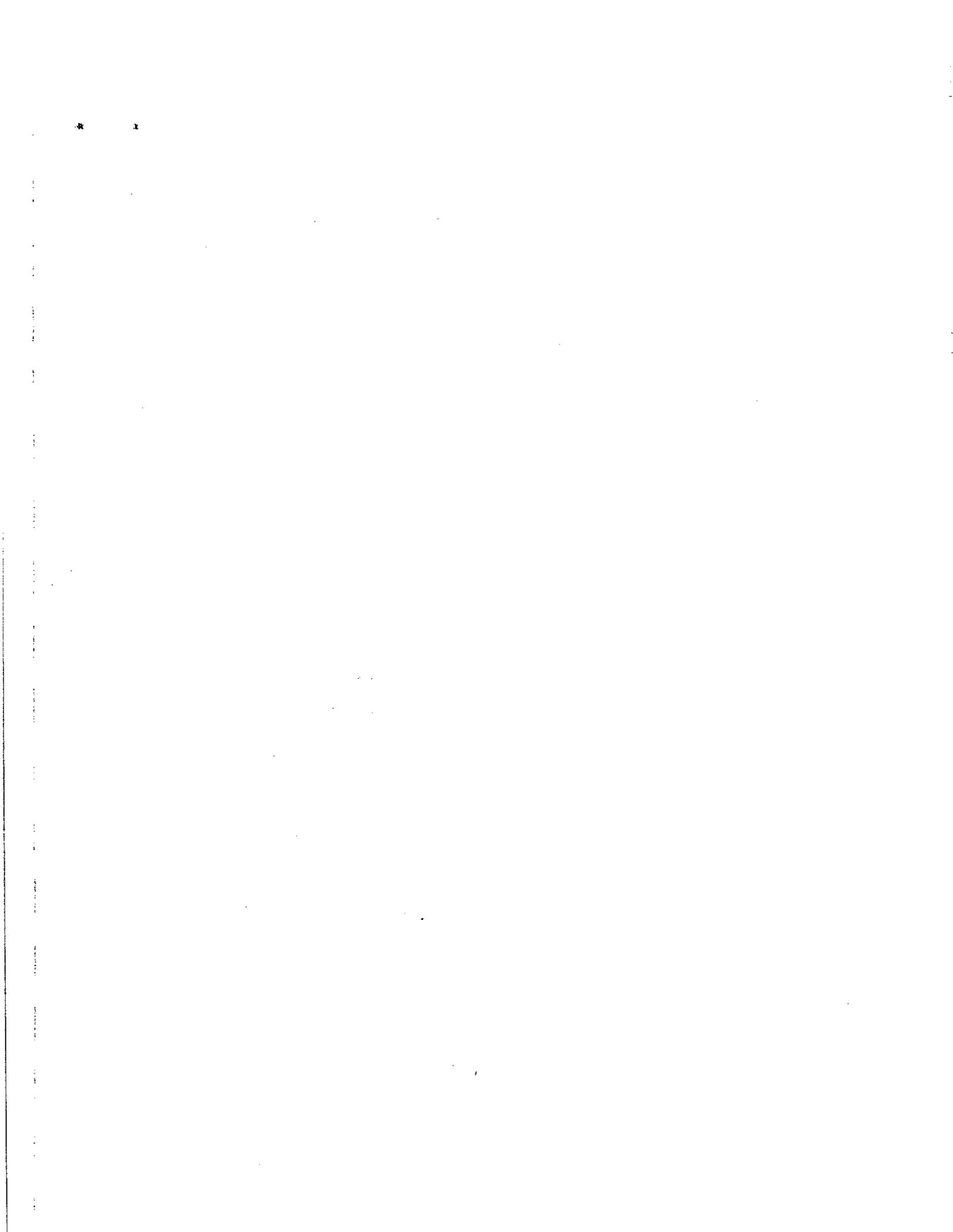


April 1, 2002

*Presented by:*

# **Burton & Associates**

## **Utility Economics**





**BURTON &  
ASSOCIATES**

April 1, 2002

Mr. Edwin "Buzz" Eddy  
City Manager  
City of Gulf Breeze  
1070 Shoreline Drive  
Gulf Breeze, FL 32561

Re: Water and Wastewater Rate Study - Phase I - Final Draft Report for the SSRUS System

Dear Mr. Eddy:

Burton & Associates is pleased to present you with this Final Draft Report for the SSRUS system, for the Revenue Sufficiency Analysis and Diagnostic Rate Structure Evaluation portion of the Utility Rate Study which we are conducting for the City.

Below is a summary of the results of Phase I of the Rate Study, the Revenue Sufficiency Analysis and Diagnostic Rate Structure Evaluation. After receiving further direction from the City with regard to overall rate revenue increases selected, we will proceed with Phase II of the Rate Study, the Calculation of Rates and Charges. The calculation of specific rates and charges will be in accordance with the rate structure recommendations presented in this Final Draft Report for Phase I of the Rate Study.

### Revenue Sufficiency Analysis

In the conduct of the Revenue Sufficiency Analysis we developed a five year financial management program based upon interactive work sessions with SSRUS staff in which we examined key financial indicators by use of graphical representations projected upon a large screen from our computer revenue sufficiency model. The SSRUS FY 2002 budget was the basis for the financial data input into the model and it was reviewed with SSRUS staff.

This financial data and specific assumptions and management objectives, such as minimum working capital reserve levels, annual cost escalation factors and earnings on invested funds were then used to simulate the financial performance of the SSRUS water and wastewater utility over the forecast period. In each year of the forecast period the revenue sufficiency model identified minimum rate revenue increases that were necessary to meet all of the utility's financial objectives. After calculation of these "just-in-time" rate increases, we met with staff in order to develop a more level plan of rate revenue increases that would help to mitigate any potential large rate increases during the forecast period. The results of that level rate plan are presented below.

Mr. Edwin "Buzz" Eddy

April 1, 2002

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	Annual Rate Increases					
Utility	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SSRUS	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

### Diagnostic Rate Structure Evaluation

#### Current Rate Structure Evaluation

The Utility's current water and wastewater rate structures include the following features:

- ▶ A fixed monthly charge for water and wastewater that is different for residential and commercial and increases with meter size, also, the commercial water and wastewater fixed charge includes a minimum charge based upon 3,000 gallons of usage, and
- ▶ A uniform water usage rate that is the same for residential and commercial, and
- ▶ A wastewater usage rate that is the lower for commercial than for residential and for which residential usage is not capped.

#### Rate Structure Recommendations

Consideration of some adjustments to the Utility's current water and wastewater rate structure is warranted in order to provide for a more fair and equitable distribution of the cost of service to the customers of the system and to provide a more effective water conserving rate structure. The following adjustments are recommended for consideration in Phase II.

- ▶ Add a monthly customer charge per bill for water and wastewater to recover the cost to provide billing/collection, customer service and meter reading services.
- ▶ Equalize the fixed monthly charge for like meter sizes for water and wastewater.
- ▶ Set the water usage rate at a level which is higher than the rate for the previous block. This results in a steeper incline in the rates from block to block and will provide more incentive for water conservation, particularly at higher levels of

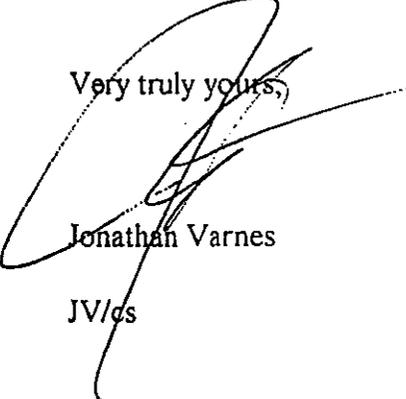
Mr. Edwin "Buzz" Eddy  
April 1, 2002  
Page 3

water usage. If this is implemented, residential sewer billings should be capped at the usage level equal to the beginning of the first "consumption" block for water in order to recognize that water usage over average domestic requirements is likely for irrigation and therefore not returning to the City's sewer system.

- ▶ Eliminate the minimum monthly charge based upon 3,000 gallons for water and wastewater commercial customers.

We appreciate the opportunity to be of assistance to the City on this important project. If you have any questions, please do not hesitate to call me or Mike Burton at (904) 247-0787.

Very truly yours,



Jonathan Varnes

JV/cs

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# UTILITY RATE STUDY

## SECTION I – INTRODUCTION

### Section I - Introduction

Burton & Associates has been retained by the City of Gulf Breeze to conduct a Utility Rate Study for the South Santa Rosa Utility (the "Utility"). This Report presents the results of the Revenue Sufficiency Analysis portion of that study. This section presents the objectives and scope of the study and the study procedures employed in the conduct of the study.

Section II presents the results of the revenue sufficiency portion of the study, including a diagnostic evaluation of the current rate structure. First, the results of the revenue sufficiency analysis are presented, followed by the results of the rate structure evaluation. Next, the results of a comparative water and sewer rate survey are presented. Finally, the supporting schedules for the revenue sufficiency analysis are presented.

When the City adopts one of the Rate Revenue Plan Scenarios presented herein, specific rates and charges will be calculated in accordance with the rate structure recommendations presented herein and will be included in the Final Report.

#### **A. Objectives and Scope**

The objectives of this project were to:

- 1) Evaluate the sufficiency of the SSRUS water and sewer rates over a five year forecast period, and
- 2) Develop specific water and sewer rates and charges that will a) provide sufficient revenues to cover all of the utilities operations, maintenance, renewal and replacement and capital requirements over the five year forecast period, b) recover the costs of service from the system's customers in a fair and equitable manner and c) provide incentives for water conservation.

# UTILITY RATE STUDY

## SECTION I – INTRODUCTION

### ***B. Study Procedures***

We are conducting this study in two phases using our interactive modeling approach. The two phases of the study are described below.

#### ***Phase I - Conceptual Design of the Water and Sewer Rate System***

In Phase I, we developed a conceptual design of the utility's water and sewer utility rate system. This conceptual design consisted of:

1. The conduct of a revenue sufficiency analysis and the development of a five year rate plan and financial management program, and
2. An analysis of the current water and sewer rate structure and development of recommendations as to rate structure modifications to meet the utility's objectives and comply with generally accepted rate-making practice.

In this phase we developed a five year financial management program, rate plan and rate structure recommendations using interactive work sessions with utility staff in which we examined the impact of alternative scenarios upon key financial indicators by use of graphical representations projected on a large screen from our computer rate models which were up and running and upon which we conducted alternatives analyses interactively with utility staff.

In this phase, we obtained the utility's historical and budgeted financial information regarding the operation of the water and sewer enterprise fund. We also obtained the utility's five-year capital improvement program, including annual renewal and replacement requirements. We documented the utility's current debt obligations for the water and sewer enterprise fund and the covenants, or promises made to bond holders

# UTILITY RATE STUDY

## SECTION I – INTRODUCTION

or other lenders, relative to net income coverage requirements, reserves, etc. We communicated with utility staff regarding other assumptions and policies that would affect the water and sewer enterprise fund such as required levels of working capital reserves, earnings on invested funds, escalation rates for operating costs, etc.

All of this information was entered into our Financial Analysis and Management System (FAMS) interactive model. FAMS produces a five-year analysis of the sufficiency of the utility's revenues to meet all of its current and projected financial requirements. FAMS also utilizes all available and unrestricted funds in each year of the forecast period to pay for capital projects, in accordance with the rules of cash application defined with utility staff within the model. This produces a detailed summary of the funding sources to be used for each project in the capital improvements program. To the extent that current revenues and unrestricted reserves are not adequate to fund all capital projects in any year of the forecast period, FAMS identifies a borrowing requirement to fund those projects, or portions thereof. In this way FAMS develops a borrowing program that includes the required borrowing amount by year and the resultant annual debt service obligation of the utility for each year in the forecast period.

# UTILITY RATE STUDY

## SECTION I – INTRODUCTION

### *Phase II - Cost of Service Analysis and Calculation of Rates and Fees*

In Phase II, which we are currently working on, we will identify and allocate costs (including indirect and interdepartmental costs), conduct a bill frequency analysis to derive the necessary customer and billing data for rate computations and develop specific rates, charges and fees for the utility integrated with a detailed customer impact analysis by customer class, meter size and usage profiles. Rates will be developed in accordance with the rate structure recommendations of Phase I, unless otherwise directed by staff or the Utility Board, and the customer impact analysis will be performed simultaneously with rate calculations, allowing us to include the utility staff in interactive work sessions to calibrate cost allocation and rate structure variables with consideration of the impact upon customer classes.

As in Phase I, in these work sessions, we will conduct alternative scenario analyses interactively with utility staff with our rate models up and running on the computer. This will allow us to develop final rates and fees that generate sufficient revenues, yet are structured so as to be sensitive to the utility objectives with regard to customer impact. Customer impact will be examined for the impact of proposed rates upon the monthly bill of customers of varying sizes and with various usage profiles within customer classes.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

### Section II – Study Results

This section presents the results of the Revenue Sufficiency Analysis portion of the Study. The first sub-section presents the results of the revenue sufficiency analysis and presents a five-year financial management plan for the utility. The next sub-section presents the results of the analysis of the current rate structure and presents recommendations for adjustments in the rate structure. The next sub-section presents the impact of the proposed Rate Plan Scenario upon the utility's customers. The last sub-section, the supporting schedules for the Revenue Sufficiency Analysis are presented.

#### *A. Revenue Sufficiency Analysis*

This section presents the results of the five-year revenue sufficiency analysis. This analysis was performed to determine whether the utility's current water and wastewater rates will generate sufficient revenues to fund all of the requirements of the water and wastewater enterprise fund over the next five years, and if not, what level of rate revenue adjustments will be required in each year.

##### *1. Description of the Analysis*

The five-year revenue sufficiency analysis was performed using the utility's historical and projected information regarding the operation of its water and wastewater utility. The utility's FY 2000 Comprehensive Annual Financial Report (CAFR) and FY 2001 draft CAFR were used as a source for audited historical financial information, the utility's FY 2002 budget was used as a source for projection of FY 2003.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

We used our proprietary Financial Analysis and Management System (FAMS) model in the conduct of the five-year revenue sufficiency analysis. This model allowed us to project the adequacy of the utility's revenues for each year in the five-year projection period. To the extent that revenues were not sufficient in any year, the model identified the increase in rate revenue required in each year and then expressed that required increase in rate revenue as a percentage increase in rate revenue.

We displayed the results of our analysis in graphical format in our interactive modeling work sessions with utility staff for each of the following financial indicators simultaneously:

- Percent increase in rate revenue required in each year
- Annual debt service coverage for both existing and new debt
- Balance of unrestricted reserves by year
- Borrowing requirements by year
- Total Capital Improvements funded by year

## 2. *Assumptions*

During the development of this analysis, we communicated with Utility staff regarding various assumptions used in the development of the analysis presented in this Report. The major assumptions are listed below.

- **Borrowing assumptions** - It was assumed that new debt issued during the forecast period would carry the following terms:
  - ✓ Term: 30 Years
  - ✓ Interest Rate: 6.0%

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

- **Interest earnings calculations** - It was assumed interest earnings on invested funds would be 5% during each year of the forecast period.
- **Cost escalation** – It was assumed that the utility’s operations and maintenance costs (O&M) would escalate each year by approximately 3.5%. This annual escalation factor consists of an annual 3% cost escalation due to inflation and an annual escalation in costs due to increased growth of approximately 0.5% (the 2% annual escalation due to growth represents 25% of each year’s percentage growth).
- **Growth** – Growth was assumed to be 2.05% in FY 2002, 1.75% in FY 2003, 1.46% in FY 2004, 1.27% in FY 2005, 1.25% in FY 2006 and 1.23% in FY 2007.
- **Minimum working capital balances in unrestricted reserves** - It was assumed that the Utility would maintain a minimum working capital reserve during the forecast period equal to approximately 3 months of operations and maintenance expenses in each year of the forecast period.
- **Capital projects funding** – It was assumed that 100% of the budgeted amounts for projects listed in the Utility’s Capital Improvements Program would be completed and funded during the forecast period for the purpose of rate requirements in this study.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

- Debt service coverage - There are two debt service coverage tests in the Utility's outstanding bond covenants as follows:

Rate Covenant –

- 1) Net income plus connection fees must be at least 1.25 times annual debt service

Parity Test – (applies only in years when revenue bonds are issued)

- 2) Net income plus connection fees must be at least 1.25 times maximum annual debt service

The assumptions presented and the interactive modeling process described above resulted in “just-in-time” rate revenue increases and the increases required from year to year varied, some years smaller and some years larger, based upon the specific requirements in each year.

The “just-in-time” rate revenue increases mentioned above are presented in this analysis as Rate Plan Scenario 1. These “just in time” rate revenue increases were then used to develop an additional rate revenue plan scenario that will provide a more regular plan of rate revenue adjustments and also provide sufficient revenues. The Rate Plan Scenarios are described in the following section.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

### 3. *Rate Revenue Plan Scenarios Evaluated*

This section presents the rate revenue plan scenarios determined to be a feasible option for implementation.

#### a. Rate Revenue Plan Scenarios

We developed two (2) rate revenue plan scenarios that are designed to provide sufficient revenues to fund all requirements of the Utility's water and wastewater utility enterprise fund. The two alternative rate revenue plans are presented below:

- Rate Revenue Plan Scenario 1 – 0% in FY 2002, 10.31% in FY 2003, 0% in FY 2004 through FY 2007.
- Rate Revenue Plan Scenario 2 – Annual Indexing of 3% in FY 2002 through FY 2007.

#### b. Rate Revenue Plan Supporting Analysis

The supporting analysis for the development of the rate plan scenarios presented in the prior sub-section is presented in this sub-section.

- 1) Basis for the Analysis - The rate revenue plan scenario presented in this report was developed by preparing a six year projection of the financial results of the utility, starting with the current rates in FY 2001. This baseline projection then determined the minimum level of rate revenue required in FY 2002, the first projected year, and compared that to the projected rate revenue in FY 2002 with current rates. To the extent

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

that an increase in rate revenue was needed in FY 2002, the projection model determined the amount of additional rate revenue required in FY 2002 and determined the percentage increase in rate revenue which that represented. This process was repeated for each year in the projection period to determine the amount of additional rate revenue required in each year, compared to the rate revenue projected with the rates from the prior year. This “baseline” projection resulted in required percentage rate revenue increases that varied from year to year. We then developed an additional rate plan scenario that resulted in more level rate increases from year to year.

### 2) Financial Results of Operations and Sources and Uses of Funds –

Appendix A presents Figures II – 1 through II – 8 for each of the two (2) alternative rate plan scenarios developed. Figure II-1 presents the Revenue Forecast Summary that includes the computation of debt service coverage, which presents a projection of the financial results of the utility over the period FY 2002 through FY 2007. This figure shows the projection of revenues, expenses, net income and debt service coverage for each year in the projection period. Figure II-2 presents the Cash Flow Reconciliation for the system by fund. For each fund, this figure shows the beginning balance in each fiscal year (fiscal year is defined as beginning October 1 and ending September 30, for example, Fiscal Year 2002 is October 1, 2001 through September 30, 2002), cash transactions during the year and the end of year fund balance. The detailed revenue and expenses that comprise the total revenue and expenses presented in Figures II – 1 and II – 2 are presented in Figures II – 3 and II – 4, respectively.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

3) System Revenues – The basis for the revenues used in this analysis was actual rate revenue for FY 2001 and budgeted other revenue for FY 2002. Revenues can be considered as 1) rate revenues, and 2) all other categories of revenue. Rate revenue for the fiscal years after FY 2001 was projected based upon assumed annual growth in customers, as described in Section II.A.2 Assumptions, plus additional rate revenue from the rate increase assumed in each year of the rate revenue plan. All other non-rate revenues were projected in subsequent years, by category of revenue, to be the same as the FY 2002 budgeted revenue for those revenue categories. Budgeted interest revenue was not used as an input to the rate model. The model calculates interest earnings based upon average fund balances and interest income is shown on the Revenue Forecast Summary and Cash Flow Reconciliation, Figures II-1 and II-2, respectively.

4) Revenue Requirements - The annual revenue requirements used in the projection of required rate revenues were based upon budgeted operations and maintenance (O&M), miscellaneous other expenses such as transfers out or payment in lieu of taxes, and capital costs of the utility for FY 2002. In subsequent years of the projection period, O&M costs were adjusted for estimated escalation of costs based upon an assumed cost escalation factor, as described in Section II.A.2 Assumptions. Capital costs were based upon the utility's five year Capital Improvements Program. Figure II-5 presents the five year capital improvements Program (CIP) used for the calculation of capital costs to be included in the rate requirements.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

### *B. Rate Structure*

This section presents the results of our evaluation of the Utility's current water and wastewater rate structure, including recommended changes. Changes have only been recommended in areas where they are required to achieve a more fair and equitable distribution of the costs of service to the customers of the system, and to recognize the increasing need to encourage water conservation through pricing incentives.

#### *1. Current Rates*

The Utility's current water and wastewater rate structures include the following features:

- A fixed monthly charge for water and wastewater that is different for residential and commercial and increases with meter size, also, the commercial water and wastewater fixed charge includes a minimum charge based upon 3,000 gallons of usage, and
- A uniform water usage rate that is different for residential and commercial, and
- A wastewater usage rate for residential customers that is not capped, the commercial wastewater usage rate is less than the residential wastewater usage rate.

# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

### 2. *Evaluation of the Current Rate Structure*

Consideration of some adjustments to the Utility's current water and wastewater rate structure is warranted in order to provide for a more fair and equitable distribution of the cost of service to the customers of the system and to provide a more effective water conserving rate structure. The following adjustments are recommended for consideration in Phase II.

- Add a monthly customer charge per bill for water and wastewater to recover the cost to provide billing/collection, customer service and meter reading services.
- Equalize the fixed monthly charge for like meter sizes for water and wastewater.
- Set the water usage rate at a level which is higher than the rate for the previous block. This results in a steeper incline in the rates from block to block and will provide more incentive for water conservation, particularly at higher levels of water usage. If this is implemented, residential sewer billings should be capped at the usage level equal to the beginning of the first "consumption" block for water in order to recognize that water usage over average domestic requirements is likely for irrigation and therefore not returning to the sewer system.
- Eliminate the minimum monthly charge based upon 3,000 gallons for water and wastewater for commercial customers.

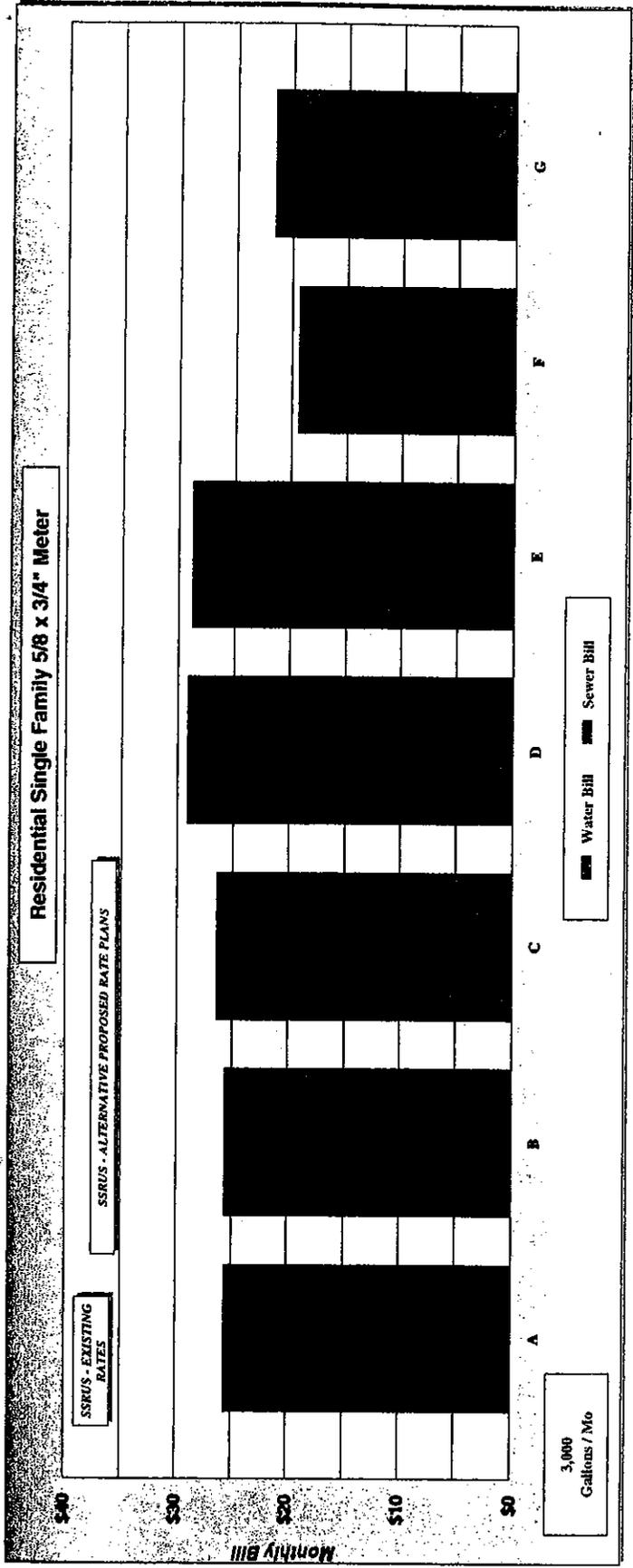
# UTILITY RATE STUDY

## SECTION II – STUDY RESULTS

### C. Comparative Water and Sewer Rate Survey

This section presents a water and sewer rate survey of selected utilities as compared to the current rates of the SSRUS system and as compared to each of the alternative rate plan scenarios presented in this Report. The results of the survey are presented in the following charts as the monthly water and sewer bill for a Single Family Residential customer with a 5/8" x 3/4" meter under the following monthly usage assumptions: 1) 3,000 gallons per month, 2) 6,000 gallons per month, 3) 9,000 gallons per month, 4) 12,000 gallons per month and 5) 15,000 gallons per month.

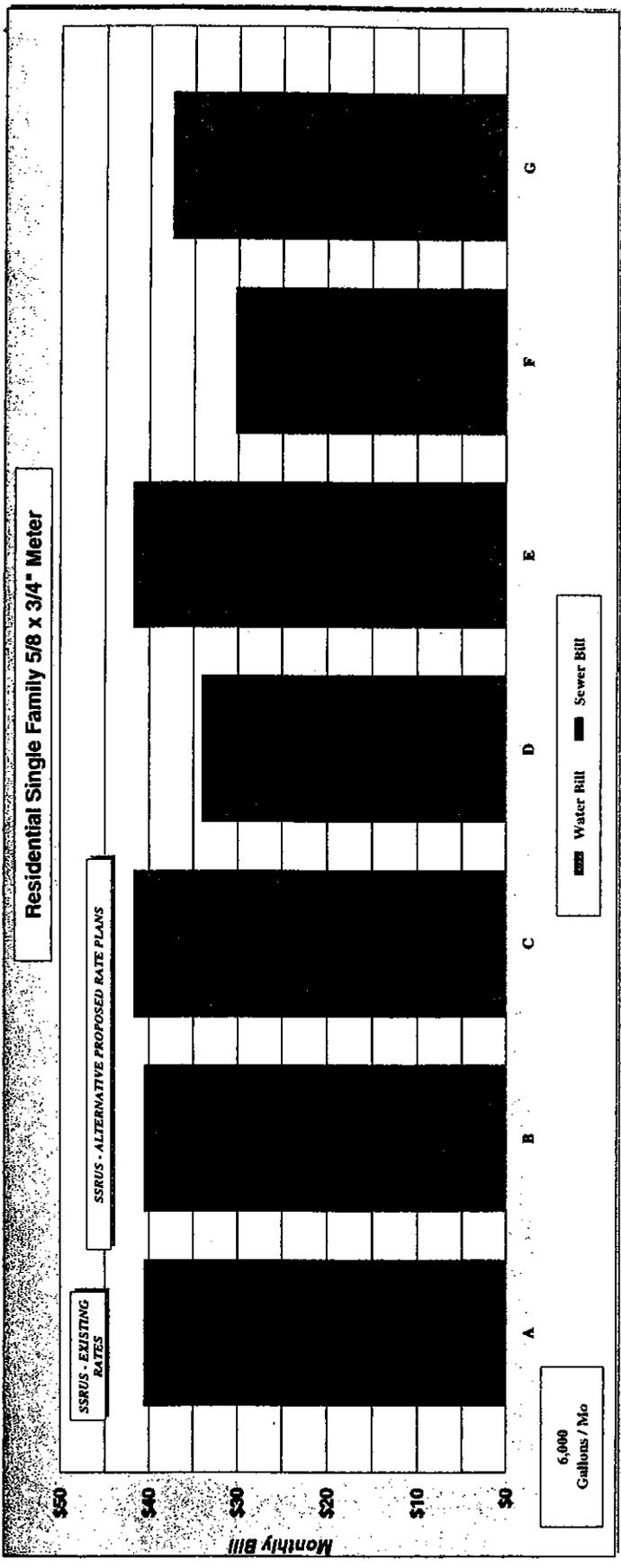
# South Santa Rosa Utility System COMPARATIVE WATER & SEWER RATE SURVEY



Key	Utility	Water Bill	Sewer Bill	Total Bill
A	SSRUS - EXISTING	\$11.34	\$24.16	\$35.50
B	SSRUS - PROPOSED SCENARIO 1	\$11.34	\$17.41	\$28.75
C	SSRUS - PROPOSED SCENARIO 2	\$11.68	\$17.07	\$28.75
D	DESTIN WATER USERS	\$7.10	\$14.65	\$21.75
E	HOLLY - NAVARRE	\$8.75	\$13.00	\$21.75
F	FORT WALTON BEACH	\$5.35	\$16.40	\$21.75
G	ESCAMBIA COUNTY UTILITY AUTHORITY	\$10.33	\$11.26	\$21.59

Note: All proposed alternative rate plan scenarios presented assume implementation of a rate increase, if necessary, in FY 2002 only.

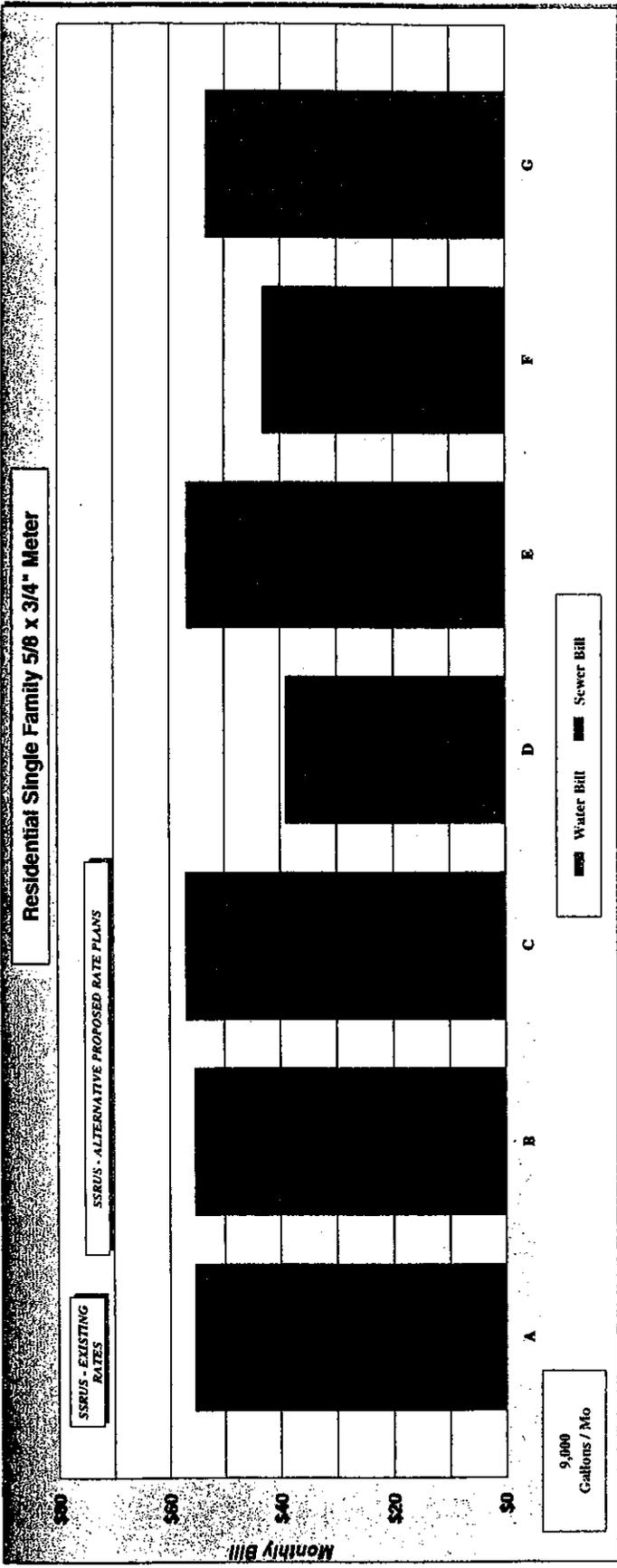
**South Santa Rosa Utility System**  
**COMPARATIVE WATER & SEWER RATE SURVEY**



Key	Utility	Water Bill	Sewer Bill	Total Bill
A	SSRUS - EXISTING	\$17.28	\$23.22	\$40.50
B	SSRUS - PROPOSED SCENARIO 1	\$17.80	\$23.92	\$41.72
C	SSRUS - PROPOSED SCENARIO 2	\$12.05	\$22.00	\$34.05
D	DESTIN WATER USERS	\$17.75	\$24.00	\$41.75
E	HOLLY - NAVARRE	\$8.30	\$22.00	\$30.30
F	FORT WALTON BEACH	\$14.26	\$23.17	\$37.43
G	ESCAMBIA COUNTY UTILITY AUTHORITY	\$17.28	\$23.22	\$40.50

Note: All proposed alternative rate plan scenarios presented assume implementation of a rate increase, if necessary, in FY 2002 only.

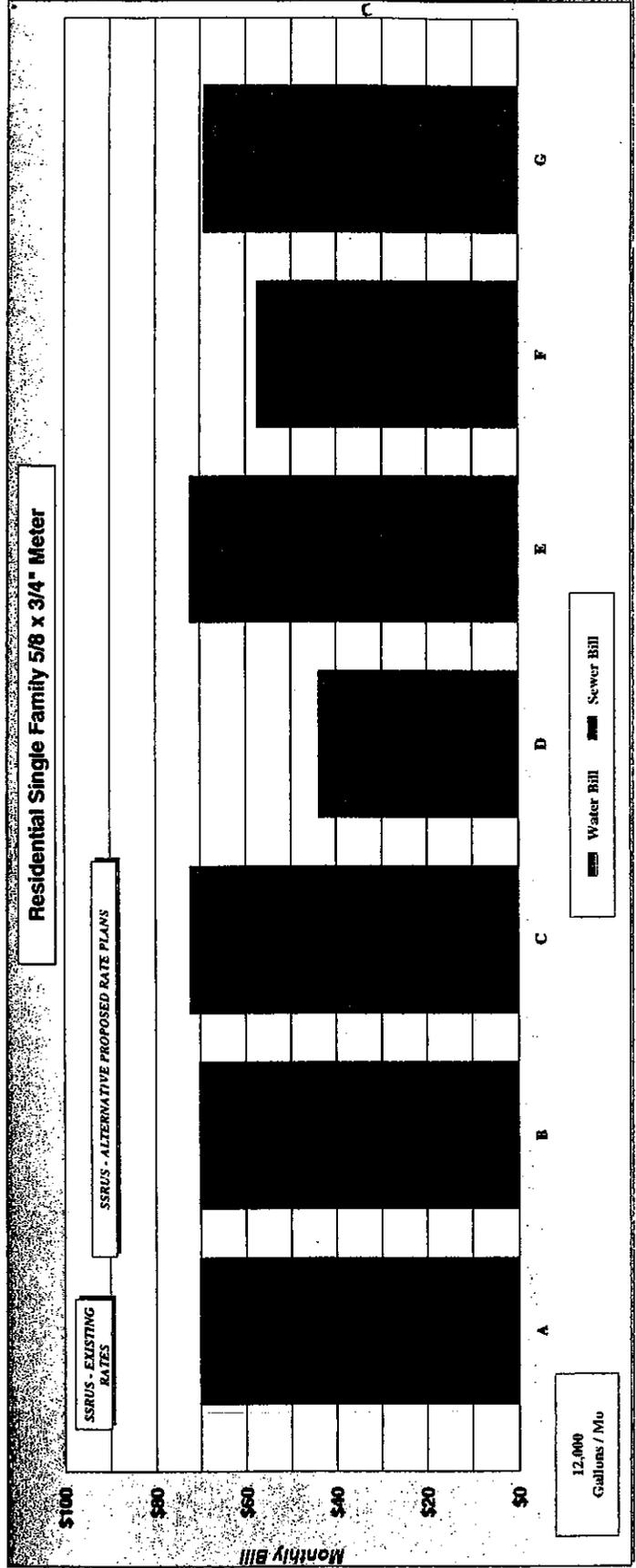
# South Santa Rosa Utility System COMPARATIVE WATER & SEWER RATE SURVEY



Key	Utility	Water Bill	Sewer Bill	Total Bill
A	SSRUS - EXISTING	\$23.22	\$53.79	\$77.01
B	SSRUS - PROPOSED SCENARIO 1	\$23.22	\$32.13	\$55.35
C	SSRUS - PROPOSED SCENARIO 2	\$23.92	\$33.09	\$57.01
D	DESTIN WATER USERS	\$17.00	\$22.00	\$39.00
E	HOLLY - NAVARRE	\$26.75	\$30.00	\$56.75
F	FORT WALTON BEACH	\$13.20	\$29.95	\$43.14
G	ESCAMBIA COUNTY UTILITY AUTHORITY	\$18.19	\$35.08	\$53.27

Note: All proposed alternative rate plan scenarios presented assume implementation of a rate increase, if necessary, in FY 2002 only.

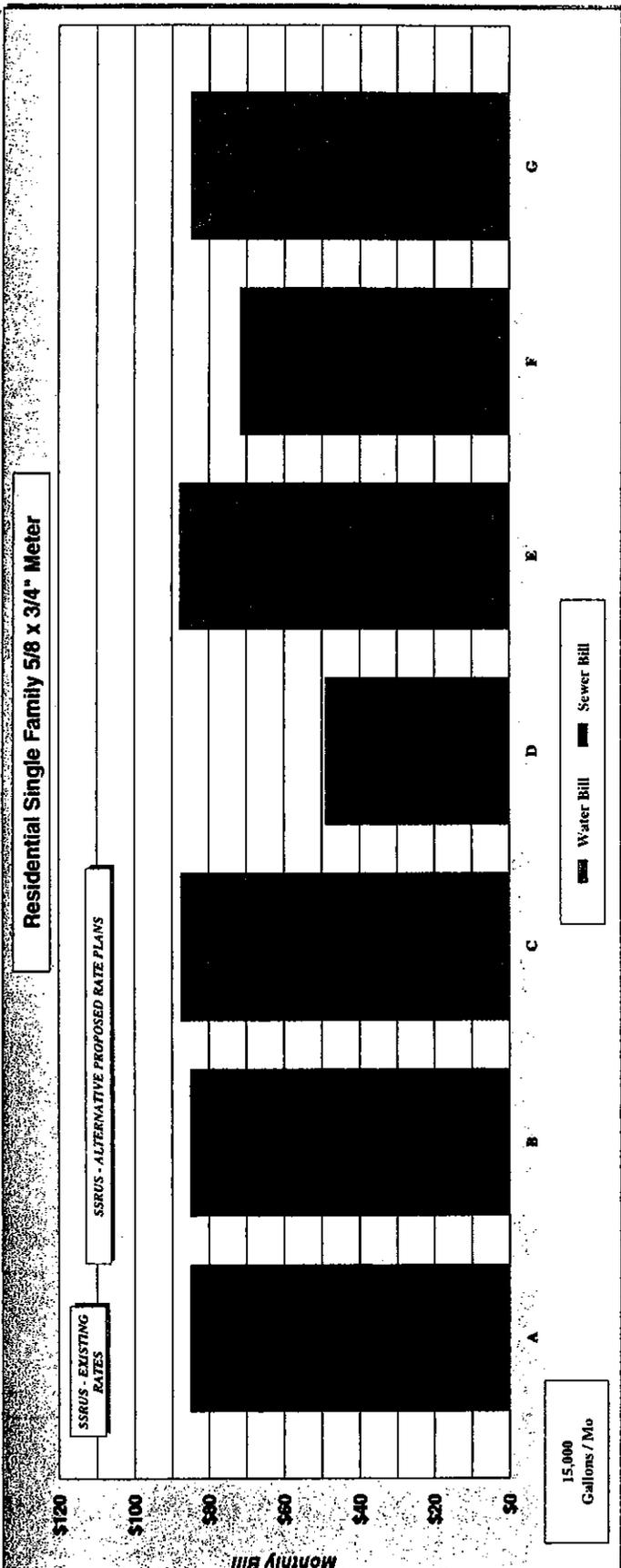
**South Santa Rosa Utility System**  
**COMPARATIVE WATER & SEWER RATE SURVEY**



Key	Utility	Water Bill	Sewer Bill	Total Bill
A	SSRUS - EXISTING	\$29.16	\$41.04	\$70.20
B	SSRUS - PROPOSED SCENARIO 1	\$29.16	\$41.04	\$70.20
C	SSRUS - PROPOSED SCENARIO 2	\$30.03	\$42.27	\$72.31
D	DESTIN WATER USERS	\$21.95	\$22.00	\$43.95
E	HOLLY - NAVARRE	\$36.14	\$36.00	\$72.14
F	FORT WALTON BEACH	\$19.50	\$37.90	\$57.39
G	ESCAMBIA COUNTY UTILITY AUTHORITY	\$22.12	\$46.99	\$69.11

Note: All proposed alternative rate plan scenarios presented assume implementation of a rate increase, if necessary, in FY 2002 only.

# South Santa Rosa Utility System COMPARATIVE WATER & SEWER RATE SURVEY



Key	Utility	Water Bill	Sewer Bill	Total Bill
A	SSRUS - EXISTING	\$35.10	\$49.95	\$85.05
B	SSRUS - PROPOSED SCENARIO 1	\$35.10	\$49.95	\$85.05
C	SSRUS - PROPOSED SCENARIO 2	\$36.15	\$51.45	\$87.60
D	DESTIN WATER USERS	\$26.90	\$22.00	\$48.90
E	HOLLY - NAVARRE	\$45.74	\$42.00	\$87.74
F	FORT WALTON BEACH	\$25.80	\$45.85	\$71.64
G	ESCAMBIA COUNTY UTILITY AUTHORITY	\$26.05	\$58.90	\$84.95

Note: All proposed alternative rate plan scenarios presented assume implementation of a rate increase, if necessary, in FY 2002 only.

# Rate Revenue Plan Scenario 1

## Annual Rate Increases

<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
0%	10.31%	0%	0%	0%	0%

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Revenue Forecast Summary*

Scenario 1 - 0% in FY 2002, 10.31% in FY 2003, 0% FY 2004 through FY 2007

	2002	2003	2004	2005	2006	2007
<b>REVENUE FORECAST SUMMARY:</b>						
<b>REVENUE</b>						
<b>RATE REVENUE</b>						
WATER RATE REVENUE						
RATE REVENUE BEFORE CURRENT YEAR RATE INCREASE	985,000	1,006,000	1,130,000	1,147,000	1,162,000	1,177,000
RATE REVENUE ADJUSTED FOR PARTIAL YR RATE INCR (WHERE APPLICABLE)	985,000	1,006,000	1,130,000	1,147,000	1,162,000	1,177,000
GROWTH RATE	2.05%	1.75%	1.46%	1.27%	1.25%	1.23%
RATE REVENUE FROM GROWTH	20,000	18,000	17,000	15,000	15,000	15,000
RATE INCREASE	0.00%	10.31%	0.00%	0.00%	0.00%	0.00%
PORTION OF YEAR RATE INC EFFECTIVE	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%
RATE REVENUE FROM RATE INCREASE	1,000	106,000	0	0	0	0
TOTAL WATER RATE REVENUE	1,006,000	1,130,000	1,147,000	1,162,000	1,177,000	1,192,000
WASTEWATER RATE REVENUE						
RATE REVENUE BEFORE CURRENT YEAR RATE INCREASE	1,397,000	1,448,000	1,653,000	1,708,000	1,763,000	1,818,000
RATE REVENUE ADJUSTED FOR PARTIAL YR RATE INCR (WHERE APPLICABLE)	1,397,000	1,448,000	1,653,000	1,708,000	1,763,000	1,818,000
GROWTH RATE	3.59%	3.46%	3.35%	3.24%	3.14%	3.04%
RATE REVENUE FROM GROWTH	50,000	50,000	55,000	55,000	55,000	55,000
RATE INCREASE	0.00%	10.31%	0.00%	0.00%	0.00%	0.00%
PORTION OF YEAR RATE INC EFFECTIVE	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%
RATE REVENUE FROM RATE INCREASE	1,000	155,000	0	0	0	0
TOTAL WASTEWATER RATE REVENUE	1,448,000	1,653,000	1,708,000	1,763,000	1,818,000	1,873,000
<b>TOTAL RATE REVENUE</b>	<b>2,454,000</b>	<b>2,783,000</b>	<b>2,855,000</b>	<b>2,925,000</b>	<b>2,995,000</b>	<b>3,065,000</b>
<b>OTHER OPERATING REVENUE</b>						
OPERATING FUND	507,000	507,000	507,000	507,000	507,000	507,000
<b>TOTAL OTHER OPERATING REVENUE</b>	<b>507,000</b>	<b>507,000</b>	<b>507,000</b>	<b>507,000</b>	<b>507,000</b>	<b>507,000</b>
<b>TOTAL OPERATING REVENUE</b>	<b>2,961,000</b>	<b>3,290,000</b>	<b>3,362,000</b>	<b>3,432,000</b>	<b>3,502,000</b>	<b>3,572,000</b>
<b>EXPENSES</b>						
OPERATING EXPENSES	2,052,000	2,114,000	2,174,000	2,237,000	2,301,000	2,366,000
<b>NET OPERATING INCOME (LOSS)</b>	<b>909,000</b>	<b>1,176,000</b>	<b>1,188,000</b>	<b>1,195,000</b>	<b>1,201,000</b>	<b>1,206,000</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
NON-OPERATING REVENUES	0	0	0	0	0	0
NON-OPERATING EXPENSES	0	0	0	0	0	0
INTEREST INCOME ON OPERATING FUND	140,000	130,000	130,000	130,000	130,000	130,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>140,000</b>	<b>130,000</b>	<b>130,000</b>	<b>130,000</b>	<b>130,000</b>	<b>130,000</b>
<b>TOTAL NET INCOME</b>	<b>1,049,000</b>	<b>1,306,000</b>	<b>1,318,000</b>	<b>1,325,000</b>	<b>1,331,000</b>	<b>1,336,000</b>
<b>DEBT SERVICE COVERAGE CALCULATIONS:</b>						
<b>RATE COVENANT TEST (INCLUDING IMPACT FEES)</b>						
NET OPERATING INCOME	1,049,000	1,306,000	1,318,000	1,325,000	1,331,000	1,336,000
ADD:						
WATER IMPACT FEES	178,000	151,000	128,000	113,000	113,000	113,000
WASTEWATER IMPACT FEES	744,000	882,000	882,000	882,000	882,000	882,000
<b>TOTAL NET FUNDS AVAILABLE FOR DEBT SERVICE</b>	<b>1,971,000</b>	<b>2,339,000</b>	<b>2,328,000</b>	<b>2,320,000</b>	<b>2,326,000</b>	<b>2,331,000</b>
CURRENT YEAR DEBT SERVICE	1,621,000	1,649,000	1,645,000	1,654,000	1,665,000	1,691,000
LESS: CAPITALIZED INTEREST	0					
CURRENT YEAR DEBT SERVICE	1,621,000	1,649,000	1,645,000	1,654,000	1,665,000	1,691,000
<b>DEBT SERVICE COVERAGE FOR RATE COVENANT TEST</b>	<b>1.22</b>	<b>1.42</b>	<b>1.42</b>	<b>1.40</b>	<b>1.40</b>	<b>1.38</b>
<b>PARITY TEST (INCLUDING IMPACT FEES)</b>						
TOTAL NET FUNDS AVAILABLE FOR DEBT SERVICE	1,971,000	2,339,000	2,328,000	2,320,000	2,326,000	2,331,000
MAXIMUM ANNUAL DEBT SERVICE DURING FORECAST PERIOD	1,646,000	1,666,000	1,666,000	1,670,000	1,676,000	1,689,000
<b>DEBT SERVICE COVERAGE FOR PARTIY TEST</b>	<b>1.20</b>	<b>1.40</b>	<b>1.40</b>	<b>1.39</b>	<b>1.39</b>	<b>1.37</b>

SOURCE: BURTON & ASSOCIATES  
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04/01/2002

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
**Cash Flow Reconciliation**

Scenario 1 - 0% in FY 2002, 10.31% in FY 2003, 0% FY 2004 through FY 2007

	2002	2003	2004	2005	2006	2007
<b>CASH FLOW RECONCILIATION:</b>						
<b>OPERATING FUND</b>						
BEGINNING BALANCES	2,947,000	2,519,000	2,555,000	2,570,000	2,687,000	2,656,000
LESS:						
RESTRICTED RESERVES	(2,006,000)	(2,026,000)	(2,026,000)	(2,030,000)	(2,036,000)	(2,059,000)
UNRESTRICTED WORKING CAPITAL RESERVES	941,000	493,000	529,000	540,000	651,000	597,000
LESS:						
DISCRETIONARY WORKING CAPITAL RESERVE	(513,000)	(529,000)	(544,000)	(559,000)	(575,000)	(592,000)
UNRESTRICTED RESERVES AVAILABLE (NET OF DISCRETIONARY WORKING CAPIT	428,000	(36,000)	(15,000)	(19,000)	76,000	5,000
NET INCOME	1,049,000	1,306,000	1,318,000	1,325,000	1,331,000	1,336,000
ADD:						
TRANSFERS IN	77,000	0	0	0	0	0
GRANTS	0	0	0	0	0	0
DEBT SERVICE RESERVE PROCEEDS	0	20,000	0	4,000	6,000	23,000
LESS:						
DEBT SERVICE	(752,000)	(673,000)	(694,000)	(714,000)	(719,000)	(732,000)
SRF DEBT SERVICE	0	0	0	0	0	0
SRF DEBT SERVICE	0	0	0	0	0	0
SUBORDINATE DEBT SERVICE	0	0	0	0	0	0
CAPITAL OUTLAY	(13,000)	(13,000)	(13,000)	(14,000)	(14,000)	(14,000)
CAPITAL PROJECTS FUNDED BY OPERATING REVENUE	(754,000)	(603,000)	(446,000)	(454,000)	(461,000)	(468,000)
TRANSFERS OUT	0	0	0	0	0	0
NET CASH FROM OPERATIONS	(393,000)	37,000	165,000	147,000	143,000	145,000
UNRESTRICTED RESERVES BEFORE FUNDING OF CAPITAL PROJECTS	35,000	1,000	150,000	128,000	219,000	150,000
LESS:						
CAPITAL PROJECTS FUNDED FROM REVENUE FUNDS (THRU FUNDING ANALYSIS)	(33,000)	0	(150,000)	(30,000)	(174,000)	(150,000)
ENDING BALANCE - UNRESTRICTED RESERVES	2,000	1,000	0	98,000	45,000	0
ADD:						
DISCRETIONARY WORKING CAPITAL RESERVE	513,000	529,000	544,000	559,000	575,000	592,000
ENDING UNRESTRICTED FUND BALANCES	515,000	530,000	544,000	657,000	620,000	592,000
ADD:						
RESTRICTED RESERVES	2,006,000	2,026,000	2,026,000	2,030,000	2,036,000	2,059,000
ENDING BALANCE - OPERATING FUND	2,521,000	2,556,000	2,570,000	2,687,000	2,656,000	2,651,000
<b>WASTEWATER IMPACT FEE FUND</b>						
BEGINNING BALANCES	0	0	0	0	56,000	0
LESS:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING UNRESTRICTED BALANCES	0	0	0	0	56,000	0
ADD:						
WASTEWATER IMPACT FEE FUND REVENUES	744,000	882,000	882,000	882,000	882,000	882,000
INTEREST ON WASTEWATER IMPACT FEE FUND BALANCES	0	0	0	1,000	1,000	0
WASTEWATER IMPACT FEE FUND UNRESTRICTED BALANCE BEFORE CAPITAL PR	744,000	882,000	882,000	883,000	939,000	882,000
LESS:						
OTHER USES OF FUNDS	(53,000)	(57,000)	(57,000)	0	0	0
DEBT SERVICE PAID WITH WASTEWATER IMPACT FEES	(691,000)	(825,000)	(823,000)	(827,000)	(833,000)	(846,000)
CAPITAL PROJECTS FUNDED FROM WASTEWATER IMPACT FEE FUND	0	0	(2,000)	0	(106,000)	(38,000)
ENDING UNRESTRICTED BALANCE IN WASTEWATER IMPACT FEE FUND FUND	0	0	0	56,000	0	0
ADD:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING BALANCE IN WASTEWATER IMPACT FEE FUND FUND	0	0	0	56,000	0	0
<b>WATER IMPACT FEE FUND</b>						
BEGINNING BALANCES	0	0	0	0	0	0
LESS:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING UNRESTRICTED BALANCES	0	0	0	0	0	0
ADD:						
WATER IMPACT FEE FUND REVENUES	178,000	151,000	128,000	113,000	113,000	113,000
INTEREST ON WATER IMPACT FEE FUND BALANCES	0	0	0	0	0	0
WATER IMPACT FEE FUND UNRESTRICTED BALANCE BEFORE CAPITAL PROJECTS	178,000	151,000	128,000	113,000	113,000	113,000
LESS:						
DEBT SERVICE PAID WITH WATER IMPACT FEES	(178,000)	(151,000)	(128,000)	(113,000)	(113,000)	(113,000)
CAPITAL PROJECTS FUNDED FROM WATER IMPACT FEE FUND	0	0	0	0	0	0
ENDING UNRESTRICTED BALANCE IN NOT USED FUND	0	0	0	0	0	0
ADD:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING BALANCE IN WATER IMPACT FEE FUND FUND	0	0	0	0	0	0

SOURCE: BURTON & ASSOCIATES  
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04/01/2002

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Revenue Input*

FUND DESCRIPTION
FUND 1 WATER IMPACT FEE FUND
FUND 2 WASTEWATER IMPACT FEE FUND
FUND 3 NOT USED
FUND 4 OPERATING FUND
<b>REVENUE CLASSIFICATION</b>
RR1 WATER RATE REVENUE
RR2 SEWER RATE REVENUE
RR3 NA
RR4 NA
RR5 NA
RR6 NA
RR7 NA
RR8 NA
OPR OPERATING REVENUE
OOR OTHER OPERATING REVENUE
NOR NON OPERATING REVENUE
WCF WATER IMPACT FEES
SCF SEWER IMPACT FEES
SRR NA
GRNT GRANTS
TRIN TRANSFER IN
WBF NA

FUND CLAS	DESCRIPTION	2002	2003	2004	2005	2006	2007
<b>REVENUE (SSRU) - PG 2 OF 02 BUDGET</b>							
4	RR1 WATER SERVICE FEES	984,995	984,995	984,995	984,995	984,995	984,995
4	RR2 SEWER SERVICE FEES	1,396,798	1,396,798	1,396,798	1,396,798	1,396,798	1,396,798
2	SCF REVENUE FROM CITY (80% OF SEWER IMPACT FE	20,000	CALCULATED	HEREAFTER			
4	NA INTEREST EARNINGS	180,000	180,000	180,000	180,000	180,000	180,000
4	OOR RENT	59,200	59,200	59,200	59,200	59,200	59,200
1	WCF WATER IMPACT FEES	178,000	CALCULATED	HEREAFTER			
2	SCF SEWER IMPACT FEES	723,500	CALCULATED	HEREAFTER			
4	OOR OTHER MISCELLANEOUS INCOME	45,000	45,000	45,000	45,000	45,000	45,000
4	OOR NEW SERVICE FEES	26,000	26,000	26,000	26,000	26,000	26,000
4	OOR RECONNECT FEES	11,000	11,000	11,000	11,000	11,000	11,000
4	OOR CITY SEWER FEES (OVERHEAD ALLOCATION)	217,363	217,363	217,363	217,363	217,363	217,363
4	TRIN INTERFUND TRANSFERS	0	0	0	0	0	0
4	OOR CITY DEBT SERV FOR ORIGINAL CONSTRUCTION	59,000	59,000	59,000	59,000	59,000	59,000
4	OOR CITY DEBT SERVICE FOR ORIGINAL ACQUISITION	65,330	65,330	65,330	65,330	65,330	65,330
4	OOR CITY DEBT SERVICE FOR REUSE EXPANSION	23,670	23,670	23,670	23,670	23,670	23,670
4	TRIN CITY CONTRIBUTION TO WWTP R&E	76,908	0	0	0	0	0

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Expense Input*

FUND DESCRIPTION	INFLATIONARY / GROWTH ESCALATORS											
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
FUND 1 WATER IMPACT FEE FUND	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
FUND 2 WASTEWATER IMPACT FEE FUND	2.05%	1.75%	1.46%	1.27%	1.27%	1.23%	25.00%	1.75%	1.46%	1.27%	1.25%	1.23%
FUND 3 NOT USED	3.51%	3.44%	3.37%	3.32%	3.32%	3.31%		3.44%	3.37%	3.32%	3.31%	3.31%
FUND 4 OPERATING FUND												

EXPENSE CLASSIFICATION	INFLATIONARY / GROWTH ESCALATORS											
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
OM OPERATIONS AND MAINTENANCE EXP												
NOE NON OPERATING EXPENSE												
TROUT TRANSFER OUT												
CO CAPITAL OUTLAY												
EDS EXISTING SENIOR LIEN DEBT SERVICE												

FUND CLASS	DESCRIPTION	INFLATIONARY / GROWTH ESCALATORS										
		2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006
<b>WATER SERVICE (SSRU) - PG. 3 OF 02 BUDGET</b>												
4	OM SALARIES & WAGES	152,800	159,000	165,000	172,000	178,000	186,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM (OTHER SALARIES & WAGES)	0	0	0	0	0	0	NA	4.00%	4.00%	4.00%	4.00%
4	OM TEMPORARIES	12,000	12,000	12,000	12,000	12,000	12,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM OVERTIME	7,000	7,000	7,000	7,000	7,000	7,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM PICA TAXES	11,700	12,000	12,000	12,000	12,000	12,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM RETIREMENT	11,100	12,000	12,000	12,000	12,000	12,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM LIFE & HEALTH INSURANCE	18,900	20,000	21,000	22,000	23,000	24,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM (WORKERS COMPENSATION)	0	0	0	0	0	0	NA	4.00%	4.00%	4.00%	4.00%
4	OM (DISABILITY INSURANCE)	200	0	0	0	0	0	NA	4.00%	4.00%	4.00%	4.00%
4	OM LEGAL SERVICES	5,000	5,000	5,000	5,000	5,000	5,000	NA	4.00%	4.00%	4.00%	4.00%
4	OM PROFESSIONAL SERVICES	18,000	19,000	20,000	21,000	22,000	23,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM ACCOUNTING & AUDITING	10,000	10,000	10,000	10,000	10,000	10,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM OTHER CONTRACTUAL SERVICES	338,830	339,000	339,000	339,000	339,000	339,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM TRAVEL & PER DIEM /VEHICLE ALLOW	500	1,000	1,000	1,000	1,000	1,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM TELEPHONE	5,000	5,000	5,000	5,000	5,000	5,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM POSTAGE	7,000	7,000	7,000	7,000	7,000	7,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM RADIO & PAGERS	2,000	2,000	2,000	2,000	2,000	2,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM UTILITIES	24,000	25,000	26,000	27,000	28,000	29,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM RENTALS & LEASES	2,000	2,000	2,000	2,000	2,000	2,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM INSURANCE	0	0	0	0	0	0	NA	3.44%	3.37%	3.32%	3.31%
4	OM REPAIRS & MAINTENANCE - OTHER	30,000	31,000	32,000	33,000	34,000	35,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM REPAIRS & MAINTENANCE - VEHICLES	3,500	4,000	4,000	4,000	4,000	4,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM PRINTING	2,000	2,000	2,000	2,000	2,000	2,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM OTHER CURRENT CHARGES	0	0	0	0	0	0	NA	3.44%	3.37%	3.32%	3.31%
4	OM OFFICE SUPPLIES	2,000	2,000	2,000	2,000	2,000	2,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM OPERATING SUPPLIES	4,000	4,000	4,000	4,000	4,000	4,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM FUELS & LUBRICANTS	6,500	7,000	7,000	7,000	7,000	7,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM CHEMICALS	2,000	2,000	2,000	2,000	2,000	2,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM UNIFORMS	3,000	3,000	3,000	3,000	3,000	3,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM METERS & METER SUPPLIES	0	0	0	0	0	0	NA	3.44%	3.37%	3.32%	3.31%
4	OM BAD DEBITS	1,000	1,000	1,000	1,000	1,000	1,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM MEMBERSHIPS, ADS & SUBSCRIPTION	1,500	2,000	2,000	2,000	2,000	2,000	NA	3.44%	3.37%	3.32%	3.31%
4	OM EMPLOYEE TRAINING	2,500	3,000	3,000	3,000	3,000	3,000	NA	3.44%	3.37%	3.32%	3.31%
4	CO MISC. TOOLS (MACHINERY & EQUIPME	3,000	3,000	3,000	3,000	3,000	3,000	NA	3.44%	3.37%	3.32%	3.31%
4	NA (CAPITAL CONTRIB - FRUS)	0	0	0	0	0	0	NA	3.44%	3.37%	3.32%	3.31%
4	OM TRANSFERS	36,200	37,000	38,000	39,000	40,000	41,000	NA	3.44%	3.37%	3.32%	3.31%



**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Expense Input*

FUND DESCRIPTION	2002	2003	2004	2005	2006	2007
FUND 1 WATER IMPACT FEE FUND						
FUND 2 WASTEWATER IMPACT FEE FUND						
FUND 3 NOT USED						
FUND 4 OPERATING FUND						

EXPENSE CLASSIFICATION	2002	2003	2004	2005	2006	2007
OM OPERATIONS AND MAINTENANCE EXP						
NOE NON OPERATING EXPENSE						
TROUT TRANSFER OUT						
CO CAPITAL OUTLAY						
EDS EXISTING SENIOR LIEN DEBT SERVICE						

EXPENSES	INFLATIONARY / GROWTH ESCALATORS						
	2002	2003	2004	2005	2006	2007	
	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
% OF GROWTH USED TO ESCALATE EXPENSES	25.00%	1.75%	1.46%	1.27%	1.25%	1.23%	1.23%
	3.51%	3.44%	3.37%	3.32%	3.31%	3.31%	3.31%

FUND CLASS	DESCRIPTION	INFLATIONARY / GROWTH ESCALATORS						
		2002	2003	2004	2005	2006	2007	
4	EDS 1994 REVENUE BONDS	969,223	974,136	967,636	970,311	971,681	971,493	0
2	CO INTERLOCAL AGREEMENT WITH ECUA	58,112	57,136	57,135	0	0	0	0
4	CO NAB LIABILITY	3,882	4,089	4,307	4,536	4,777	5,032	0
4	EDS 1996 LOAN POOL - principal	238,180	250,727	263,934	277,837	292,472	307,878	0
4	EDS 1996 LOAN POOL - est. interest	136,213	124,781	112,747	100,079	86,744	72,706	0
4	EDS 1998 LOAN (5.5) - principal	89,192	93,936	98,932	104,195	109,736	115,573	0
4	EDS 1998 LOAN (5.5) - est. interest	188,332	185,048	181,950	177,948	174,112	170,072	0

SOURCE: BURTON & ASSOCIATES  
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**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
Capital Improvements Program

Water Capital Improvements Program

PROJECT TOTAL	PRIORITY CODE	PROJECT NAME	2002	2003	2004	2005	2006	2007	EXPANSION %
1	P1	WATER - RENEWAL & EXTENSION - SSRU							
2	15,000	METERS & METER SUPPLIES	15,000						
3	58,000	WATER MAINS	58,000						
4	22,000	MACHINERY & EQUIPMENT	22,000						
5	965,000	TOTAL WATER R&E	95,000	95,000	98,000	101,000	104,000	107,000	
6	\$1,260,000	TOTAL WATER PROJECTS	\$95,000	\$95,000	\$98,000	\$101,000	\$104,000	\$107,000	

Wastewater Capital Improvements Program

PROJECT TOTAL	PRIORITY CODE	PROJECT NAME	2002	2003	2004	2005	2006	2007	EXPANSION %
7	400,000	WASTEWATER - SSRU							
8	6,275,000	RE-PERMITTING ERS 2,3 AND 4 TO REACH 2.0 MGD (ASSUMES ADMINISTRATIVE HEARI	25,000	250,000	125,000	50,000	75,000	250,000	100%
9	1,692,000	EASTERN TREATMENT FACILITY					250,000	200,000	100%
10	143,000	EFFLUENT DISPOSAL TO 3 MGD (CHNAGED TITLE FROM WETLANDS DISPOSAL)							
11	1,030,000	WASTEWATER - RENEWAL & EXTENSION - SSRU							
12	431,000	REPAIRS & MAINTENANCE	13,000	13,000	13,000	14,000	14,000	14,000	
13	260,000	SEWER MAINS	90,000	93,000	95,000	98,000	101,000	104,000	
14	1,326,000	MACHINERY & EQUIPMENT	38,000	39,000	40,000	41,000	42,000	43,000	
15	260,000	WASTEWATER - WW TREATMENT PLANT - SSRU							
16	1,326,000	REPAIR & MAINTENANCE	10,000	10,000	30,000	30,000	30,000	30,000	
17	755,000	REUSE EXPANSION	255,000	263,000	100,000	100,000	100,000	100,000	
18	\$13,112,000	MASTER LIFT STATIONS	\$694,000	\$768,000	\$503,000	\$433,000	\$712,000	\$841,000	
19	\$14,372,000	TOTAL WASTEWATER PROJECTS	\$789,000	\$863,000	\$601,000	\$534,000	\$816,000	\$948,000	

SOURCE: BURTON & ASSOCIATES  
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04/01/2002

## Rate Revenue Plan Scenario 2

### Annual Rate Increases

<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
3%	3%	3%	3%	3%	3%

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
**Revenue Forecast Summary**

Scenario 2 - Annual 3% Indexing, FY 2002 through FY 2007.

	2002	2003	2004	2005	2006	2007
<b>REVENUE FORECAST SUMMARY:</b>						
<b>REVENUE</b>						
<b>RATE REVENUE</b>						
<b>WATER RATE REVENUE</b>						
RATE REVENUE BEFORE CURRENT YEAR RATE INCREASE	985,000	1,021,000	1,086,000	1,136,000	1,185,000	1,236,000
RATE REVENUE ADJUSTED FOR PARTIAL YR RATE INCR (WHERE APPLICABLE)	985,000	1,036,000	1,086,000	1,136,000	1,185,000	1,236,000
<b>GROWTH RATE</b>	2.05%	1.75%	1.46%	1.27%	1.25%	1.23%
RATE REVENUE FROM GROWTH	20,000	18,000	16,000	14,000	15,000	15,000
<b>RATE INCREASE</b>	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
PORTION OF YEAR RATE INC EFFECTIVE	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%
RATE REVENUE FROM RATE INCREASE	16,000	32,000	34,000	35,000	36,000	38,000
<b>TOTAL WATER RATE REVENUE</b>	1,021,000	1,086,000	1,136,000	1,185,000	1,236,000	1,289,000
<b>WASTEWATER RATE REVENUE</b>						
RATE REVENUE BEFORE CURRENT YEAR RATE INCREASE	1,397,000	1,469,000	1,590,000	1,693,000	1,801,000	1,913,000
RATE REVENUE ADJUSTED FOR PARTIAL YR RATE INCR (WHERE APPLICABLE)	1,397,000	1,491,000	1,590,000	1,693,000	1,801,000	1,913,000
<b>GROWTH RATE</b>	3.59%	3.46%	3.35%	3.24%	3.14%	3.04%
RATE REVENUE FROM GROWTH	50,000	52,000	53,000	55,000	56,000	58,000
<b>RATE INCREASE</b>	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
PORTION OF YEAR RATE INC EFFECTIVE	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%
RATE REVENUE FROM RATE INCREASE	22,000	47,000	50,000	53,000	56,000	60,000
<b>TOTAL WASTEWATER RATE REVENUE</b>	1,469,000	1,590,000	1,693,000	1,801,000	1,913,000	2,031,000
<b>TOTAL RATE REVENUE</b>	2,490,000	2,676,000	2,829,000	2,986,000	3,149,000	3,320,000
<b>OTHER OPERATING REVENUE</b>						
OPERATING FUND	507,000	507,000	507,000	507,000	507,000	507,000
<b>TOTAL OTHER OPERATING REVENUE</b>	507,000	507,000	507,000	507,000	507,000	507,000
<b>TOTAL OPERATING REVENUE</b>	2,997,000	3,183,000	3,336,000	3,493,000	3,656,000	3,827,000
<b>EXPENSES</b>						
OPERATING EXPENSES	2,052,000	2,114,000	2,174,000	2,237,000	2,301,000	2,366,000
<b>NET OPERATING INCOME (LOSS)</b>	945,000	1,069,000	1,162,000	1,256,000	1,355,000	1,461,000
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
NON-OPERATING REVENUES	0	0	0	0	0	0
NON-OPERATING EXPENSES	0	0	0	0	0	0
INTEREST INCOME ON OPERATING FUND	140,000	130,000	130,000	130,000	140,000	150,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	140,000	130,000	130,000	130,000	140,000	150,000
<b>TOTAL NET INCOME</b>	1,085,000	1,199,000	1,292,000	1,386,000	1,495,000	1,611,000
<b>DEBT SERVICE COVERAGE CALCULATIONS:</b>						
<b>RATE COVENANT TEST (INCLUDING IMPACT FEES)</b>						
NET OPERATING INCOME	1,085,000	1,199,000	1,292,000	1,386,000	1,495,000	1,611,000
ADD:						
WATER IMPACT FEES	178,000	151,000	128,000	113,000	113,000	113,000
WASTEWATER IMPACT FEES	744,000	882,000	882,000	882,000	882,000	882,000
<b>TOTAL NET FUNDS AVAILABLE FOR DEBT SERVICE</b>	2,007,000	2,232,000	2,302,000	2,381,000	2,490,000	2,606,000
CURRENT YEAR DEBT SERVICE	1,621,000	1,649,000	1,654,000	1,663,000	1,674,000	1,696,000
LESS: CAPITALIZED INTEREST	0	0	0	0	0	0
CURRENT YEAR DEBT SERVICE	1,621,000	1,649,000	1,654,000	1,663,000	1,674,000	1,696,000
<b>DEBT SERVICE COVERAGE FOR RATE COVENANT TEST</b>	1.24	1.35	1.39	1.43	1.49	1.54
<b>PARITY TEST (INCLUDING IMPACT FEES)</b>						
TOTAL NET FUNDS AVAILABLE FOR DEBT SERVICE	2,007,000	2,232,000	2,302,000	2,381,000	2,490,000	2,606,000
MAXIMUM ANNUAL DEBT SERVICE DURING FORECAST PERIOD	1,646,000	1,666,000	1,675,000	1,679,000	1,685,000	1,704,000
<b>DEBT SERVICE COVERAGE FOR PARTIY TEST</b>	NA	1.34	1.37	1.42	1.48	1.53

SOURCE: BURTON & ASSOCIATES  
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04/01/2002

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
Cash Flow Reconciliation

Scenario 2 - Annual 3% Indexing, FY 2002 through FY 2007.

	2002	2003	2004	2005	2006	2007
<b>CASH FLOW RECONCILIATION:</b>						
<b>OPERATING FUND</b>						
BEGINNING BALANCES	2,947,000	2,554,000	2,483,000	2,579,000	2,752,000	2,871,000
LESS:						
RESTRICTED RESERVES	(2,006,000)	(2,026,000)	(2,035,000)	(2,039,000)	(2,045,000)	(2,064,000)
UNRESTRICTED WORKING CAPITAL RESERVES	941,000	528,000	448,000	540,000	707,000	807,000
LESS:						
DISCRETIONARY WORKING CAPITAL RESERVE	(513,000)	(529,000)	(544,000)	(559,000)	(575,000)	(592,000)
UNRESTRICTED RESERVES AVAILABLE (NET OF DISCRETIONARY WORKING CAPIT	428,000	(1,000)	(96,000)	(19,000)	132,000	215,000
NET INCOME	1,085,000	1,199,000	1,292,000	1,386,000	1,495,000	1,611,000
ADD:						
TRANSFERS IN	77,000	0	0	0	0	0
GRANTS	0	0	0	0	0	0
DEBT SERVICE RESERVE PROCEEDS	0	20,000	9,000	4,000	6,000	19,000
LESS:						
DEBT SERVICE	(752,000)	(673,000)	(701,000)	(718,000)	(724,000)	(735,000)
SRF DEBT SERVICE	0	0	0	0	0	0
SRF DEBT SERVICE	0	0	0	0	0	0
SUBORDINATE DEBT SERVICE	0	0	0	0	0	0
CAPITAL OUTLAY	(13,000)	(13,000)	(13,000)	(14,000)	(14,000)	(14,000)
CAPITAL PROJECTS FUNDED BY OPERATING REVENUE	(754,000)	(603,000)	(446,000)	(454,000)	(461,000)	(468,000)
TRANSFERS OUT	0	0	0	0	0	0
NET CASH FROM OPERATIONS	(357,000)	(70,000)	141,000	204,000	302,000	413,000
UNRESTRICTED RESERVES BEFORE FUNDING OF CAPITAL PROJECTS	71,000	(71,000)	45,000	185,000	434,000	628,000
LESS:						
CAPITAL PROJECTS FUNDED FROM REVENUE FUNDS (THRU FUNDING ANALYSI	(35,000)	0	(43,000)	(30,000)	(183,000)	(196,000)
ENDING BALANCE - UNRESTRICTED RESERVES	36,000	(71,000)	2,000	155,000	251,000	432,000
ADD:						
DISCRETIONARY WORKING CAPITAL RESERVE	513,000	529,000	544,000	559,000	575,000	592,000
ENDING UNRESTRICTED FUND BALANCES	549,000	458,000	546,000	714,000	826,000	1,024,000
ADD:						
RESTRICTED RESERVES	2,006,000	2,026,000	2,035,000	2,039,000	2,045,000	2,064,000
ENDING BALANCE - OPERATING FUND	2,555,000	2,484,000	2,581,000	2,753,000	2,871,000	3,088,000
<b>WASTEWATER IMPACT FEE FUND</b>						
BEGINNING BALANCES	0	0	0	0	51,000	0
LESS:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING UNRESTRICTED BALANCES	0	0	0	0	51,000	0
ADD:						
WASTEWATER IMPACT FEE FUND REVENUES	744,000	882,000	882,000	882,000	882,000	882,000
INTEREST ON WASTEWATER IMPACT FEE FUND BALANCES	0	0	0	1,000	1,000	0
WASTEWATER IMPACT FEE FUND UNRESTRICTED BALANCE BEFORE CAPITAL PR	744,000	882,000	882,000	883,000	934,000	882,000
LESS:						
OTHER USES OF FUNDS	(53,000)	(57,000)	(57,000)	0	0	0
DEBT SERVICE PAID WITH WASTEWATER IMPACT FEES	(691,000)	(825,000)	(825,000)	(832,000)	(837,000)	(848,000)
CAPITAL PROJECTS FUNDED FROM WASTEWATER IMPACT FEE FUND	0	0	0	0	(97,000)	(34,000)
ENDING UNRESTRICTED BALANCE IN WASTEWATER IMPACT FEE FUND FUND	0	0	0	51,000	0	0
ADD:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING BALANCE IN WASTEWATER IMPACT FEE FUND FUND	0	0	0	51,000	0	0
<b>WATER IMPACT FEE FUND</b>						
BEGINNING BALANCES	0	0	0	0	0	0
LESS:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING UNRESTRICTED BALANCES	0	0	0	0	0	0
ADD:						
WATER IMPACT FEE FUND REVENUES	178,000	151,000	128,000	113,000	113,000	113,000
INTEREST ON WATER IMPACT FEE FUND BALANCES	0	0	0	0	0	0
WATER IMPACT FEE FUND UNRESTRICTED BALANCE BEFORE CAPITAL PROJECTS	178,000	151,000	128,000	113,000	113,000	113,000
LESS:						
DEBT SERVICE PAID WITH WATER IMPACT FEES	(178,000)	(151,000)	(128,000)	(113,000)	(113,000)	(113,000)
CAPITAL PROJECTS FUNDED FROM WATER IMPACT FEE FUND	0	0	0	0	0	0
ENDING UNRESTRICTED BALANCE IN NOT USED FUND	0	0	0	0	0	0
ADD:						
RESTRICTED RESERVES	0	0	0	0	0	0
ENDING BALANCE IN WATER IMPACT FEE FUND FUND	0	0	0	0	0	0

SOURCE: BURTON &amp; ASSOCIATES

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**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Revenue Input*

FUND DESCRIPTION
FUND 1 WATER IMPACT FEE FUND
FUND 2 WASTEWATER IMPACT FEE FUND
FUND 3 NOT USED
FUND 4 OPERATING FUND
REVENUE CLASSIFICATION
RR1 WATER RATE REVENUE
RR2 SEWER RATE REVENUE
RR3 NA
RR4 NA
RR5 NA
RR6 NA
RR7 NA
RR8 NA
OPR OPERATING REVENUE
OOB OTHER OPERATING REVENUE
NOR NON OPERATING REVENUE
WCF WATER IMPACT FEES
SCF SEWER IMPACT FEES
SRR NA
GRNT GRANTS
TRIN TRANSFER IN
WBF NA

FUND CLAS	DESCRIPTION	2002	2003	2004	2005	2006	2007
<b>REVENUE (SSRU) - PG 2 OF 02 BUDGET</b>							
4	RR1 WATER SERVICE FEES	984,995	984,995	984,995	984,995	984,995	984,995
4	RR2 SEWER SERVICE FEES	1,396,798	1,396,798	1,396,798	1,396,798	1,396,798	1,396,798
2	SCF REVENUE FROM CITY (80% OF SEWER IMPACT FE	20,000	CALCULATED HEREAFTER				
4	NA INTEREST EARNINGS	180,000	180,000	180,000	180,000	180,000	180,000
4	OOB RENT	59,200	59,200	59,200	59,200	59,200	59,200
1	WCF WATER IMPACT FEES	178,000	CALCULATED HEREAFTER				
2	SCF SEWER IMPACT FEES	723,500	CALCULATED HEREAFTER				
4	OOB OTHER MISCELLANEOUS INCOME	45,000	45,000	45,000	45,000	45,000	45,000
4	OOB NEW SERVICE FEES	26,000	26,000	26,000	26,000	26,000	26,000
4	OOB RECONNECT FEES	11,000	11,000	11,000	11,000	11,000	11,000
4	OOB CITY SEWER FEES (OVERHEAD ALLOCATION)	217,363	217,363	217,363	217,363	217,363	217,363
4	TRIN INTERFUND TRANSFERS	0	0	0	0	0	0
4	OOB CITY DEBT SERV FOR ORIGINAL CONSTRUCTION	59,000	59,000	59,000	59,000	59,000	59,000
4	OOB CITY DEBT SERVICE FOR ORIGINAL ACQUISITION	65,330	65,330	65,330	65,330	65,330	65,330
4	OOB CITY DEBT SERVICE FOR REUSE EXPANSION	23,670	23,670	23,670	23,670	23,670	23,670
4	TRIN CITY CONTRIBUTION TO WWTP R&E	76,908	0	0	0	0	0

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Expense Input*

FUND DESCRIPTION
FUND 1 WATER IMPACT FEE FUND
FUND 2 WASTEWATER IMPACT FEE FUND
FUND 3 NOT USED
FUND 4 OPERATING FUND

EXPENSE CLASSIFICATION
OM OPERATIONS AND MAINTENANCE EXP
NOE NON OPERATING EXPENSE
TROUT TRANSFER OUT
CO CAPITAL OUTLAY
EDS EXISTING SENIOR LIEN DEBT SERVICE

INFLATIONARY / GROWTH ESCALATORS	
INFLATIONARY %	3.00%
% OF GROWTH USED TO ESCALATE EXPENSES	25.00%
INFLATIONARY / GROWTH ESCALATORS	3.00%

FUND CLASS	DESCRIPTION	INFLATIONARY / GROWTH ESCALATORS										
		2002	2003	2004	2005	2006	2007					
<b>WATER SERVICE (ISSRU) - PG 3 OF 02 BUDGET</b>												
4	OM SALARIES & WAGES	152,800	159,000	165,000	172,000	179,000	186,000	0	0	0	0	0
4	OM (OTHER SALARIES & WAGES)	0	0	0	0	0	0	0	0	0	0	0
4	OM TEMPORARIES	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
4	OM OVERTIME	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
4	OM FICA TAXES	11,700	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
4	OM RETIREMENT	11,100	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
4	OM LIFE & HEALTH INSURANCE	18,900	20,000	21,000	22,000	23,000	24,000	24,000	24,000	24,000	24,000	24,000
4	OM (WORKERS COMPENSATION)	0	0	0	0	0	0	0	0	0	0	0
4	OM (DISABILITY INSURANCE)	200	0	0	0	0	0	0	0	0	0	0
4	OM LEGAL SERVICES	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
4	OM PROFESSIONAL SERVICES	18,000	19,000	20,000	21,000	22,000	23,000	23,000	23,000	23,000	23,000	23,000
4	OM ACCOUNTING & AUDITING	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
4	OM OTHER CONTRACTUAL SERVICES	339,830	339,000	339,000	339,000	339,000	339,000	339,000	339,000	339,000	339,000	339,000
4	OM TRAVEL & PER DIEM / VEHICLE ALLOW	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
4	OM TELEPHONE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
4	OM POSTAGE	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
4	OM RADIO & PAGERS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4	OM UTILITIES	24,000	25,000	26,000	27,000	28,000	29,000	29,000	29,000	29,000	29,000	29,000
4	OM RENTALS & LEASES	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4	OM INSURANCE	0	0	0	0	0	0	0	0	0	0	0
4	OM REPAIRS & MAINTENANCE - OTHER	30,000	31,000	32,000	33,000	34,000	35,000	35,000	35,000	35,000	35,000	35,000
4	OM REPAIRS & MAINTENANCE - VEHICLES	3,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
4	OM PRINTING	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4	OM OTHER CURRENT CHARGES	0	0	0	0	0	0	0	0	0	0	0
4	OM OFFICE SUPPLIES	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4	OM OPERATING SUPPLIES	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
4	OM FUELS & LUBRICANTS	6,500	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
4	OM CHEMICALS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4	OM UNIFORMS	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
4	OM METERS & METER SUPPLIES	0	0	0	0	0	0	0	0	0	0	0
4	OM BAD DEBTS	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
4	OM MEMBERSHIPS, ADS & SUBSCRIPTION	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
4	OM EMPLOYEE TRAINING	2,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
4	CO MISC. TOOLS (MACHINERY & EQUIPME	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
4	NA (CAPITAL CONTRIB - FRUS)	0	0	0	0	0	0	0	0	0	0	0
4	OM TRANSFERS	36,200	37,000	38,000	39,000	40,000	41,000	41,000	40,000	40,000	41,000	41,000

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Expense Input*

FUND DESCRIPTION
FUND 1 WATER IMPACT FEE FUND
FUND 2 WASTEWATER IMPACT FEE FUND
FUND 3 NOT USED
FUND 4 OPERATING FUND

EXPENSE CLASSIFICATION
OM OPERATIONS AND MAINTENANCE EXP
NOE NON OPERATING EXPENSE
TROUT TRANSFER OUT
CO CAPITAL OUTLAY
EOS EXISTING SENIOR LIEN DEBT SERVICE

EXPENSES	INFLATIONARY / GROWTH ESCALATORS											
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
FUND CLASS	INFLATIONARY / GROWTH ESCALATORS											
DESCRIPTION	INFLATIONARY / GROWTH ESCALATORS											
2002	INFLATIONARY / GROWTH ESCALATORS											
2003	INFLATIONARY / GROWTH ESCALATORS											
2004	INFLATIONARY / GROWTH ESCALATORS											
2005	INFLATIONARY / GROWTH ESCALATORS											
2006	INFLATIONARY / GROWTH ESCALATORS											
2007	INFLATIONARY / GROWTH ESCALATORS											
WASTEWATER SERVICE (SS&L - PG & L OF 02 BUDGET)	455,000	0	0	0	0	0	0	0	0	0	0	0
4 OM SALARIES & WAGES	17,000	473,000	492,000	512,000	532,000	553,000	0	0	0	0	0	0
4 OM TEMPORARIES	20,400	21,000	22,000	23,000	24,000	25,000	0	0	0	0	0	0
4 OM OVERTIME	31,200	32,000	33,000	34,000	35,000	36,000	0	0	0	0	0	0
4 OM FICA TAXES	52,000	54,000	56,000	58,000	60,000	62,000	0	0	0	0	0	0
4 OM RETIREMENT	7,000	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0	0
4 OM LIFE & HEALTH INSURANCE	4,000	4,000	4,000	4,000	4,000	4,000	0	0	0	0	0	0
4 OM (WORKERS COMPENSATION)	100,000	103,000	106,000	110,000	114,000	118,000	0	0	0	0	0	0
4 OM LEGAL SERVICES	20,000	21,000	22,000	23,000	24,000	25,000	0	0	0	0	0	0
4 OM PROFESSIONAL SERVICES	163,500	169,000	175,000	181,000	187,000	193,000	0	0	0	0	0	0
4 OM ACCOUNTING & AUDITING	1,000	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0	0
4 OM OTHER CONTRACTUAL SERVICES	6,000	6,000	6,000	6,000	6,000	6,000	0	0	0	0	0	0
4 OM TRAVEL & PER DIEM / VEHICLE ALLOW	8,000	8,000	8,000	8,000	8,000	8,000	0	0	0	0	0	0
4 OM TELEPHONE	6,000	6,000	6,000	6,000	6,000	6,000	0	0	0	0	0	0
4 OM POSTAGE	6,000	6,000	6,000	6,000	6,000	6,000	0	0	0	0	0	0
4 OM RADIO & PAGERS	3,000	3,000	3,000	3,000	3,000	3,000	0	0	0	0	0	0
4 OM UTILITIES	130,000	134,000	139,000	144,000	149,000	154,000	0	0	0	0	0	0
4 OM RENTALS & LEASES	80,000	83,000	86,000	89,000	92,000	95,000	0	0	0	0	0	0
4 OM INSURANCE	5,000	5,000	5,000	5,000	5,000	5,000	0	0	0	0	0	0
4 OM REPAIRS & MAINTENANCE - OTHER	2,500	3,000	3,000	3,000	3,000	3,000	0	0	0	0	0	0
4 OM REPAIRS & MAINTENANCE - VEHICLES	2,000	2,000	2,000	2,000	2,000	2,000	0	0	0	0	0	0
4 OM OTHER CURRENT CHARGES	12,700	13,000	13,000	13,000	13,000	13,000	0	0	0	0	0	0
4 OM OFFICE SUPPLIES	7,500	8,000	8,000	8,000	8,000	8,000	0	0	0	0	0	0
4 OM OPERATING SUPPLIES	85,000	88,000	91,000	94,000	97,000	100,000	0	0	0	0	0	0
4 OM FUELS & LUBRICANTS	7,000	7,000	7,000	7,000	7,000	7,000	0	0	0	0	0	0
4 OM CHEMICALS	0	0	0	0	0	0	0	0	0	0	0	0
4 OM UNIFORMS	2,000	2,000	2,000	2,000	2,000	2,000	0	0	0	0	0	0
4 OM BAD DEBTS	4,000	4,000	4,000	4,000	4,000	4,000	0	0	0	0	0	0
4 OM MEMBERSHIPS, ADS & SUBSCRIPTION	6,000	6,000	6,000	6,000	6,000	6,000	0	0	0	0	0	0
4 OM EMPLOYEE TRAINING	72,400	75,000	78,000	81,000	84,000	87,000	0	0	0	0	0	0
4 OM MISC. TOOLS (MACHINERY & EQUIPME												
4 OM TRANSFERS												

**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Expense Input*

FUND DESCRIPTION
FUND 1 WATER IMPACT FEE FUND
FUND 2 WASTEWATER IMPACT FEE FUND
FUND 3 NOT USED
FUND 4 OPERATING FUND

EXPENSE CLASSIFICATION
CO OPERATIONS AND MAINTENANCE EXP
NOE NON OPERATING EXPENSE
TROUT TRANSFER OUT
CO CAPITAL OUTLAY
EDS EXISTING SENIOR LIEN DEBT SERVICE

EXPENSES	INFLATIONARY / GROWTH ESCALATORS						
	2002	2003	2004	2005	2006	2007	2008
4 EDS 1994 REVENUE BONDS	969,223	974,136	967,636	970,311	971,681	971,493	0
2 CO INTERLOCAL AGREEMENT WITH ECUA	53,112	57,136	57,135	0	0	0	0
4 CO NAB LIABILITY	3,882	4,089	4,307	4,536	4,777	5,032	0
4 EDS 1996 LOAN POOL - principal	238,180	250,727	263,934	277,837	292,472	307,878	0
4 EDS 1996 LOAN POOL - est. interest	136,213	124,781	112,747	100,079	86,744	72,706	0
4 EDS 1998 LOAN (5.5) - principal	89,192	93,936	98,932	104,195	109,736	115,573	0
4 EDS 1998 LOAN (5.5) - est. interest	188,332	185,048	181,590	177,948	174,112	170,072	0

SOURCE: BURTON & ASSOCIATES  
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**SOUTH SANTA ROSA UTILITIES**  
**Water and Wastewater Revenue Sufficiency Analysis**  
*Capital Improvements Program*

Water Capital Improvements Program

PROJECT TOTAL	PRIORITY CODE	PROJECT NAME	2002	2003	2004	2005	2006	2007	EXPANSION %
1	P1	WATER - RENEWAL & EXTENSION -SSRU							
2	P3	METERS & METER SUPPLIES	15,000						
3	P4	WATER MAINS	58,000						
4	P5	MACHINERY & EQUIPMENT	22,000						
5	P7	TOTAL WATER R&E	\$95,000	\$95,000	\$98,000	\$101,000	\$104,000	\$107,000	
6		TOTAL WATER PROJECTS	\$95,000	\$95,000	\$98,000	\$101,000	\$104,000	\$107,000	

Wastewater Capital Improvements Program

PROJECT TOTAL	PRIORITY CODE	PROJECT NAME	2002	2003	2004	2005	2006	2007	EXPANSION %
7	P31	WASTEWATER - SSRU							
8	P35	RE-PERMITTING ERS 2,3 AND 4 TO REACH 2.0 MGD (ASSUMES ADMINISTRATIVE HEARI	25,000	250,000	125,000	50,000	75,000	250,000	100%
9	P36	EASTERN TREATMENT FACILITY							100%
10	P38	EFFLUENT DISPOSAL TO 3 MGD (CHINGED TITLE FROM WETLANDS DISPOSAL)							100%
11	P39	WASTEWATER - RENEWAL & EXTENSION - SSRU							
12	P40	REPAIRS & MAINTENANCE	13,000	13,000	13,000	14,000	14,000	14,000	
13	P41	SEWER MAINS	90,000	93,000	95,000	98,000	101,000	104,000	
14	P42	MACHINERY & EQUIPMENT	38,000	39,000	40,000	41,000	42,000	43,000	
15	P45	WASTEWATER - WW TREATMENT PLANT - SSRU							
16	P46	REPAIR & MAINTENANCE	10,000	10,000	30,000	30,000	30,000	30,000	
17	P47	REUSE EXPANSION	263,000	263,000	100,000	100,000	100,000	100,000	
18	P49	MASTER LIFT STATIONS	255,000	100,000	100,000	100,000	100,000	100,000	
19		TOTAL WASTEWATER PROJECTS	\$694,000	\$768,000	\$503,000	\$433,000	\$712,000	\$841,000	
20		TOTAL CIP - WATER AND WASTEWATER	\$789,000	\$863,000	\$601,000	\$534,000	\$816,000	\$948,000	

SOURCE: BURTON & ASSOCIATES  
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04/01/2002

1070 SHORELINE DRIVE

## SOUTH SANTA ROSA UTILITY SYSTEM

P. O. BOX 640  
GULF BREEZE, FLORIDA 32562-0640

PHONE: 934-5100  
FAX: 934-5114

### ALLOCATION OF COSTS FOR EASTERN REUSE LINE PHASES I, II, III & IV, SPRAY FIELD DEVELOPMENT, AND PROPERTY ACQUISITION

In 1997 SSRUS embarked on a major capital project to expand the Effluent Disposal System. The infrastructure installed and properties purchased will benefit current and future customers for many years to come.

The function and capacity of the Capital Projects are listed below:

#### Property Acquisition

SSRUS purchased property to enable the Utility to install spray fields, rapid infiltration basins, and provide a future WWTP site. The property is currently developed as 99 acres of spray fields. The property cost was \$2,052,358. Approximately 10 acres of this property will be needed as a future WWTP site.

#### Eastern Reuse Sites

The Eastern Reuse Sites were developed to provide for future growth and to alleviate perceived problems on the Golf Course. During the State permitting process, the disposal capacity of the Golf Course was reduced by 250,000 gallons per day. The new spray fields provide 627,000 gallons of capacity with 250,000 gallons being allocated to the Golf Course Reduction. The final permitted Effluent Disposal Capacity is 1.777 MGD annual average.

#### Spray Field Development

Spray Field development costs were:

	<u>Acres</u>	<u>Capacity</u>
E.R.S. #1 - \$ 400,000	41.3	.232
E.R.S. #2 - \$ 163,000	19.0	.129
E.R.S. #3 - \$ 142,000	12.5	.085
E.R.S. #4 - \$ <u>238,300</u>	<u>26.7</u>	<u>.181</u>
\$ 943,300	99.5	.627

At \$ 943,300 / 607,000 gallons, SSRUS spent \$ 1.55 per gallon of capacity on the development of spray fields.

**Effluent Reuse Line**

The Effluent Reuse Line across the Tiger Point Golf Course (PHASE 1) was constructed to provide for the transfer of reclaimed water from the WWTP to the Tiger Point East Course and ultimately to Utility and other properties located to the East.

The Eastern Reuse Line Phase 1 was constructed across Tiger Point Golf Course with the following capacity and specifications:

Cost:	\$811,153 + \$136,848 (engineering)	= \$ 948,000
Capacity:	2.0 mgd Average daily flow	
Diameter:	16" PVC line	
Length:	3.0 miles or 15,840 feet	
	Diameter 12" PVC line	
Phase II & III:	Hwy 98 pipe lines	
	Diameter 12" PVC line	
	5.606 miles, 29,602 feet	= \$ 624,000
	Total	\$ 1,572,000

Therefore, the cost of expanding the Reuse System is:

Property acquisition	\$2,052,358 (less \$150,000 for WWTP Site assigned to	
Sprayfield development	943,300	future customers)
Reuse pipe lines	<u>1,572,000</u>	
	\$4,567,658	

The expenditure \$4,567,658 benefits existing and future customers and Staff suggestS that existing customers incur the cost of reducing the Golf Course capacity by 250,000 gallons. The 250,000 gallons is 22.7% of the previous capacity of the Golf Course (1,100,000 gallons). Golf Course capacity is currently 850,000 gpd.

$$22.7\% \text{ of } \$4,567,658 - \$150,000 = \$1,002,808$$

Existing SSRUS Customers:	66.7% of \$1,002,808 = \$ 691,584
Existing City Customers:	33.3% of \$1,002,808 = \$ 333,935

**Recommendation:** SSRUS Board recommend that the City Council adopt the allocation of costs for the expenditure as outlined below.

Existing Customers:	22.7% of \$4,567,658	- \$150,000 = \$1,002,808
Future Customers:	77.3% of \$4,567,658 = \$3,530,800	+ \$150,000 = \$3,680,800
		(for WWTP Site)

That the City reimburse SSRUS the City's share of costs at 33.3% of \$1,002,808 equals \$333,935 effective 10/01/2000. Payments should be made as debt service payments to SSRUS over the life of the loan. Mr. Bowyer has provided the attached schedule of payments.

**EXHIBIT "B"**

**REPAYMENT EXHIBIT**

<u>Payment No</u>	<u>Month</u>	<u>Principal</u>	
1	5/1/99	38,669.27	
2	11/1/99	39,684.33	
3	5/1/00	40,726.05	
4	11/1/00	41,795.11	
5	5/1/01	42,892.23	
6	11/1/01	44,018.15	
7	5/1/02	45,173.62	
8	11/1/02	46,359.43	
9	5/1/03	47,576.37	
10	11/1/03	48,825.25	
11	5/1/04	50,106.91	
12	11/1/04	51,422.22	
13	5/1/05	52,772.05	
14	11/1/05	54,157.32	
15	5/1/06	55,578.95	
16	11/1/06	57,037.89	
17	5/1/07	58,535.14	
18	11/1/07	60,071.68	
19	5/1/08	61,648.57	
20	11/1/08	63,266.84	
21	5/1/09	64,927.60	
22	11/1/09	66,631.95	
23	5/1/10	68,381.03	
24	11/1/10	70,176.04	
25	5/1/11	72,018.16	
26	11/1/11	73,908.63	
27	5/1/12	75,848.74	
28	11/1/12	77,839.76	
29	5/1/13	79,883.06	
30	11/1/13	81,979.99	
31	5/1/14	84,131.96	
32	11/1/14	86,340.43	
33	5/1/15	88,606.86	
34	11/1/15	90,932.79	
35	5/1/16	93,319.78	
36	11/1/16	95,769.42	
37	5/1/17	98,283.37	
38	11/1/17	100,863.31	
39	5/1/18	103,510.97	
40	11/1/18	106,228.13	
41	5/1/19	109,016.62	
42	11/1/19	111,878.31	
43	5/1/20	114,815.11	
44	11/1/20	2,484,390.61	Balloon Payment
	Total	5,500,000.00	

MCL-09/16/98  
rev-10/13/98  
rev 10/27/98  
rev-10/27/98  
rev-10/28/98  
rev-11/16/98  
rev-11/18/98  
rev-11/19/98-6348-1a

City of Gulf Breeze, Florida  
 WWTP Contribution Repayment Schedule  
 September 30, 2000

City's Contribution for WWTP \$333,935

	<u>Principal</u>	<u>3.50% Interest</u>	<u>Total Payment</u>
11/1/00	9,767.58	5,672.93	15,440.51
5/1/01	2,604.22	5,627.36	8,231.58
11/1/01	2,672.58	5,580.59	8,253.17
5/1/02	2,742.73	5,532.59	8,275.32
11/1/02	2,814.73	5,483.33	8,298.06
5/1/03	2,888.62	5,432.78	8,321.40
11/1/03	2,964.44	5,380.90	8,345.34
5/1/04	3,042.26	5,327.66	8,369.92
11/1/04	3,122.12	5,273.03	8,395.14
5/1/05	3,204.07	5,216.95	8,421.03
11/1/05	3,288.18	5,159.41	8,447.59
5/1/06	3,374.49	5,100.36	8,474.85
11/1/06	3,463.07	5,039.75	8,502.83
5/1/07	3,553.98	4,977.56	8,531.54
11/1/07	3,647.27	4,913.73	8,561.00
5/1/08	3,743.01	4,848.23	8,591.24
11/1/08	3,841.26	4,781.01	8,622.27
5/1/09	3,942.10	4,712.02	8,654.12
11/1/09	4,045.58	4,641.22	8,686.80
5/1/10	4,151.77	4,568.57	8,720.34
11/1/10	4,260.76	4,494.00	8,754.76
5/1/11	4,372.60	4,417.48	8,790.08
11/1/11	4,487.38	4,338.95	8,826.33
5/1/12	4,605.17	4,258.36	8,863.54
11/1/12	4,726.06	4,175.66	8,901.72
5/1/13	4,850.12	4,090.78	8,940.90
11/1/13	4,977.43	4,003.67	8,981.11
5/1/14	5,108.09	3,914.28	9,022.37
11/1/14	5,242.18	3,822.54	9,064.72
5/1/15	5,379.78	3,728.40	9,108.18
11/1/15	5,521.00	3,631.78	9,152.78
5/1/16	5,665.93	3,532.63	9,198.55
11/1/16	5,814.65	3,430.87	9,245.53
5/1/17	5,967.29	3,326.44	9,293.73
11/1/17	6,123.93	3,219.27	9,343.20
5/1/18	6,284.68	3,109.29	9,393.97
11/1/18	6,449.65	2,996.42	9,446.08
5/1/19	6,618.96	2,880.59	9,499.55
11/1/19	6,792.70	2,761.72	9,554.42
5/1/20	6,971.01	2,639.73	9,610.74
11/1/20	150,841.56	(0.00)	150,841.56
	<u>333,935.00</u>	<u>176,042.86</u>	<u>509,977.86</u>

RATES AND CUSTOMER BILL - Based on 7,000 gallon per day

	Gulf Breeze						SSRUS							
	Water			Sewer			Water			Sewer			TOTAL	
	Base	Avg Month	Volumetric	Base	Avg Month	Volumetric	Base	Avg Month	Volumetric	Base	Avg Month	Volumetric		
1986	2.05	5.70	13.90	1.25	7.00	12.00	25.90	0.52	7.89	9.97	0.00	20.00	20.00	29.97
1987	2.05	5.70	13.90	1.25	7.00	12.00	25.90	0.52	7.89	9.97	0.00	20.00	20.00	29.97
1988	2.15	6.45	15.05	1.56	8.75	14.99	30.04	0.52	7.89	9.97	0.00	20.00	20.00	29.97
1989	2.20	6.60	15.40	2.20	8.95	17.75	33.15	2.20	7.10	15.90	2.20	9.65	18.45	34.35
1990	2.20	6.60	15.40	2.20	8.95	17.75	33.15	2.20	7.10	15.90	2.20	9.65	18.45	34.35
1991	2.20	6.60	15.40	2.20	8.95	17.75	33.15	2.20	7.10	15.90	2.20	9.65	18.45	34.35
1992	1.65	4.90	16.45	2.10	4.90	19.60	36.05	1.50	10.50	16.50	2.25	14.50	23.50	40.00
1993	1.76	4.90	16.87	2.10	4.90	19.60	36.47	1.50	10.50	16.50	2.25	14.50	23.50	40.00
1994	1.76	4.90	17.22	2.10	4.90	19.60	36.82	1.55	11.60	17.80	2.35	16.90	26.30	44.10
1995	1.76	4.90	17.22	2.10	4.90	19.60	36.82	1.55	11.60	17.80	2.35	16.90	26.30	44.10
1996	1.78	4.90	17.36	2.10	4.90	19.60	36.96	1.55	11.60	17.80	2.35	16.90	26.30	44.10
1997	1.78	4.90	17.36	2.70	4.90	23.80	41.16	1.55	11.60	17.80	2.35	16.90	26.30	44.10
1998	1.96	5.40	19.12	2.97	5.40	26.19	45.31	1.84	13.35	20.71	2.95	19.45	31.25	51.96
1999	1.96	5.40	19.12	2.97	5.40	26.19	45.31	1.84	13.35	20.71	2.95	19.45	31.25	51.96
2000	1.96	5.40	19.12	2.97	5.40	26.19	45.31	1.96	5.40	19.12	2.97	5.40	26.19	45.31
2001	1.98	5.40	19.26	2.97	5.40	26.19	45.45	1.98	5.40	19.26	2.97	5.40	26.19	45.45
2002	1.98	5.40	19.26	2.97	5.40	26.19	45.45	1.98	5.40	19.26	2.97	5.40	26.19	45.45
2003	2.04	6.24	20.52	3.06	6.42	27.84	48.36	2.04	6.24	20.52	3.06	6.42	27.84	48.36
2004	2.04	6.24	20.52	3.06	6.42	27.84	48.36	2.04	6.24	20.52	3.06	6.42	27.84	48.36
2005	2.04	6.24	20.52	3.06	6.42	27.84	48.36	2.04	6.24	20.52	3.06	6.42	27.84	48.36
2006	2.19	7.00	22.33	3.06	7.32	28.74	51.07	2.19	7.00	22.33	3.06	7.32	28.74	51.07
2007	2.19	7.00	22.33	3.06	7.32	28.74	51.07	2.50	9.14	26.64	3.57	10.13	35.12	61.76
2008	2.57	9.14	27.13	3.57	10.13	35.12	62.25	2.57	11.14	29.13	3.71	11.13	36.12	65.25
2009	2.57	9.14	27.13	3.64	10.13	35.61	62.74	2.57	11.84	29.83	3.71	11.58	37.55	67.38
2010	2.57	9.14	27.13	3.64	11.25	36.73	63.86	2.70	12.90	31.80	3.90	13.70	41.00	72.80

## BILLED CUSTOMERS 1989-2009

Year	City Water	City Sewer	SSRUS Water	SSRUS Sewer
2009	2575	1479	4220	5824
2008	2576	1450	4229	5819
2007	2572	1407	4224	5744
2006	2582	1389	4205	5556
2005	2608	1390	4164	5338
2004	2613	1412	4382	5402
2003	2594	1390	4300	4948
2002	2582	1382	4225	4698
2001	2559	1352	4094	4451
2000	2529	1331	3897	4198
1999	2507	1317	3838	4073
1998	2497	1297	3712	3574
1997	2472	1287	3628	3455
1996	2445	1268	3501	3581
1995	2429	1251	3487	3438
1994	2431	1230	3376	3270
1993	2359	1201	3208	3035
1992	2317	1149	3057	2847
1991	2289	1137	2898	2699
1990	2237	1087	2799	2613
1989	2242	1102	2640	2529