

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS  
AGENDA ITEM SUMMARY**

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Meeting Date: April 15, 2008 Consent [ ] Regular [ ]  
Public Hearing [X]

Submitted By: Water Utilities Department  
Submitted For: Water Utilities Department  
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**I. EXECUTIVE BRIEF**

**Motion and Title:** Staff recommends motion to adopt: an Ordinance of the Board of County Commissioners of Palm Beach County, Florida, establishing a water restriction surcharge; providing for repeal of laws in conflict; providing for severability; providing for inclusion in the Code of Laws and Ordinances; providing for captions; and providing for an effective date.

**Summary:** The Water Utilities Department (WUD) is recommending a 15% Water Restriction Surcharge due to the fiscal impact that has resulted from mandatory water restrictions enacted by the South Florida Water Management District. The surcharge would apply to potable water base facility fees, potable water commodity fees, wastewater base facility fees, and wastewater commodity fees. Royal Palm Beach customers would be exempt from the surcharge since their rates are fixed for ten years as part of the agreement to purchase the Royal Palm Beach utility in 2006. The proposed surcharge would add \$4.95 to the monthly bill of a residential customer with combined water and wastewater service using 6,000 gallons of water per month (an increase from \$35.50 to \$40.45). For the twelve months ended September 30, 2007, potable water sales were three billion gallons less than expected resulting in a \$4.7 million loss of revenue. Due to the fact that wastewater charges are based on water usage levels, diminished wastewater sales amounted to \$1.4 million. With the imposition of Phase III water restrictions in January 2008, the Department expects water sales to further be reduced. Recovery of this lost revenue is necessary to provide sufficient funds to adequately pay for current year operating expenses, provide for renewal and replacement of facilities and equipment, and to maintain reserve levels for a reasonable margin of safety. The surcharge will become effective on May 1, 2008, and will remain in effect until repealed or otherwise amended by the Board of County Commissioners. The recommended Water Restriction Surcharge has been reviewed and unanimously approved by the Water Utilities Advisory Board on February 29, 2008. (Countywide) (MJ)

**Background and Justification:** In April of 2007, after 10 years of level rates, the Water Utilities Department received approval from the Board of County Commissioners for an on-line rate increase. This increase was necessary to provide adequate revenue needed to fund escalating operating expenses and infrastructure renewal and replacements. These rates were established based on the results of a comprehensive rate study which utilized 10 years of historical customer usage data to effectively set rates. Rates were established to meet revenue requirements of \$118,750,000, including \$17,350,000 for repair and replacement. However, actual revenues for FY 2007 were only \$112,726,000 (a difference of \$6,034,000), primarily due to reduced commodity sales for both water and wastewater caused by Mandatory Water Restrictions. (continued on page 3)

**Attachments:**

- 1. Proposed Ordinance
- 2. Rate Consultant Recommendation

Recommended By: [Signature] 3/31/08  
Department Director Date  
Approved By: [Signature] 4/8/08  
Assistant County Administrator Date

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

Fiscal Years	2008	2009	2010	2011	2012
Capital Expenditures	0	0	0	0	0
External Revenues	(\$5,875,000)	(\$7,293,000)	0	0	0
Program Income (County)	0	0	0	0	0
In-Kind Match County	0	0	0	0	0
<b>NET FISCAL IMPACT</b>	<b>(\$5,875,000)</b>	<b>(\$7,293,000)</b>	0	0	0
# ADDITIONAL FTE POSITIONS (Cumulative)	0	0	0	0	0

**Budget Account No.:** Fund      Agency      Org.      Object

Is Item Included in Current Budget?      Yes \_\_\_      No x

Reporting Category N/A

**Recommended Sources of Funds/Summary of Fiscal Impact:**

Projected additional revenue is based on implementation of the surcharge on May 1, 2008. This surcharge is anticipated to remain in place until the spring of 2009. At that time, WUD will seek approval for a restructuring of the existing rate schedule.

**C. Department Fiscal Review:** Debra M. West

**III. REVIEW COMMENTS**

**A. OFMB Fiscal and/or Contract Development and Control Comments:**

Jim Or 4-2-08  
 OFMB  
 WUD 4/2/08  
 M 04/01/08  
 CN 4/11/08

Jim J. Javel 4/31/08  
 Contract Development & Control  
 6 Jan 4/3/08

**Legal sufficiency:**

W. Lewis 4/7/08  
 Assistant County Attorney

**C. Other Department Review:**  
 \_\_\_\_\_  
 Department Director

This summary is not to be used as a basis for payment.

## **Background and Justification (continued from page 1)**

The revenue shortfall for the first three months of FY 2008 was approximately \$700,000 per month, and WUD expects this deficit to widen as Phase III restrictions take full effect.

WUD is an enterprise fund of the County, which relies solely on user fees and charges to fund its operations. Rates are set to recover the cost of operations, provide for renewal and replacement, and maintain a reserve for emergencies. Connection fees and special assessments from new customers provide funding for increased capacity of the system. In FY 2007, WUD sustained an operating loss of \$6,200,000, and expects to have an operating loss of \$11,400,000 in FY 2008. These losses are having a severe impact on WUD's cash reserves. Slowdowns in the construction industry have further impacted WUD's reserves by decreasing the amount of connection fees and guaranteed revenue fees that are being collected to fund construction and R&R projects. The number of new connections coming on line from 2003 to 2006 averaged approximately 5,000 per year. There were only 2,800 new connections in FY 2007, and only 1,650 are expected in FY 2008 and FY 2009. With the proposed surcharge in place, reserves are still expected to decrease to approximately \$10,000,000 by the end of FY 2009. This reserve level is extremely low given that the assets of the utility exceed \$1,000,000,000. In order to offset the losses and minimize the amount of the proposed surcharge, WUD has targeted a 7% reduction on the current operating budget, held the proposed FY 2009 budget to FY 2008 levels despite uncontrollable costs and new facilities, reduced or deferred capital spending in FY 2007 by \$30 million, \$7 million in FY 2008 and \$20 million in FY 2009, and proposed the elimination of 19 full-time positions and three intern positions.

**ORDINANCE NO. 08 -**

**AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, ESTABLISHING A WATER RESTRICTION SURCHARGE; PROVIDING FOR REPEAL OF LAWS IN CONFLICT; PROVIDING FOR SEVERABILITY; PROVIDING FOR INCLUSION IN THE CODE OF LAWS AND ORDINANCES; PROVIDING FOR CAPTIONS; AND PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, the Board of County Commissioners, through its Water Utilities Department, provides potable water, wastewater, and reclaimed water services to approximately 507,000 citizens of Palm Beach County; and

**WHEREAS**, the Water Utilities Department operates as an enterprise fund of the County and therefore must recover the costs of operation through rates, fees, and charges for services rendered; and

**WHEREAS**, Section 153.11, Florida Statutes, requires that such rates, fees and charges shall be so fixed and revised as to provide funds, with other funds available for such purposes, sufficient at all times to pay the cost of maintaining, repairing and operating the system or systems including the reserves for such purposes and for replacements and depreciation and necessary extensions, to pay the principal of and the interest on the water revenue bonds and/or sewer revenue bonds as the same shall become due and the reserves therefor, and to provide a margin of safety for making such payments; and

**WHEREAS**, such rates, fees and charges shall be just and equitable and may be based or computed upon the quantity of water consumed and/or upon the number and size of sewer connections or upon the number and kind of plumbing fixtures in use in the premises connected with the sewer system or upon the number or average number of persons residing or working in or otherwise connected with such premises or upon any other factor affecting the use of the facilities furnished or upon any combination of the foregoing factors; and

**WHEREAS**, Water Utilities revenue bond covenants require the County to establish and maintain rates and collect such fees, rentals or other charges for services and facilities and to revise same from time to time whenever necessary, in order to meet debt service and debt service reserve requirements; and

**WHEREAS**, the Water Utilities Department has completed an analysis of the impact of water restrictions on potable water and wastewater revenues; and

**WHEREAS**, in order to meet the requirements set forth above, a water restriction surcharge is necessary to replace the revenue lost due to water restrictions imposed by the South Florida Water Management District; and

**WHEREAS**, the Water Utilities Advisory Board has approved the proposed surcharge.

**NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, that:**

**SECTION 1. ADOPTION OF SURCHARGE.**

A 15% water restriction surcharge is hereby adopted and shall be applied to potable water base facility fees, potable water commodity fees, wastewater base facility fees, and wastewater commodity fees. The surcharge shall apply to all residential, non-residential, hydrant, and fire line accounts except Royal Palm Beach and bulk sales customers, whose rates are set by contract. The Water Utilities Department's amended schedule of rates fees, and charges, modified to reflect the addition of the 15% surcharge, is attached hereto and incorporated herein as **Exhibit "A"**, and shall be included in the Water Utilities Department's Uniform Policies and Procedures (UPAP) Manual. The surcharge shall become effective on May 1, 2008, and remain in effect until repealed or otherwise amended by the Board of County Commissioners.

**SECTION 2. REPEAL OF LAWS IN CONFLICT.**

All local laws and ordinances in conflict with any provisions of this Ordinance are hereby repealed to the extent of such conflict.

**SECTION 3. SEVERABILITY.**

If any section, paragraph, sentence, clause, phrase, or word of this Ordinance is for any reason held by the Court to be unconstitutional, inoperative, or void, such holding shall not affect the remainder of this Ordinance.

**SECTION 4. INCLUSION IN THE CODE OF LAWS AND ORDINANCES.**

The provisions of this Ordinance shall become and be made a part of the Code of Laws and Ordinances of Palm Beach County, Florida. The sections of this Ordinance may be renumbered or re-lettered to accomplish such, and the word "ordinance" may be changed to "section", "article", or other appropriate word.

**SECTION 5. CAPTIONS.**

The captions, section headings, and section designations used in this Ordinance are for convenience only and shall have no effect on the interpretation of the provisions of this Ordinance.

**SECTION 6. EFFECTIVE DATE.**

The provisions of this Ordinance shall become effective upon filing with the Department of State.

**APPROVED and ADOPTED** by the Board of County Commissioners of Palm Beach

County, Florida, on this the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

SHARON R. BOCK, CLERK  
AND COMPTROLLER

PALM BEACH COUNTY, FLORIDA, BY ITS  
BOARD OF COUNTY COMMISSIONERS

By: \_\_\_\_\_  
Deputy Clerk

By: \_\_\_\_\_  
Addie L. Greene, Chairperson

APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY

By: \_\_\_\_\_  
County Attorney

EFFECTIVE DATE: Filed with the Department of State on the \_\_\_\_\_ day of \_\_\_\_\_,  
2008.

**EXHIBIT A**

**6.6 MONTHLY CUSTOMER FEES**

**6.6.1 RESIDENTIAL**

Type of Fee	Water Restriction Surcharge (3)	Potable Water	Wastewater	Combined Potable Water & Wastewater	Reclaimed Water
Monthly Customer Account Fee (1)	N/A	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Monthly Base Facility Fee:					
Multi-Family (per dwelling unit)	15%	\$ 6.30	\$ 9.50	\$ 15.80	
Single-Family (per meter)					
5/8" X 3/4"	15%	\$ 6.30	\$ 9.50	\$ 15.80	
1"	15%	\$ 18.50	\$ 28.00	\$ 46.50	
1 1/2"	15%	\$ 28.75	\$ 43.00	\$ 71.75	
2"	15%	\$ 62.25	\$ 94.00	\$ 156.25	
Potable Water & Wastewater Commodity Fee per 1,000 gallons:					
0-4	15%	\$ .85	\$ 1.15	\$ 2.00	
5-10	15%	\$ 1.90	\$ 2.70	\$ 4.60	
11-25	15%	\$ 4.75	\$ 0.00	\$ 4.75	
Over 25	15%	\$ 5.90	\$ 0.00	\$ 5.90	
Monthly Fire Line Base Facility Fee per size of backflow device:					
2"	15%	\$ 9.40			
3"	15%	\$17.70			
4"	15%	\$29.50			
6"	15%	\$59.00			
8" and above	15%	\$94.40			
Monthly Reclaimed Water Base Facility Fee through 9/30/2007:					
5/8" x 3/4"	N/A				\$ 5.00
1"	N/A				\$ 10.00
1 1/2 "	N/A				\$120.00
2"	N/A				\$160.00
Commodity Fee per 1,000 gallons	N/A				\$0.00
Monthly Reclaimed Water Base Facility Fee after 9/30/2007:					
5/8" x 3/4"	N/A				\$2.50
Commodity Fee per 1,000 gallons	N/A				\$0.15
Monthly Un-metered Wastewater Fee assessed per ERC (2)	N/A		\$ 18.10		

- (1) Potable Water or Wastewater Customers will not be assessed with additional Customer Account Fees for the addition of Reclaimed Water Service.
- (2) Includes monthly Base Facility and Commodity Fees.
- (3) A 15% water restriction surcharge will be applicable to these rates and appear as a separate line on the Customer's monthly bill.

6.6.2 NON-RESIDENTIAL

Type of Service	Water Restriction Surcharge (3)	Potable Water	Wastewater	Combined Potable Water & Wastewater	Reclaimed Water
Monthly Customer Account Fee (1)	N/A	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Monthly Base Facility Fee:					
5/8" x 3/4"	15%	\$ 13.75	\$ 20.00	\$ 33.75	
1"	15%	\$ 52.00	\$ 76.50	\$ 128.50	
1-1/2"	15%	\$ 84.00	\$ 125.00	\$ 209.00	
2"	15%	\$144.00	\$224.00	\$ 368.00	
3"	15%	\$385.00	\$575.00	\$ 960.00	
4"	15%	\$595.00	\$880.00	\$1,475.00	
6" and larger based upon projected water usage	15%				
Potable Water and Wastewater Commodity Fee per 1,000 gallons based on meter size:					
5/8" x 3/4"					
0-14,000 gallons	15%	\$1.00	\$1.35	\$2.35	
Over 14,000 gallons	15%	\$2.70	\$1.35	\$4.05	
1"					
0-57,000 gallons	15%	\$1.00	\$1.35	\$2.35	
Over 57,000 gallons	15%	\$2.70	\$1.35	\$4.05	
1-1/2"					
0-94,000 gallons	15%	\$1.00	\$1.35	\$2.35	
Over 94,000 gallons	15%	\$2.70	\$1.35	\$4.05	
2"					
0-138,000 gallons	15%	\$1.00	\$1.35	\$2.35	
Over 138,000 gallons	15%	\$2.70	\$1.35	\$4.05	
3"					
0-557,000 gallons	15%	\$1.00	\$1.35	\$2.35	
Over 557,000 gallons	15%	\$2.70	\$1.35	\$4.05	
4" and above					
0-675,000 gallons	15%	\$1.00	\$1.35	\$2.35	
Over 675,000 gallons	15%	\$2.70	\$1.35	\$4.05	
Monthly Fire Line Base Facility Fee per size of backflow device:					
2"	15%	\$9.40			
3"	15%	\$17.70			
4"	15%	\$29.50			
6"	15%	\$59.00			
8" and above	15%	\$94.40			
Monthly Reclaimed Water Base Facility Fee through 9/30/2007:					
5/8" x 3/4"	N/A				\$ 5.00
1"	N/A				\$ 10.00
1 1/2"	N/A				\$ 120.00
2"	N/A				\$ 160.00
3"	N/A				\$ 350.00
4"	N/A				\$ 1,000.00
6"	N/A				\$ 2,000.00
8"	N/A				\$ 2,500.00
10"	N/A				\$ 3,000.00
Commodity Fee Per 1,000 gallons	N/A				\$0.00
Monthly Reclaimed Water Base Facility Fee after 9/30/2007:					
5/8" x 3/4"	N/A				\$ 4.00
1"	N/A				\$ 20.00
1 1/2"	N/A				\$ 50.00
2"	N/A				\$ 108.00
3"	N/A				\$ 235.00
4"	N/A				\$ 643.00
6"	N/A				\$ 1,373.00
8"	N/A				\$ 2,440.00
10"	N/A				\$ 3,800.00
Commodity Fee Per 1,000 gallons	N/A				\$ 0.15
Monthly Un-metered Wastewater Fee assessed per ERC (2)	N/A		\$ 18.10		

(1) Potable Water or Wastewater Customers will not be assessed with additional Customer Account Fees for the addition of Reclaimed Water service.

(2) Includes monthly Base Facility and Commodity Fees.

(3) A 15% water restriction surcharge will be applicable to these rates and appear as a separate line on the Customer's monthly bill.



ENVIRONMENTAL  
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21 March 2008

Mr. Bevin Beaudet, Director  
Palm Beach County Water Utilities Department  
8100 Forest Hill Blvd.  
P.O. Box 16097  
West Palm Beach, FL 33416

Re: Water Restriction Surcharge

Dear Mr. Beaudet:

At your request, Environmental Financial Group, Inc. ("EFG") in association with Howard C. Osterman, Inc. ("Osterman") respectfully submits this letter report to you and Palm Beach County Water Utilities Department ("Department") regarding the proposed water restriction surcharge.

#### **BACKGROUND**

In mid-2006 the Board of County Commissioners authorized a comprehensive study of the Department's water and wastewater rates. The study was designed to reflect the recovery of the full cost of service and to posture the Department's water and wastewater enterprise as a sound financial entity in the coming years. The study resulted in the adoption of new water and wastewater rates effective May 2007. This was the first such rate increase since 1997. The rate increase was prompted by the steady erosion in operating results (income, coverage and cash reserves) caused by uncontrollable operating expenses and reduced growth. These two factors combined led to the adoption of a target increase of 18 percent. The need for the increase was both understood and accepted by the Board of County Commissioners, Utility Advisory Board, and customer base.

The rate increase sought to restore declining cash balances, protect debt service coverage, and regain positive operating income.

#### **REGULATORY STATUS**

A few months prior to the adoption of the new rates, in February 2007, the South Florida Water Management District (District) instituted a program of mandatory restrictions on the use of water. The initial restrictions limited lawn sprinkling to three days per week. In May 2007 the restrictions

were tightened to two days per week. The Department exhibited forbearance in returning to the Board for assistance hoping that: 1) the restrictions would be temporary in nature, and 2) subsequent events would demonstrate that water levels would remain above average and the Department would be able to continue to access its water supply unheeded. Unfortunately, the District again tightened restrictions in mid-January 2008 and currently stand at once per week watering.

As of this date, over a year after restrictions were initially imposed, the District now suggests that restrictions would be made permanent. It has also been apparent that the District has embarked upon a comprehensive and sustained effort to permanently change water demand characteristics of South Florida residents.

## **2007 FINANCIAL RESULTS**

The rate increase adopted by ordinance in April 2007 never produced the revenue results projected in the rate study. By fiscal year end in September 2007 ("FY 2006/7"), the Department experienced an operating loss of \$6.2 million. Net income declined to just over \$5 million, assisted in part by Guaranteed Revenues that had held despite a now rapidly declining housing market. (Refer to TABLE 1.)

During FY 2006/7, unrestricted cash reserves had also continued to diminish, from a beginning balance of over \$157 million to just under \$77 million by year's end. Cash reserves available for appropriation and not encumbered by project commitments dropped to just under \$60 million. (Refer to TABLE 2.)

## **ANALYSIS OF REVENUE SHORTFALL**

The revenue shortfall continued unabated during the first quarter of FY 2007/8. The shortfall was caused by three economic and environmental factors that combined to dramatically worsen the financial status of the Department. These are as follows.

- ⇒ **Substantial reduction in water sales.** The Department has experienced an over 30 percent reduction in water sales due to the usage restrictions imposed by the District. This usage reduction has most greatly affected the upper rate tiers (highest price blocks) that are part of the Department's water conserving rate structure.
- ⇒ **Dramatic reduction in growth.** The Department has experienced a significant decline in new connections. New connections have declined from up to 5,000 connections per year to a projected 1,650 connections for FY 2007/8. This immediately affects connection fee revenues and guaranteed revenues that in turn affect net income and cash reserves.
- ⇒ **Inflation.** The Department is highly susceptible to inflationary pressures due to the use of electric power, diesel fuel, and chemicals in the treatment and conveyance of water and wastewater.

While it is too early to predict the impact of further sales reductions due to the tightening from twice to once per week watering, we are now projecting an \$11.7 million loss for FY 2007/8 and a \$12.9 million loss for FY 2008/9. Results only improve slightly by FY 2010/11 if growth is assumed to rebound. If growth continues sluggish, operating results are expected to continue to deteriorate.

## **WATER RESTRICTION SURCHARGE**

In considering an appropriate financial response to the factors causing the deterioration in Department financial performance, and the restrictions in particular, two efforts must work in concert to restore operating results and cash balances: expense reduction and revenue enhancement.

Department staff has worked these past few months to reduce both operating and capital expenses, as follows.

- ⇒ **Operating expense reductions.** Staff have reduced operating expenses by \$3 million in FY 2006/7 and are targeting \$6.4 million in reductions in FY 2007/8. For the FY 2008/9 budget currently in development, staff are planning on \$7.5 million in expense reductions to maintain a flat budget. This includes elimination of 19 vacant full-time positions and 3 temporary positions.
- ⇒ **Deferral of capital projects including renewal and replacement.** Staff deferred \$30 million in capital projects in FY 2006/7 and an additional \$7 million in FY 2007/8. Staff are currently drawing up plans to defer an additional \$20 million in capital projects in FY 2008/9.
- ⇒ **Machinery and Equipment.** Staff have reduced machinery and equipment expenditures by \$4 million in FY 2006/7 and FY 2007/8 and are planning further reductions in FY 2008/9 by budgeting only \$1.9 million in that year.

Several revenue enhancement options were evaluated to address the restrictions: 1) increase the base facility fee which varies by meter size, 2) increase the commodity fee targeting water usage directly, and 3) apply a surcharge to both the base facility and commodity fees.

## **RECOMMENDATIONS**

Based on our analysis of the revenue shortfall and revenue enhancement options available, we offer the following recommendations:

1. Applying the surcharge to water and wastewater base facility and commodity fees enhances additional revenue collections since it is not limited to water sales alone, but applies also to the base fee that is charged independent of water usage.
2. A surcharge targeting both base facility and commodity fees preserves whatever portion of past water consumption patterns that may remain.
3. To the extent that large water users are still using substantial volumes of water, the surcharge is applied to those customers proportionately.
4. A target fifteen percent surcharge restores both operating income and cash reserves. FIGURES 1 and 2 present "before and after" graphical depictions of the effects of the surcharge on performance through FY 2011/12: TABLES 3 and 4 present the projected improvements.

5. A fifteen percent surcharge is projected to adequately address the accumulated and projected shortfall experienced to-date (\$15M), restoring the Department to sound financial standing first set forth in the 2007 rate study.
6. The annual rate indexing that was implemented in May 2007 should be retained. Indexing ensures that the Department is protected from further inflationary impacts that are independent of water sales reductions, restrictions, or reduced growth.
7. The surcharge should ideally appear as a separate line item on each customer's bill.
8. Withdrawing the surcharge at some point in the future is in hands of the Board. It is appropriate for the Department to regularly report progress on stemming the revenue shortfall, providing the information necessary for the Board to withdraw all or a portion of the surcharge at the appropriate time.

#### **THE LONG VIEW**

1. It is difficult to enact a surcharge and retain equitable rates across classes of customers.
2. Permanent adjustments in the existing rate structure should be undertaken when the magnitude and pattern of water consuming behavior is known.
3. Over eighty percent of the Department's expenses are fixed and non-variable. Ratemaking methods may have to change commensurate with changes in water consuming behavior. Commodity fees proportional to the amount of water consumed may need to be de-emphasized in the rate structure in an environment of permanently reduced water usage and permanent regulatory-driven restrictions.

We appreciate the opportunity to provide this analysis to the Department on this important matter. If you have any further questions regarding this matter, please call. Thank you.

Very Truly Yours,  
ENVIRONMENTAL FINANCIAL GROUP, INC.

/s

Scott E. Harder, President

HOWARD C. OSTERMAN, INC.

/s

Howard C. Osterman, President

Cc: Brian Shields, Water Utilities  
Debra West, Water Utilities

**TABLE 1: Forecasted 2008-2012 Income without Water Restriction Surcharge**

	2007	2008	2009	2010	2011	2012
Customer Account Charge		4,897,735	4,972,975	5,103,619	5,307,679	5,602,939
BFF Water		21,479,730	22,186,562	22,942,114	23,773,752	24,686,824
BFF Wastewater		28,029,462	28,987,416	30,027,089	31,203,142	32,525,756
Water Commodity		24,731,793	25,608,302	26,453,481	27,419,374	28,513,963
Wastewater Commodity		19,758,489	20,453,644	21,181,335	22,009,421	22,945,149
Reclaimed Water		800,000	824,000	848,720	874,182	900,407
Contractual		2,152,676	3,446,232	3,819,349	4,631,020	4,787,119
Contractual LR Wholesale		809,642	3,335,723	3,435,795	3,538,869	3,645,035
Restriction Surcharge		0	0	0	0	0
Meter Sales		438,900	438,900	646,380	856,520	1,064,000
Late Fees		1,119,000	1,130,190	1,141,492	1,152,907	1,164,436
Pretreatment Fees		721,435	728,649	735,935	743,295	750,728
Other		1,487,613	1,502,489	1,517,514	1,532,689	1,548,016
<b>Total Operating Revenue</b>	<b>101,203,339</b>	<b>106,426,474</b>	<b>113,615,082</b>	<b>117,852,824</b>	<b>123,042,849</b>	<b>128,134,372</b>
Op Exp Before Depreciation		90,349,000	90,079,932	93,683,129	97,430,454	101,327,673
Less 5% Op Exp		(4,517,450)	-	-	-	-
less Capitalized Engrg Svcs		(2,600,000)	(2,253,817)	(2,366,508)	(2,484,833)	(2,609,075)
Net op exp before deprec	75,059,489	83,231,550	87,826,115	91,316,621	94,945,621	98,718,598
Depreciation	32,354,767	34,605,000	35,255,000	35,895,000	36,520,000	37,132,000
<b>Operating Income (Loss)</b>	<b>(6,210,917)</b>	<b>(11,410,076)</b>	<b>(9,466,033)</b>	<b>(9,358,798)</b>	<b>(8,422,772)</b>	<b>(7,716,226)</b>
<b>Non-Operating:</b>						
Guaranteed revenue	5,886,894	2,837,736	2,951,245	4,520,235	6,229,367	8,047,878
Operating grants (net)	0	0	0	0	0	0
Interest income	7,204,041	5,000,000	1,445,361	706,673	423,242	482,111
Interest exp (net of cap int)	(3,808,823)	(7,610,000)	(7,839,000)	(7,222,000)	(6,727,000)	(6,330,000)
Engineering fees	(49,519)	734,000	1,080,982	1,432,412	1,779,394	1,779,394
Engineering expenses		(1,166,000)	(973,439)	(1,022,111)	(1,073,216)	(1,126,877)
Other	2,290,670	0	0	0	0	0
Bond paying agent fees		(56,909)	(56,909)	(56,909)	(56,909)	0
<b>Total Non-Op Income</b>	<b>11,523,263</b>	<b>(261,173)</b>	<b>(3,391,760)</b>	<b>(1,641,700)</b>	<b>574,878</b>	<b>2,852,506</b>
<b>Net Income</b>	<b>5,312,346</b>	<b>(11,671,249)</b>	<b>(12,857,793)</b>	<b>(11,000,497)</b>	<b>(7,847,895)</b>	<b>(4,863,720)</b>
Operating Margin	25.8%	21.8%	22.7%	22.5%	22.8%	23.0%

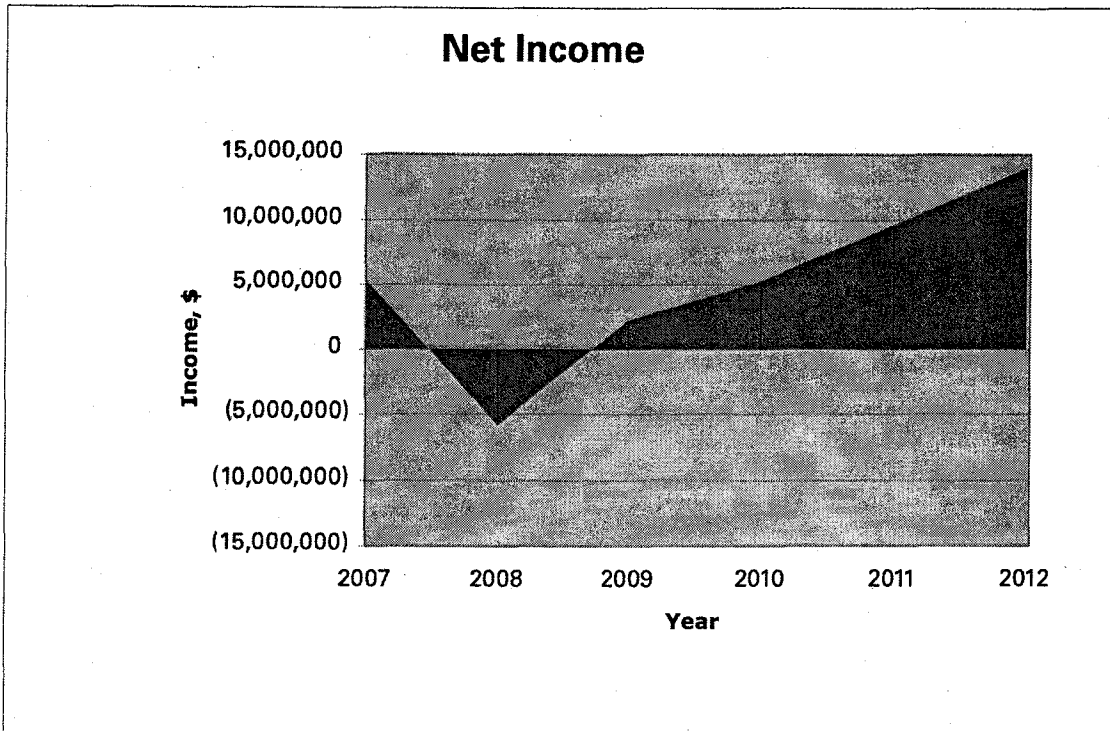
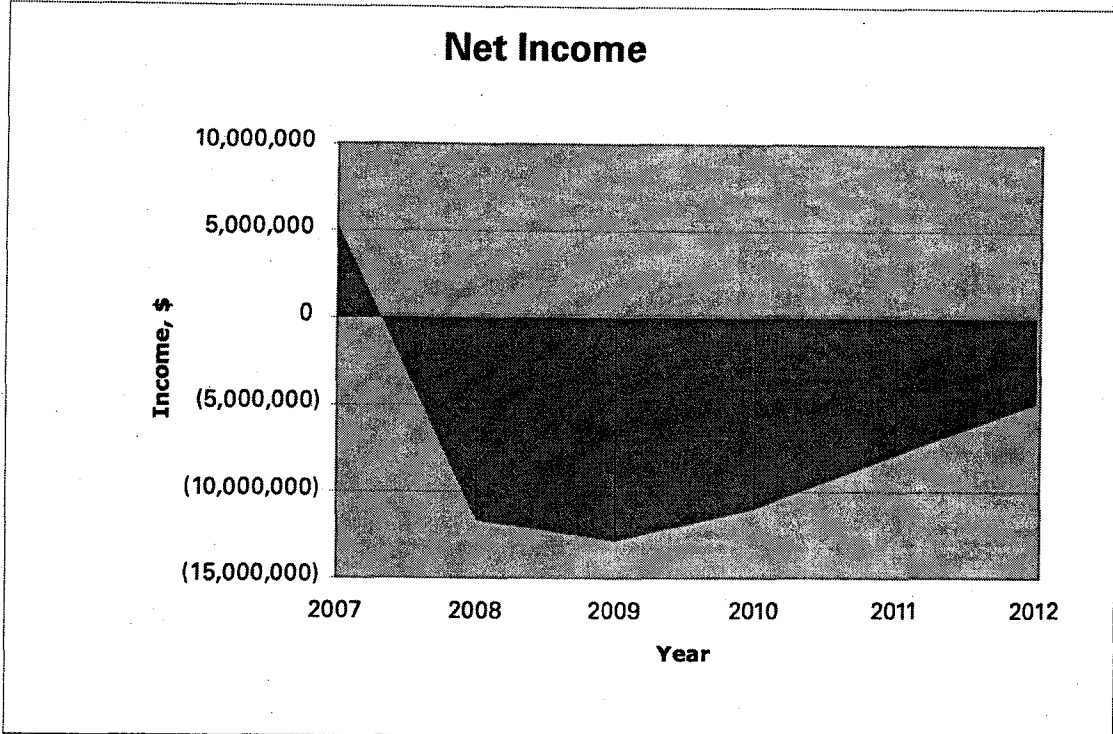
15% decrease in water consumption over 2008 budget  
 5% decrease in wastewater consumption over 2008 budget

1650 units in 2008 and 2009, 2430 units in 2010, 3,220 units in 2011 and 4,000 units in 2012

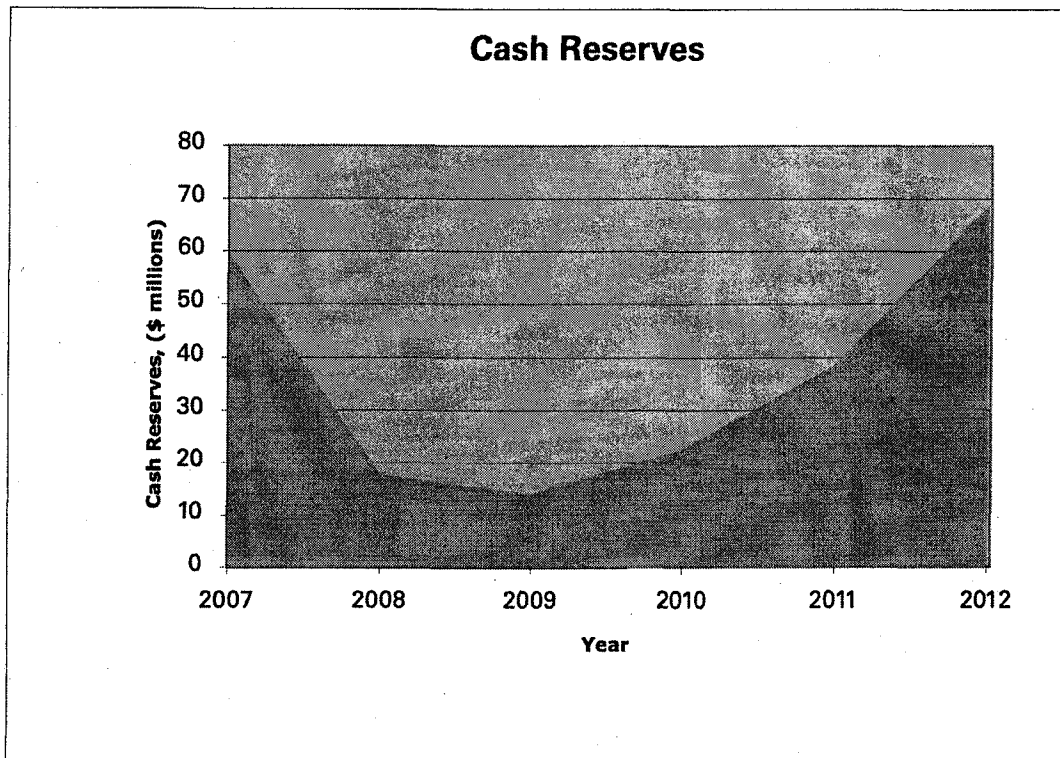
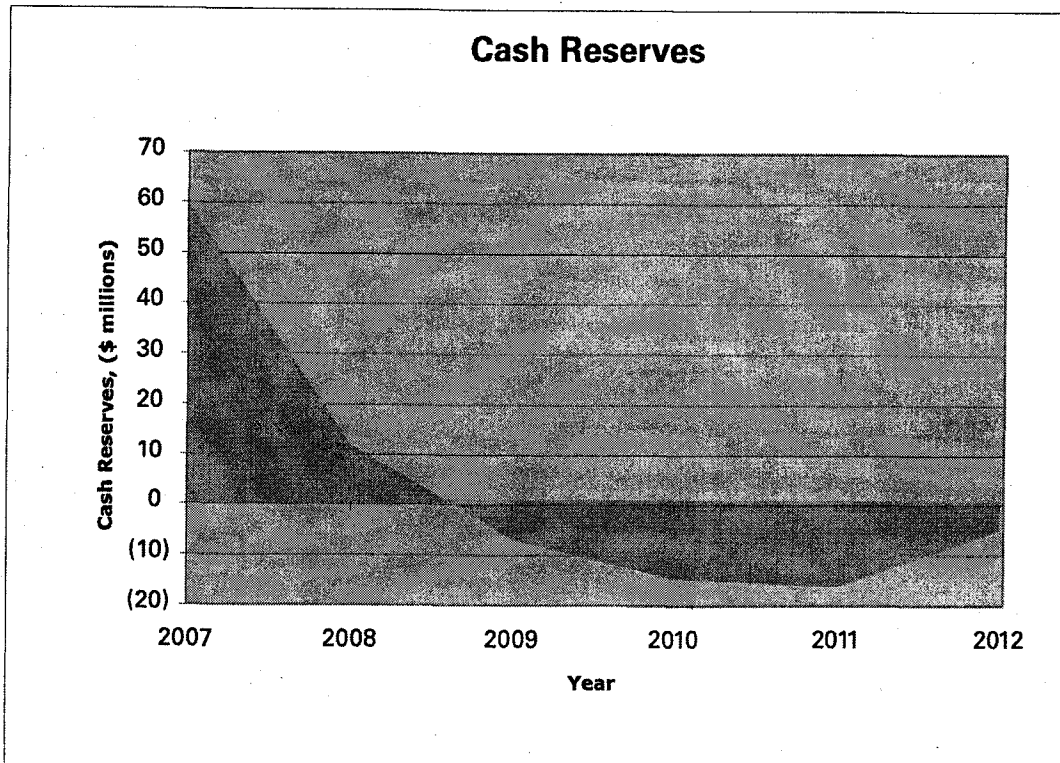
**TABLE 2: Forecasted 2008-2012 Cash Reserves without Water Restriction Surcharge**

	2007	2008	2009	2010	2011	2012
Cash received from customers	99,193,063	106,426,474	113,615,082	117,852,824	123,042,849	128,134,372
Cash disbursements for operating expenses	73,248,377	83,231,550	87,826,115	91,316,621	94,945,621	98,718,598
<b>Net cash provided by operating activities</b>	<b>25,944,686</b>	<b>23,194,924</b>	<b>25,788,967</b>	<b>26,536,202</b>	<b>28,097,228</b>	<b>29,415,774</b>
<b>Capital Budget</b>		76,834,000	30,000,000	30,125,000	29,030,000	33,127,000
Plus prior year payables and retainage		17,215,667	11,525,100	4,500,000	4,518,750	4,354,500
Less estimated current year payables & retainage		11,525,100	4,500,000	4,518,750	4,354,500	4,969,050
<b>Capital expenditures (cash)</b>	<b>(97,669,718)</b>	<b>(82,524,567)</b>	<b>(37,025,100)</b>	<b>(30,106,250)</b>	<b>(29,194,250)</b>	<b>(32,512,450)</b>
Contributed Capital-developers and customers						
Connection fees	13,866,267	6,875,939	6,875,939	10,126,383	13,418,500	16,668,944
Guaranteed revenue	5,886,894	2,837,736	2,951,245	4,520,235	6,229,367	8,047,878
FPL Reimbursement		298,000	0	0	0	0
FPL Reclaimed Capital Fee	0	0	0	0	0	0
KRG Reimbursement	0	313,103	0	0	0	0
Other	840,247					
Contributed Capital-other governments	5,119,423					
LR Cities - Bulk Water Service	0	343,030	1,386,694	1,401,705	1,417,166	1,433,091
LR Cities - Retail Water Service	0	0	0	0	0	0
LR Cities - Retail Sewer Service	0	0	0	0	0	0
Beeline CDD-reimb	0	3,800,000	0	0	0	0
Beeline CDD-Capacity	0	1,727,290	0	0	0	0
Boynton Beach-Capacity	0	3,020,000	110,000	110,000	110,000	110,000
Seacoast-Capacity	0	55,000	60,500	66,000	71,500	77,000
Lake Worth Bulk Water Connection Fees	0	0	0	0	0	0
FDEP-Construction	0	2,500,000	0	0	0	0
EPA-Stag	0	800,000	0	0	0	0
SFWMD/FDEP Appropri	0	4,000,000	0	0	0	0
State Apprpr 2007	0	1,500,000	0	0	0	0
FDEP Appropriation	0	200,000	0	0	0	0
SFWMD	0	1,000,000	0	0	0	0
Transfer from primary government	2,500,000					
HCD-Coconut Road	0	247,574	0	0	0	0
CCRT-Coconut Road	0	286,400	0	0	0	0
Debt service	(19,403,500)	(22,583,862)	(22,602,717)	(19,235,879)	(17,881,037)	(12,003,712)
Machinery & equipment purchases	(3,038,255)	(3,500,000)	(2,000,000)	(2,603,000)	(2,728,000)	(2,859,000)
ECR R&R contributions	(1,334,078)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
Capitalized in-house services		(2,600,000)	(2,253,817)	(2,366,508)	(2,484,833)	(2,609,075)
Special Assessment principal		1,000,000	781,000	792,000	802,000	812,000
Proceeds on sale of surplus assets	2,791,840					
Grants/other	361,461					
Pike Property sale	0	0	0	0	0	0
<b>Net cash used by capital &amp; rel financing</b>	<b>(90,079,419)</b>	<b>(81,604,356)</b>	<b>(52,916,255)</b>	<b>(38,495,314)</b>	<b>(31,439,587)</b>	<b>(24,035,324)</b>
Interest income	7,609,159	5,000,000	1,445,361	706,673	423,242	482,111
<b>Net cash provided by investing activities</b>	<b>7,609,159</b>	<b>5,000,000</b>	<b>1,445,361</b>	<b>706,673</b>	<b>423,242</b>	<b>482,111</b>
Net increase (decrease) in cash	(56,525,574)	(53,409,433)	(25,681,927)	(11,252,438)	(2,919,117)	5,862,561
Beginning total cash balance	157,909,985	101,384,411	47,974,978	22,293,051	11,040,613	8,121,496
<b>Ending total cash balance</b>	<b>101,384,411</b>	<b>47,974,978</b>	<b>22,293,051</b>	<b>11,040,613</b>	<b>8,121,496</b>	<b>13,984,057</b>
Restricted Cash per financial statements	(24,397,491)	(24,583,862)	(24,602,717)	(21,235,879)	(19,881,037)	(14,003,712)
<b>Unrestricted Cash per financial statements</b>	<b>76,986,920</b>	<b>23,391,116</b>	<b>(2,309,666)</b>	<b>(10,195,266)</b>	<b>(11,759,541)</b>	<b>(19,655)</b>
Less current liabilities and retainage	(17,215,667)	(11,525,100)	(4,500,000)	(4,518,750)	(4,354,500)	(4,969,050)
<b>Cash Reserves available for appropriation</b>	<b>59,771,253</b>	<b>11,866,016</b>	<b>(6,809,666)</b>	<b>(14,714,016)</b>	<b>(16,114,041)</b>	<b>(4,988,705)</b>

**FIGURE 1: 2008-2012 Net Income Before and After Water Restriction Surcharge**



**FIGURE 2:** 2008-2012 Cash Reserves Before and After Water Restriction Surcharge





**TABLE 3: Forecasted 2008-2012 Income with Water Restriction Surcharge**

	2007	2008	2009	2010	2011	2012
Customer Account Charge		4,897,735	4,972,975	5,103,619	5,307,679	5,602,939
BFF Water		21,479,730	22,186,562	22,942,114	23,773,752	24,686,824
BFF Wastewater		28,029,462	28,987,416	30,027,089	31,203,142	32,525,756
Water Commodity		24,731,793	25,608,302	26,453,481	27,419,374	28,513,963
Wastewater Commodity		19,758,489	20,453,644	21,181,335	22,009,421	22,945,149
Reclaimed Water		800,000	824,000	848,720	874,182	900,407
Contractual		2,152,676	3,446,232	3,819,349	4,631,020	4,787,119
Contractual LR Wholesale		809,642	3,335,723	3,435,795	3,538,869	3,645,035
Restriction Surcharge		5,874,967	14,585,389	15,090,603	15,660,853	16,300,754
Meter Sales		438,900	438,900	646,380	856,520	1,064,000
Late Fees		1,119,000	1,130,190	1,141,492	1,152,907	1,164,436
Pretreatment Fees		721,435	728,649	735,935	743,295	750,728
Other		1,487,613	1,502,489	1,517,514	1,532,689	1,548,016
<b>Total Operating Revenue</b>	<b>101,203,339</b>	<b>112,301,441</b>	<b>128,200,470</b>	<b>132,943,427</b>	<b>138,703,702</b>	<b>144,435,126</b>
Op Exp Before Depreciation		90,349,000	90,079,932	93,683,129	97,430,454	101,327,673
Less 5% Op Exp		(4,517,450)	-	-	-	-
less Capitalized Engrg Svcs		(2,600,000)	(2,253,817)	(2,366,508)	(2,484,833)	(2,609,075)
Net op exp before deprec	75,059,489	83,231,550	87,826,115	91,316,621	94,945,621	98,718,598
Depreciation	32,354,767	34,605,000	35,255,000	35,895,000	36,520,000	37,132,000
<b>Operating Income (Loss)</b>	<b>(6,210,917)</b>	<b>(5,535,109)</b>	<b>5,119,355</b>	<b>5,731,805</b>	<b>7,238,081</b>	<b>8,584,528</b>
<b>Non-Operating:</b>						
Guaranteed revenue	5,886,894	2,837,736	2,951,245	4,520,235	6,229,367	8,047,878
Operating grants (net)	0	0	0	0	0	0
Interest income	7,204,041	5,000,000	1,982,816	1,871,698	2,263,400	3,049,655
Interest exp (net of cap int)	(3,808,823)	(7,610,000)	(7,839,000)	(7,222,000)	(6,727,000)	(6,330,000)
Engineering fees	(49,519)	734,000	1,080,982	1,432,412	1,779,394	1,779,394
Engineering expenses		(1,166,000)	(973,439)	(1,022,111)	(1,073,216)	(1,126,877)
Other	2,290,670	0	0	0	0	0
Bond paying agent fees		(56,909)	(56,909)	(56,909)	(56,909)	0
<b>Total Non-Op Income</b>	<b>11,523,263</b>	<b>(261,173)</b>	<b>(2,854,305)</b>	<b>(476,675)</b>	<b>2,415,036</b>	<b>5,420,050</b>
<b>Net Income</b>	<b>5,312,346</b>	<b>(5,796,282)</b>	<b>2,265,051</b>	<b>5,255,131</b>	<b>9,653,117</b>	<b>14,004,578</b>
Operating Margin	25.8%	25.9%	31.5%	31.3%	31.5%	31.7%

15% decrease in water consumption over 2008 budget  
5% decrease in wastewater consumption over 2008 budget

1650 units in 2008 and 2009, 2430 units in 2010, 3,220 units in 2011 and 4,000 units in 2012

15% restriction surcharge on CAC, Base and Commodity Revenue beginning 5/2008

**TABLE 4: Forecasted 2008-2012 Cash Reserves with Water Restriction Surcharge**

	2007	2008	2009	2010	2011	2012
Cash received from customers	99,193,063	112,301,441	128,200,470	132,943,427	138,703,702	144,435,126
Cash disbursements for operating expenses	73,248,377	83,231,550	87,826,115	91,316,621	94,945,621	98,718,598
<b>Net cash provided by operating activities</b>	<b>25,944,686</b>	<b>29,069,891</b>	<b>40,374,355</b>	<b>41,626,805</b>	<b>43,758,081</b>	<b>45,716,528</b>
<b>Capital Budget</b>		76,834,000	30,000,000	30,125,000	29,030,000	33,127,000
Plus prior year payables and retainage		17,215,667	11,525,100	4,500,000	4,518,750	4,354,500
Less estimated current year payables & retainage		11,525,100	4,500,000	4,518,750	4,354,500	4,969,050
<b>Capital expenditures (cash)</b>	<b>(97,669,718)</b>	<b>(82,524,567)</b>	<b>(37,025,100)</b>	<b>(30,106,250)</b>	<b>(29,194,250)</b>	<b>(32,512,450)</b>
Contributed Capital-developers and customers						
Connection fees	13,866,267	6,875,939	6,875,939	10,126,383	13,418,500	16,668,944
Guaranteed revenue	5,886,894	2,837,736	2,951,245	4,520,235	6,229,367	8,047,878
FPL Reimbursement		298,000	0	0	0	0
FPL Reclaimed Capital Fee	0	0	0	0	0	0
KRG Reimbursement	0	313,103	0	0	0	0
Other	840,247					
Contributed Capital-other governments	5,119,423					
LR Cities - Bulk Water Service	0	343,030	1,386,694	1,401,705	1,417,166	1,433,091
LR Cities - Retail Water Service	0	0	0	0	0	0
LR Cities - Retail Sewer Service	0	0	0	0	0	0
Beeline CDD-reimb	0	3,800,000	0	0	0	0
Beeline CDD-Capacity	0	1,727,290	0	0	0	0
Boynton Beach-Capacity	0	3,020,000	110,000	110,000	110,000	110,000
Seacoast-Capacity	0	55,000	60,500	66,000	71,500	77,000
Lake Worth Bulk Water Connection Fees	0	0	0	0	0	0
FDEP-Construction	0	2,500,000	0	0	0	0
EPA-Stag	0	800,000	0	0	0	0
SFWMD/FDEP Apprpr	0	4,000,000	0	0	0	0
State Apprpr 2007	0	1,500,000	0	0	0	0
FDEP Appropriation	0	200,000	0	0	0	0
SFWMD	0	1,000,000	0	0	0	0
Transfer from primary government	2,500,000					
HCD-Coconut Road	0	247,574	0	0	0	0
CCRT-Coconut Road	0	286,400	0	0	0	0
Debt service	(19,403,500)	(22,583,862)	(22,602,717)	(19,235,879)	(17,881,037)	(12,003,712)
Machinery & equipment purchases	(3,038,255)	(3,500,000)	(2,000,000)	(2,603,000)	(2,728,000)	(2,859,000)
ECR R&R contributions	(1,334,078)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
Capitalized in-house services		(2,600,000)	(2,253,817)	(2,366,508)	(2,484,833)	(2,609,075)
Special Assessment principal		1,000,000	781,000	792,000	802,000	812,000
Proceeds on sale of surplus assets	2,791,840					
Grants/other	361,461					
Pike Property sale	0	0	0	0	0	0
<b>Net cash used by capital &amp; rel financing</b>	<b>(90,079,419)</b>	<b>(81,604,356)</b>	<b>(52,916,255)</b>	<b>(38,495,314)</b>	<b>(31,439,587)</b>	<b>(24,035,324)</b>
Interest income	7,609,159	5,000,000	1,982,816	1,871,698	2,263,400	3,049,655
<b>Net cash provided by investing activities</b>	<b>7,609,159</b>	<b>5,000,000</b>	<b>1,982,816</b>	<b>1,871,698</b>	<b>2,263,400</b>	<b>3,049,655</b>
Net increase (decrease) in cash	(56,525,574)	(47,534,466)	(10,559,083)	5,003,190	14,581,894	24,730,859
Beginning total cash balance	157,909,985	101,384,411	53,849,945	43,290,862	48,294,052	62,875,946
<b>Ending total cash balance</b>	<b>101,384,411</b>	<b>53,849,945</b>	<b>43,290,862</b>	<b>48,294,052</b>	<b>62,875,946</b>	<b>87,606,806</b>
Restricted Cash per financial statements	(24,397,491)	(24,583,862)	(24,602,717)	(21,235,879)	(19,881,037)	(14,003,712)
<b>Unrestricted Cash per financial statements</b>	<b>76,986,920</b>	<b>29,266,083</b>	<b>18,688,145</b>	<b>27,058,173</b>	<b>42,994,909</b>	<b>73,603,094</b>
Less current liabilities and retainage	(17,215,667)	(11,525,100)	(4,500,000)	(4,518,750)	(4,354,500)	(4,969,050)
<b>Cash Reserves available for appropriation</b>	<b>59,771,253</b>	<b>17,740,983</b>	<b>14,188,145</b>	<b>22,539,423</b>	<b>38,640,409</b>	<b>68,634,044</b>