

ISLAMORADA, VILLAGE OF ISLANDS

2013 Wastewater Rate Study. June 2013



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June 20, 2013

Mr. Ed Koconis
Village Manager
Islamorada, Village of Islands
86800 Overseas Highway
Islamorada, FL 33036

Subject: 2013 Wastewater Rate Study Forecast

Dear Mr. Koconis:

Presented herein is our Wastewater System Rate Study summarizing our analyses and findings regarding the monthly rates for wastewater service within Islamorada, Village of Islands (Village).

This report contains financial projections of capital costs and the anticipated operations of the Village's wastewater collection, treatment, and effluent disposal systems (Wastewater System). The Wastewater System includes both the existing N. Plantation Key area, which currently provides wastewater service availability to approximately 1,130 customers, and future service to the Remaining Service Areas (RSA) within the Village incorporated area.

In the preparation of this report, RFC has relied upon financial, statistical and operational data regarding the Wastewater System, including the design-build and other capital costs, operating costs, anticipated debt service coverage requirements, and other information available as of the date of this report and discussions with the Village and its consultants.

Our report sets forth a proposed wastewater rate schedule and also revenue sufficiency projections from such rates based on the Village's current wastewater availability schedule. The sufficiency of the proposed rates is based on the various assumptions and analysis set forth within this report, including the successful implementation of the wastewater availability schedule.

We would like to thank you and Village staff with their assistance and insight during the course of this study. If you should have any questions please do not hesitate to call me at 407-960-1811.

Respectfully Submitted,

A handwritten signature in blue ink that reads 'Tony Hairston'.

Tony Hairston
Manager

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA

2013 WASTEWATER RATE STUDY

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2013 WASTEWATER RATE STUDY

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EXECUTIVE SUMMARY

Background

In anticipation of providing wastewater service to the Remaining Service Area (RSA) in early 2014, the Village must adopt wastewater rates for service in order to provide sufficient revenues to meet its operating expenses, debt service, and other costs of providing service. The rates developed herein are based on the known and anticipated costs of providing service, and reflect the i) implementation of Phase 2 RSA Assessments in 2013; ii) use of available Mayfield grant funding; and iii) use of available Discretionary Sales Tax for Infrastructure (Infrastructure Funds). Delays in the projected substantial completion schedule would result in delays in: i) the drawdown schedule, which would affect the timing of debt issuance and repayment; and ii) service availability which would affect revenues generated from monthly user charges.

The rate design process has developed since 2012 with a series of financial forecast projections relying on various rate level assumptions, funding availability, and cost information. On March 28, 2013 RFC staff presented preliminary wastewater rates at a public workshop to the Village Council. The rates proposed herein are substantially equivalent to the rates presented at that workshop, with only slight variations based on information made available since that date.

RSA Availability Schedule

The proposed rates rely on the wastewater construction and availability schedule provided by the Village. Based on a review of this schedule with Village staff, the following service availability by area for financial forecasting and rate purposes is projected as follows:

Table ES - 1 - Wastewater Service Availability Assumed for Revenue Projections

<u>Area</u>	<u>Assumed Availability</u>	<u>Accounts</u>	<u>EDUs</u>
Middle Plantation	April 2014	681	1,043
South Plantation	January 2015	1,038	1,277
Windley Key	April 2015	126	676
Upper Matecumbe	April 2015	595	2,053
Lower Matecumbe	September 2015	<u>985</u>	<u>1,268</u>
Subtotal RSA		3,425	6,317
North Plantation Key (NPK)	Completed	<u>1,130</u>	<u>1,237</u>
Total – All Areas		<u>4,555</u>	<u>7,556</u>

Note: Amounts derived from Exhibit 1 at the end of the Report. Accounts represent the number of FKAA water accounts that are linked to properties to be served wastewater by the Village. Amounts shown exclude vacant parcels.

Should delays in this schedule occur the financial projections should be reviewed since revenue sufficiency would likely be negatively affected.

Capital Cost

The Village has selected a wastewater treatment and disposal solution through an interlocal agreement with KLWTD rather than the alternative of constructing additional wastewater treatment plants within the Village. In addition, the Village has awarded a design-build-operate agreement based on a competitive process including a not-to-exceed design-build cost. A summary of the design-build costs and other costs associated with constructing wastewater facilities to serve the RSA are summarized on Table ES - 2:

Table ES - 2 - Wastewater Capital Cost Summary for RSA

<u>Description</u>	<u>Total Project Costs</u>
Design-Build [1]	\$90,900,000
KLWTD [2]	\$11,745,000
Land	\$1,000,000
Construction Mgmt. & Owners Rep.	\$9,505,000
Administration	\$1,440,000
Contingency	<u>\$1,354,000</u>
Total RSA	<u>\$115,944,000</u>

[1] Amounts include RSA design-build costs, including private roads and equipment testing. Amounts exclude pavement restoration which is to be funded from Village transportation fund and NPK costs to be funded from NPK dedicated sources.

[2] Amount includes \$10,176,000 capacity payment, plus interest and facility upgrade costs.

As shown above, the total capital costs for the RSA are \$115,944,000 including KLWTD capacity payments, owner's representative, construction management, land, and administrative costs. The capital improvements include design and construction of wastewater transmission and collection system facilities, and wastewater treatment/disposal capacity from KLWTD. The collection system is primarily vacuum, with gravity and low pressure systems used in certain areas.

Funding sources include the following:

Table ES - 3 - Wastewater Capital Funding Sources

<u>RSA Funding Sources</u>	<u>Amount</u>
2012 Mayfield Grant	\$19,500,000
RSA Assessments During Construction	3,500,000
SRF Loan WW882020 [1]	46,194,000
SRF Loan 2014 [1]	20,000,000
SRF Loan 2015 [1]	20,000,000
SRF Loan 2016 [1]	6,750,000
Line of Credit	7,500,000
Repayment - Line of Credit	(7,500,000)
Total RSA Funding Sources [2]	<u>\$115,944,000</u>

[1] Amounts shown for SRF loans reflect reimbursable costs related to design, construction, construction related services and administration. Amounts shown exclude capitalized interest and loan fees.

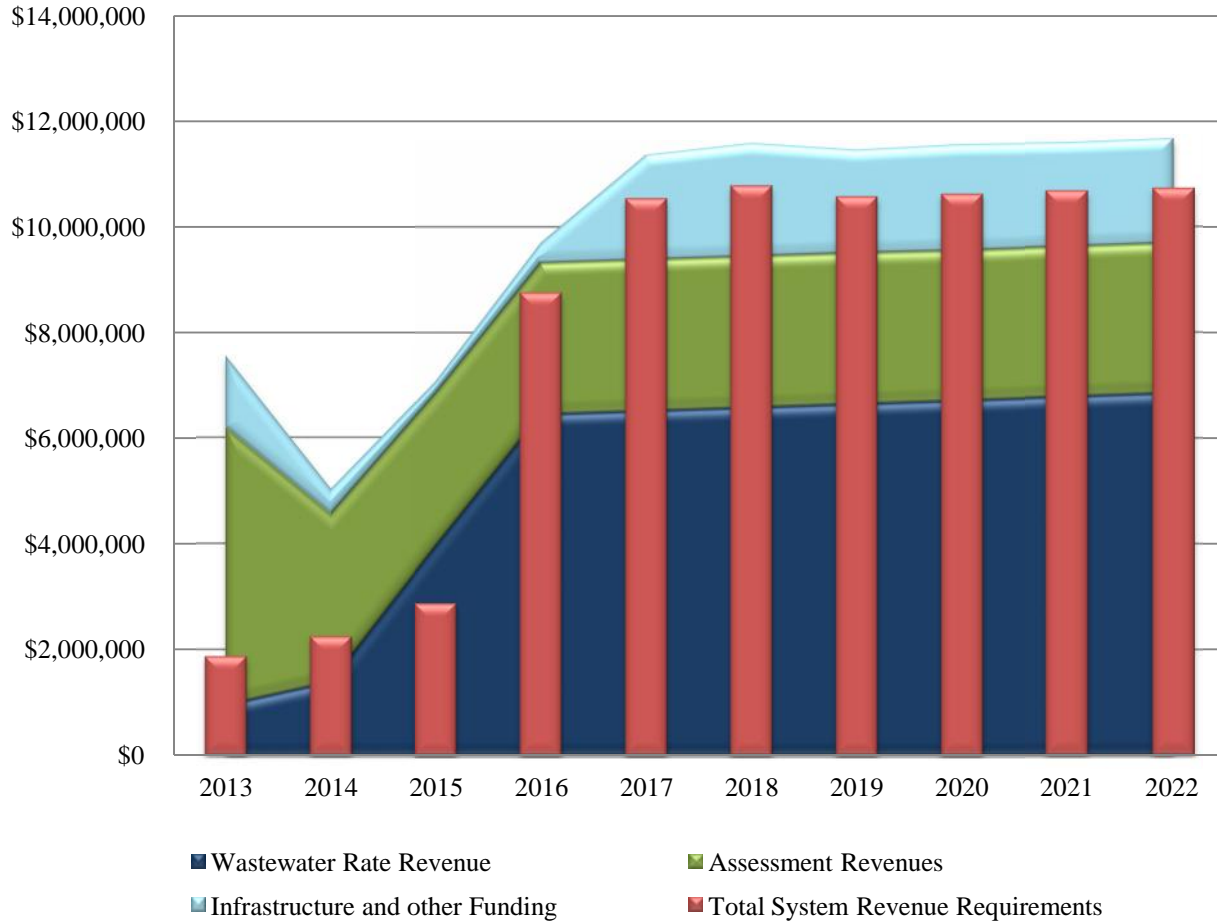
[2] Funding sources shown for RSA capital expenditures. Funding sources for the estimated \$1.5 million NPK improvements (not shown) include estimated NPK settlement amounts and other reserves.

As shown above, funding sources include \$19,500,000 of the 2012 Mayfield Grant (a total appropriation of \$20,000,000 is allocated to the Village, with a portion reserved for State bond issuance and other costs to be determined). A combination of RSA assessments and wastewater rate revenue during construction is utilized in order to minimize the amount of long term debt required to fund the project. The remaining project costs are funded from SRF loans with 20 year amortization terms.

Revenue Sufficiency

The foundation for the proposed rates is a detailed ten year Wastewater System financial forecast. This reflects the use of available Mayfield Grant funding (\$19.5 million net project funding assumed) and reflects RSA wastewater rates of approximately \$74 for a typical residential customer using 4,000 gallons. The projected operating results are contingent on the implementation of the wastewater connection schedule, adoption of the rate schedule as set forth herein, and are based on the various assumptions contained in this report including the use of up to \$1.7 million per year of Infrastructure Funds.

Figure ES - 1 - Projected Wastewater Revenue Sufficiency



The financial forecast is shown in detail on Exhibit 3 at the end of the report.

Section 4 of the report outlines the development of proposed wastewater rates for both the existing NPK and future RSA areas. It is proposed that each would area have a wastewater rate structure with three components: 1) a fixed monthly administrative charge component that does not vary based on size of customer (i.e., EDU size) or flow; 2) a base charge that is dependent on each customer’s number of EDUs served; and 3) a usage charge based on metered monthly water usage. The rates are identical between NPK and RSA service areas with the exception of a differential on the base charge where NPK is lower than RSA. This differential is based on the difference in grant funding relative to construction costs in each of the two service areas. The proposed NPK rates represent a slight decrease from existing NPK rates (approximately 1%). The proposed NPK and RSA wastewater rates are shown below:

Table ES - 4 - Proposed Wastewater Rate Schedule Effective 10/01/2013

<u>NPK</u>	<u>Existing</u>	<u>Proposed</u>
Admin. Customer Charge	\$0	\$10.15
Base Charge	39.04	28.88
Usage Charge per 1,000 gallons [1]	6.40	6.27
<u>RSA</u>		
Admin. Customer Charge	N/A	\$10.15
Base Charge	N/A	38.86
Usage Charge per 1,000 gallons [1]	N/A	6.27

[1] Maximum of 12,000 gallons for residential customers.

Comparison of Wastewater Assessments and Rates

Various amounts of county, state, and federal grants and other funding sources have deferred costs for various utilities throughout Monroe County Keys that have developed new wastewater collection systems over the past ten years. However, the primary funding sources for the operating and remaining capital costs of these various wastewater projects are monthly wastewater rates and non-ad valorem assessments. In reviewing the following comparison, the following factors influence the level of assessments and rates for each utility:

- Amount of grants available (Army Corp of Engineers, Mayfield Grant, Monroe County grants, MSTU funding, etc.)
- Other local non-utility funding sources used (Infrastructure Funds, etc.)
- System design and service area characteristics (e.g. service area density, design criteria, etc.)

Table ES - 5- Comparison of Wastewater Rates

<u>Wastewater System</u>	<u>Assessment per Residential EDU</u>	<u>Residential Service Average Monthly Wastewater Bill – 4,000 Gallons</u>
<u>Islamorada, Village of Islands:</u>		
North Plantation Key (NPK) - Existing	\$5,676	\$64.64
North Plantation Key (NPK) - Proposed	\$5,676	\$64.11
Remaining Service Areas (RSA):	\$6,392 [1]	\$74.09
<u>Other Florida Keys Utilities</u>		
Key Largo Wastewater Treatment District	\$5,700	\$54.68
Marathon Wastewater Utility	\$5,730	\$68.13
Florida Keys Aqueduct Authority	\$2,700 - \$4,500 [2]	\$68.01

[1] Projected amount includes Phase 2 assessment with implementation September 2013.

[2] Assessment amounts imposed by Monroe County vary among each FKAA service district.

Findings and Conclusions

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

1. The financial projections and rate estimates provided herein are based on several factors such as the estimated total project costs, operating expenses, availability of debt financing, and customer data derived from the Village's wastewater assessment roll and FKAA water billing data. Should any of these or other factors deviate substantially from the assumptions contained in this report, the actual results will be affected accordingly.
2. The wastewater rates presented herein are based on the project cost of providing service after accounting for the use of the Village's available Infrastructure Funds to fund a portion of Wastewater System debt service.
3. The proposed monthly rates for wastewater service are comparable to other utilities that have recently initiated new municipal central wastewater service in the Florida Keys over the past ten years.
4. The projections of revenue sufficiency shown within this report assume annual rate indexing in order to account for inflationary increases in the wastewater operation contract and other wastewater expenses that are expected to increase over time. In order to avoid large one-time future wastewater rate adjustments it is proposed that the Village adopt an annual rate indexing policy to be calculated based on a widely published index such as the Consumer Price Index (CPI). A minimum of 1% annual rate index is projected in the financial forecast within this report beginning in Fiscal Year 2016.
5. Once the KLWTD wholesale wastewater rate true-up begins in Fiscal Year 2018, it is proposed that the Village review a wholesale pass-through mechanism whereby any changes to the cost of wholesale purchases (either up or down) be automatically incorporated in the Village's wastewater rate structure. Since the wholesale treatment rate is fixed during the first several years of service, no pass-through mechanism is proposed at this time.

SECTION 1 – INTRODUCTION

Islamorada, Village of Islands (Village) is an incorporated municipality located in the Florida Keys within Monroe County. The Village's permanent population is 6,119 based on the 2010 U.S. Census. As with the other areas located within Monroe County, the Village must address near shore water quality through the implementation of wastewater collection, treatment, and disposal systems that meet stringent regulatory guidelines. The Florida Legislature (Chapter 99-395, Laws of Florida, and subsequent amendments thereto, and SB 550) mandated higher wastewater treatment and disposal standards for the entire Florida Keys. These regulations require that all wastewater treatment systems in the Keys be upgraded to meet certain parameters by December 31, 2015.

In pursuit of fulfilling this mandate, the Village has contracted with Reynolds Water Islamorada, LLC to design, build, and operate the Village's remaining wastewater collection and transmission system. This agreement includes operations of the Village's existing North Plantation Key (NPK) wastewater treatment facility and then decommissioning of this facility after successful construction of a wastewater transmission main and pumping facility to the existing wastewater facility operated by the Key Largo Wastewater District (KLWTD). The wastewater transmission main will convey wastewater from NPK and the Village's Remaining Service Areas (RSA) to be sewerred. The Village has entered into a 30-year wholesale treatment and disposal agreement with KLWTD effective May 22, 2012 and a 20 year design-build-operate (DBO) agreement with Reynolds Water Islamorada, LLC effective August 21, 2012.

The purpose of this report is to provide an updated ten year financial forecast for the Village wastewater system, and to propose a wastewater rate structure that will meet the fiscal requirements as wastewater service becomes available over the next several years.

SECTION 2 – CUSTOMER STATISTICS

The Village currently has wastewater service available to approximately 1,130 wastewater connections within NPK. Beginning September 2005 the Village adopted a non-ad valorem assessment for the capital costs associated with providing wastewater service for the NPK properties. This NPK assessment applies to all developed properties within NPK where wastewater service is available. Revenues derived from the NPK assessment are restricted to capital costs incurred by the NPK wastewater facilities, including debt service which financed the NPK facilities. In addition to the NPK assessment, the Village has established wastewater rates that are billed monthly to each customer where service is available. The revenues generated from these rates are used toward wastewater operating costs, system replacements, and any other costs incurred from the NPK wastewater system not funded from the NPK assessments.

In 2011, the Village adopted a separate non-ad valorem assessment for the purpose of generating revenue to offset the capital cost of service RSA properties (RSA Phase 1 Assessment). The RSA Phase 1 Assessment is intended to provide for the initial funding source for RSA planning, design, and construction of wastewater facilities within the RSA. NPK properties are excluded from the RSA Phase 1 Assessment. Therefore, RSA Phase 1 Assessment revenues cannot be used for NPK improvements. It is anticipated that the Village will adopt a RSA Phase 2 Assessment by September 2013 in order to complete its wastewater assessment program. The results herein are contingent of the adoption of the RSA Phase 2 assessments.

Similar to the Village's existing NPK wastewater customers, the Village's future RSA wastewater customers currently receive water service from the Florida Keys Aqueduct Authority (FKAA). For rate design purposes, it is necessary to obtain historical water customer data to ascertain levels and fluctuations in customer usage, as well as other factors.

RFC coordinated with Village staff to request from FKAA historical monthly billing for a 12-month period from January to December 2012 and other account data for those water customers located within the RSA. FKAA provided water use data for 6,905 water meters, which included both customers outside the RSA and irrigation and similar outdoor use meters within the RSA. RFC coordinated with Village staff to remove meters outside the RSA and any meters designated as irrigation use or similar dedicated non-indoor water usage. After this review, 3,425 water meters remained and were attributed with future RSA wastewater customers. In addition to the historical data provided by the Authority, the Village's staff and the Village's assessment consultants, Government Services Group, Inc. ("GSG"), provided information critical in determining the service area location and EDUs assessed for each of the Village's RSA wastewater customers. The data received from FKAA, GSG, and the Village was then compiled allowing each customer to be appropriately matched to their corresponding EDUs, usage pattern, class of service, and service area location. A bill frequency was then conducted on the data in order to obtain the annual number of bills and the amount of flow grouped by customer class and service area. Residential monthly potable water usage billed over 12,000 gallons was tabulated in order to address the wastewater billing cap, as discussed in Section 4. The potable water flows for each customer class and service area were then adjusted down by 5% to provide a conservative planning adjustment and to reflect elasticity associated with the additional costs

paid for wastewater service. A summary of the water usage history for those future wastewater customers is shown on Table 1 below:

Table 1 - RSA Water Usage History

Customer Class	Single Family	Condos	Commercial	Total
Accounts	2,455	596	374	3,425
EDUs	2,505	1,549	2,265	6,317
Annual Usage (1,000 Gallons)	134,023	71,856	147,026	352,905
Avg. Mo. Usage/Account (1,000 Gallons)	4.55	10.05	32.76	8.59
Avg. Mo. Usage/EDU (1,000 Gallons)	4.46	3.87	5.41	4.65

[1] Amounts derived from FCAA water billing records during calendar year 2012 and the RSA Phase 1 assessment role. Amounts exclude residential metered water use above 12,000 gallons per month.

The historical statistics shown above are delineated into three (3) customer classes: residential single family (individually-metered), condos and commercial/general service. A typical wastewater rate structure for residential customers includes a cap or maximum amount of metered water usage that is billed for wastewater purposes on a monthly basis. The proposed wastewater rates, as discussed in further detail in Section 4 of this report, are consistent with the Village’s current rate structure in that they include a residential wastewater billing cap of 12,000 gallons per month. The statistics summarized above reflect only residential usage that is below 12,000 gallons per month, and thereby reflects the projected wastewater billing determinants for such customers. Billing caps are implemented to account for metered water usage that cannot be attributed to indoor use and thus does not return through the wastewater system.

The majority of customers within the Village are individually metered residential. A summary of the historical statistics by percentage among customer classes are shown below on Table 2:

Table 2 – Historical Metered Water Use by Customer Class within RSA

Description	Accounts	EDUs	Usage
Single Family	71.7%	39.6%	38.0%
Condos	17.4%	24.5%	20.4%
Commercial	10.9%	35.8%	41.7%
Total	100.0%	100.0%	100.0%

Mandatory Connection

Pursuant to Village Code Chapter 61-1(d), wastewater connection is mandatory within 30 days of Village notification that the Wastewater System is available:

Mandatory Connection. Within 30 days of the date that the village notifies an owner that the village’s utility system is available for connection, such owner must connect the on-site sewage treatment and disposal system or the owner’s building plumbing to the village’s utility system. Each owner so notified shall be automatically deemed a customer of the village’s utility system on the 31st day after notification, whether the owner has complied with the requirement to connect to the village’s utility system or not. Upon the date that an owner becomes a customer

of the village's utility system, the owner shall be subject to the village's utility system rate tariff, to be adopted and amended from time to time by the village.

The financial forecast relies on the wastewater construction and availability schedule provided by the Village. Based on a review of this schedule with Village staff, the following service availability by area is projected:

Table 3 –Wastewater Service Availability Assumed for Revenue Projections

Area	Assumed Availability	Accounts	EDUs
Middle Plantation	April 2014	681	1,043
South Plantation	January 2015	1,038	1,277
Windley Key	April 2015	126	676
Upper Matecumbe	April 2015	595	2,053
Lower Matecumbe	September 2015	<u>985</u>	<u>1,268</u>
Subtotal RSA		3,425	6,317
North Plantation Key (NPK)	Completed	<u>1,130</u>	<u>1,237</u>
Total – All Areas		<u>4,555</u>	<u>7,556</u>

Note: Amounts derived from Exhibit 1 at the end of the Report. Accounts represent the number of FKAA water accounts that are linked to properties to be served wastewater by the Village. Amounts shown exclude vacant parcels.

As shown above, MPK is anticipated to be completed, with customers available for wastewater billing by the middle of FY 2014. Also, as of the date of this report, the remaining service areas are all anticipated to be completed prior to Fiscal Year 2016. Based on the construction schedule shown above it is assumed that nearly all of the Village's future customers should be connected by the start of Fiscal Year 2016 as summarized in Table 4 below:

Table 4 – Projected Wastewater Customers and Sales

Fiscal Year	Accounts	EDUs	Thousand Gallons Sold per Year	Avg. Monthly Use per EDU
2012 (Actual)	1,130	1,237	61,742	4.2
2013	1,130	1,237	61,742	4.2
2014	1,471	1,759	91,711	4.3
2015	3,049	4,730	259,575	4.6
2016	4,555	7,556	417,907	4.6
2017	4,555	7,556	417,907	4.6

Note: Amounts derived from Exhibit 1.

The drawdown schedule for capital service payments to the Village contractor are contingent on the completion schedule relied on according to the availability schedule above. The projected service availability shown above is linked to the substantial completion schedule with a contingency period ranging between two and five months. Delays in the projected substantial completion schedule would result in delays in: i) the drawdown schedule, which would affect

the timing of debt issuance and repayment; and ii) service availability which would affect revenues generated from monthly user charges.

SECTION 3 –REVENUE REQUIREMENTS

Various components of costs associated with operating and maintaining a utility system, as well as the cost of financing the renewal and replacement facilities and capital improvements for upgrades and expansions, are generally considered as the revenue requirement of a public utility. The sum of these costs components, after adjusting for other income and other operating revenues available to the utility, represents the net revenue requirement of the Wastewater System. The net revenue requirement represents the level of expenditures required to be recovered from monthly user fees. The projection of net revenue requirements during the forecast period is a critical component of the study since this is the basis for designing monthly wastewater rate levels. The projected net revenue requirements reflected herein are consistent with methods generally employed by publicly owned utilities that rely on revenue bond financing to fund capital investment needs.

An important objective of the projected study period is to establish rate levels that reflect future costs of providing wastewater service to ensure continuing and adequate financial resources as the system gains customers. The revenue requirements of this study are predicated on analyses for the ten (10) fiscal year period October 1, 2013 through 2022.

The projected revenue requirements include the various generalized cost components described below:

Operating Expenses

These expenses include the cost of contract operations, wholesale treatment purchases, utilities (electricity), chemicals, sludge hauling, maintenance, and administrative costs, and other items necessary for ongoing utility operations. The contract operations and wholesale wastewater treatment costs are expected to be the major operating cost components.

Debt Service

Debt service includes the annual principal and interest payments of existing and planned debt funding for construction of wastewater facilities. Revenue from annual assessments is included as an off-setting revenue so that monthly wastewater rates fund only a portion of the annual debt service.

Other Revenue Requirements

This component of cost includes other current expenditures or reserve funding for future expenditures. As a startup utility with new facilities, the most significant other expenditure requirement is renewal and replacement (R&R) funding. The Village should establish an R&R Fund within the wastewater enterprise fund as a dedicated source to fund future renewals and replacements of system assets as they age. Annually a portion of rate revenues should be transferred to the R&R Fund as the system facilities are being utilized. While no major R&R expenditures are anticipated in the early years of operation, future system rehabilitation will be required and could result in abrupt rate increases if an ongoing R&R funding policy is not implemented. Also, when the Village issues utility revenue bonds in the future, an R&R funding policy similar to the one assumed herein will be likely required.

While we believe the assumptions are reasonable for the purposes of this report, they are dependent upon future events, and actual conditions may differ from those assumed. In addition to our projections, estimates, and studies, we have relied upon certain information and assumptions provided to us and prepared by others, including information and assumptions provided to us by the Village such as the number of customers served and corresponding water usage for those customers located within the various wastewater service areas described herein. While we believe the use thereof is reasonable for the purpose of this report, we offer no further assurances with respect thereto. To the extent that actual conditions differ from those assumed by us herein or from information and assumptions provided to us, or prepared by others, the actual results will vary from those estimated and projected herein.

Principal Assumptions

The principal considerations and assumptions made by us, and the principal information and assumptions provided to us or prepared by others, include the following:

- 1) The projected assessment revenue, rate revenue, and other revenue and income is based on the following:
 - a) Projected assessment revenue includes the following components:
 - i) NPK assessment revenue of \$395,500 per year continuing through 2035.
 - ii) Assessment revenue for the RSA is based on the actual assessments implemented in September 2011 (Phase 1 RSA Assessment) and reflects actual prepayments received by the Village through the end of Fiscal Year 2012 and ongoing annual payments for those properties not prepaying. The Phase 1 assessment was \$3,196 per EDU (prepayment) or \$21 per month for those properties not prepaying. The Phase 1 RSA Assessment was established based on \$20.0 million in capital cost recovery.
 - iii) A second assessment for the RSA (Phase 2 RSA Assessment) assuming an additional \$20.0 million in capital cost recovery with the same terms as the Phase 1 RSA Assessment. These terms include a prepayment amount of \$3,196 per EDU or \$21 per month for those properties not prepaying. The Village is planning to implement the Phase 2 RSA Assessment effective September 2013. It is assumed that 18% of properties will prepay the Phase 2 RSA Assessment which is similar to the Phase 1 RSA Assessment. A summary of wastewater assessment revenue is shown below:

Table 5 - Projected Wastewater Assessment Revenue

Wastewater Assessment Revenue	Projected Fiscal Year Ending September 30,				
	2013	2014	2015	2016	2017
North Plantation Key	\$396,690	\$395,500	\$395,500	\$395,500	\$395,500
RSA Phase 1	1,244,300	1,242,800	1,241,300	1,220,300	1,220,300
RSA Phase 2 [1]	<u>3,600,000</u>	<u>1,527,900</u>	<u>1,247,300</u>	<u>1,245,800</u>	<u>1,244,300</u>
Total RSA	4,844,300	2,770,700	2,488,600	2,466,100	2,464,600
Total Wastewater System Assessment Revenue	<u>\$5,240,990</u>	<u>\$3,166,200</u>	<u>\$2,884,100</u>	<u>\$2,861,600</u>	<u>\$2,860,100</u>

[1] Amounts reflect assumed prepayments occurring during Fiscal Year 2013 and 2014, based on the Village's experience with prepaid assessments for RSA Phase 1.

- 2) Revenue from monthly wastewater rates are based on actual NPK wastewater customers and wastewater revenue gallons (i.e. the portion of potable water usage charged for wastewater service) and projected future RSA wastewater customers and usage based on the rates developed and proposed in Section 4 of this report.

- 3) Based on the Village's Fiscal Year 2012 Budget and financial policy, approximately \$135,000 per year of Infrastructure Funds has historically been applied toward debt service in the NPK system representing the portion of NPK costs allocated to the reclaimed water line extended to Founders Park. With the expansion of wastewater construction to the RSA, and the Monroe County extension of the 1% Infrastructure Funds through 2033, the Village plans to use available Discretionary Sales Tax toward debt service associated with the Wastewater System in order to provide wastewater rate affordability. Based on Village staff reporting of available fund balance derived from prior Discretionary Sales Tax revenue plus projected available revenue, the use of such funds toward RSA debt service in order to defray RSA wastewater rates is reflected in Table 12 at the end of this section.

- 4) The Village has selected a wastewater treatment and disposal solution through an interlocal agreement with KLWTD rather than the alternative of constructing additional wastewater treatment plants within the Village. In addition, the Village has awarded a design-build-operate agreement based on a competitive process including a not-to-exceed design-build cost. A summary of the design-build costs and other costs associated with constructing wastewater facilities to serve the RSA are summarized on Table 6:

Table 6 - Wastewater Capital Cost Summary for RSA

<u>Description</u>	<u>Total Project Costs</u>
Design-Build [1]	\$90,900,000
KLWTD [2]	\$11,745,000
Land	\$1,000,000
Construction Mgmt. & Owners Rep.	\$9,505,000
Administration	\$1,440,000
Contingency	<u>\$1,354,000</u>
Total RSA	<u>\$115,944,000</u>

[1] Amounts include RSA design-build costs, including private roads and equipment testing. Amounts exclude pavement restoration which is to be funded from Village transportation fund and NPK costs to be funded from NPK dedicated sources.

[2] Amount includes \$10,176,000 capacity payment, plus interest and facility upgrade costs.

As shown above, the total capital costs for the RSA are \$115,944,000 including KLWTD capacity payments, owner’s representative, construction management, land, and administrative costs. The capital improvements include design and construction of wastewater transmission and collection system facilities, and wastewater treatment/disposal capacity from KLWTD. The collection system is primarily vacuum, with gravity and low pressure systems used in certain areas.

- 5) Funding sources recognized in the financial forecast herein include the following:

Table 7 - Wastewater Capital Funding Sources

<u>RSA Funding Sources</u>	<u>Amount</u>
2012 Mayfield Grant	\$19,500,000
RSA Assessments During Construction	3,500,000
SRF Loan WW882020 [1]	46,194,000
SRF Loan 2014 [1]	20,000,000
SRF Loan 2015 [1]	20,000,000
SRF Loan 2016 [1]	6,750,000
Line of Credit	7,500,000
Repayment - Line of Credit	<u>(7,500,000)</u>
Total RSA Funding Sources [1]	<u>\$115,944,000</u>

[1] Amounts shown for SRF loans reflect reimbursable costs related to design, construction, construction related services and administration. Amounts shown exclude capitalized interest and loan fees.

[2] Funding sources shown for RSA capital expenditures. Funding sources for the estimated \$1.5 million NPK improvements (not shown) include estimated NPK settlement amounts and other reserves.

As shown above, funding sources include \$19,500,000 of the 2012 Mayfield Grant allocation (a total appropriation of \$20,000,000 is allocated to the Village, with a portion reserved for State bond issuance and other costs to be determined). A portion of RSA

assessments during construction are utilized in order to minimize the amount of long term debt required to fund the project. The remaining project costs are funded from SRF loans as discussed in further detail below.

- 6) The financial forecast summarized on Exhibit 3 reflects additional debt service associated with the issuance of several loans and revenue bonds to finance the RSA construction. Pursuant to Amendment 1 to Loan Agreement WW882020 dated October 17, 2012, the Village has entered into a low-cost SRF loan in the principal amount of \$47,799,014 for the purpose of partially financing Wastewater System. Based on conservative estimates of capitalized interest, the total principal for SRF Loan WW882020 recognized in this analysis and corresponding debt service is \$48,844,395. In addition, the Village financing team has established a financing plan to fund the remaining RSA capital costs which includes additional SRF loans to complete the Wastewater System construction. The debt financing assumptions are summarized below:

Table 8 - RSA and Remaining Debt Financing Assumptions

Financing Name	Principal Amount	Assumed Interest Rate	Term (Years)	Annualized Debt Service	Initial Payment (Fiscal Year)	% of Fiscal Year Initial Payment
SRF Loan WW882020	\$48,844,395	2.30%	20	\$3,060,616	2016	75%
SRF Loan 2013	21,350,000	3.00%	20	1,427,337	2016	75%
SRF Loan 2014	20,750,000	3.00%	20	1,387,225	2016	75%
SRF Loan 2015	<u>6,885,000</u>	3.00%	20	<u>460,291</u>	2016	75%
Total	\$97,829,395			\$6,335,469		

- 7) Projected operating and maintenance costs for the NPK and RSA wastewater service areas are summarized on Exhibit 4 at the end of this report. As noted below, the projected operating and maintenance costs are based on the existing cost levels for NPK prior to completion of the RSA construction, and once the RSA construction is complete, costs are based on the annual service fee amounts set forth in the DBO agreement. Specifically, the following are assumed for the primary operating expenses:
- a) Projected wastewater operating expenses include wastewater treatment services, contract operations, billing, electric, insurance, and Village administration. The most significant operating expense is the wastewater treatment services, and the next largest expense is contract operations. The projection of these and other operating costs is discussed in more detail below.
 - b) On May 2, 2012 the Village entered into an Agreement for Wastewater Services with the Key Largo Wastewater Treatment District (KLWTD) referred herein as the “KLWTD Agreement.” The KLWTD Agreement provides for KLWTD to serve the Village with up to 1.104 million gallons per day (mgd) of wastewater treatment and disposal expressed on an average annual daily flow basis. The KLWTD Agreement also provides for a Capacity Allocation Charge for the Village’s share of KLWTD wastewater capital costs and a Flow Charge based on the Village’s wastewater flow for operating costs related to

KLWTD treatment and disposal. The Capacity Allocation Charge is considered in the overall Village capital financing plan, and although the KLWTD Agreement provides that the Village may pay this charge over a ten-year period, it is assumed that the Village will pay the balance of this obligation with proceeds from the Mayfield Grant. Regarding the Flow Charge, the financial forecast assumes an average rate of \$4.65 per thousand gallons based on the initial terms of the agreement. This rate is fixed for the first five years of the agreement, and a true-up will be reviewed after the first five years to adjust this rate based on the cost of providing service. Recent data provided by KLWTD indicates that this rate may be significantly less than the current rate due to economies of scale in the KLWTD treatment plant operations. Based on conservative estimates of these future treatment costs provided by KLWTD, starting in Fiscal Year 2019 it is assumed that the wholesale treatment cost will be \$4.05 per thousand gallons. As reflected below, it is also projected that the actual wastewater flow transmitted by the Village to KLWTD will begin in January 2014 and build up to 1.088 mgd by Fiscal Year 2017 based on reasonable connections of RSA properties between Fiscal Year 2014 and Fiscal Year 2016.

Table 9 - Forecast of KLWTD Treatment Expenses

Fiscal Year	Average Daily Flow to KLWTD (MGD)	Annual Thousand Gallons to KLWTD	Average Treatment Cost per Th. Gallons	Recognized Annual KLWTD Treatment Expense
2013	0.000	0	\$4.65	\$0
2014 [1]	0.121	40,500	\$4.65	188,326
2015	0.239	147,958	\$4.65	688,002
2016	0.676	317,609	\$4.65	1,476,883
2017	1.088	357,310	\$4.65	1,661,494
2018	1.088	397,012	\$4.65	1,846,104
2019	1.088	397,012	\$4.05	1,607,897
2020	1.088	397,012	\$4.05	1,607,897
2021	1.088	397,012	\$4.05	1,607,897
2022	1.088	397,012	\$4.05	1,607,897

[1] Amount recognizes partial year treatment at the existing NPK wastewater treatment plant, and partial year treatment at KLWTD during Fiscal Year 2014.

- c) The fixed and variable contract operations costs are assumed to increase by an average of 2.5% per year.
- d) Electric expenses related to the collection and transmission system pumping are not included in the contract operations but do have guaranteed maximum usage per calendar quarter as set forth in the DBO contract. Based on the Village’s average cost per kWh for the NPK wastewater treatment plant, and information provided during the DBO procurement process, the projected electric costs for pumping to KLWTD and other collection system operations is \$109,039 per year plus 2.5%/year to account for inflationary increases in unit electric costs.
- e) Village administrative expenses are estimated based on various information and documentation obtained from Village sources including the Village’s Mayfield Grant

Work Plan. Beginning Fiscal Year 2016, with the implementation of full service to RSA it is assumed that Village Wastewater System administrative costs (direct utility wages, taxes, and benefits) will be \$305,000 per year and indirect costs allocations from other Village departments in support of the Wastewater System will be an additional \$100,000 per year. Such amounts are assumed to escalate by 2.5% per year.

- f) Billing expenses are assumed to continue through an inter-local contract with the Florida Keys Aqueduct Authority. The existing rate of \$1.10 per bill rendered is projected to escalate by 2.5% annually and also increase based on the number of additional bills rendered with the additional of RSA customers. The Fiscal Year 2013 billing cost estimate of \$14,875 per year is projected to escalate to \$64,663 by Fiscal Year 2016 based on these factors.
 - g) The Village currently budgets \$83,000 per year for general insurance on all existing wastewater facilities. Based on construction of RSA wastewater facilities during the next several years, the general insurance expense for wastewater is projected to increase to \$165,000 in Fiscal Year 2015 with completion of all RSA phases. Insurance expenses are assumed to escalate by 7.0% per year thereafter.
 - h) A contingency allowance equal to 5.0% of total operating expenses is recognized in each fiscal year of the financial forecast in order to recognize unknown or unplanned expenditures that may occur. With the increasing operating expenses during the forecast period, the contingency amount is projected to be approximately \$162,140 by Fiscal Year 2016.
- 8) Certain renewals and replacement (R&R) payments were included in the DBO contract in order to maintain the wastewater assets in good repair. It is recommended that the Village set aside as a separate Village Wastewater System sub-fund segregated for the purpose of reserving Wastewater System R&R funds. Based on the DBO agreement schedules plus a margin for additional reserves, the financial forecast recognizes R&R transfers of \$326,320 beginning Fiscal Year 2016 and each year as shown in Exhibit 1 at the end of this report.
- 9) The Village has two outstanding loan agreements associated with the funding of the original NPK facilities. These loans include the Series 2012 Refunding Bonds and SRF Loan WW882030. The financial forecast summarized on Exhibit 3 reflects continued debt service for these loans during the forecast period since the maturity of these loans does not occur until after the end of the forecast period.
- 10) In order to establish RSA wastewater rates that will be sufficient over the course of the study period, the establishment of a Rate Stabilization Fund is recognized within this study. The purpose of the Rate Stabilization Fund is provide a dedicated Wastewater System reserve where excess funds are deposited in certain years in order to avoid temporary rate increases in other years where shortfalls might occur on a temporary basis. Due to the nature of the facility construction and the delayed availability of certain funding sources such as the Discretionary Sales Tax, the use of a Rate Stabilization Fund is necessary to provide rate

stability, and is a prudent utility management financial policy tool. The funding and use of the Rate Stabilization Fund is summarized below:

Table 10 – Projection of Rate Stabilization Fund

Fiscal Year	Beginning Rate Stabilization Fund Balance	Deposits [1]	Uses	Ending Rate Stabilization Fund Balance
2013	\$0	\$3,800,000	\$0	\$3,800,000
2014 [1]	3,800,000	0	300,000	3,500,000
2015	3,500,000	1,000,000	0	4,500,000
2016	4,500,000	0	0	4,500,000
2017	4,500,000	0	1,600,000	2,900,000
2018	2,900,000	0	1,700,000	1,200,000
2019	1,200,000	0	800,000	400,000
2020	400,000	0	150,000	250,000
2021	250,000	0	0	250,000
2022	250,000	0	0	250,000

[1] Deposits to Rate Stabilization Fund in Fiscal Year 2013 are assumed from RSA Assessments (\$2,500,000), unrestricted reserves (\$100,000), and Discretionary Sales Tax (Infrastructure Funds, \$1,200,000). Deposits during Fiscal Year 2015 are assumed to be from unrestricted reserves (excess wastewater revenue).

11) Wastewater interest income is recognized as an available revenue source to fund the expenditure needs of the Wastewater System. For the forecast period, interest income is based on estimated balances in accounts that would be available to meet the general expenditure needs of the Wastewater System. In the development of the estimated interest earnings, an average interest rate of 1.25% is assumed to be earned on the estimated average fund balances during the forecast period. For the forecast period, the year-end-balances by specific fund or account for the wastewater system are summarized below:

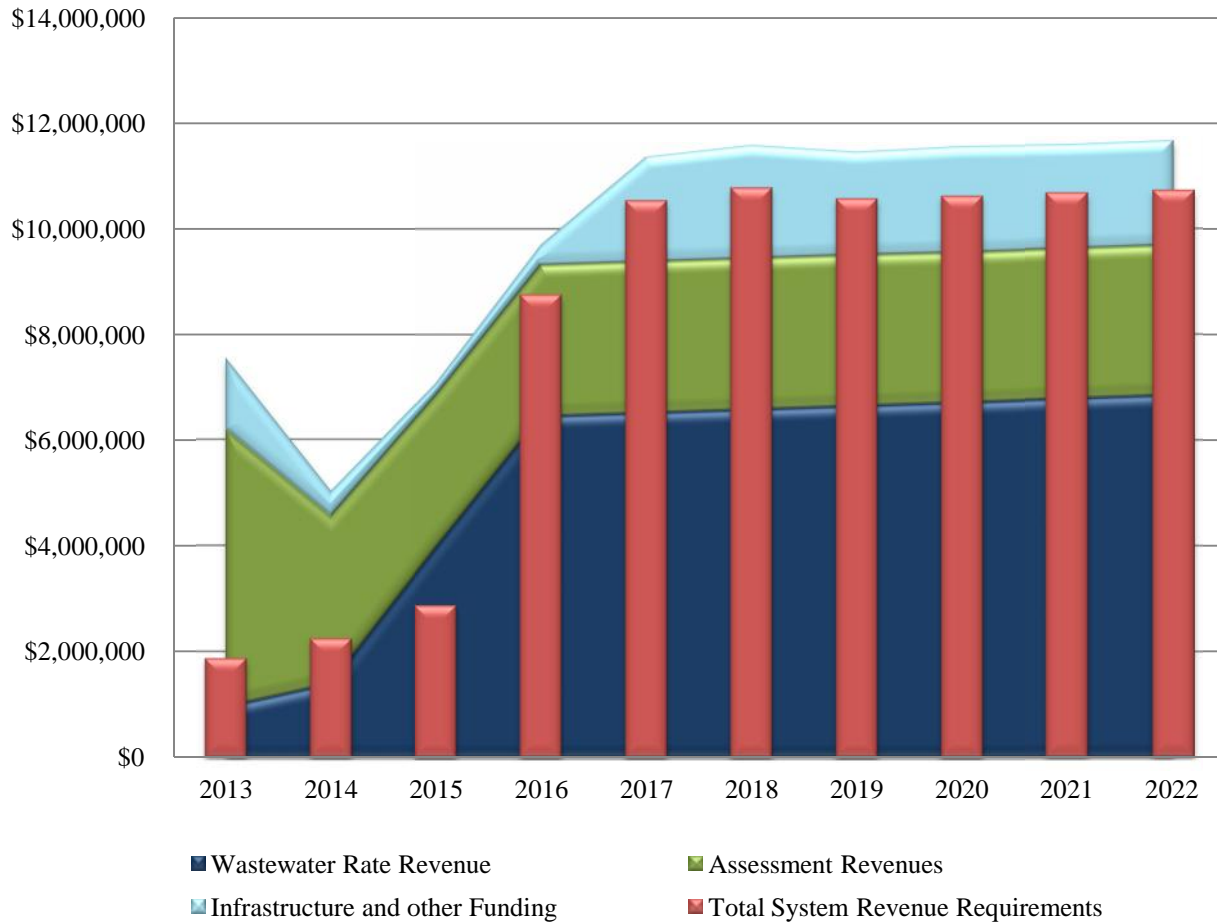
Table 11 – Projected Available Wastewater Reserves

	Amounts projected for each fiscal year ending September 30, (Amounts shown in \$ thousands)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wastewater System Projected										
<u>End of Fiscal Year Balances:</u>										
Unrestricted Reserves	\$706	\$760	\$633	\$1,275	\$1,774	\$2,256	\$2,815	\$3,406	\$3,975	\$4,571
Renewal and Replacement Acct.	0	0	0	326	603	854	1,105	1,357	1,583	1,759
NPK Assessment Reserves	0	0	0	0	0	0	0	0	0	0
RSA Assessment Reserves	603	500	997	1,010	1,023	1,035	1,048	1,061	1,075	1,088
SRF Debt Service Reserve	1,760	4,490	6,337	6,337	6,337	6,337	6,337	6,337	6,337	6,337
Rate Stabilization Fund	3,800	3,500	4,500	4,500	2,900	1,200	400	250	250	250
Total	\$6,869	\$9,250	\$12,467	\$13,448	\$12,637	\$11,682	\$11,705	\$12,411	\$13,220	\$14,005

Summary of Projected Operating Results

Based on the total project costs, funding sources, service availability schedule, assessments, wastewater rates, and other assumptions noted herein, the projected operating results are summarized in Figure 1 below:

Figure 1 - Projected Wastewater Revenue Sufficiency



The amounts shown above are derived from Exhibit 3 at the end of this report. Exhibit 3 reflects the use of available Mayfield Grant funding (\$19.5 million net project funding assumed) and reflects RSA wastewater rates of approximately \$74 for a typical residential customer using 4,000 gallons as set forth in Section 4 regarding rate design. The projected operating results are contingent on the implementation of the wastewater connection schedule as set forth in Section 2, adoption of the rate schedule as set forth in Section 4, and based on the various assumptions contained in this Section including the use of up to \$1.7 million per year of Infrastructure Funds.

The financial forecast is shown in detail on Exhibit 3 at the end of this section and summarized on the following page:

Table 12 – Financial Forecast

Description	Projected Fiscal Year Ending									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wastewater Rate Revenue	\$955,164	\$1,397,097	\$3,974,549	\$6,482,466	\$6,547,306	\$6,612,756	\$6,678,916	\$6,745,676	\$6,813,146	\$6,881,316
Assessment Revenues	5,240,990	3,166,200	2,884,100	2,861,600	2,860,100	2,858,600	2,857,100	2,836,100	2,836,100	2,836,100
Other Miscellaneous Revenues	13,600	36,408	96,270	131,598	136,000	145,700	154,900	165,000	175,600	185,500
Total System Revenues	\$6,209,754	\$4,599,705	\$6,954,919	\$9,475,664	\$9,543,406	\$9,617,056	\$9,690,916	\$9,746,776	\$9,824,846	\$9,902,916
Operating Expenses	1,180,849	1,456,208	2,083,568	3,323,328	3,562,737	3,803,217	3,600,821	3,649,476	3,699,343	3,750,541
Net Revenue	\$5,028,905	\$3,143,496	\$4,871,350	\$6,152,336	\$5,980,668	\$5,813,839	\$6,090,094	\$6,097,300	\$6,125,503	\$6,152,374
Use of Rate Stabilization Funds	\$0	\$300,000	\$0	\$0	\$1,600,000	1,700,000	\$800,000	\$150,000	\$0	\$0
Use of Infrastructure Funds	1,335,000	135,000	135,000	250,000	250,000	300,000	1,000,000	1,700,000	1,800,000	1,800,000
Adjusted Net Revenues	\$6,363,905	\$3,578,496	\$5,006,350	\$6,402,336	\$7,830,668	\$7,813,839	\$7,890,094	\$7,947,300	\$7,925,503	\$7,952,374
Senior Lien Debt Service	352,522	452,966	452,908	340,347	302,783	302,716	302,645	302,571	302,494	302,413
Subordinate Lien Debt Service	341,962	341,962	341,962	5,093,564	6,677,432	6,677,432	6,677,432	6,677,432	6,677,432	6,677,432
Other Transfers & Expenditures	5,560,390	2,729,333	3,338,600	326,320	351,320	351,320	351,320	376,320	376,320	376,320
Net Revenue Surplus/(Deficiency)	\$109,031	\$54,235	\$872,880	\$642,104	\$499,134	\$482,371	\$558,697	\$590,977	\$569,257	\$596,210
Debt Service Coverage (All-In)	9.16	4.50	6.30	1.18	1.12	1.12	1.13	1.14	1.14	1.14
Minimum Target = 1.10										

SECTION 4 – RATE DESIGN AND COMPARISONS

Rate design involves the calculation of monthly charges to recover the wastewater projected revenue requirements. The goal is to establish a pricing structure that recovers the costs in an equitable manner among various wastewater users. The proposed rate structure, to the extent practical, should address the following criteria:

- Wastewater rates should be based on the cost of providing service;
- Rates should be simple and understandable while maintaining equity among users;
- Rates should promote fair and equitable use of facilities and services; and
- Rates and cost recovery strategies should recognize existing rate structures and conditions in order to avoid rate shock where practical

Other considerations include revenue stability, risk, and competitiveness of nearby utilities.

Based on the wastewater construction and availability schedule, the revenue requirements projected in Fiscal Year 2016 are relied on as the Test Year for rate design purposes. The test year revenue requirements are classified into three groups for ratemaking purposes: i) fixed costs including certain treatment, transmission and collection system operating and maintenance costs; ii) billing, customer service, and administrative related costs ; and iii) variable or flow-related costs such as wholesale treatment expenses and pumping costs. The Test Year revenue requirement is assigned to these three cost classifications on the following basis:

1. Base Facility Costs - Costs that are incurred to maintain a system of readiness to meet the total combined demands of all customers are classified as base facility or capacity costs. Base facility costs include that portion of operating and maintenance expenses and other costs that are generally fixed and do not vary materially with the quantity of flow or that cannot be designated specifically as a customer or variable cost. Fixed costs are largely recovered by the base monthly charge, which does not vary according to monthly usage. However, standard rate design practices include assigning a portion of fixed costs to the usage charge to allow for variances in monthly bills based on demand. This accomplishes a couple of objectives: i) it allows customers to control their monthly bill, and thereby keep monthly bills at a lower levels; and ii) it charges more for higher levels of usage, which represents a higher use (and faster replacement need) of wastewater treatment and collection facilities. Certain costs such as contract operations and renewal and replacement funding are allocated as 23.08% to the “extra” oversizing and 76.92% to base demand. This allocation is based on an estimated peak month treatment factor of 1.30 times measured on an average monthly treatment basis as set forth in the wastewater capacity design criteria, and is typical of similarly designed wastewater facilities. The inverse of this peaking factor produces the 23.08% allocated to base facility costs representative of "over sizing" of facilities for peak usage and the remaining 76.3% is base load capacity that can reasonably be relied on to be recovered from flow charges.

2. Variable (Flow) Costs - Those costs that vary substantially or directly with flow, including such items as wholesale treatment costs and pumping costs. Also included is the baseline fixed costs discussed above.
3. Customer/Administrative Costs - Those costs directly related to the number and type of customers, such as customer accounting, billing, meter, wastewater collection, and services-related expenses are classified as customer-related costs. Such costs are assigned to the monthly customer or administrative charge.

Table 13 – Rate Design Cost Classifications

Description	Fiscal Year 2016 (Test Year)	Allocations	Revenue Requirement Allocation		
			Base Facility	Flow	Admin
O&M Allocation					
Village Administration (Salaries/Benefits)	\$305,000	Admin	\$0	\$0	\$305,000
Village Indirect Costs	100,000	Admin	-	-	100,000
Legal and Consulting	66,100	Admin	-	-	66,100
Advertising, Telephone, Water, Office Supplies	21,100	Admin	-	-	21,100
General Insurance	169,800	Direct Base	169,800	-	-
Billing Services	64,663	Admin	-	-	64,663
Customer Repair & Maintenance	3,500	Admin	-	-	3,500
Operating Supplies, Fuel/Oil	102,500	Variable	-	102,500	-
Electricity	111,788	Variable	-	111,788	-
U.S. Water O&M Contract - Monthly Services	-	Base/Extra	-	-	-
U.S. Water O&M Contract - Repair & Maint.	-	Base/Extra	-	-	-
Operations Contract - Fixed O&M Fee	743,740	Base/Extra	171,632	572,108	-
Operations Contract - Variable O&M Fee	-	Base/Extra	-	-	-
Operations - Adjustment for Repairs and Maint.	-	Base/Extra	-	-	-
Wholesale Treatment Costs	1,476,883	Variable	-	1,476,883	-
Contingency (5.0% of Operating Expenses)	158,254	Direct Base	158,254	-	-
Total O&M	\$3,323,328		\$499,686	\$2,263,279	\$560,363
Other Revenue Requirements					
Debt Service					
Series 2012 Refunding Bonds	\$302,847	Direct Base	\$302,847	\$0	\$0
Line of Credit	37,500	Direct Base	37,500	-	-
SRF Loan WW882030	341,962	Direct Base	341,962	-	-
SRF Loan WW882020	2,295,462	Direct Base	2,295,462	-	-
Future SRF Loan 2013	1,070,503	Direct Base	1,070,503	-	-
Future SRF Loan 2014	1,040,419	Direct Base	1,040,419	-	-
Future SRF Loan 2015	345,218	Direct Base	345,218	-	-
Total Debt Service	\$5,433,911		\$5,433,911	\$0	\$0
Transfer to Debt Service Reserve	\$0	Base/Extra	\$0	\$0	\$0
Transfer to Rate Stabilization Fund from Assmts	-	Base/Extra	-	-	-
Transfer to RSA Assessment Reserve	-	Base/Extra	-	-	-
Capital Funded from Rates	-	Base/Extra	-	-	-
Transfer to (from) Unrestricted Utility Reserves	-	Base/Extra	-	-	-
Transfers to Renewal and Replacement Fund	326,320	Base/Extra	75,305	251,015	-
Total Amount Available for Other Purposes	\$326,320		\$75,305	\$251,015	\$0
Gross Revenue Requirements	\$9,083,559		\$6,008,902	\$2,514,295	\$560,363
NPK Assessment Revenues	\$395,500	Direct Base	\$395,500	\$0	\$0
RSA Assessment Revenues	2,466,100	Direct Base	2,466,100	-	-
Other Misc. Revenue	27,598	Base/Extra	6,369	21,229	-
Interest Income	104,000	Base/Extra	24,000	80,000	-
Use of Rate Stabilization Funds	-	Direct Base	-	-	-
Use of Infrastructure Funds	250,000	Direct Base	250,000	-	-
Less Income and Funds from Other Sources	\$3,243,198		\$3,141,969	\$101,229	\$0
Contingency/Reserve Requirements	642,104	Direct Base	642,104	-	-
Subtotal	\$6,482,466		\$3,509,038	\$2,413,065	\$560,363
Adjustment of Allocation	-		-	-	-
			52.6%	38.8%	8.6%
Less: Additional Revenue from Rate Index [1]	(64,180)		(33,751)	(24,881)	(5,548)
Total Net Revenue Requirements	\$6,418,286		\$3,375,286	\$2,488,185	\$554,815

[1] Amount reflects anticipated 1.0% index to rates effective Oct. 1, 2015. Adjustment is necessary to calculate rates based on current costs prior to rate index adjustments.

The net revenue requirements as shown above contain an adjustment to account for one (1) year of annual rate indexing at 1.00% projected to occur in Fiscal Year 2016. The rate indexing adjustment is approximately \$64,180, which reduces the net revenue requirements on the proposed rate design and therefore reflects the average cost level prior to Fiscal Year 2016 rate indexing.

Wastewater Rate Design

Based on the customer forecast, the projected net revenue requirements of the Wastewater System and the allocation of costs discussed earlier in this section, the proposed rates for the Wastewater System are calculated as follows:

Table 14 - Unit Cost Analysis

	Flow	Admin
Allocated Cost	\$2,488,185	\$554,815
Projected Billing Determinants:	417,917	54,660
Adjustment	-5%	0%
Adjusted Billing Determinants	397,021	54,660
Unit Cost (per month / per thousand gallons)	<u>\$6.27</u>	<u>\$10.15</u>

	Base Facility
<u>Base Charge Allocation to NPK:</u>	
Percent	12.70%
Amount	\$ 428,661
NPK EDUs	1,237
Unit Cost per EDU/Month	<u>\$28.88</u>
<u>Base Charge Allocation to RSA:</u>	
Percent	87.30%
Amount	\$ 2,946,625
RSA EDUs	6,319
Unit Cost per EDU/Month	<u>\$38.86</u>

As shown above, the proposed rates consist of three (3) components; a customer/administrative charge, base facility charge and a flow charge. The administrative charge is designed to recover those costs associated directly with each customer (such as billing and collection costs) and is charged monthly on a per customer basis. Based on the allocated portion of the adjusted Fiscal Year 2016 revenue requirements, the proposed administrative charge proposed herein is \$10.15 per customer (i.e. per bill). The proposed base charge was divided up between NPK and RSA by the amount of total debt service allocated to each area, 12.70% to NPK and 87.30% to RSA. The base charge is applied on a per EDU basis and is meant to recover those fixed costs which do not materially vary with the quantity of flow. The proposed base charge for NPK is \$28.88 and for RSA is \$38.86 per month regardless of meter size or wastewater usage. Based on discussions with the Village staff, residential customers are all assumed to be equal to 1 EDU for purposes of calculating the base charge. The final component of the proposed rates is the flow charge which is designed to recover those costs which directly vary with the quantity of flow produced. The proposed flow charge is \$6.27 per 1,000 gallons of metered potable water billed by FKAA. For residential customers, it is recommended that the billing cap of 12,000 gallons is maintained for the time being. The billing cap reflects that at some practical level, metered water

usage cannot reasonable be assumed to correspond to wastewater usage. Metered water usage above the wastewater billing cap is assumed to be related to outdoor usage such as boat washing, irrigation and other uses. However, no billing cap is recommended for commercial customers since their water demand varies among customers to a greater degree compared to residential customers. Those commercial customers with a large amount of outdoor water usage typically have separate irrigation meters to measure water usage that does not return through the wastewater system.

Based on the Fiscal Year 2016 revenue requirements, the following table provides a summary of the proposed and existing rates for NPK and RSA service areas:

Table 15 - Proposed Wastewater Rate Schedule Effective 10/01/2013

<u>NPK</u>	<u>Existing</u>	<u>Proposed</u>
Admin. Customer Charge	\$0	\$10.15
Base Charge	39.04	28.88
Usage Charge per 1,000 Gallons [1]	6.40	6.27
<u>RSA</u>		
Admin. Customer Charge	N/A	\$10.15
Base Charge	N/A	38.86
Usage Charge per 1,000 Gallons [1]	N/A	6.27

[1] Maximum of 12,000 gallons for residential customers.

Comparison of Wastewater Assessments and Rates

Various amounts of county, state, and federal grants and other funding sources have deferred costs for various utilities throughout Monroe County Keys that have developed new wastewater collection systems over the past ten years. However, the primary funding sources for the operating and remaining capital costs of these various wastewater projects is monthly wastewater rates and non-ad valorem assessments. In reviewing the following comparison, the following factors influence the level of assessments and rates for each utility:

- Amount of grants available (Army Corp of Engineers, Mayfield Grant, Monroe County grants, MSTU funding, etc.)
- Other local non-utility funding sources used (Infrastructure Funds, etc.)
- System design and service area characteristics (e.g. service area density, design criteria, etc.)

Table 16- Comparison of Wastewater Rates

<u>Wastewater System</u>	<u>Assessment per Residential EDU</u>	<u>Residential Service Average Monthly Wastewater Bill – 4,000 Gallons</u>
<u>Islamorada, Village of Islands:</u>		
North Plantation Key (NPK) - Existing	\$5,676	\$64.64
North Plantation Key (NPK) - Proposed	\$5,676	\$64.11
Remaining Service Areas (RSA):	\$6,392 [1]	\$74.09
<u>Other Florida Keys Utilities</u>		
Key Largo Wastewater Treatment District	\$5,700	\$54.68
Marathon Wastewater Utility	\$5,730	\$68.13
Florida Keys Aqueduct Authority	\$2,700 - \$4,500 [2]	\$68.01

[1] Projected amount includes Phase 2 implemented September 2013.

[2] Assessment amounts imposed by Monroe County vary among each FKAA service district.

Table 17 - Residential Bill Impact

<u>Usage Level (Th. Gallons)</u>	<u>NPK Existing Bill</u>	<u>NPK Proposed Bill</u>	<u>Cumulative % of NPK Customers</u>	<u>RSA Proposed Bill</u>	<u>Cumulative % of RSA Customers</u>
0	\$39.04	\$39.03	6%	\$49.01	8%
1	45.44	45.30	17%	55.28	20%
2	51.84	51.57	30%	61.55	31%
3	58.24	57.84	44%	67.82	41%
4	64.64	64.11	58%	74.09	52%
5	71.04	70.38	69%	80.36	61%
6	77.44	76.65	76%	86.63	68%
7	83.84	82.92	82%	92.90	74%
8	90.24	89.19	86%	99.17	77%
9	96.64	95.46	89%	105.44	80%
10	103.04	101.73	91%	111.71	83%
11	109.44	108.00	93%	117.98	85%
12	115.84	114.27	95%	124.25	87%

Table 18 - RSA Non - Residential

Proposed Rates per Month:	RSA			
	Non-Residential			
Administrative Charge per Account	\$10.15			
Base Charge per EDU	\$38.86			
Usage Charge per 1,000 Gallons	\$6.27			
	Small			
	Commercial	Restaurant	Small Resort	Hotel
Number of EDUs	2.00	5.00	11.00	100.00
Monthly Usage (Gallons)	7,500	25,000	53,000	400,000
Monthly Bill Example				
Administrative Charge	\$10.15	\$10.15	\$10.15	\$10.15
Base Charge	77.72	194.30	427.46	3,886.00
Volume/Usage Charge	47.03	156.75	332.31	2,508.00
Total Bill Example	\$134.90	\$361.20	\$769.92	\$6,404.15
<i>Total Bill per EDU</i>	<i>67.45</i>	<i>72.24</i>	<i>69.99</i>	<i>64.04</i>

ISLAMORADA, VILLAGE OF ISLANDS, FLORIDA
WASTEWATER FINANCIAL FORECAST
APPENDIX A

LIST OF EXHIBITS

Exhibit No. Description

1. Summary of Projected Wastewater Customers by Service Area
2. Detailed Projection of Wastewater Customers
3. Projected Wastewater Operating Results
4. Projected Operating Expenses
5. Projected Wastewater System Fund Balances

Exhibit 1

**Village of Islamorada
2013 Rate Study**

Summary of Projected Wastewater Customers by Service Area

Line No.	Description	Historic	Projected Fiscal Year Ending September 30,									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North Plantation Key Service Area (NPK) [1]												
1	Average Monthly Accounts	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130
2	Average Monthly EDU's	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237
3	Projected Annual Revenue Gallons	61,742	61,742	65,002	65,002	65,002	65,002	65,002	65,002	65,002	65,002	65,002
4	Projected Monthly Revenue Gallons per EDU	4.2	4.2	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Remaining Service Areas (RSA - Excluding NPK) [2]												
Middle Plantation Key Service Area (MPK)												
5	Average Monthly Accounts	-	-	341	681	681	681	681	681	681	681	681
6	Average Monthly EDU's	-	-	522	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
7	Projected Annual Revenue Gallons	-	-	26,709	53,418	53,418	53,418	53,418	53,418	53,418	53,418	53,418
8	Projected Monthly Revenue Gallons per EDU	-	-	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
South Plantation Key Service Area (SPK)												
9	Average Monthly Accounts	-	-	-	779	1,038	1,038	1,038	1,038	1,038	1,038	1,038
10	Average Monthly EDU's	-	-	-	958	1,277	1,277	1,277	1,277	1,277	1,277	1,277
11	Projected Annual Revenue Gallons	-	-	-	49,683	66,243	66,243	66,243	66,243	66,243	66,243	66,243
12	Projected Monthly Revenue Gallons per EDU	-	-	-	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Windley Key Service Area (WK)												
13	Average Monthly Accounts	-	-	-	63	126	126	126	126	126	126	126
14	Average Monthly EDU's	-	-	-	338	676	676	676	676	676	676	676
15	Projected Annual Revenue Gallons	-	-	-	23,384	46,769	46,769	46,769	46,769	46,769	46,769	46,769
16	Projected Monthly Revenue Gallons per EDU	-	-	-	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Upper Matecumbe Service Area (UMK)												
17	Average Monthly Accounts	-	-	-	298	595	595	595	595	595	595	595
18	Average Monthly EDU's	-	-	-	1,027	2,053	2,053	2,053	2,053	2,053	2,053	2,053
19	Projected Annual Revenue Gallons	-	-	-	61,800	123,601	123,601	123,601	123,601	123,601	123,601	123,601
20	Projected Monthly Revenue Gallons per EDU	-	-	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Lower Matecumbe Service Area (LMK)												
21	Average Monthly Accounts	-	-	-	99	985	985	985	985	985	985	985
22	Average Monthly EDU's	-	-	-	127	1,268	1,268	1,268	1,268	1,268	1,268	1,268
23	Projected Annual Revenue Gallons	-	-	-	6,287	62,874	62,874	62,874	62,874	62,874	62,874	62,874
24	Projected Monthly Revenue Gallons per EDU	-	-	-	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Total Wastewater System												
25	Average Monthly Accounts	1,130	1,130	1,471	3,049	4,555	4,555	4,555	4,555	4,555	4,555	4,555
26	Average Monthly EDU's	1,237	1,237	1,759	4,730	7,556	7,556	7,556	7,556	7,556	7,556	7,556
27	Projected Annual Revenue Gallons	61,742	61,742	91,711	259,575	417,907	417,907	417,907	417,907	417,907	417,907	417,907
28	Projected Monthly Revenue Gallons per EDU	4.2	4.2	4.3	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
29	Projected Average Daily Flow (MGD) [3]	0.161	0.161	0.239	0.676	1.088	1.088	1.088	1.088	1.088	1.088	1.088

Footnotes

- [1] EDUs for NPK are based on current number of units provided by staff.
- [2] Derived from GSG's 8/20/09 adjusted assessment count (2009 Village-wide Assessment).
- [3] Amount is assumed to equal 95% of the projected "revenue gallons" which is the amount of metered water usage used for wastewater billing purposes.

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North Plantation Key Service Area (NPK)													
Residential													
	Total Customer Growth - Accounts	1,082	0	0	0	0	0	0	0	0	0	0	0
1	Total Customer Growth - EDUs	1,082	0	0	0	0	0	0	0	0	0	0	0
	Initial Year Online												
2	Percent of Year Online		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
3	Accounts - Beginning of the Year		1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
4	Accounts - End of the Year		1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
5	Average Monthly Accounts Served		1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
6	EDUs - Beginning of the Year		1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
7	EDUs - End of the Year		1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
8	Average Monthly EDUs Served		1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
9	Average Monthly Use per EDU		4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
10	Annual Revenue-Gallons (000s)		51,936	51,936	55,196	55,196	55,196	55,196	55,196	55,196	55,196	55,196	55,196
Condo													
11	Total Customer Growth - Accounts	2	0	0	0	0	0	0	0	0	0	0	0
12	Total Customer Growth - EDUs	50	0	0	0	0	0	0	0	0	0	0	0
	Initial Year Online												
13	Percent of Year Online		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
14	Accounts - Beginning of the Year		2	2	2	2	2	2	2	2	2	2	2
15	Accounts - End of the Year		2	2	2	2	2	2	2	2	2	2	2
16	Average Monthly Accounts Served		2	2	2	2	2	2	2	2	2	2	2
17	EDUs - Beginning of the Year		50	50	50	50	50	50	50	50	50	50	50
18	EDUs - End of the Year		50	50	50	50	50	50	50	50	50	50	50
19	Average Monthly EDUs Served		50	50	50	50	50	50	50	50	50	50	50
20	Average Monthly Use per EDU		3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68
21	Annual Revenue-Gallons (000s)		2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208
Commercial / General Service													
22	Total Customer Growth - Accounts	46	0	0	0	0	0	0	0	0	0	0	0
23	Total Customer Growth - EDUs	105	0	0	0	0	0	0	0	0	0	0	0
	Initial Year Online												
24	Percent of Year Online		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
25	Accounts - Beginning of the Year		46	46	46	46	46	46	46	46	46	46	46
26	Accounts - End of the Year		46	46	46	46	46	46	46	46	46	46	46
27	Average Monthly Accounts Served		46	46	46	46	46	46	46	46	46	46	46
28	EDUs - Beginning of the Year		105	105	105	105	105	105	105	105	105	105	105
29	EDUs - End of the Year		105	105	105	105	105	105	105	105	105	105	105
30	Average Monthly EDUs Served		105	105	105	105	105	105	105	105	105	105	105
31	Average Monthly Use per EDU		6.03	6.03	6.03	6.03	6.03	6.03	6.03	6.03	6.03	6.03	6.03
32	Annual Revenue-Gallons (000s)		7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598

Exhibit 2

**Village of Islamorada
2013 Rate Study**

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total North Plantation Key (NPK)													
33	Total Customer Growth - Accounts	1,130	0	0	0	0	0	0	0	0	0	0	
34	Total Customer Growth - EDUs	1,237	0	0	0	0	0	0	0	0	0	0	
	Initial Year Online	2010											
35	Percent of Year Online		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
36	Accounts - Beginning of the Year		1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	
37	Accounts - End of the Year		1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	
38	Average Monthly Accounts Served		1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	
39	EDUs - Beginning of the Year		1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	
40	EDUs - End of the Year		1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	
41	Average Monthly EDUs Served		1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	1,237	
42	Average Monthly Use per EDU		4.16	4.16	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	
43	Annual Revenue-Gallons (000s)		61,742	61,742	65,002	65,002	65,002	65,002	65,002	65,002	65,002	65,002	
Middle Plantation Key Service Area (MPK)													
Residential													
44	Total Customer Growth - Accounts	562	0	0	562	0	0	0	0	0	0	0	
45	Total Customer Growth - EDUs	565	0	0	565	0	0	0	0	0	0	0	
	Initial Year Online	2014											
46	Percent of Year Online		0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	
47	Accounts - Beginning of the Year		0	0	0	562	562	562	562	562	562	562	
48	Accounts - End of the Year		0	0	562	562	562	562	562	562	562	562	
49	Average Monthly Accounts Served		0	0	281	562	562	562	562	562	562	562	
50	EDUs - Beginning of the Year		0	0	0	565	565	565	565	565	565	565	
51	EDUs - End of the Year		0	0	565	565	565	565	565	565	565	565	
52	Average Monthly EDUs Served		0	0	283	565	565	565	565	565	565	565	
53	Average Monthly Use per EDU		4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21	
54	Annual Revenue-Gallons (000s)		0	0	14,268	28,536	28,536	28,536	28,536	28,536	28,536	28,536	
Condo													
55	Total Customer Growth - Accounts	83	0	0	83	0	0	0	0	0	0	0	
56	Total Customer Growth - EDUs	345	0	0	345	0	0	0	0	0	0	0	
	Initial Year Online	2014											
57	Percent of Year Online		0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	
58	Accounts - Beginning of the Year		0	0	0	83	83	83	83	83	83	83	
59	Accounts - End of the Year		0	0	83	83	83	83	83	83	83	83	
60	Average Monthly Accounts Served		0	0	42	83	83	83	83	83	83	83	
61	EDUs - Beginning of the Year		0	0	0	345	345	345	345	345	345	345	
62	EDUs - End of the Year		0	0	345	345	345	345	345	345	345	345	
63	Average Monthly EDUs Served		0	0	173	345	345	345	345	345	345	345	
64	Average Monthly Use per EDU		3.79	3.79	3.79	3.79	3.79	3.79	3.79	3.79	3.79	3.79	
65	Annual Revenue-Gallons (000s)		0	0	7,845	15,691	15,691	15,691	15,691	15,691	15,691	15,691	

Exhibit 2

**Village of Islamorada
2013 Rate Study**

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Commercial / General Service													
66	Total Customer Growth - Accounts	36	0	0	36	0	0	0	0	0	0	0	
67	Total Customer Growth - EDUs Initial Year Online	133	0	0	133	0	0	0	0	0	0	0	
68	Percent of Year Online		0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	
69	Accounts - Beginning of the Year		0	0	0	36	36	36	36	36	36	36	
70	Accounts - End of the Year		0	0	36	36	36	36	36	36	36	36	
71	Average Monthly Accounts Served		0	0	18	36	36	36	36	36	36	36	
72	EDUs - Beginning of the Year		0	0	0	133	133	133	133	133	133	133	
73	EDUs - End of the Year		0	0	133	133	133	133	133	133	133	133	
74	Average Monthly EDUs Served		0	0	67	133	133	133	133	133	133	133	
75	Average Monthly Use per EDU		5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	5.74	
76	Annual Revenue-Gallons (000s)		0	0	4,596	9,191	9,191	9,191	9,191	9,191	9,191	9,191	
Total Middle Plantation Key (MPK)													
77	Total Customer Growth - Accounts	681	0	0	681	0	0	0	0	0	0	0	
78	Total Customer Growth - EDUs Initial Year Online	1,043	0	0	1,043	0	0	0	0	0	0	0	
79	Percent of Year Online		0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	
80	Accounts - Beginning of the Year		0	0	0	681	681	681	681	681	681	681	
81	Accounts - End of the Year		0	0	681	681	681	681	681	681	681	681	
82	Average Monthly Accounts Served		0	0	341	681	681	681	681	681	681	681	
83	EDUs - Beginning of the Year		0	0	0	1,043	1,043	1,043	1,043	1,043	1,043	1,043	
84	EDUs - End of the Year		0	0	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	
85	Average Monthly EDUs Served		0	0	522	1,043	1,043	1,043	1,043	1,043	1,043	1,043	
86	Average Monthly Use per EDU		0.00	0.00	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	
87	Annual Revenue-Gallons (000s)		0	0	26,709	53,418	53,418	53,418	53,418	53,418	53,418	53,418	
South Plantation Key Service Area (SPK)													
Residential													
88	Total Customer Growth - Accounts	654	0	0	0	654	0	0	0	0	0	0	
89	Total Customer Growth - EDUs Initial Year Online	657	0	0	0	657	0	0	0	0	0	0	
90	Percent of Year Online		0%	0%	25%	75%	0%	0%	0%	0%	0%	0%	
91	Accounts - Beginning of the Year		0	0	0	0	654	654	654	654	654	654	
92	Accounts - End of the Year		0	0	0	654	654	654	654	654	654	654	
93	Average Monthly Accounts Served		0	0	0	491	654	654	654	654	654	654	
94	EDUs - Beginning of the Year		0	0	0	0	657	657	657	657	657	657	
95	EDUs - End of the Year		0	0	0	657	657	657	657	657	657	657	
96	Average Monthly EDUs Served		0	0	0	493	657	657	657	657	657	657	
97	Average Monthly Use per EDU		4.97	4.97	4.97	4.97	4.97	4.97	4.97	4.97	4.97	4.97	
98	Annual Revenue-Gallons (000s)		0	0	0	29,391	39,188	39,188	39,188	39,188	39,188	39,188	

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Condo													
99	Total Customer Growth - Accounts	325	0	0	0	325	0	0	0	0	0	0	0
100	Total Customer Growth - EDUs	518	0	0	0	518	0	0	0	0	0	0	0
	Initial Year Online			2015									
101	Percent of Year Online		0%	0%	25%	75%	0%	0%	0%	0%	0%	0%	0%
102	Accounts - Beginning of the Year		0	0	0	0	325	325	325	325	325	325	325
103	Accounts - End of the Year		0	0	0	325	325	325	325	325	325	325	325
104	Average Monthly Accounts Served		0	0	0	244	325	325	325	325	325	325	325
105	EDUs - Beginning of the Year		0	0	0	0	518	518	518	518	518	518	518
106	EDUs - End of the Year		0	0	0	518	518	518	518	518	518	518	518
107	Average Monthly EDUs Served		0	0	0	389	518	518	518	518	518	518	518
108	Average Monthly Use per EDU		3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
109	Annual Revenue-Gallons (000s)		0	0	0	17,110	22,813	22,813	22,813	22,813	22,813	22,813	22,813
Commercial / General Service													
110	Total Customer Growth - Accounts	59	0	0	0	59	0	0	0	0	0	0	0
111	Total Customer Growth - EDUs	102	0	0	0	102	0	0	0	0	0	0	0
	Initial Year Online			2015									
112	Percent of Year Online		0%	0%	25%	75%	0%	0%	0%	0%	0%	0%	0%
113	Accounts - Beginning of the Year		0	0	0	0	59	59	59	59	59	59	59
114	Accounts - End of the Year		0	0	0	59	59	59	59	59	59	59	59
115	Average Monthly Accounts Served		0	0	0	44	59	59	59	59	59	59	59
116	EDUs - Beginning of the Year		0	0	0	0	102	102	102	102	102	102	102
117	EDUs - End of the Year		0	0	0	102	102	102	102	102	102	102	102
118	Average Monthly EDUs Served		0	0	0	77	102	102	102	102	102	102	102
119	Average Monthly Use per EDU		3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
120	Annual Revenue-Gallons (000s)		0	0	0	3,182	4,243	4,243	4,243	4,243	4,243	4,243	4,243
Total South Plantation Key (SPK)													
121	Total Customer Growth - Accounts	1,038	0	0	0	1,038	0	0	0	0	0	0	0
122	Total Customer Growth - EDUs	1,277	0	0	0	1,277	0	0	0	0	0	0	0
	Initial Year Online			2015									
123	Percent of Year Online		0%	0%	25%	75%	0%	0%	0%	0%	0%	0%	0%
124	Accounts - Beginning of the Year		0	0	0	0	1,038	1,038	1,038	1,038	1,038	1,038	1,038
125	Accounts - End of the Year		0	0	0	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038
126	Average Monthly Accounts Served		0	0	0	779	1,038	1,038	1,038	1,038	1,038	1,038	1,038
127	EDUs - Beginning of the Year		0	0	0	0	1,277	1,277	1,277	1,277	1,277	1,277	1,277
128	EDUs - End of the Year		0	0	0	1,277	1,277	1,277	1,277	1,277	1,277	1,277	1,277
129	Average Monthly EDUs Served		0	0	0	958	1,277	1,277	1,277	1,277	1,277	1,277	1,277
130	Average Monthly Use per EDU		0.00	0.00	0.00	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32
131	Annual Revenue-Gallons (000s)		0	0	0	49,683	66,243	66,243	66,243	66,243	66,243	66,243	66,243

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Windley Key Service Area (WK)													
Residential													
132	Total Customer Growth - Accounts	79	0	0	0	79	0	0	0	0	0	0	0
133	Total Customer Growth - EDUs	84	0	0	0	84	0	0	0	0	0	0	0
	Initial Year Online	2015											
134	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
135	Accounts - Beginning of the Year		0	0	0	0	79	79	79	79	79	79	79
136	Accounts - End of the Year		0	0	0	79	79	79	79	79	79	79	79
137	Average Monthly Accounts Served		0	0	0	40	79	79	79	79	79	79	79
138	EDUs - Beginning of the Year		0	0	0	0	84	84	84	84	84	84	84
139	EDUs - End of the Year		0	0	0	84	84	84	84	84	84	84	84
140	Average Monthly EDUs Served	Monthly Cap	0	0	0	42	84	84	84	84	84	84	84
141	Average Monthly Use per EDU	12	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48	4.48
142	Annual Revenue-Gallons (000s)		0	0	0	2,259	4,518	4,518	4,518	4,518	4,518	4,518	4,518
Condo													
143	Total Customer Growth - Accounts	3	0	0	0	3	0	0	0	0	0	0	0
144	Total Customer Growth - EDUs	10	0	0	0	10	0	0	0	0	0	0	0
	Initial Year Online	2015											
145	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
146	Accounts - Beginning of the Year		0	0	0	0	3	3	3	3	3	3	3
147	Accounts - End of the Year		0	0	0	3	3	3	3	3	3	3	3
148	Average Monthly Accounts Served		0	0	0	2	3	3	3	3	3	3	3
149	EDUs - Beginning of the Year		0	0	0	0	10	10	10	10	10	10	10
150	EDUs - End of the Year		0	0	0	10	10	10	10	10	10	10	10
151	Average Monthly EDUs Served		0	0	0	5	10	10	10	10	10	10	10
152	Average Monthly Use per EDU		4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
153	Annual Revenue-Gallons (000s)		0	0	0	261	522	522	522	522	522	522	522
Commercial / General Service													
154	Total Customer Growth - Accounts	44	0	0	0	44	0	0	0	0	0	0	0
155	Total Customer Growth - EDUs	582	0	0	0	582	0	0	0	0	0	0	0
	Initial Year Online	2015											
156	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
157	Accounts - Beginning of the Year		0	0	0	0	44	44	44	44	44	44	44
158	Accounts - End of the Year		0	0	0	44	44	44	44	44	44	44	44
159	Average Monthly Accounts Served		0	0	0	22	44	44	44	44	44	44	44
160	EDUs - Beginning of the Year		0	0	0	0	582	582	582	582	582	582	582
161	EDUs - End of the Year		0	0	0	582	582	582	582	582	582	582	582
162	Average Monthly EDUs Served		0	0	0	291	582	582	582	582	582	582	582
163	Average Monthly Use per EDU		5.97	5.97	5.97	5.97	5.97	5.97	5.97	5.97	5.97	5.97	5.97
164	Annual Revenue-Gallons (000s)		0	0	0	20,864	41,729	41,729	41,729	41,729	41,729	41,729	41,729

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Windley Key Service Area (WK)													
165	Total Customer Growth - Accounts	126	0	0	0	126	0	0	0	0	0	0	0
166	Total Customer Growth - EDUs	676	0	0	0	676	0	0	0	0	0	0	0
	Initial Year Online			2015									
167	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
168	Accounts - Beginning of the Year		0	0	0	0	126	126	126	126	126	126	126
169	Accounts - End of the Year		0	0	0	126	126	126	126	126	126	126	126
170	Average Monthly Accounts Served		0	0	0	63	126	126	126	126	126	126	126
171	EDUs - Beginning of the Year		0	0	0	0	676	676	676	676	676	676	676
172	EDUs - End of the Year		0	0	0	676	676	676	676	676	676	676	676
173	Average Monthly EDUs Served		0	0	0	338	676	676	676	676	676	676	676
174	Average Monthly Use per EDU		0.00	0.00	0.00	5.76	5.76	5.76	5.76	5.76	5.76	5.76	5.76
175	Annual Revenue-Gallons (000s)		0	0	0	23,384	46,769	46,769	46,769	46,769	46,769	46,769	46,769
Upper Matecumbe Service Area (UMK)													
Residential													
176	Total Customer Growth - Accounts	302	0	0	0	302	0	0	0	0	0	0	0
177	Total Customer Growth - EDUs	333	0	0	0	333	0	0	0	0	0	0	0
	Initial Year Online			2015									
178	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
179	Accounts - Beginning of the Year		0	0	0	0	302	302	302	302	302	302	302
180	Accounts - End of the Year		0	0	0	302	302	302	302	302	302	302	302
181	Average Monthly Accounts Served		0	0	0	151	302	302	302	302	302	302	302
182	EDUs - Beginning of the Year		0	0	0	0	333	333	333	333	333	333	333
183	EDUs - End of the Year		0	0	0	333	333	333	333	333	333	333	333
184	Average Monthly EDUs Served		0	0	0	167	333	333	333	333	333	333	333
185	Average Monthly Use per EDU		4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.72
186	Annual Revenue-Gallons (000s)		0	0	0	9,434	18,868	18,868	18,868	18,868	18,868	18,868	18,868
Condo													
187	Total Customer Growth - Accounts	77	0	0	0	77	0	0	0	0	0	0	0
188	Total Customer Growth - EDUs	394	0	0	0	394	0	0	0	0	0	0	0
	Initial Year Online			2015									
189	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
190	Accounts - Beginning of the Year		0	0	0	0	77	77	77	77	77	77	77
191	Accounts - End of the Year		0	0	0	77	77	77	77	77	77	77	77
192	Average Monthly Accounts Served		0	0	0	39	77	77	77	77	77	77	77
193	EDUs - Beginning of the Year		0	0	0	0	394	394	394	394	394	394	394
194	EDUs - End of the Year		0	0	0	394	394	394	394	394	394	394	394
195	Average Monthly EDUs Served		0	0	0	197	394	394	394	394	394	394	394
196	Average Monthly Use per EDU		4.31	4.31	4.31	4.31	4.31	4.31	4.31	4.31	4.31	4.31	4.31
197	Annual Revenue-Gallons (000s)		0	0	0	10,189	20,378	20,378	20,378	20,378	20,378	20,378	20,378

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Commercial / General Service													
198	Total Customer Growth - Accounts	216	0	0	0	216	0	0	0	0	0	0	0
199	Total Customer Growth - EDUs	1,326	0	0	0	1,326	0	0	0	0	0	0	0
	Initial Year Online			2015									
200	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
201	Accounts - Beginning of the Year		0	0	0	0	216	216	216	216	216	216	216
202	Accounts - End of the Year		0	0	0	216	216	216	216	216	216	216	216
203	Average Monthly Accounts Served		0	0	0	108	216	216	216	216	216	216	216
204	EDUs - Beginning of the Year		0	0	0	0	1,326	1,326	1,326	1,326	1,326	1,326	1,326
205	EDUs - End of the Year		0	0	0	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326
206	Average Monthly EDUs Served		0	0	0	663	1,326	1,326	1,326	1,326	1,326	1,326	1,326
207	Average Monthly Use per EDU		5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30
208	Annual Revenue-Gallons (000s)		0	0	0	42,178	84,355	84,355	84,355	84,355	84,355	84,355	84,355
Total Upper Matecumbe Service Area (UMK)													
209	Total Customer Growth - Accounts	595	0	0	0	595	0	0	0	0	0	0	0
210	Total Customer Growth - EDUs	2,053	0	0	0	2,053	0	0	0	0	0	0	0
	Initial Year Online			2015									
211	Percent of Year Online		0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%
212	Accounts - Beginning of the Year		0	0	0	0	595	595	595	595	595	595	595
213	Accounts - End of the Year		0	0	0	595	595	595	595	595	595	595	595
214	Average Monthly Accounts Served		0	0	0	298	595	595	595	595	595	595	595
215	EDUs - Beginning of the Year		0	0	0	0	2,053	2,053	2,053	2,053	2,053	2,053	2,053
216	EDUs - End of the Year		0	0	0	2,053	2,053	2,053	2,053	2,053	2,053	2,053	2,053
217	Average Monthly EDUs Served		0	0	0	1,027	2,053	2,053	2,053	2,053	2,053	2,053	2,053
218	Average Monthly Use per EDU		0.00	0.00	0.00	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02
219	Annual Revenue-Gallons (000s)		0	0	0	61,800	123,601	123,601	123,601	123,601	123,601	123,601	123,601
Lower Matecumbe Service Area (LMK)													
Residential													
220	Total Customer Growth - Accounts	858	0	0	0	858	0	0	0	0	0	0	0
221	Total Customer Growth - EDUs	866	0	0	0	866	0	0	0	0	0	0	0
	Initial Year Online			2015									
222	Percent of Year Online		0%	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%
223	Accounts - Beginning of the Year		0	0	0	0	858	858	858	858	858	858	858
224	Accounts - End of the Year		0	0	0	858	858	858	858	858	858	858	858
225	Average Monthly Accounts Served		0	0	0	86	858	858	858	858	858	858	858
226	EDUs - Beginning of the Year		0	0	0	0	866	866	866	866	866	866	866
227	EDUs - End of the Year		0	0	0	866	866	866	866	866	866	866	866
228	Average Monthly EDUs Served		0	0	0	87	866	866	866	866	866	866	866
229	Average Monthly Use per EDU		4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
230	Annual Revenue-Gallons (000s)		0	0	0	4,291	42,913	42,913	42,913	42,913	42,913	42,913	42,913
				Monthly Cap									
				12									

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,									
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Condo													
231	Total Customer Growth - Accounts	108	0	0	0	108	0	0	0	0	0	0	0
232	Total Customer Growth - EDUs	282	0	0	0	282	0	0	0	0	0	0	0
	Initial Year Online			2015									
233	Percent of Year Online		0%	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%
234	Accounts - Beginning of the Year		0	0	0	0	108	108	108	108	108	108	108
235	Accounts - End of the Year		0	0	0	108	108	108	108	108	108	108	108
236	Average Monthly Accounts Served		0	0	0	11	108	108	108	108	108	108	108
237	EDUs - Beginning of the Year		0	0	0	0	282	282	282	282	282	282	282
238	EDUs - End of the Year		0	0	0	282	282	282	282	282	282	282	282
239	Average Monthly EDUs Served		0	0	0	28	282	282	282	282	282	282	282
240	Average Monthly Use per EDU		3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68	3.68
241	Annual Revenue-Gallons (000s)		0	0	0	1,245	12,453	12,453	12,453	12,453	12,453	12,453	12,453
Commercial / General Service													
242	Total Customer Growth - Accounts	19	0	0	0	19	0	0	0	0	0	0	0
243	Total Customer Growth - EDUs	120	0	0	0	120	0	0	0	0	0	0	0
	Initial Year Online			2015									
244	Percent of Year Online		0%	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%
245	Accounts - Beginning of the Year		0	0	0	0	19	19	19	19	19	19	19
246	Accounts - End of the Year		0	0	0	19	19	19	19	19	19	19	19
247	Average Monthly Accounts Served		0	0	0	2	19	19	19	19	19	19	19
248	EDUs - Beginning of the Year		0	0	0	0	120	120	120	120	120	120	120
249	EDUs - End of the Year		0	0	0	120	120	120	120	120	120	120	120
250	Average Monthly EDUs Served		0	0	0	12	120	120	120	120	120	120	120
251	Average Monthly Use per EDU		5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20
252	Annual Revenue-Gallons (000s)		0	0	0	751	7,508	7,508	7,508	7,508	7,508	7,508	7,508
Total Lower Matecumbe Service Area (LMK)													
253	Total Customer Growth - Accounts	985	0	0	0	985	0	0	0	0	0	0	0
254	Total Customer Growth - EDUs	1,268	0	0	0	1,268	0	0	0	0	0	0	0
	Initial Year Online			2015									
255	Percent of Year Online		0%	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%
256	Accounts - Beginning of the Year		0	0	0	0	985	985	985	985	985	985	985
257	Accounts - End of the Year		0	0	0	985	985	985	985	985	985	985	985
258	Average Monthly Accounts Served		0	0	0	99	985	985	985	985	985	985	985
259	EDUs - Beginning of the Year		0	0	0	0	1,268	1,268	1,268	1,268	1,268	1,268	1,268
260	EDUs - End of the Year		0	0	0	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268
261	Average Monthly EDUs Served		0	0	0	127	1,268	1,268	1,268	1,268	1,268	1,268	1,268
262	Average Monthly Use per EDU		0.00	0.00	0.00	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
263	Annual Revenue-Gallons (000s)		0	0	0	6,287	62,874	62,874	62,874	62,874	62,874	62,874	62,874

Exhibit 2

Village of Islamorada
2013 Rate Study

Detailed Projection of Wastewater Customers

Line No.	Description	Adjusted EDU's [1]	Prior Years	Projected Fiscal Year Ending September 30,								
				2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>TOTAL REMAINING SERVICE AREA (RSA)</u>												
Average Monthly Accounts												
264	Residential		0	0	281	1,329	2,455	2,455	2,455	2,455	2,455	2,455
265	Condo		0	0	42	378	596	596	596	596	596	596
266	Commercial / General Service		0	0	18	212	374	374	374	374	374	374
267	Total Average Monthly Accounts		0	0	341	1,919	3,425	3,425	3,425	3,425	3,425	3,425
Average Monthly EDUs Served												
268	Residential		0	0	283	1,353	2,505	2,505	2,505	2,505	2,505	2,505
269	Condo		0	0	173	964	1,549	1,549	1,549	1,549	1,549	1,549
270	Commercial / General Service		0	0	67	1,177	2,265	2,265	2,265	2,265	2,265	2,265
271	Total Average Monthly EDU's		0	0	522	3,493	6,319	6,319	6,319	6,319	6,319	6,319
Annual Revenue-Gallons (000x)												
272	Residential		0	0	14,268	73,911	134,023	134,023	134,023	134,023	134,023	134,023
273	Condo		0	0	7,845	44,495	71,856	71,856	71,856	71,856	71,856	71,856
274	Commercial / General Service		0	0	4,596	76,166	147,026	147,026	147,026	147,026	147,026	147,026
275	Total Annual Revenue-Gallons (000x)		0	0	26,709	194,573	352,905	352,905	352,905	352,905	352,905	352,905
<u>TOTAL ALL SERVICE AREAS</u>												
Average Monthly Accounts												
276	Residential		1,082	1,082	1,363	2,411	3,537	3,537	3,537	3,537	3,537	3,537
277	Condo		2	2	44	380	598	598	598	598	598	598
278	Commercial / General Service		46	46	64	258	420	420	420	420	420	420
279	Total Average Monthly Accounts		1,130	1,130	1,471	3,049	4,555	4,555	4,555	4,555	4,555	4,555
Average Monthly EDUs Served												
280	Residential		1,082	1,082	1,365	2,435	3,587	3,587	3,587	3,587	3,587	3,587
281	Condo		50	50	223	1,014	1,599	1,599	1,599	1,599	1,599	1,599
282	Commercial / General Service		105	105	172	1,282	2,370	2,370	2,370	2,370	2,370	2,370
283	Total Average Monthly EDU's		1,237	1,237	1,759	4,730	7,556	7,556	7,556	7,556	7,556	7,556
Annual Revenue-Gallons (000x)												
284	Residential		51,936	51,936	69,464	129,107	189,219	189,219	189,219	189,219	189,219	189,219
285	Condo		2,208	2,208	10,053	46,703	74,064	74,064	74,064	74,064	74,064	74,064
286	Commercial / General Service		7,598	7,598	12,193	83,764	154,624	154,624	154,624	154,624	154,624	154,624
287	Total Annual Revenue-Gallons (000x)		61,742	61,742	91,711	259,575	417,907	417,907	417,907	417,907	417,907	417,907
288	Average Daily Treated Wastewater per EDU			130	109	86	115	130	144	144	144	144
289	Wastewater Treatment Requirements (MGD-ADF)			0.161	0.191	0.405	0.870	0.979	1.088	1.088	1.088	1.088

Footnotes

[1] Total Number of EDU's are derived from projected connections from the Village.

**Village of Islamorada
2013 Rate Study**

Projected Wastewater Operating Results

Line No.	Description	Fiscal Year Ending September 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
System Revenues											
1	Wastewater Rate Revenue	[1] \$ 955,164	\$ 1,397,097	\$ 3,974,549	\$ 6,482,466	\$ 6,547,306	\$ 6,612,756	\$ 6,678,916	\$ 6,745,676	\$ 6,813,146	\$ 6,881,316
2	NPK Assessment Revenues	396,690	395,500	395,500	395,500	395,500	395,500	395,500	395,500	395,500	395,500
3	RSA Assessment Revenues	[2] 4,844,300	2,770,700	2,488,600	2,466,100	2,464,600	2,463,100	2,461,600	2,440,600	2,440,600	2,440,600
4	Other Misc. Revenue	5,000	10,108	28,670	27,598	15,000	15,000	15,000	15,000	15,000	15,000
5	Total Rate and Assessment Revenue	\$ 6,201,154	\$ 4,573,405	\$ 6,887,319	\$ 9,371,664	\$ 9,422,406	\$ 9,486,356	\$ 9,551,016	\$ 9,596,776	\$ 9,664,246	\$ 9,732,416
6	Interest Income	8,600	26,300	67,600	104,000	121,000	130,700	139,900	150,000	160,600	170,500
7	Total System Revenues	\$ 6,209,754	\$ 4,599,705	\$ 6,954,919	\$ 9,475,664	\$ 9,543,406	\$ 9,617,056	\$ 9,690,916	\$ 9,746,776	\$ 9,824,846	\$ 9,902,916
Operating Expenses											
8	Wastewater Operating Expenses	\$ 1,180,849	\$ 1,456,208	\$ 2,083,568	\$ 3,323,328	\$ 3,562,737	\$ 3,803,217	\$ 3,600,821	\$ 3,649,476	\$ 3,699,343	\$ 3,750,541
9	Total Operating Expenses	\$ 1,180,849	\$ 1,456,208	\$ 2,083,568	\$ 3,323,328	\$ 3,562,737	\$ 3,803,217	\$ 3,600,821	\$ 3,649,476	\$ 3,699,343	\$ 3,750,541
10	Net Revenue	5,028,905	3,143,496	4,871,350	6,152,336	5,980,668	5,813,839	6,090,094	6,097,300	6,125,503	6,152,374
Adjustments:											
11	Use of Rate Stabilization Funds	[3] -	300,000	-	-	1,600,000	1,700,000	800,000	150,000	-	-
12	Use of Infrastructure Funds	[4] 1,335,000	135,000	135,000	250,000	250,000	300,000	1,000,000	1,700,000	1,800,000	1,800,000
13	Adjusted Net Revenues	\$ 6,363,905	\$ 3,578,496	\$ 5,006,350	\$ 6,402,336	\$ 7,830,668	\$ 7,813,839	\$ 7,890,094	\$ 7,947,300	\$ 7,925,503	\$ 7,952,374
Senior Lien Debt Service											
14	Series 2012 Refunding Bonds (Utility Portion)	303,022	302,966	302,908	302,847	302,783	302,716	302,645	302,571	302,494	302,413
15	Line of Credit	[5] 49,500	150,000	150,000	37,500	-	-	-	-	-	-
16	Total Senior Lien Debt Service	\$ 352,522	\$ 452,966	\$ 452,908	\$ 340,347	\$ 302,783	\$ 302,716	\$ 302,645	\$ 302,571	\$ 302,494	\$ 302,413
Senior Lien Debt Service Coverage											
17	Calculated (Required Minimum = 1.10)	18.05	7.90	11.05	18.81	25.86	25.81	26.07	26.27	26.20	26.30
18	Net Revenue Available After Senior Lien Debt	\$ 6,011,383	\$ 3,125,530	\$ 4,553,442	\$ 6,061,989	\$ 7,527,885	\$ 7,511,123	\$ 7,587,449	\$ 7,644,728	\$ 7,623,009	\$ 7,649,962
Subordinate Lien Debt Service											
19	SRF Loan WW882030	[6] \$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962	\$ 341,962
20	SRF Loan WW882020	[6] -	-	-	2,295,462	3,060,616	3,060,616	3,060,616	3,060,616	3,060,616	3,060,616
21	Future SRF Loan 2013	[6] -	-	-	1,070,503	1,427,337	1,427,337	1,427,337	1,427,337	1,427,337	1,427,337
22	Future SRF Loan 2014	[6] -	-	-	1,040,419	1,387,225	1,387,225	1,387,225	1,387,225	1,387,225	1,387,225
23	Future SRF Loan 2015	[6] -	-	-	345,218	460,291	460,291	460,291	460,291	460,291	460,291
24	Total Subordinate Lien Debt Service	\$ 341,962	\$ 341,962	\$ 341,962	\$ 5,093,564	\$ 6,677,432	\$ 6,677,432	\$ 6,677,432	\$ 6,677,432	\$ 6,677,432	\$ 6,677,432

**Village of Islamorada
2013 Rate Study**

Projected Wastewater Operating Results

Line No.	Description	Fiscal Year Ending September 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Subordinate Lien Debt Service Coverage (Test 1)											
25	Applicable Debt Service [7]	341,962	341,962	341,962	341,962	341,962	341,962	341,962	341,962	341,962	341,962
26	Coverage Ratio Calculated (Required Minimum = 1.20)	17.58	9.14	13.32	17.73	22.01	21.96	22.19	22.36	22.29	22.37
27	Remaining Net Revenue	\$ 5,669,421	\$ 2,783,568	\$ 4,211,480	\$ 5,720,027	\$ 7,185,923	\$ 7,169,161	\$ 7,245,487	\$ 7,302,766	\$ 7,281,047	\$ 7,308,000
Subordinate Lien Debt Service Coverage (Test 2)											
28	Applicable Debt Service [7]	-	-	-	4,751,602	6,335,470	6,335,470	6,335,470	6,335,470	6,335,470	6,335,470
	Coverage Ratio Calculated (Required Minimum = 1.00 ; Target = 1.10)	N/A	N/A	N/A	1.20	1.13	1.13	1.14	1.15	1.15	1.15
Total (Combined) Debt Service Coverage											
29	Net Revenues	\$ 6,363,905	\$ 3,578,496	\$ 5,006,350	\$ 6,402,336	\$ 7,830,668	\$ 7,813,839	\$ 7,890,094	\$ 7,947,300	\$ 7,925,503	\$ 7,952,374
30	Total Debt Service	694,484	794,928	794,870	5,433,911	6,980,215	6,980,148	6,980,077	6,980,003	6,979,926	6,979,844
31	Coverage Ratio Calculated (Target = 1.10)	9.16	4.50	6.30	1.18	1.12	1.12	1.13	1.14	1.14	1.14
Other Transfers / Expenditures											
32	Transfer to Debt Service Reserve [8]	\$ 1,760,390	\$ 2,729,333	\$ 1,847,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Transfer to Rate Stabilization Fund from Assmts [3]	2,500,000	-	-	-	-	-	-	-	-	-
34	Transfer to Rate Stabilization from Unrestricted [3]	100,000	-	1,000,000	-	-	-	-	-	-	-
35	Transfer to Rate Stabilization from Infrastructure [3]	1,200,000	-	-	-	-	-	-	-	-	-
36	Transfer to RSA Assessment Reserve [9]	-	-	491,084	-	-	-	-	-	-	-
37	Capital Funded from Rates	-	-	-	-	25,000	25,000	25,000	50,000	50,000	50,000
38	Transfer to (from) Unrestricted Utility Reserves [10]	-	-	-	-	-	-	-	-	-	-
39	Transfers to Renewal and Replacement Fund [11]	-	-	-	326,320	326,320	326,320	326,320	326,320	326,320	326,320
40	Total Amount Available for Other Purposes	<u>\$ 109,031</u>	<u>\$ 54,235</u>	<u>\$ 872,880</u>	<u>\$ 642,104</u>	<u>\$ 499,134</u>	<u>\$ 482,371</u>	<u>\$ 558,697</u>	<u>\$ 590,977</u>	<u>\$ 569,257</u>	<u>\$ 596,210</u>

Footnotes on Pages 3 and 4.

Village of Islamorada
2013 Rate Study

Projected Wastewater Operating Results - Footnotes

[1] Revenue includes existing NPK customers plus availability of MPK service by April 2014; SPK by January 2015; WK by March 2015; UM by April 2015; and LM by September 2015. Revenues based on average rate levels with annual rate indexing as summarized below:

Average Bill (4,000 Gallons):	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NPK	\$ 64.64	\$ 64.08	\$ 64.08	\$ 64.72	\$ 65.37	\$ 66.02	\$ 66.68	\$ 67.35	\$ 68.02	\$ 68.70
RSA	\$ 74.08	\$ 74.08	\$ 74.08	\$ 74.82	\$ 75.57	\$ 76.32	\$ 77.09	\$ 77.86	\$ 78.64	\$ 79.42
Annual Rate Index Assumed	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

[2] Includes RSA Phase 1 and RSA Phase 2 Assessments in the amounts of:

	Fiscal Year Ending September 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
RSA Phase 1	1,244,300	1,242,800	1,241,300	1,220,300	1,220,300	1,220,300	1,220,300	1,220,300	1,220,300	1,220,300
RSA Phase 2 (a)	3,600,000	1,527,900	1,247,300	1,245,800	1,244,300	1,242,800	1,241,300	1,220,300	1,220,300	1,220,300
Total	4,844,300	2,770,700	2,488,600	2,466,100	2,464,600	2,463,100	2,461,600	2,440,600	2,440,600	2,440,600

(a) Projections reflect anticipated prepayments of RSA Phase 2 Assessments in FY2013 and FY2014.

[3] Amounts reflect the following Rate Stabilization Fund cash flows:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning Balance	\$ -	\$ 3,800,000	\$ 3,500,000	\$ 4,500,000	\$ 4,500,000	\$ 2,900,000	\$ 1,200,000	\$ 400,000	\$ 250,000	\$ 250,000
Deposits to Rate Stabilization from Assessments	2,500,000	-	-	-	-	-	-	-	-	-
Deposits from Unrestricted Reserves	100,000	-	1,000,000	-	-	-	-	-	-	-
Deposits from Infrastructure Fund and Other Sources	1,200,000	-	-	-	-	-	-	-	-	-
Use of Rate Stabilization	-	300,000	-	-	1,600,000	1,700,000	800,000	150,000	-	-
Ending Balance	\$ 3,800,000	\$ 3,500,000	\$ 4,500,000	\$ 4,500,000	\$ 2,900,000	\$ 1,200,000	\$ 400,000	\$ 250,000	\$ 250,000	\$ 250,000

[4] Reflects the use of the Villages share of existing Monroe County 1-cent sales tax revenue and the approved extension available beginning mid-2019.

[5] Amounts reflect interest only payments based on draws of \$7,500,000 at 2.0% beginning June 1, 2013 through December 1, 2015.

Debt service reflects first monthly sinking fund accrual occurring January 1, 2016, six months prior to the first semi-annual SRF loan debt service payment due June 15, 2016.

[6] Subordinate Coverage Test 1 & 2

[a] Subordinate Coverage Test 1 is used to show coverage of the existing outstanding SRF Loan WW882030, which does not have a Debt Service Reserve fund but has a debt service coverage requirement of 1.20

[b] Subordinate Coverage Test 2 is used to show coverage of all projected Subordinate Debt. All new debt is assumed to fund a Debt Service Reserve and include a 1.00 debt service coverage requirement.

Village of Islamorada
2013 Rate Study

Projected Wastewater Operating Results - Footnotes

[7] The RSA SRF Debt Service Reserve Fund is assumed to be funded by RSA Assessments as follows:

Loan	Amount	Fiscal Year
SRF Loan WW882030 (due May 15, 2013)	\$ 1,760,390	2013
SRF Loan WW882030 (remaining)	1,301,996	2014
Future SRF Loan 2013	1,427,337	2014
Future SRF Loan 2014	1,387,225	2015
Future SRF Loan 2015	460,291	2015
Total DSR	6,337,239	

[8] RSA Debt Service Reserve Fund Balance

	Fiscal Year Ending September 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning Balance	\$ -	\$ 1,760,390	\$ 4,489,723	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239
Deposits from RSA Assessments	1,760,390	2,729,333	1,847,516	-	-	-	-	-	-	-
Fund Uses	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ 1,760,390	\$ 4,489,723	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239

[9] Restricted RSA Assessment Fund Balance is projected as follows:

	Fiscal Year Ending September 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning RSA Balance	\$ 2,047,753	\$ 602,663	\$ 500,030	\$ 997,414	\$ 1,009,914	\$ 1,022,514	\$ 1,035,314	\$ 1,048,214	\$ 1,061,314	\$ 1,074,614
Deposits:										
Current Year RSA Assessments	4,844,300	2,770,700	2,488,600	2,466,100	2,464,600	2,463,100	2,461,600	2,440,600	2,440,600	2,440,600
Uses:										
Capital Improvement Funding	2,000,000	-	-	-	-	-	-	-	-	-
Payment of Debt Service	49,500	150,000	150,000	2,466,100	2,464,600	2,463,100	2,461,600	2,440,600	2,440,600	2,440,600
Transfers to SRF Debt Service Reserve	1,760,390	2,729,333	1,847,516	-	-	-	-	-	-	-
Transfer to Rate Stabilization	2,500,000	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings	20,500	6,000	6,300	12,500	12,600	12,800	12,900	13,100	13,300	13,400
Ending Balance	\$ 602,663	\$ 500,030	\$ 997,414	\$ 1,009,914	\$ 1,022,514	\$ 1,035,314	\$ 1,048,214	\$ 1,061,314	\$ 1,074,614	\$ 1,088,014

[10] End of year unrestricted utility reserves balances are projected as follows:

	Fiscal Year Ending September 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning Balance	\$ 696,600	\$ 705,631	\$ 759,866	\$ 632,747	\$ 1,274,851	\$ 1,773,985	\$ 2,256,355	\$ 2,815,053	\$ 3,406,030	\$ 3,975,287
Transfers to (from)	9,031	54,235	(127,120)	642,104	499,134	482,371	558,697	590,977	569,257	596,210
Ending Balance	\$ 705,631	\$ 759,866	\$ 632,747	\$ 1,274,851	\$ 1,773,985	\$ 2,256,355	\$ 2,815,053	\$ 3,406,030	\$ 3,975,287	\$ 4,571,497
Days of O&M Expenses	218	190	111	140	182	217	285	341	392	445

[11] Amounts represent transfers from utility revenues to the Wastewater Renewal and Replacement (R&R) Fund based on funding schedule set forth in Appendix 11 of the DBO Agreement, plus 10% contingency.

Exhibit 4

Village of Islamorada
2013 Rate Study

Projected Operating Expenses

Line No.	Description	Estimated 2012	Budgeted 2013	Adjustments	Adjusted 2013	Escalation Reference	Fiscal Year 2014	Escalation Reference	Fiscal Year 2015	Escalation Reference	Projected Fiscal Year Ending September 30,							
											2016	2017	2018	2019	2020	2021		
Operating Expenses																		
<u>Operating Expenses (Excluding Capitalized Costs)</u>																		
1	Village Administration (Salaries Including Benefits)	\$ 55,545	\$ 62,410	\$ 0	\$ 62,410	Labor	\$ 64,000	Labor	\$ 65,600	Labor	\$ 305,000	312,700	320,600	328,700	337,000	345,500		
2	Village Indirect Costs	-	-	0	-	CPI	-	CPI	-	Labor	\$ 100,000	102,500	105,100	107,800	110,500	113,300		
3	Legal and Consulting	91,350	61,250	0	61,250	CPI	62,800	CPI	64,400	CPI	66,100	67,800	69,500	71,300	73,100	75,000		
4	Advertising, Telephone, Water, Office Supplies	10,935	14,360	0	14,360	Input	20,000	CPI	20,500	CPI	21,100	21,700	22,300	22,900	23,500	24,100		
5	General Insurance [2]	51,445	83,000	0	83,000	Input	100,000	Input	165,602	CPI	169,800	174,100	178,500	183,000	187,600	192,300		
6	Billing Services [3]	14,509	14,500	375	14,875	Input	19,852	Input	42,216	Input	64,663	66,303	67,997	69,746	71,495	73,299		
7	Customer Repair & Maintenance	3,200	3,200	0	3,200	CPI	3,300	CPI	3,400	CPI	3,500	3,600	3,700	3,800	3,900	4,000		
8	Operating Supplies, Fuel/Oil [4]	88,000	70,000	0	70,000	Input	75,000	Input	100,000	CPI	102,500	105,100	107,800	110,500	113,300	116,200		
9	Electricity [3]	80,444	70,000	12,638	82,638	Input	88,575	Input	109,039	Input	111,788	115,453	119,118	122,784	126,449	130,114		
10	U.S. Water O&M Contract - Monthly Services [3]	317,149	0	0	-	CPI	-	CPI	-	CPI	-	-	-	-	-	-		
11	U.S. Water O&M Contract - Repair & Maintenc [3]	126,075	0	0	-	CPI	-	CPI	-	CPI	-	-	-	-	-	-		
12	Operations Contract - Fixed O&M Fee [3]	173,600	722,800	11,240	734,040	Input	765,012	Input	725,592	Input	743,740	762,334	781,392	800,927	820,950	841,474		
13	Operations Contract - Variable O&M Fee [3]	-	0	0	-	Input	-	Input	-	Input	-	-	-	-	-	-		
14	Operations - Adjustment for Recent Repairs and Maint.	120,000	0	0	-	Input	-	Input	-	CPI	-	-	-	-	-	-		
15	Wholesale Treatment Costs	0	0	0	-	Input	188,326	Input	688,002	Input	1,476,883	1,661,494	1,846,104	1,607,897	1,607,897	1,607,897		
16	Contingency (5.0% of Total Operating Expenses) 5.0%	0	0	55,076	55,076	Input	69,343	Input	99,218	Input	158,254	169,654	181,106	171,468	173,785	176,159		
17	Total Operating Expenses	<u>\$1,132,252</u>	<u>\$ 1,101,520</u>	<u>\$ 79,329</u>	<u>\$1,180,849</u>		<u>\$1,456,208</u>		<u>\$2,083,568</u>		<u>\$3,323,328</u>	<u>\$3,562,737</u>	<u>\$3,803,217</u>	<u>\$3,600,821</u>	<u>\$3,649,476</u>	<u>\$3,699,343</u>		

Footnotes:

[1] Insurance expense after construction completion is based on Key Largo Wastewater Treatment District insurance estimates (\$283,130) applied to Islamorada capacity allocation (1.104/3.450 = 32%) plus \$75,000 estimate for Village facilities.

[2] Amounts for inputted operating expenses are calculated as follows:

Electricity Expense Calculation:

Quarterly Maximum kWh:	182,827		182,827		190,895		229,074		229,074		229,074		229,074		229,074		229,074		
Annual Maximum kWh:	731,308		731,308		763,580		916,296		916,296		916,296		916,296		916,296		916,296		
Assumed Rate per kWh	\$ 0.110		CPI \$ 0.113		CPI \$ 0.116		CPI \$ 0.119		CPI \$ 0.122		\$ 0.126		\$ 0.130		\$ 0.134		\$ 0.138		\$ 0.142
Calculated Electricity Expense	<u>80,444</u>		<u>82,638</u>		<u>88,575</u>		<u>109,039</u>		<u>111,788</u>		<u>115,453</u>		<u>119,118</u>		<u>122,784</u>		<u>126,449</u>		<u>130,114</u>

Billing Expense Calculation:

Number of Bills Rendered - per Month	1,130		1,130		1,471		3,049		4,555		4,555		4,555		4,555		4,555		
Number of Bills Rendered - Per Year	13,560		13,560		17,646		36,582		54,660		54,660		54,660		54,660		54,660		
Assumed Monthly Rate per Bill	\$ 1.070		CPI \$ 1.097		CPI \$ 1.125		CPI \$ 1.154		CPI \$ 1.183		\$ 1.213		\$ 1.244		\$ 1.276		\$ 1.308		\$ 1.341
Calculated Billing Expense	<u>14,509</u>		<u>14,875</u>		<u>19,852</u>		<u>42,216</u>		<u>64,663</u>		<u>66,303</u>		<u>67,997</u>		<u>69,746</u>		<u>71,495</u>		<u>73,299</u>

DBO Operations: Key Largo WWTD Wholesale

DBO - Fixed O&M Fee Calculation:

(Note: Assumes 43,400/month beginning June 2012-March 2013; then 78,940/month until NPK wastewater facility is offline)

DBO - Fixed O&M Fee per Year	173,600		734,040		765,012		725,592		725,600		725,600		725,600		725,600		725,600		
Cumulative Inflation Factor - DBO (Does not Apply during 2012)	100.00%		100.00%		100.00%		100.00%		102.50%		105.06%		107.69%		110.38%		113.14%		115.97%
DBO - Fixed O&M Fee per Year - Adjusted for Inflation	<u>173,600</u>		<u>734,040</u>		<u>765,012</u>		<u>725,592</u>		<u>743,740</u>		<u>762,334</u>		<u>781,392</u>		<u>800,927</u>		<u>820,950</u>		<u>841,474</u>

DBO - Variable O&M Fee Calculation:

DBO - Variable O&M Fee	-		-		-		-		-		-		-		-		-		
Cumulative Inflation Factor	100.00%		102.50%		105.06%		107.69%		110.38%		113.14%		115.97%		118.87%		121.84%		124.89%
DBO - Variable O&M Fee - Adjusted for Inflation	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>

Wholesale Wastewater Treatment

Million Gallons per Day:																	
Metered Sales to Available Customers			0.161		0.239		0.676		1.088		1.088		1.088		1.088		1.088
Assumed % of Available Customers Connected			100%		80%		60%		80%		90%		100%		100%		100%
Calculated Treatment Requirements			<u>0.161</u>		<u>0.191</u>		<u>0.405</u>		<u>0.870</u>		<u>0.979</u>		<u>1.088</u>		<u>1.088</u>		<u>1.088</u>
(Amount based on 100% metered sales adjusted for connected customers)																	
Treated at KLWTD	-		-		0.111		0.405		0.870		0.979		1.088		1.088		1.088
Treated at N. Plantation Key WWTP	0.100		0.161		0.080		-		-		-		-		-		-
Total	<u>0.100</u>		<u>0.161</u>		<u>0.191</u>		<u>0.405</u>		<u>0.870</u>		<u>0.979</u>		<u>1.088</u>		<u>1.088</u>		<u>1.088</u>
Thousand Gallons per Year																	
Treated at KLWTD	-		-		40,500		147,958		317,609		357,310		397,012		397,012		397,012
Treated at N. Plantation Key WWTP	36,500		58,655		29,200		-		-		-		-		-		-
KLWTD Cost per 1,000 Gallons	\$ 4.65		\$ 4.65		\$ 4.65		\$ 4.65		\$ 4.65		\$ 4.65		\$ 4.65		\$ 4.05		\$ 4.05
Cumulative Inflation Factor	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
Wholesale Wastewater Treatment Cost	<u>\$ -</u>		<u>\$ -</u>		<u>\$ 188,326</u>		<u>\$ 688,002</u>		<u>\$1,476,883</u>		<u>\$1,661,494</u>		<u>\$1,846,104</u>		<u>\$1,607,897</u>		<u>\$1,607,897</u>

*Note: Schedule as of 4/11/12 reflects KLWTD transmission line substantial completion date of 1/15/14.

[3] Adjustment reflects year to date expenditures. Amounts include estimated increased sludge disposal expenses related to treating MPK flows at NPK wastewater facility through mid-FY 2015.

Exhibit 5

Village of Islamorada
2013 Rate Study

Projected Wastewater System Fund Balances

Line No.	Description	Projected Fiscal Year Ending September 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Interest Earnings Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Unrestricted Reserves - Wastewater											
2	Beginning Balance	\$ 696,600	\$ 705,631	\$ 759,866	\$ 632,747	\$ 1,274,851	\$ 1,773,985	\$ 2,256,355	\$ 2,815,053	\$ 3,406,030	\$ 3,975,287
3	Transfers In (Out) - Current Year Cash Flow	109,031	54,235	872,880	642,104	499,134	482,371	558,697	590,977	569,257	596,210
4	Transfers In - Reimbursements/Other	-	-	-	-	-	-	-	-	-	-
5	Transfers Out - Revenue Requirements	-	-	-	-	-	-	-	-	-	-
6	Transfers Out - Rate Stabilization	100,000	-	1,000,000	-	-	-	-	-	-	-
7	Ending Balance	\$ 705,631	\$ 759,866	\$ 632,747	\$ 1,274,851	\$ 1,773,985	\$ 2,256,355	\$ 2,815,053	\$ 3,406,030	\$ 3,975,287	\$ 4,571,497
8	Estimated No. of Days of O&M Expenses (Target = 90)	218	190	111	140	182	217	285	341	392	445
9	Average Annual Interest Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
10	Interest Earnings Recognized	\$ 7,000	\$ 7,100	\$ 9,500	\$ 7,900	\$ 15,900	\$ 22,200	\$ 28,200	\$ 35,200	\$ 42,600	\$ 49,700
Debt Service Sinking Fund											
11	Annual Deposit to Sinking Fund	\$ 644,984	\$ 644,928	\$ 644,870	\$ 5,396,411	\$ 6,980,215	\$ 6,980,148	\$ 6,980,077	\$ 6,980,003	\$ 6,979,926	\$ 6,979,844
12	Average Annual Balance (semi-annual Payments)	161,246	161,232	161,217	1,349,103	1,745,054	1,745,037	1,745,019	1,745,001	1,744,981	1,744,961
13	Average Annual Interest Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
14	Interest Earnings Recognized	1,600	1,600	2,000	16,900	21,800	21,800	21,800	21,800	21,800	21,800
SRF Debt Service Reserve Fund											
15	Beginning Balance	\$ -	\$ 1,760,390	\$ 4,489,723	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239
16	From RSA Assessments To RSA Assessments	1,760,390	2,729,333	1,847,516	-	-	-	-	-	-	-
17	Ending Balance	\$ 1,760,390	\$ 4,489,723	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239	\$ 6,337,239
18	Average Annual Interest Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
19	Interest Earnings Recognized	-	17,600	56,100	79,200	79,200	79,200	79,200	79,200	79,200	79,200
Renewal and Replacement Account											
20	Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ 326,320	\$ 602,640	\$ 853,960	\$ 1,105,280	\$ 1,356,600	\$ 1,582,920
21	Deposits to Fund: From Current Operations	-	-	-	326,320	326,320	326,320	326,320	326,320	326,320	326,320
22	Uses of Funds: Capital Improvements	-	-	-	-	50,000	75,000	75,000	75,000	100,000	150,000
23	Ending Balance	-	-	-	326,320	602,640	853,960	1,105,280	1,356,600	1,582,920	1,759,240
24	Average Annual Interest Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
25	Interest Earnings Recognized	-	-	-	-	4,100	7,500	10,700	13,800	17,000	19,800
	Total Interest Income Recognized (Unrestricted)	\$ 8,600	\$ 26,300	\$ 67,600	\$ 104,000	\$ 121,000	\$ 130,700	\$ 139,900	\$ 150,000	\$ 160,600	\$ 170,500
NPK Assessment Reserve											
26	Beginning Balance	[3] \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27	Deposits to Fund: From Current Year Assessments	396,690	395,500	395,500	395,500	395,500	395,500	395,500	395,500	395,500	395,500
	Uses of Funds:										

Exhibit 5

**Village of Islamorada
2013 Rate Study**

Projected Wastewater System Fund Balances

Line No.	Description	Projected Fiscal Year Ending September 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
28	Capital Improvements	-	-	-	-	-	-	-	-	-	-
29	Payment of Debt Service	396,690	395,500	395,500	395,500	395,500	395,500	395,500	395,500	395,500	395,500
30	Ending Balance Before Interest Income	-	-	-	-	-	-	-	-	-	-
31	Average Annual Interest Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
32	Interest Earnings Recognized	-	-	-	-	-	-	-	-	-	-
33	Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RSA Assessment Reserve											
34	Beginning Balance	[3] \$ 2,047,753	\$ 602,663	\$ 500,030	\$ 997,414	\$ 1,009,914	\$ 1,022,514	\$ 1,035,314	\$ 1,048,214	\$ 1,061,314	\$ 1,074,614
Deposits to Fund											
35	From Current Year Assessments	4,844,300	2,770,700	2,488,600	2,466,100	2,464,600	2,463,100	2,461,600	2,440,600	2,440,600	2,440,600
36	From SRF Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-	-
Uses of Funds:											
37	Capital Improvements	2,000,000	-	-	-	-	-	-	-	-	-
38	Payment of Debt Service	49,500	150,000	150,000	2,466,100	2,464,600	2,463,100	2,461,600	2,440,600	2,440,600	2,440,600
39	To SRF Debt Service Reserve Fund	1,760,390	2,729,333	1,847,516	-	-	-	-	-	-	-
40	To Rate Stabilization	2,500,000	-	-	-	-	-	-	-	-	-
41	Ending Balance Before Interest Income	582,163	494,030	991,114	997,414	1,009,914	1,022,514	1,035,314	1,048,214	1,061,314	1,074,614
42	Average Annual Interest Rate	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
43	Interest Earnings Recognized	20,500	6,000	6,300	12,500	12,600	12,800	12,900	13,100	13,300	13,400
44	Ending Balance	<u>\$ 602,663</u>	<u>\$ 500,030</u>	<u>\$ 997,414</u>	<u>\$ 1,009,914</u>	<u>\$ 1,022,514</u>	<u>\$ 1,035,314</u>	<u>\$ 1,048,214</u>	<u>\$ 1,061,314</u>	<u>\$ 1,074,614</u>	<u>\$ 1,088,014</u>
Rate Stabilization Fund											
45	Beginning Balance	\$ -	\$ 3,800,000	\$ 3,500,000	\$ 4,500,000	\$ 4,500,000	\$ 2,900,000	\$ 1,200,000	\$ 400,000	\$ 250,000	\$ 250,000
Deposits to Fund											
46	From RSA Assessments	2,500,000	-	-	-	-	-	-	-	-	-
47	From Unrestricted Reserves	100,000	-	1,000,000	-	-	-	-	-	-	-
48	From Infrastructure Funds	1,200,000	-	-	-	-	-	-	-	-	-
Uses of Funds:											
49	To Fund Revenue Requirements	-	300,000	-	-	1,600,000	1,700,000	800,000	150,000	-	-
50	Ending Balance	<u>\$ 3,800,000</u>	<u>\$ 3,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 2,900,000</u>	<u>\$ 1,200,000</u>	<u>\$ 400,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>