

**Davenport &  
Company LLC**

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**Discussion Materials Prepared for  
the**

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**King George County  
Service Authority**

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***Plan of Finance for Restructuring  
Transaction***

**July 7, 2009**

# Overview

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- On April 29, 2009 Davenport Presented the Board of the King George County Service Authority (the “Service Authority”) with a “*Financial Analysis and Strategies for the Service Authority*”.
- The April 29, 2009 Presentation outlined Strategies that the Board could Employ to Transition the Service Authority to a Fully Self Supporting Entity (*Not Reliant on the County’s General Fund*). These Strategies Include the Following:
  - Strategic Increases/Modifications to Service Authority Fees and Charges;
  - A Multi-Year Funding Plan for New Capital;
  - A Strategic Restructuring of Existing to Debt to Conserve Cash-Flow over the Next Several Fiscal Years.
- Tonight’s Presentation will Outline a Detailed Plan, Schedule, and the Key Actions Required to Finance the First Phase of New Capital and the Strategic Restructuring.

# Goals and Objectives

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- The Goals and Objectives of the April 29 Presentation Included the Following:
1. Provide Strategies that will Transition the Service Authority to a Self Supporting Utility System (*i.e. Receive no Funding from the County's General Fund/Landfill Revenues*).
  2. Operate the Service Authority in a Manner that is Viewed as “Best Practices” by the Credit Rating Agencies.
  3. Develop a Plan of Finance Whereby Users of the System Pay for the System.
  4. Identify Strategies to Conserve Cash-Flow for the Service Authority in the Near Term.

# Debt Restructuring Opportunities

- In Order to Ease the Cash-Flow Impact of Ramping Down General Fund Support for the Service Authority and the Slowing New Connection Related Revenues, Consider a Strategic Restructuring of the Service Authority’s Existing Debt.
- Davenport has Identified a Portion of Four Existing Service Authority Debt Obligations that are Candidates for Restructuring. The New Interest Rates on the Refunded Bonds will Approximate the Current Interest Rates.
- The Goal of the Restructuring is to Conserve Cash-Flow over the Next Five to Six Fiscal Years, Providing Time to Gradually Build the Service Authority’s Revenue Base and **Mitigate the Impact on the Authority’s Rate Payers.**

King George County Service Authority Restructuring Opportunities											
Series	Lender	Original Principal	Amount Outstanding @ 6/30/2009	Final Maturity	Interest Rate(s)	Interest Rate Reset	First Call	Call Price	Maturities Restructured	Par Amount of Restructured Maturities	
2001 Revenue Bond	VRA	\$10,700,000	\$9,235,000	4/1/2031	4.35% to 5.10%	N/A	5/1/2010	101%	2010 to 2016	\$1,960,000	
2002 Revenue Bond	VRA	\$8,275,000	\$7,235,000	4/1/2033	3.225% to 5.10%	N/A	5/1/2012	101%	2010 to 2014	\$980,000	
2004 Revenue Bond	SunTrust	\$2,115,986	\$1,739,871	1/15/2024	4.39%	1/15/2014	1/15/2010	102%	2010 to 2024	\$1,739,781	
2008 VRA Bonds (Utility Portion)	VRA	\$3,966,800	\$3,966,800	10/1/2031	3.125% to 5.38%	N/A	11/1/2018	100%	2009 to 2014	\$878,900	
<b>Totals</b>		<b>\$25,057,786</b>	<b>\$22,176,671</b>							<b>Totals</b>	<b>\$5,558,681</b>

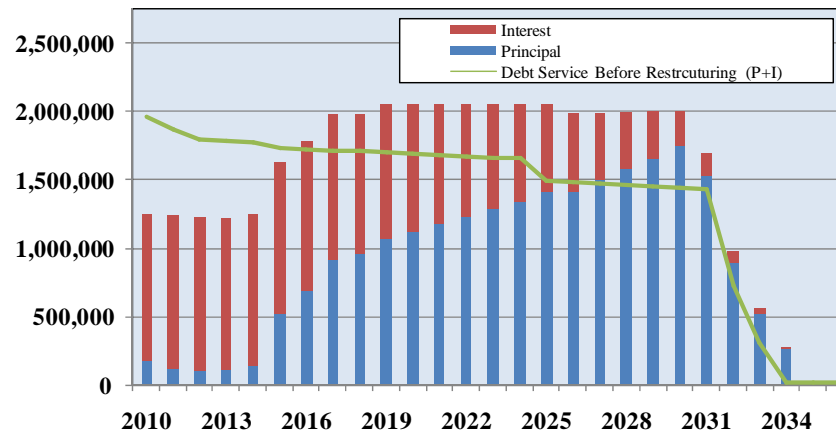
# Debt Restructuring Opportunities

- Total Cash-Flow Freed via the Restructuring Totals Roughly \$3.1 million over a Multi-Year Period:

Fiscal Year	Cash-Flow Freed Up by Restructuring
2010	\$718,866
2011	633,494
2012	564,462
2013	562,918
2014	521,398
2015	106,168

- After the Restructuring, the Service Authority's Existing Debt Service\* Will Ramp Back Up over the Next Six Fiscal Years to Roughly the Same Level as Fiscal Year 2010.

**Debt Service After Restructuring**



\*Does not include new debt. Under Private Placement strategy a bullet maturity of roughly \$5.1 million will occur in fiscal year 2019 (see page 9).

# New Money Capital Needs

- The: (1) Purkins Corner & Oakland Park Blower Upgrade Projects (\$800,000); and, the (2) Presidential Lakes & Arnolds Corner Connector Project (\$150,000) are Planned to be Funded with Proceeds of the 2008 VRA Financing (Already in Hand).
- For Service Authority Capital Projects in the Foreseeable Future, Consider Debt Funding versus Paying Cash. Conserving Cash on Hand (*i.e. Reserves*) will be Critical as the Authority Becomes Independent from the General Fund.

KING GEORGE COUNTY SERVICE AUTHORITY CAPITAL IMPROVEMENT PLAN										
PROJECT TITLE	REASON	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	TOTALS
<b>Water Projects</b>										
Presidential Lakes & Arnolds Corner Interconnect & Controls	Operational		\$150,000							\$150,000
Fairview Beach Potomac Landing Well Replacement Project	Regulatory	0	100,000	800,000						900,000
<b>Total Water Projects</b>		<b>0</b>	<b>250,000</b>	<b>800,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,050,000</b>
<b>Sewer Projects</b>										
Fairview Beach WWTP Effluent Filter Project	Regulatory	0			800,000					800,000
Purkins Corner to Hopyard Force Main & Pump Station	Regulatory & Growth			175,000	1,575,000					1,750,000
Oakland Park to Hopyard Force Main & Pump Station Project	Regulatory & Growth	0			200,000	1,650,000				1,850,000
Purkins Corner & Oakland Park WWTP Blower Upgrade & Nutrient Optimization Project	Regulatory	800,000								800,000
Hopyard WWTP Sludge Dewatering Facility	Growth							1,800,000		1,800,000
Hopyard Farm WWTP 1.0 MGD Project	Regulatory & Growth								2,500,000	2,500,000
<b>Total Sewer Projects</b>		<b>800,000</b>	<b>0</b>	<b>175,000</b>	<b>2,575,000</b>	<b>1,650,000</b>	<b>0</b>	<b>1,800,000</b>	<b>2,500,000</b>	<b>9,500,000</b>
<b>GRAND TOTAL</b>		<b>\$800,000</b>	<b>\$250,000</b>	<b>\$975,000</b>	<b>\$2,575,000</b>	<b>\$1,650,000</b>	<b>\$0</b>	<b>\$1,800,000</b>	<b>\$2,500,000</b>	<b>\$10,550,000</b>
<b>Projected New Bond Issues</b>		<b>ALREADY FUNDED*</b>		<b>\$5,200,000</b>			<b>\$4,300,000</b>			

Yellow = Regulatory Related

\*To be funded via proceeds of Fall, 2008 VRA Bonds which are already in hand.

# Plan of Finance

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- Consider a Dual-Track Strategy for Obtaining the Refunding Transaction:
  - **Option A:** A Bank Qualified Private Placement with a Local/Regional Banking Institution; or,
  - **Option B:** An Issuance through the Virginia Resources Authority's ("VRA") Fall Pool Program.
  
- Why Utilize a Dual Track Strategy?
  - A Bank Qualified Private Placement has Historically Been the Most Cost Effective and Flexible Method of Obtaining Financing of the Type Considered by the Service Authority.
  - However, Banking Institutions have been Under Pressure as a Result of the Financial Crisis. As Such They May not be Able to Provide Funding that is as Cost Effective as in the Past.
  - If Banking Institutions are Not Competitive, the County can Obtain the Funding in VRA's Fall Pool Program.

# Davenport Strategy

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- **First:** Competitively Solicit Firm Bids from Commercial Banking Institutions for the Refunding Transaction.
  
- **Second:** Evaluate the Bids Received from Commercial Banking Institutions to Determine their Cost Effectiveness and Flexibility.
  
- **Third:** Return to the Board with a Summary of the RFP Results and Recommended Next Steps.
  
- **Fourth:** If a Private Placement Bid is not Viable, Take the Steps Necessary to Participate in VRA's Fall, 2009 Pool Bond Issue.



# Timing of Restructuring

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- Without the Restructuring, the Service Authority is Scheduled to Pay Roughly \$275,000 of Debt Service on October 1, 2009.
- If the Restructuring is Closed before October 1, these Payments can be Restructured.
- **As such, Closing the Restructuring Before October 1 will Allow the Service Authority to Maximize the Cash-Flow Savings in Fiscal Year 2010.**
- VRA's Fall Pool Bond Issue is Typically Sold in Late November/Early December (*i.e. After October 1*).
- As such, if the VRA Option is Selected, Short-Term Refunding Financing will need to be Procured Prior to October 1 in Order to Fully Take Advantage of the Potential Cash-Flow Savings in Fiscal Year 2010.
- The Interim Financing, if Required, will be Paid-Off the by the VRA Pool Issue in Early December.
- The Interim Financing, if Required, can be Obtained through a Banking Institution, or, as a last Resort, through Davenport.

# Private Placement Strategy

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- Most Recently, Private Placement Financing has been Less Competitive the Longer the Final Maturity of the Financing (*i.e. 15 to 20 years +*).
- As such, if a Private Placement Strategy is Viable, Consider Structuring the Financing with a 10 year Final Maturity.
- This Structure will Lock in the Critical Cash-Flow Savings during Fiscal Years 2010 through 2015 (*Total Estimated Cash-Flow Savings over this Time Period Equals Roughly \$3.1 million – See Page 5*).
- At the end of the Tenth Year, Roughly \$5.1 million of Principal will Remain to be Refinanced for an Additional 10 to 15 years. If Sufficient Cash is Available, the Bullet Maturity Could Also be Paid Off with Cash.

## Private Placement Strategy (cont.)

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- A Private Placement Typically Carries Highly Favorable Prepayment Provisions. As such, it is Anticipated that the County will be able to Refinance or Pay-off the \$5.1 million Bullet Maturity as Early as Five Years from Now, if not Sooner (*Depends on Bids Received from Banking Institutions*).
- The True Growth Potential of the Service Authority is Uncertain. As such, the Projected Cash-Flows of the Service Authority in the Out Years (*i.e. Beyond Year Three*) are Uncertain.
- The 10 year Bullet Maturity Structure will Provide the County with a Greater Degree of Certainty in Tailoring the Long-Term Cash-Flows of Debt in Order to Coincide with Future Service Authority Cash-Flows.

## Timetable for Action

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- **July 7, 2009  
(TONIGHT)**
  - **Regular Meeting of the King George County Service Authority:**
    - Davenport to Present Detailed Plan of Finance for Refunding Transaction.
    - Service Authority Board Gives Approval to Move Forward with Plan of Finance.
  
- **Balance of  
Week of July 6**
  - Davenport to Draft Competitive Request for Proposals (“RFP”) for Distribution to Regional/Local Banking Institutions.
  
- **Week of July 13**
  - Davenport Distributes RFP to Regional/Local Banking Institutions.
  - Notify VRA of Intention to Refund a Portion of Existing Service Authority Debt Issued through VRA.
  
- **July 31, 2009**
  - RFP Responses due to Davenport.

## Timetable for Action (cont.)

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- **Post July 31**
  - Davenport and Legal Team to Review bids.
  - Davenport and Legal Team to Negotiate, on behalf of the County, the Key Terms and Conditions of the Financing.
  - Davenport to Prepare a Written Summary / Recommendation for the Board.
  
- **August 6, 2009**
  - Written Information on RFP Results and Necessary Legal Documents Available to County for Board Agenda Packages.
  
- **August 11, 2009**
  - **Regular Meeting of the King George County Service Authority:**
    - Davenport to Present Results of RFP Process and Recommended Next Steps.
    - Formal Board Approval of Winning Bidder/Legal Documents (*if Private Placement Option is Recommended Option*).

## Timetable for Action (cont.)

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- **By August 21, 2009**
    - Close on Financing (*if Private Placement is Recommended Strategy*).
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**The Following Key Events will Occur only if the VRA Option is Recommended over Private Placement Option.**

- **Balance of August/September**
  - Procure Short-Term Refunding Financing. This will Allow the Authority to Maximize its Potential Cash-Flow Savings in Fiscal Year 2009.
  - Return to the September Service Authority Board Meeting with Legal Documents to Execute Short Term Refunding (if needed).
  - Authority Staff, with Assistance from Davenport, to Apply for Fall VRA Pool Program.

## Timetable for Action (cont.)

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- **By October 1, 2009** • Close on Short Term Refunding. Doing so will Enable the Service Authority to Maximize the Cash-Flow Savings in Fiscal Year 2009.
  
- **Late November** • VRA Pool Pricing. Long-Term Rates Locked in.
  
- **Early December** • VRA Pool Closes. Short Term Refunding is Paid Off.

# Appendices

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# Davenport Pro-Forma Modeling Approach

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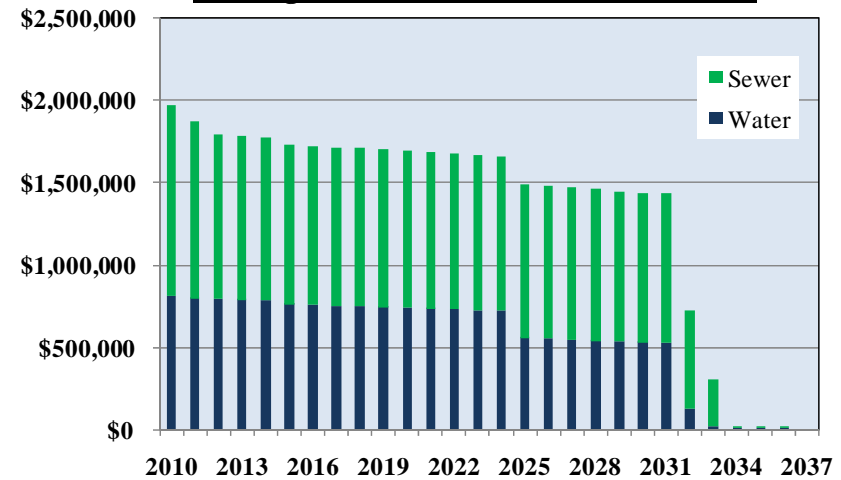
1. Structure Cash Flows of the Service Authority so that Projected Fund Balance Levels are Positive. (*i.e. No Future General Fund Support Beyond the Transfer of Landfill Revenues, Which is Being Gradually Ramped Down*).
2. Implement Annual Rate Adjustments to Avoid Rate Shock and Eliminate any Operating Deficit within a Few Years.
3. Identify Opportunities within the Service Authority's Existing Debt Portfolio to Conserve Cash-Flow Over a Multi-Year Period until the Revenue Base is Grown.
4. Utilize a Combination of Rate Adjustments, Debt Restructuring, and Use of Reserves (*i.e. Grant Monies*) to Transition the Service Authority to a Fully Self Supporting State.
5. Identify the Impact of any Projected Rate Increases on the Typical Residential Customer's Bi-Monthly Bill (*Assumes Usage of 13,500 gallons per Bi-Monthly Period*) and on the Minimum Bi-Monthly Bill (*Assumes Usage of 5,000 per Bi-Monthly Period*).

# Existing Debt Service

Existing Water and Sewer Debt Service

	Water	Sewer	Total Water + Sewer
<b>Fiscal Year</b>	<b>Total (P+I)</b>	<b>Total (P+I)</b>	<b>Total (P+I)</b>
2010	\$811,708	\$1,150,201	\$1,961,908
2011	795,837	1,069,459	1,865,296
2012	789,341	998,258	1,787,599
2013	786,621	997,069	1,783,690
2014	778,925	990,610	1,769,534
2015	759,922	969,056	1,728,979
2016	754,494	965,667	1,720,161
2017	749,028	961,619	1,710,647
2018	747,077	959,664	1,706,741
2019	740,927	958,522	1,699,449
2020	737,316	953,735	1,691,051
2021	732,692	947,402	1,680,094
2022	727,288	944,759	1,672,047
2023	721,286	940,759	1,662,045
2024	718,960	938,775	1,657,735
2025	553,708	934,457	1,488,165
2026	548,211	928,651	1,476,862
2027	543,341	927,352	1,470,693
2028	537,574	918,784	1,456,359
2029	531,423	914,011	1,445,434
2030	527,063	909,596	1,436,659
2031	523,388	909,536	1,432,924
2032	125,227	593,189	718,416
2033	14,202	291,489	305,692
2034	5,833	10,833	16,667
2035	5,833	10,833	16,667
2036	5,833	10,833	16,667
2037	0	0	0
<b>Total</b>	<b>\$15,273,061</b>	<b>\$22,105,118</b>	<b>\$37,378,179</b>

Existing Water and Sewer Debt Service (P+I)



➤ The Service Authority's Outstanding Debt Declines Moderately Over the Next Two Fiscal Years Before Leveling Off.

➤ Principal Outstanding as of June 30, 2010:

- Water = \$9.5 million
- Sewer = 13.4 million
- Total = \$22.9 million

# Initial Results – Scenario 1

➤ **Scenario 1 Incorporates:**

- All Proposed New Debt;
- No Restructuring of Existing Debt;
- The Service Authority’s Existing Rate Structure.

Projected Bi-Monthly Bill for Typical Residential User*						
	2009	2010	2011	2012	2013	2014
Water	\$45.09	\$58.62	\$70.34	\$77.37	\$81.24	\$85.31
Sewer	86.27	112.14	134.57	148.03	155.43	163.20
Usage Based Debt Service Fee	21.33	27.73	33.27	36.60	38.43	40.35
<b>Total Typical Bi-Monthly Bill</b>	<b>\$152.69</b>	<b>\$198.49</b>	<b>\$238.19</b>	<b>\$262.01</b>	<b>\$275.11</b>	<b>\$288.86</b>
<i>Annual Change</i>		<b>30.00%</b>	<b>20.00%</b>	<b>10.00%</b>	<b>5.00%</b>	<b>5.00%</b>
						<b>Average Annual Increase</b>
						<b>13.60%</b>

Projected Minimum Bi-Monthly Bill**						
	2009	2010	2011	2012	2013	2014
Water	\$16.70	\$21.71	\$26.05	\$28.66	\$30.09	\$31.59
Sewer	31.95	41.54	49.84	54.83	57.57	60.45
Usage Based Debt Service Fee	7.90	10.27	12.32	13.56	14.23	14.95
<b>Total Minimum Bi-Monthly Bill</b>	<b>\$56.55</b>	<b>\$73.52</b>	<b>\$88.22</b>	<b>\$97.04</b>	<b>\$101.89</b>	<b>\$106.99</b>
<i>Annual Change</i>		<b>30.00%</b>	<b>20.00%</b>	<b>10.00%</b>	<b>5.00%</b>	<b>5.00%</b>
						<b>Average Annual Increase</b>
						<b>13.60%</b>

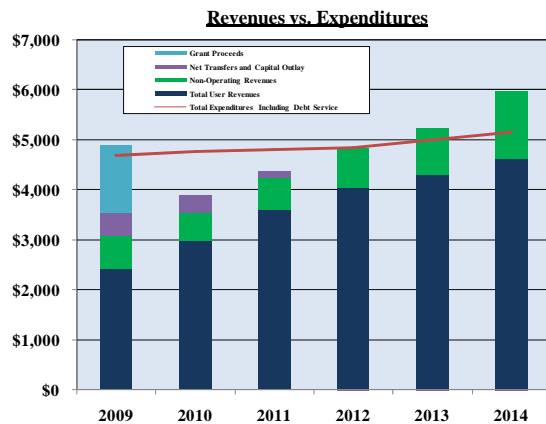
\*Assumes 13,750 gallons used per bi-monthly period (6,750 gallons per month).

\*\* Assumes 5,000 used per bi-monthly period (2,500 gallons per month.)

- Under Scenario 1, a Typical Residential Customer’s\* Bi-Monthly Bill will Increase, on Average, Roughly 14% over the Next Five Fiscal Years.

# Initial Results – Scenario 1

Projected Impact on User Rates						
	Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
Water Usage Rate	\$3.34	\$4.34	\$5.21	\$5.73	\$6.02	\$6.32
Annual Change		30.00%	20.00%	10.00%	5.00%	5.00%
Sewer Usage Rate	\$6.39	\$8.31	\$9.97	\$10.97	\$11.51	\$12.09
Annual Change		30.00%	20.00%	10.00%	5.00%	5.00%
Debt Service Fee	\$1.58	2.05	2.46	2.71	2.85	2.99
Annual Change		30.00%	20.00%	10.00%	5.00%	5.00%
Water New Connection Charges	\$6,197	\$6,507	\$6,832	\$7,174	\$7,533	\$7,909
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%
Sewer New Connection Charges	\$8,000	\$8,400	\$8,820	\$9,261	\$9,724	\$10,210
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%



- Under this Scenario, Rates are Increased in Order to Maintain Positive Fund Balances, Avoid Additional General Fund Support, and Breakeven within Five Years.
- Significant Rate Increases are Needed in the Next Two Fiscal Years to Make up for the Slowing Growth Related Revenues and Reduced General Fund/Landfill Revenue Support.

## Initial Results – Scenario 2A

### ➤ Scenario 2A Incorporates:

- All Proposed New Debt;
- A Strategic Restructuring of Existing Debt;
- The Service Authority’s Existing Rate Structure.

Projected Bi-Monthly Bill for Typical Residential User*						
	2009	2010	2011	2012	2013	2014
Water	\$45.09	\$51.85	\$59.63	\$68.58	\$72.01	\$75.61
Sewer	86.27	99.20	114.09	131.20	137.76	144.65
Usage Based Debt Service Fee	21.33	24.53	28.21	32.44	34.06	35.77
<b>Total Typical Bi-Monthly Bill</b>	<b>\$152.69</b>	<b>\$175.59</b>	<b>\$201.93</b>	<b>\$232.21</b>	<b>\$243.83</b>	<b>\$256.02</b>
<i>Annual Change</i>		<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>5.00%</b>	<b>5.00%</b>

<b>Average Annual Increase</b>	<b>10.89%</b>
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Projected Minimum Bi-Monthly Bill**						
	2009	2010	2011	2012	2013	2014
Water	\$16.70	\$19.21	\$22.09	\$25.40	\$26.67	\$28.00
Sewer	31.95	36.74	42.25	48.59	51.02	53.57
Usage Based Debt Service Fee	7.90	9.09	10.45	12.01	12.62	13.25
<b>Total Minimum Bi-Monthly Bill</b>	<b>\$56.55</b>	<b>\$65.03</b>	<b>\$74.79</b>	<b>\$86.01</b>	<b>\$90.31</b>	<b>\$94.82</b>
<i>Annual Change</i>		<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>5.00%</b>	<b>5.00%</b>

<b>Average Annual Increase</b>	<b>10.89%</b>
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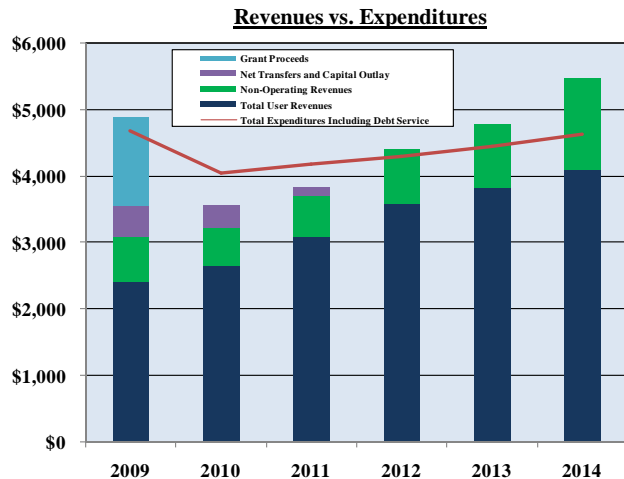
\*Assumes 13,750 gallons used per bi-monthly period (6,750 gallons per month).

\*\* Assumes 5,000 used per bi-monthly period (2,500 gallons per month.)

- The Average Increase in the Bi-Monthly Bill for a Typical Residential Customer would be Roughly 11% per Year Under Scenario 2 (*versus 14% Under Scenario 1*).
- In Addition, the Rate Increases are Less Front Loaded than Under Scenario 1.

# Initial Results – Scenario 2A

Projected Impact on User Rates						
	Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
Water Usage Rate	\$3.34	\$3.84	\$4.42	\$5.08	\$5.33	\$5.60
Annual Change		15.00%	15.00%	15.00%	5.00%	5.00%
Sewer Usage Rate	\$6.39	\$7.35	\$8.45	\$9.72	\$10.20	\$10.71
Annual Change		15.00%	15.00%	15.00%	5.00%	5.00%
Debt Service Fee	\$1.58	1.82	2.09	2.40	2.52	2.65
Annual Change		15.00%	15.00%	15.00%	5.00%	5.00%
Water New Connection Charges	\$6,197	\$6,507	\$6,832	\$7,174	\$7,533	\$7,909
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%
Sewer New Connection Charges	\$8,000	\$8,400	\$8,820	\$9,261	\$9,724	\$10,210
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%



- With the Restructuring Incorporated, the Up-Front Impact to the Authority's Rates/Charges is Reduced.
- Under Scenario 2, the Service Authority would Break Even in Fiscal Year 2012.
- To the Extent Future Growth in the System is Greater than Projected, Future Rate Increases Could be Reduced.

# Service Authority Rate Structure Considerations

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- Under the County's Current Rate Structure, "Debt Fees" (*Total of Usage Based and Connection Based*) are Projected to Cover only 30% to 40% of the Authority's Total Debt Service.
- In Addition, there Appears to be No Linkage Between Water and Sewer Rates and the Actual Cost of Providing Water and Sewer Service (*Operations and Capital*).
- Consider Amending the County's Rate Structure as Follows:
  - Remove the Usage Based "Debt Fee" (*Currently \$1.58 per 1,000 gallons*) and Replace it with A Fixed Debt Service Charge per Bi-Monthly Bill.
  - Keep the Connection Based Debt Service Fee in Place.
- Consider the Following Fixed Debt Service Fees:
  - Water = \$15.00 per Bi-Monthly Bill
  - Sewer = \$20.00 per Bi-Monthly Bill

## Initial Results – Scenario 2B

➤ **Scenario 2B Incorporates:**

- All Proposed New Debt;
- A Strategic Restructuring of Existing Debt;
- Revising the Service Authority’s Existing Rate Structure.

Projected Bi-Monthly Bill for Typical Residential User*						
	2009	2010	2011	2012	2013	2014
Water	\$45.09	\$47.34	\$49.71	\$52.20	\$54.81	\$57.55
Sewer	86.27	92.73	103.86	116.33	127.96	134.36
Debt Service Fee	21.33	35.00	38.15	41.63	44.96	47.21
<b>Total Typical Bi-Monthly Bill</b>	<b>\$152.69</b>	<b>\$175.08</b>	<b>\$191.72</b>	<b>\$210.15</b>	<b>\$227.73</b>	<b>\$239.11</b>
<i>Annual Change</i>		<b>14.67%</b>	<b>9.51%</b>	<b>9.61%</b>	<b>8.36%</b>	<b>5.00%</b>
						<b>Average Annual Increase</b> <b>9.39%</b>

Projected Minimum Bi-Monthly Bill**						
	2009	2010	2011	2012	2013	2014
Water	\$16.70	\$17.54	\$18.41	\$19.33	\$20.30	\$21.31
Sewer	31.95	34.35	38.47	43.08	47.39	49.76
Debt Service Fee	7.90	35.00	38.15	41.63	44.96	47.21
<b>Total Minimum Bi-Monthly Bill</b>	<b>\$56.55</b>	<b>\$86.88</b>	<b>\$95.03</b>	<b>\$104.04</b>	<b>\$112.65</b>	<b>\$118.29</b>
<i>Annual Change</i>		<b>53.64%</b>	<b>9.38%</b>	<b>9.48%</b>	<b>8.28%</b>	<b>5.00%</b>
						<b>Average Annual Increase</b> <b>15.90%</b>

\*Assumes 13,750 gallons used per bi-monthly period (6,750 gallons per month).

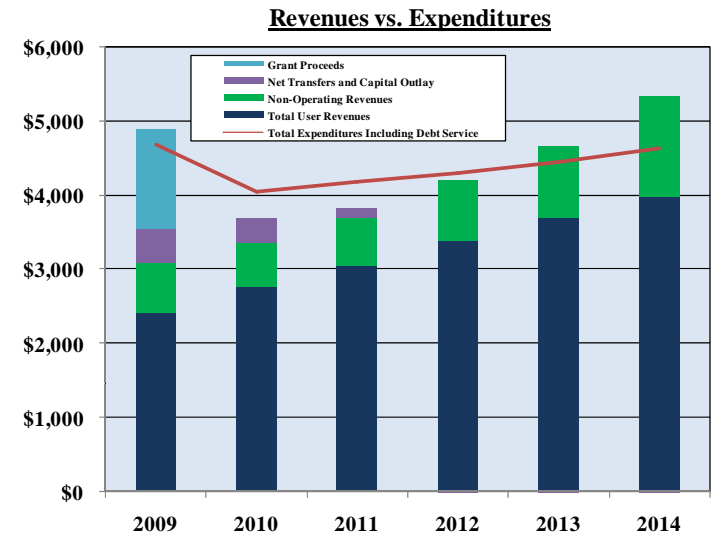
\*\* Assumes 5,000 used per bi-monthly period (2,500 gallons per month.)

- With the New Rate Structure, the Average Annual Increase in the Bi-Monthly Bill for Typical Residential Customer would be Roughly 9.4% per Year and 16% per year for a Customer at the Minimum Bill Level.



## Initial Results – Scenario 2B

Projected Impact on User Rates						
	Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
Water Usage Rate	\$3.34	\$3.51	\$3.68	\$3.87	\$4.06	\$4.26
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%
Water Bi-Monthly Debt Service Fee	N/A	\$15.00	\$15.75	\$16.54	\$17.36	\$18.23
Annual Change			5.00%	5.00%	5.00%	5.00%
Sewer Usage Rate	\$6.39	\$6.87	\$7.69	\$8.62	\$9.48	\$9.95
Annual Change		7.50%	12.00%	12.00%	10.00%	5.00%
Sewer Bi-Monthly Debt Service Fee	N/A	\$20.00	\$22.40	\$25.09	\$27.60	\$28.98
Annual Change			12.00%	12.00%	10.00%	5.00%
Water New Connection Charges	\$6,197	\$6,507	\$6,832	\$7,174	\$7,533	\$7,909
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%
Sewer New Connection Charges	\$8,000	\$8,400	\$8,820	\$9,261	\$9,724	\$10,210
Annual Change		5.00%	5.00%	5.00%	5.00%	5.00%



- With the Revised Rate Structure, the Increases to the Usage Based Rates are Moderated versus Scenario 2B.
- The Combination of the New Fixed Debt Service Fee and the Existing Connection Based Debt Service Fees Covers:
  - 68% of Water Related Debt Service in Fiscal Year 2010; and,
  - 55% of Sewer Related Debt Service in Fiscal Year 2010.
- The System as a Whole Breaks Even in Fiscal Year 2012 (same as Scenario 2A).

# Restructuring Cash-Flows

Existing Service Authority Debt Service				Restructure 2001 VRA						Restructure 2002 VRA					
Fiscal Year	Principal	Interest	Total	Less: Refunded 2001 VRA			Plus: New Refunding Debt Service			Less: Refunded 2002 VRA			Plus: New Refunding Debt Service		
				Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	873,130	1,088,779	1,961,909	(245,000)	(96,848)	(341,848)		68,875	68,875	(180,000)	(42,870)	(222,870)	-	26,288	26,288
2011	810,690	1,054,606	1,865,296	(255,000)	(86,190)	(341,190)		103,312	103,312	(185,000)	(36,750)	(221,750)	-	39,432	39,432
2012	768,343	1,019,256	1,787,599	(265,000)	(74,460)	(339,460)		103,312	103,312	(195,000)	(28,240)	(223,240)	60,000	39,432	99,432
2013	799,731	983,959	1,783,690	(280,000)	(60,945)	(340,945)		103,312	103,312	(205,000)	(19,270)	(224,270)	60,000	38,187	98,187
2014	821,596	947,938	1,769,534	(290,000)	(46,665)	(336,665)		103,312	103,312	(215,000)	(8,815)	(223,815)	90,000	36,684	126,684
2015	815,496	913,483	1,728,979	(305,000)	(31,875)	(336,875)		103,312	103,312	-	-	-	95,000	34,078	129,078
2016	842,739	877,423	1,720,162	(320,000)	(16,320)	(336,320)		103,312	103,312	-	-	-	260,000	31,110	291,110
2017	872,534	838,114	1,710,648	-	-	-		103,312	103,312	-	-	-	130,000	22,413	152,413
2018	909,889	796,852	1,706,741	-	-	-		103,312	103,312	-	-	-	90,000	17,778	107,778
2019	945,114	754,335	1,699,449	-	-	-	140,000	103,312	243,312	-	-	-	40,000	14,381	54,381
2020	980,569	710,482	1,691,051	-	-	-	145,000	97,747	242,747	-	-	-	40,000	12,791	52,791
2021	1,016,262	663,832	1,680,094	-	-	-	150,000	91,722	241,722	-	-	-	45,000	11,129	56,129
2022	1,057,206	614,840	1,672,046	-	-	-	155,000	85,250	240,250	-	-	-	45,000	9,187	54,187
2023	1,098,411	563,634	1,662,045	-	-	-	160,000	78,329	238,329	-	-	-	50,000	7,178	57,178
2024	1,147,238	510,497	1,657,735	-	-	-	170,000	70,913	240,913	-	-	-	50,000	4,860	54,860
2025	1,033,217	454,948	1,488,165	-	-	-	180,000	62,779	242,779	-	-	-	50,000	2,468	52,468
2026	1,073,217	403,645	1,476,862	-	-	-	185,000	53,896	238,896	-	-	-	-	-	-
2027	1,120,567	350,126	1,470,693	-	-	-	195,000	44,581	239,581	-	-	-	-	-	-
2028	1,162,917	293,442	1,456,359	-	-	-	205,000	34,568	239,568	-	-	-	-	-	-
2029	1,210,567	234,867	1,445,434	-	-	-	215,000	23,836	238,836	-	-	-	-	-	-
2030	1,262,917	173,742	1,436,659	-	-	-	230,000	12,409	242,409	-	-	-	-	-	-
2031	1,322,917	110,007	1,432,924	-	-	-	-	-	-	-	-	-	-	-	-
2032	675,267	43,149	718,416	-	-	-	-	-	-	-	-	-	-	-	-
2033	291,667	14,025	305,692	-	-	-	-	-	-	-	-	-	-	-	-
2034	16,667	0	16,667	-	-	-	-	-	-	-	-	-	-	-	-
2035	16,667	0	16,667	-	-	-	-	-	-	-	-	-	-	-	-
2036	16,667	0	16,667	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$23,782,640</b>	<b>\$15,422,712</b>	<b>\$39,205,352</b>	<b>(\$1,960,000)</b>	<b>(\$413,303)</b>	<b>(\$2,373,303)</b>	<b>\$2,130,000</b>	<b>\$1,654,710</b>	<b>\$3,784,710</b>	<b>(\$980,000)</b>	<b>(\$135,945)</b>	<b>(\$1,115,945)</b>	<b>\$1,105,000</b>	<b>\$347,391</b>	<b>\$1,452,391</b>

# Restructuring Cash-Flows (cont.)

Restructure 2004 SunTrust Loan						Restructure 2008 VRA						Equals: Restructured Debt Service				
Less: Refunded 2004 VRA			Plus: New Refunding Debt Service			Less: Refunded 2008 VRA			Plus: New Refunding Debt Service			Fiscal	Principal	Interest	Total	
Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Year	Principal	Interest	Total	
(84,403)	(38,190)	(122,593)		65,303	65,303	(190,350)	(32,435)	(222,785)			30,764	30,764	2010	173,377	1,069,666	1,243,043
(88,108)	(72,675)	(160,783)		97,954	97,954	(171,550)	(25,065)	(196,615)			46,146	46,146	2011	111,032	1,120,770	1,231,802
(91,976)	(68,807)	(160,783)		97,954	97,954	(171,550)	(16,273)	(187,823)			46,146	46,146	2012	104,817	1,118,320	1,223,137
(96,014)	(64,769)	(160,783)		97,954	97,954	(173,900)	(8,619)	(182,519)			46,146	46,146	2013	104,817	1,115,955	1,220,772
(100,229)	(60,554)	(160,783)		97,954	97,954	(171,550)	(2,680)	(174,230)			46,146	46,146	2014	134,817	1,113,319	1,248,136
(104,629)	(56,154)	(160,783)		97,954	97,954			-	15,000		46,146	61,146	2015	515,867	1,106,944	1,622,811
(109,222)	(51,561)	(160,783)		97,954	97,954			-	15,000		45,678	60,678	2016	688,517	1,087,595	1,776,112
(114,017)	(46,766)	(160,783)		97,954	97,954			-	30,000		45,176	75,176	2017	918,517	1,060,202	1,978,719
(119,022)	(41,761)	(160,783)	50,000	97,954	147,954			-	30,000		44,106	74,106	2018	960,867	1,018,241	1,979,108
(124,247)	(36,536)	(160,783)	30,000	97,954	127,954			-	40,000		42,974	82,974	2019	1,070,867	976,420	2,047,286
(129,702)	(31,081)	(160,783)	45,000	96,762	141,762			-	40,000		41,384	81,384	2020	1,120,867	928,084	2,048,951
(135,396)	(25,387)	(160,783)	49,000	94,892	143,892			-	50,000		39,722	89,722	2021	1,174,866	875,909	2,050,775
(141,340)	(19,444)	(160,783)	60,000	92,778	152,778			-	50,000		37,564	87,564	2022	1,225,866	820,175	2,046,041
(147,545)	(13,239)	(160,783)	50,000	90,099	140,099			-	75,000		35,332	110,332	2023	1,285,867	761,332	2,047,199
(154,022)	(6,762)	(160,783)	55,000	87,781	142,781			-	75,000		31,856	106,856	2024	1,343,216	699,145	2,042,361
		-	65,000	85,149	150,149			-	80,000		28,267	108,267	2025	1,408,217	633,610	2,041,827
		-	75,000	81,942	156,942			-	85,000		24,319	109,319	2026	1,418,217	563,801	1,982,018
		-	90,000	78,165	168,165			-	90,000		20,039	110,039	2027	1,495,567	492,911	1,988,478
		-	115,000	73,544	188,544			-	95,000		15,418	110,418	2028	1,577,917	416,971	1,994,888
		-	135,000	67,524	202,524			-	95,000		10,444	105,444	2029	1,655,567	336,671	1,992,238
		-	150,000	60,348	210,348			-	100,000		5,395	105,395	2030	1,742,917	251,894	1,994,811
		-	205,000	52,256	257,256			-				-	2031	1,527,917	162,263	1,690,180
		-	220,000	40,233	260,233			-				-	2032	895,267	83,382	978,649
		-	230,000	27,548	257,548			-				-	2033	521,667	41,573	563,240
		-	240,000	14,216	254,216			-				-	2034	256,667	14,216	270,883
													2035	16,667	0	16,667
													2036	16,667	0	16,667
<b>(\$1,739,871)</b>	<b>(\$633,687)</b>	<b>(\$2,373,559)</b>	<b>\$1,864,000</b>	<b>\$1,990,125</b>	<b>\$3,854,125</b>	<b>(\$878,900)</b>	<b>(\$85,072)</b>	<b>(\$963,972)</b>	<b>\$965,000</b>	<b>\$729,167</b>	<b>\$1,694,167</b>	<b>Total</b>	<b>\$24,287,869</b>	<b>\$18,876,098</b>	<b>\$43,163,967</b>	