



The Villages

Sumter Water Conservation Authority LLC Irrigation System Valuation – Final Report

July 20, 2021





July 20, 2021

Mr. Robert L. Chandler IV
Director of Development
The Villages
3619 Kiessel Road
The Villages, FL 32163

Re: SWCA Irrigation System
Valuation – Final Report

Dear Mr. Chandler,

Stantec Consulting Services Inc. is pleased to present this Final Report of the Sumter Water Conservation Authority Irrigation System Valuation performed for The Villages. We appreciate the fine assistance provided by you and all members of your Staff who participated in the study.

If you or others at the Villages have any questions, please do not hesitate to call me at (813) 204-3311 or email me at jeffrey.dykstra@stantec.com. We appreciate the opportunity to be of service to The Villages and look forward to the possibility of doing so again in the near future.

Sincerely,

Jeff Dykstra
Managing Consultant

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Enclosure

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1. BACKGROUND

The Villages intends to sell its ownership of the Sumter Water Conservation Authority, LLC (“SWCA”, “Utility”). On June 17, 2021 Sumter Water Conservation Authority, LLC and North Sumter County Utility Dependent District (“District”) entered into an agreement for the purchase and sale of the non-potable irrigation and fire protection water service system. In accordance with Section 4, “Purchase Price; Payment”, of the purchase agreement, The Villages retained the services of Stantec to provide it with a valuation for SWCA. This report describes the detailed approach taken to complete this valuation, as well as the results of the analysis.

2. IRRIGATION SYSTEM VALUATION ANALYSIS APPROACH

Section 4 “Purchase Price; Payment” of the signed Agreement for Purchase and Sale (“agreement”) states: *“Both Seller and Purchaser shall each select a separate valuation firm.”* Additionally, *“Each Valuation shall be prepared by establishing a gross valuation based upon the income approach of valuation.”* The income approach calculates the net present value of income available for debt service, net of debt service coverage, and contributions to a Renewal & Replacement Fund (R&R fund). As such, the valuation discussed herein reflects a projection of annual revenues, net of projected annual expenses, such that projected annual income is calculated for 30 years (FY 2022 thru FY 2051)¹.

2.1 DATA SOURCE & ASSUMPTIONS

2.1.1 Revenues

Operating Revenues

Projected annual operating revenues started with connections in service as of December 2020, since the last year of finalized results for SWCA, was for the period twelve months ending December 2020. Operating revenues include both existing revenues from non-potable irrigation and fire service customers and estimated revenues from new irrigation customers.

¹ Fiscal Year assumes October 1 through September 30.

Revenues from Existing Non-Potable Irrigation and Fire Service Customers

FY 2021 revenues from existing non-potable irrigation and fire service reflect SWCA's FY 2020 reported amounts to reflect continuation of service to these connections during the projection period. Starting in FY 2022, revenues from existing customers are assumed to increase by 2.50% annually through FY 2031 and 1.75% annually thereafter. These adjustments reflect assumed annual rate adjustments.

Historically, SWCA has reported metered residential construction irrigation and CIAC revenues. These revenues are non-recurring in nature and have been removed from the valuation.

Miscellaneous Revenues

In FY 2020, SWCA reported miscellaneous revenue related to reconnection fees of \$5,789. The analysis assumes these revenues will continue annually at that level throughout the projection period.

Revenues from New Irrigation Customers

As part of the analysis, staff provided Stantec with the Draft Preliminary Engineer's report and supporting documentation identifying the remaining projects to be completed for the build-out of the system and supports the anticipated connections in the service area. Schedule 2 of the Appendix presents a summary of the total anticipated connections in Equivalent Residential Units (ERU) and anticipated demand by project under construction/development per the engineer's report. It should be noted that the SWCA system is essentially built-out and only 9 commercial connections remain.

Based upon the number of expected ERUs per project, as well as the engineer's projected usage demand, Stantec calculated annual projected revenues per project. Total projected revenues from all projects under construction reflect \$19,925 of additional revenue, once all such projects are fully connected and operational. Detailed calculations of base charges and volumetric charges are presented in Schedule 3 of the Appendix.

Lastly, staff provided Stantec with anticipated timing of revenues from each project under construction, based on their understanding of when the project construction will be complete and fully operational. All connections and associated revenues from new connection are anticipated by FY 2026. For additional details, see Schedule 4 of the Appendix.

2.1.2 Expenses

Operating Expenses

Operating expenses reflect operating costs as reported by SWCA in FY 2020 and include contract services, operating supplies, professional fees, utilities expense, general maintenance, equipment maintenance, taxes, and insurance. It is assumed that all operating costs, except the real estate tax, will continue after ownership transitions to the District once the utility transfer takes effect.

Upon review of SWCA's FY 2020 financial reports and supporting detail, Stantec identified \$42,901 of contract services related expenses that were booked in equipment maintenance accounts. As such, these were reclassified as contract services from equipment maintenance.

Starting in FY 2021 and through the remainder of the projection, all expenses except contract services are assumed to increase by 2.50% annually, reflecting annual inflation. Contract services expense increases at an assumed inflationary cost of 3.00% annually.

Other Non-Operating Expenses

In FY 2020, SWCA reported non-operating expenses inclusive of depreciation expense and interest expense. Further discussion of how the analysis handles each is presented below:

Depreciation Expenses

Depreciation expense has been excluded as an expense of the Utility because depreciation is a non-cash item and is typically excluded as part of calculation of revenue requirements for a utility valuation analysis.

Interest Expense

SWCA has an internal outstanding loan to associated companies with interest costs in FY 2020 of \$433,968. Because this loan will not be a liability of the District as the purchaser, the analysis assumes that the interest expense is not an expense to the District going forward, and as such, is removed from the analysis and from the calculation of annual income.

2.1.3 Contributions to Renewal & Replacement (R&R)

In order to provide non-potable irrigation and fire service, utilities have to maintain sizable and expensive infrastructure investments. Assets require constant renewal and replacement so that they can achieve their useful lives. Given this dynamic, utilities are often required by bond covenants, established at the time of the bond issuance, to invest a portion of annual operating revenues in the renewal and replacement of assets.

As such, out of the net income available for senior debt service coverage, the analysis assumes that the Utility will invest approximately 4.20% of net income and an additional 4.20% of net funds available for junior debt service annually, in a renewal and replacement fund, and those funds are intended to be used for asset renewal. This assumption is applied in all subsequent years of the projections period so that the total funds equal approximately \$11 million over the projection period.

2.1.4 Income Available for Senior Lien Debt Service Net of Debt Service Coverage

Annual income available for debt service is equal to projected annual revenues less projected annual expenses and R&R as herein described. From FY 2022 through FY 2031, annual income available for

senior debt service ranges from \$5.3 million to \$6.6 million, with an average of approximately \$6.0 million for that same period.

Senior Lien Debt Service Coverage

Debt service coverage is a measure of a Utility's cash flow strength and provides insight as to how much of a Utility's cash flow is available to cover that utility's debt service. It is represented as a factor of Net Income Available for Debt Service ÷ Annual Debt Service Expense (principal and interest expense). The analysis assumes the minimum requirement of 1.20x annual debt service for senior lien debt. As such, once annual income available for debt service is identified, the analysis reflects an annual reduction to annual income available for debt service to exclude the coverage amount. For example, in FY 2022 projected income available for debt service is \$5.3 million, yet when the amount associated with the required debt service coverage amount of \$0.9 million is subtracted, net income available for debt service net of debt service coverage is \$4.4 million as summarized in Table 1. Schedule 7 of the Appendix presents the annual income available for senior debt service during the projection period.

Table 1 Calculation of Income Available for Senior Debt Service

	FY 2022
Net Income	\$5,562,811
Less: Contribution to Renewal and Replacement Fund (4.2% of Net Income)	(\$233,638)
Income Available for Debt Service	5,329,173
Less: Senior Lien Debt Service Coverage of 1.2x	(\$888,195)
Equals: Income Available for Senior Lien Debt Service (Net of Debt Service Coverage)	\$4,440,977

2.1.5 Income Available for Junior Lien Debt Service Net of Debt Service Coverage

After the payment of senior lien debt service and annual contributions to the R&R fund, the Utility is projected to generate surplus cash flow. In FY 2022, the surplus cash flow is \$0.9 million. Given the cash flow surplus, the analysis assumes that the Utility can commit those funds to payments of a junior lien debt issuance, in addition to the senior lien issuance described in Section 2.1.4 of this report.

The analysis assumes as minimum debt service coverage requirement of 1.05x annual debt service for junior lien debt. As such, the analysis reflects a reduction to surplus cash flow of \$0.04 million for debt

service coverage and an additional \$0.04 million (4.2% of Funds Available for Junior Debt Service) contributed to R&R, such that for FY 2022, the net surplus cash flow is available for junior lien debt service is \$0.8 million. Schedule 7 presents the annual income available for junior debt service during the projection period.

Table 2 Calculation of Income Available for Junior Debt Service

	FY 2022
Surplus Net Income (Income available after payment of senior lien debt service or Senior Lien Debt Service Coverage of 1.2x from Table 1)	\$888,195
Less: Junior Lien Debt Service Coverage 1.05x	(\$42,295)
Less: Contributions to R&R (4.2% of Surplus Net Income)	(\$37,304)
Equals: Income Available for Junior Lien Debt Service (Net of Junior and Senior Lien Debt Service Coverages and Contributions to R&R)	\$808,596

2.2 RESULTS

As previously stated, the income approach calculates the net present value of income available for debt service, net of debt service coverage and contributions to an R&R fund. Section 2.1.4. provides that in FY 2022, income available for the payment of senior lien debt service, after an allowance for debt service coverage, is \$4.4 million. Section 2.1.5 provides that in FY 2022, income available for the payment of junior

lien debt service, after an allowance for debt service coverage and additional R&R contribution, is \$0.8 million. For the annual income available for senior lien and junior lien debt service, the analysis calculates a net present value for the 30-year period (FY 2022 thru FY 2051) using a discount rate of 3.40% and generally reflects an estimate for the weighted True Interest Cost (TIC) associated with acquisition debt.

The net present value of all 30 senior lien payments is equal to \$107.4 million and the net present value of the junior lien is equal to \$19.6 million. The sum of the two values is equal to \$127.1 million, which represents the combined par value of both the senior and junior lien debt issuance.

Given a reduction to the par value for the cost of issuance 2.0% of par, the underwriters discount of 0.75% of par, and a debt service reserve equal to one year of annual debt service, the total calculated net value of the Utility is equal to \$116.75 million as is presented Figure 1 below.

Figure 1 Utility's Calculated Value

		Acquisition Debt Calculation		Senior Lien	Junior Lien
Par Value of Acquisition Debt		\$ 127,068,565		\$ 107,496,087	\$ 19,572,478
Less: Cost of Issuance	2.00%	\$ (2,541,371)		\$ (2,149,922)	\$ (391,450)
Less: Underwriters Discount	0.75%	\$ (953,014)		\$ (806,221)	\$ (146,794)
Less: DS Reserve Fund	1.0	\$ (6,822,598)		\$ (5,771,708)	\$ (1,050,891)
Acquisition Fund		\$ 116,751,581		\$ 98,768,237	\$ 17,983,344

The Appendix includes detailed schedules presenting all components of the valuation analysis developed for SWCA.

It is important to note that the projections of future conditions underlying this analysis are not intended to be predictions. Applicable to many utility funds, there are multiple factors beyond the Utility's control, such as i) weather, ii) regulatory changes, iii) national, regional, and local economic conditions, iv) the rate of growth in demand for the funds services, v) annual change in demand, and vi) operating and capital cost inflation, that may have material impacts on the future financial condition of the Utility's operations. Further, the projections in this Study rely upon data and guidance provided by Staff during the course of the Study, and while the information utilized in this Study is believed to be reliable, detailed independent reviews or auditing of the data were not conducted.

As a result, there will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. While we have no responsibility to update this report for events and circumstances occurring after the date of this report, future management actions must be informed by and adjusted to reflect future results as they occur. These comments are provided to emphasize the importance of active management informed by the actual future results of fund operations by the Utility.

Disclaimer

This document was produced by Stantec Consulting Services, Inc. (“Stantec”) for The Villages – Sumter Water Conservation Authority LLC (“Utility”) and is based on a specific scope agreed upon by both parties. Stantec’s scope of work and services do not include serving as a “municipal advisor” for purposes of the registration requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) or the municipal advisor registration rules issued by the Securities and Exchange Commission. Stantec is not advising the Utility, or any municipal entity or other person or entity, regarding municipal financial products or the issuance of municipal securities, including advice with respect to the structure, terms, or other similar matters concerning such products or issuances.

In preparing this report, Stantec utilized information and data obtained from the Utility or public and/or industry sources. Stantec has relied on the information and data without independent verification, except only to the extent such verification is expressly described in this document. Any projections of future conditions presented in the document are not intended as predictions, as there may be differences between forecasted and actual results, and those differences may be material.

Additionally, the purpose of this document is to summarize Stantec’s analysis and findings related to this project, and it is not intended to address all aspects that may surround the subject area. Therefore, this document may have limitations, assumptions, or reliances on data that are not readily apparent on the face of it. Moreover, the reader should understand that Stantec was called on to provide judgments on a variety of critical factors which are incapable of precise measurement. As such, the use of this document and its findings by the Utility should only occur after consultation with Stantec, and any use of this document and findings by any other person is done so entirely at their own risk.

APPENDIX: SUPPORTING SCHEDULES

Schedules to Determine Revenue Attributed to Contracted Growth:

- Schedule 1 Schedule of Current Non-Potable Irrigation and Fire Protection Rates (used to develop projections of additional revenue from future new development)
- Schedule 2 Summary of Non-Residential Development
- Schedule 3 Estimated Revenues from New Non-Potable Irrigation Service (calculation of projected revenue from new development based on the rates in Schedule 1 and level of service and demands from Schedule 2)
- Schedule 4 Estimated Timing of Revenues from Growth (timing of when the new customers are expected to begin paying SWCA Irrigation rates)

Schedules to Determine Net Present Value of Income Available for Debt Service and Utility Valuation:

- Schedule 5 Historical Reported Annual Financial Results (FY 2018 - FY 2020)
- Schedule 6 Projected Annual Cash Flows (30 years of cash flow projections including growth assumptions from Schedule 4)
- Schedule 7 Net Present Value of Projected Debt Service Payments (net present value of projected cash flows detailed in Schedule 6)

Schedule of Current Rates**Schedule 1**

In Effect as of:

10/1/2021**IRRIGATION RATES - Residential**

Meter Sizes	Monthly Base Charge
5/8" x 3/4"	\$ 8.38
3/4" x 3/4"	\$ 12.58
1"	\$ 20.96

PRIVATE FIRE PROTECTION SERVICE

Meter Sizes	Monthly Base Charge
3"	\$ 48.48
4"	\$ 75.77
6"	\$ 151.53
8"	\$ 242.44
10"	\$ 348.52

Irrigation Volumetric Rates - Residential

Charge per 1,000 Gals

0 - 7,000 Gals	\$ 2.30
7,001 - 14,000 Gals	\$ 3.84
> 14,001 Gals	\$ 5.32

Schedule of Current Rates**Schedule 1**

In Effect as of:

10/1/2021**IRRIATION RATES - Commercial General Service**

Meter Sizes	Monthly Base Charge
5/8 x 3/4"	\$ 8.38
3/4 x 3/4"	\$ 12.58
1"	\$ 20.96
1-1/2"	\$ 41.92
2"	\$ 67.08
3"	\$ 134.14
4"	\$ 209.60
6"	\$ 419.20
8"	\$ 670.73
10"	\$ 964.18

Irrigation Volumetric Rates - Commercial General Service

Charge per 1,000 Gals	
0 - 30,000 Gals/Month	
0 - 30,000 Gals	\$ 2.30
30,001 - 60,000 Gals	\$ 3.84
> 60,000 Gals	\$ 5.32
30,001 - 150,000 Gals/Month	
0 - 150,000 Gals	\$ 2.30
150,001 - 300,000 Gals	\$ 3.84
> 300,000 Gals	\$ 5.32
150,001 - 300,000 Gals/Month	
0 - 300,000 Gals	\$ 2.30
300,001 - 600,000 Gals	\$ 3.84
> 600,000 Gals	\$ 5.32

IRRIATION RATES - Commercial Bulk Service

Meter Sizes	Monthly Base Charge
*All Commercial customers pay the monthly base charge scaled by meter size for general irrigation service	

Irrigation Volumetric Rates - Commercial Bulk Service

Charge per 1,000 Gals	
300,000 - 600,000 Gals/Month	
0 - 600,000 Gals	\$ 1.35
600,001 - 1,200,000 Gals	\$ 2.28
> 1,200,000 Gals	\$ 3.17
600,001 - 1,500,000 Gals/Month	
0 - 1,500,000 Gals	\$ 1.35
1,500,001 - 3,000,000 Gals	\$ 2.28
> 3,000,000 Gals	\$ 3.17
1,500,001 - 3,000,000 Gals/Month	
0 - 3,000,000 Gals	\$ 1.35
3,000,001 - 6,000,000 Gals	\$ 2.28
> 6,000,000 Gals	\$ 3.17

IRRIATION RATES - Commercial Low Bulk Service

Meter Sizes	Monthly Base Charge
*All Commercial customers pay the monthly base charge scaled by meter size for general irrigation service	

Irrigation Volumetric Rates - Commercial Low Bulk Service

Charge per 1,000 Gals	
0 - 10,000,000 Gals/Month	
0 - 10,000,000 Gals	\$ 0.36
10,000,001 - 20,000,000 Gals	\$ 0.63
> 20,000,000 Gals	\$ 0.87
10,000,001 - 15,000,000 Gals/Month	
0 - 15,000,000 Gals	\$ 0.36
15,000,001 - 30,000,000 Gals	\$ 0.63
> 30,000,000 Gals	\$ 0.87
15,000,001 - 17,000,000 Gals/Month	
0 - 17,000,000 Gals	\$ 0.36
17,000,001 - 34,000,000 Gals	\$ 0.63
> 34,000,000 Gals	\$ 0.87
17,000,001 - 28,000,000 Gals/Month	
0 - 28,000,000 Gals	\$ 0.36
28,000,001 - 56,000,000 Gals	\$ 0.63
> 56,000,000 Gals	\$ 0.87

Summary of Non-Residential Development ¹

Schedule 2

	Number of Meters	Equivalency Factor	Equivalent Residential Units (ERU)	Utilization in Gallons Per Month
Brownwood				
Irrigation				
Number of Commercial meters				
1"	1	2.5	2.5	61,260
Total	1		2.5	61,260

Lake Deaton Plaza				
Irrigation				
Number of Commercial meters				
1"	4	2.5	10.0	199,163
1-1/2"	2	5.0	10.0	220,521
Total	6		20.0	419,683

Pinellas Plaza				
Irrigation				
Number of Commercial meters				
1-1/2"	2	5.0	10.0	123,552
Total	2		10.0	123,552

	# of Meters	# Fire Meter	ERUs	Gallons
Irrigation Totals	9	0	32.5	604,495
Fire Meter Total	0	0	0.0	0
Grand Total	9	0.0	32.5	604,495

¹ Schedule reflects the number of meters and demand assumptions as presented by Staff and within the Draft Preliminary Engineer's Report

Estimated Revenues from New Non-Potable Irrigation Service**Schedule 3**

Project Name	ERU Count By Project ¹	Anticipated Monthly Demand ²	Monthly Base Charge Per ERU	General Service Per 1,000 gallons	Estimated Annual Base Revenues	Estimated Annual Volumetric Revenues
Brownwood³ <i>Irrigation</i>	2.5	61,260	\$8.38	\$2.30	\$252	\$1,688
Lake Deaton Plaza³ <i>Irrigation</i>	20.0	419,683	\$8.38	\$2.30	\$2,012	\$11,563
Pinellas Plaza³ <i>Irrigation</i>	10.0	123,552	\$8.38	\$2.30	\$1,006	\$3,404
Total Projected Revenues					\$3,270	\$16,655

¹ Equivalent Residential Units (ERU's) count details provided in Schedule 2 of this report.

² Anticipated daily utilization detailed in Schedule 2 of this report.

³ Each project follows the Commercial General Service rate schedule within the 30,001 - 150,000 gallons/month usage tier found on Schedule 1.

Estimated Timing of Revenues From Growth ¹

Schedule 4

Project Name	Estimated Annual Revenue By Project ²	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Brownwood							
Irrigation Base Rate Revenues	\$252				\$252	\$252	\$252
Irrigation Usage Revenues	\$1,688				\$1,688	\$1,688	\$1,688
Fire Revenues	\$0						
Lake Deaton Plaza							
Irrigation Base Rate Revenues	\$2,012			\$2,012	\$2,012	\$2,012	\$2,012
Irrigation Usage Revenues	\$11,563			\$11,563	\$11,563	\$11,563	\$11,563
Fire Revenues	\$0						
Pinellas Plaza							
Irrigation Base Rate Revenues	\$1,006						\$1,006
Irrigation Usage Revenues	\$3,404						\$3,404
Fire Revenues	\$0						
		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Irrigation Base Rate Revenues	\$3,270	\$0	\$0	\$2,012	\$2,264	\$2,264	\$3,270
Irrigation Usage Revenues	\$16,655	\$0	\$0	\$11,563	\$13,251	\$13,251	\$16,655
Fire Meter Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Estimated New Revenue by Fiscal Year ³	\$19,925	\$0	\$0	\$13,575	\$15,515	\$15,515	\$19,925

¹ Estimated timing of revenues provided by staff at The Villages.

² Estimated project revenues are detailed in Schedule 3 of this report.

³ Revenues are calculated using the existing FY 21 rate schedule as presented in Schedule 1.

Historical Reported Annual Financial Results**Schedule 5**

	FY 2018	FY 2019	FY 2020	FY 2021 Jan - May
Water Revenues				
Metered Resid. Irrigation Re	5,802,047	6,407,714	6,429,421	2,609,015
Metered Comm. Irrigation Rev	293,300	273,165	249,585	105,016
Fire Protection Revenue	68,406	71,267	86,044	40,089
Comm Bulk Irrigation Revenue	125,437	151,274	156,848	62,806
Bulk Glf Crs Irrg Revenue	205,924	214,292	202,277	72,206
Metered Res Constr Irrg Reve	48,840	34,949	75	254
Misc Revenue - Reconnect Fee	6,232	7,890	5,789	2,115
CIAC Residential	161,250	143,284	26,250	16,500
CIAC Comm High Pressure	-	-	233,123	-
CIAC Meters	52,030	10,260	12,980	5,324
Total Water Operating Revenue	\$ 6,763,466	\$ 7,314,095	\$ 7,402,392	\$ 2,913,325
Water Operating Expenses				
Contract Services	479,215	455,889	553,135	267,712
Insurance - General	21,387	21,387	21,387	8,910
Operating supplies	38,974	69,852	58,575	11,036
Professional fees	519,453	516,540	534,570	239,738
Taxes & licenses	139	189	139	139
Utilities expense	336,040	388,353	351,244	139,881
Maint - general	21,250	16,549	16,714	3,402
Maint. - Equipment	48,850	73,754	119,568	109,948
Promotions - Not Tax Ded	1,000	-	-	-
Real estate tax	1,045	1,248	1,451	605
Total Water Operating Expenses	\$ 1,467,353	\$ 1,543,761	\$ 1,656,783	\$ 781,371

Cash Flow Projection & Valuation Analysis

	FY 2020	Adjustments	Escalation Factor	FY 2021
Annual Rate Increase Percentage				0.00%
<u>Revenues From Existing Customers</u>				
Metered Resid. Irrigation Re	6,429,421			6,429,421
Metered Comm. Irrigation Rev	249,585			249,585
Fire Protection Revenue	86,044			86,044
Comm Bulk Irrigation Revenue	156,848			156,848
Bulk Gf Crs Irrg Revenue	202,277			202,277
Metered Res Constr Irrg Reve	75	(75)		-
Misc Revenue - Reconnect Fee	5,789			5,789
CIAC Residential	26,250	(26,250)		-
CIAC Comm High Pressure	233,123	(233,123)		-
CIAC Meters	12,980	(12,980)		-
<u>Estimated Revenues From Projected Growth</u>				
Irrigation Base Rate Revenues				-
Irrigation Usage Revenues				-
Fire Meter Revenues				-
Total Operating Revenues	7,402,392			7,129,964
<u>Operating Expenses</u>				
Contract Services	553,135	42,901	Contract Services	613,917
Insurance - General	21,387		Default	21,922
Operating supplies	58,575		Default	60,039
Professional Fees	534,570		Default	547,934
Taxes & Licenses	139		Default	142
Utilities Expense	351,244		Default	360,025
Maint - General	16,714		Default	17,132
Maint. - Equipment	119,568	(42,901)	Default	78,583
Promotions - Not Tax Ded	-		Default	-
Real Estate Tax	1,451	(1,451)	Default	-
Total Operating Expenses	1,656,783			1,699,695
Total Utility Operating Income	4,557,957			5,430,269

Cash Flow Projection & Valuation Analysis

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Annual Rate Increase Percentage	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<u>Revenues From Existing Customers</u>										
Metered Resid. Irrigation Re	6,590,157	6,754,910	6,923,783	7,096,878	7,274,300	7,456,157	7,642,561	7,833,625	8,029,466	8,230,202
Metered Comm. Irrigation Rev	255,825	262,220	268,776	275,495	282,383	289,442	296,678	304,095	311,697	319,490
Fire Protection Revenue	88,195	90,400	92,660	94,976	97,351	99,785	102,279	104,836	107,457	110,144
Comm Bulk Irrigation Revenue	160,769	164,788	168,908	173,131	177,459	181,896	186,443	191,104	195,882	200,779
Bulk Glf Crs Irrg Revenue	207,334	212,517	217,830	223,276	228,858	234,579	240,444	246,455	252,616	258,932
Metered Res Constr Irrg Reve	-	-	-	-	-	-	-	-	-	-
Misc Revenue - Reconnect Fee	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789
CIAC Residential	-	-	-	-	-	-	-	-	-	-
CIAC Comm High Pressure	-	-	-	-	-	-	-	-	-	-
CIAC Meters	-	-	-	-	-	-	-	-	-	-
<u>Estimated Revenues From Projected Growth</u>										
Irrigation Base Rate Revenues	-	2,114	2,438	2,499	3,700	3,792	3,887	3,984	4,084	4,186
Irrigation Usage Revenues	-	12,148	14,270	14,627	18,844	19,315	19,798	20,293	20,800	21,320
Fire Meter Revenues	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	7,308,068	7,504,888	7,694,454	7,886,671	8,088,682	8,290,755	8,497,879	8,710,181	8,927,791	9,150,841
<u>Operating Expenses</u>										
Contract Services	632,335	651,305	670,844	690,969	711,698	733,049	755,041	777,692	801,023	825,054
Insurance - General	22,470	23,031	23,607	24,197	24,802	25,422	26,058	26,709	27,377	28,062
Operating supplies	61,540	63,079	64,656	66,272	67,929	69,627	71,368	73,152	74,981	76,855
Professional Fees	561,633	575,673	590,065	604,817	619,937	635,436	651,322	667,605	684,295	701,402
Taxes & Licenses	146	150	153	157	161	165	169	174	178	182
Utilities Expense	369,026	378,251	387,708	397,400	407,335	417,519	427,957	438,656	449,622	460,863
Maint - General	17,560	17,999	18,449	18,910	19,383	19,868	20,364	20,873	21,395	21,930
Maint. - Equipment	80,548	82,562	84,626	86,741	88,910	91,133	93,411	95,746	98,140	100,593
Promotions - Not Tax Ded	-	-	-	-	-	-	-	-	-	0
Real Estate Tax	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,745,257	1,792,051	1,840,108	1,889,465	1,940,157	1,992,219	2,045,690	2,100,607	2,157,011	2,214,941
Total Utility Operating Income	5,562,811	5,712,837	5,854,346	5,997,205	6,148,526	6,298,536	6,452,189	6,609,574	6,770,780	6,935,900

Cash Flow Projection & Valuation Analysis

	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041
Annual Rate Increase Percentage	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
<u>Revenues From Existing Customers</u>										
Metered Resid. Irrigation Re	8,374,231	8,520,780	8,669,894	8,821,617	8,975,995	9,133,075	9,292,904	9,455,530	9,621,001	9,789,369
Metered Comm. Irrigation Rev	325,081	330,770	336,558	342,448	348,441	354,539	360,743	367,056	373,480	380,016
Fire Protection Revenue	112,071	114,032	116,028	118,058	120,124	122,227	124,366	126,542	128,756	131,010
Comm Bulk Irrigation Revenue	204,292	207,867	211,505	215,206	218,973	222,805	226,704	230,671	234,708	238,815
Bulk Glf Crs Irrg Revenue	263,463	268,074	272,765	277,538	282,395	287,337	292,365	297,482	302,688	307,985
Metered Res Constr Irrg Reve	-	-	-	-	-	-	-	-	-	-
Misc Revenue - Reconnect Fee	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789
CIAC Residential	-	-	-	-	-	-	-	-	-	-
CIAC Comm High Pressure	-	-	-	-	-	-	-	-	-	-
CIAC Meters	-	-	-	-	-	-	-	-	-	-
<u>Estimated Revenues From Projected Growth</u>										
Irrigation Base Rate Revenues	4,259	4,334	4,409	4,487	4,565	4,645	4,726	4,809	4,893	4,979
Irrigation Usage Revenues	21,693	22,073	22,459	22,852	23,252	23,659	24,073	24,494	24,923	25,359
Fire Meter Revenues	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	9,310,879	9,473,719	9,639,407	9,807,996	9,979,534	10,154,075	10,331,670	10,512,373	10,696,238	10,883,321
<u>Operating Expenses</u>										
Contract Services	849,805	875,299	901,558	928,605	956,463	985,157	1,014,712	1,045,153	1,076,508	1,108,803
Insurance - General	28,553	29,052	29,561	30,078	30,604	31,140	31,685	32,239	32,804	33,378
Operating supplies	78,200	79,569	80,961	82,378	83,820	85,287	86,779	88,298	89,843	91,415
Professional Fees	713,677	726,166	738,874	751,804	764,961	778,348	791,969	805,828	819,930	834,279
Taxes & Licenses	186	189	192	195	199	202	206	210	213	217
Utilities Expense	468,928	477,134	485,484	493,980	502,624	511,420	520,370	529,477	538,742	548,170
Maint - General	22,314	22,704	23,102	23,506	23,917	24,336	24,762	25,195	25,636	26,085
Maint. - Equipment	102,354	104,145	105,968	107,822	109,709	111,629	113,582	115,570	117,592	119,650
Promotions - Not Tax Ded	0	-	-	-	-	-	-	-	-	-
Real Estate Tax	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,264,016	2,314,259	2,365,700	2,418,369	2,472,298	2,527,519	2,584,065	2,641,970	2,701,269	2,761,997
Total Utility Operating Income	7,046,863	7,159,460	7,273,708	7,389,627	7,507,236	7,626,556	7,747,605	7,870,403	7,994,969	8,121,323

Cash Flow Projection & Valuation Analysis

Schedule 6

	FY 2042	FY 2043	FY 2044	FY 2045	FY 2046	FY 2047	FY 2048	FY 2049	FY 2050	FY 2051
Annual Rate Increase Percentage	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
<u>Revenues From Existing Customers</u>										
Metered Resid. Irrigation Re	9,960,683	10,134,995	10,312,357	10,492,824	10,676,448	10,863,286	11,053,393	11,246,828	11,443,647	11,643,911
Metered Comm. Irrigation Rev	386,666	393,432	400,317	407,323	414,451	421,704	429,084	436,593	444,233	452,007
Fire Protection Revenue	133,302	135,635	138,009	140,424	142,881	145,382	147,926	150,515	153,149	155,829
Comm Bulk Irrigation Revenue	242,994	247,247	251,574	255,976	260,456	265,014	269,651	274,370	279,172	284,057
Bulk Glf Crs Irrg Revenue	313,375	318,859	324,439	330,116	335,893	341,771	347,753	353,838	360,030	366,331
Metered Res Constr Irrg Reve	-	-	-	-	-	-	-	-	-	-
Misc Revenue - Reconnect Fee	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789	5,789
CIAC Residential	-	-	-	-	-	-	-	-	-	-
CIAC Comm High Pressure	-	-	-	-	-	-	-	-	-	-
CIAC Meters	-	-	-	-	-	-	-	-	-	-
<u>Estimated Revenues From Projected Growth</u>										
Irrigation Base Rate Revenues	5,066	5,155	5,245	5,337	5,430	5,525	5,622	5,720	5,820	5,922
Irrigation Usage Revenues	25,803	26,254	26,714	27,181	27,657	28,141	28,633	29,134	29,644	30,163
Fire Meter Revenues	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	11,073,678	11,267,366	11,464,443	11,664,970	11,869,005	12,076,612	12,287,851	12,502,787	12,721,485	12,944,009
<u>Operating Expenses</u>										
Contract Services	1,142,067	1,176,329	1,211,619	1,247,968	1,285,407	1,323,969	1,363,688	1,404,598	1,446,736	1,490,139
Insurance - General	33,962	34,556	35,161	35,776	36,402	37,039	37,688	38,347	39,018	39,701
Operating supplies	93,015	94,643	96,299	97,984	99,699	101,444	103,219	105,025	106,863	108,733
Professional Fees	848,879	863,734	878,850	894,229	909,878	925,801	942,003	958,488	975,261	992,328
Taxes & Licenses	221	225	229	233	237	241	245	249	254	258
Utilities Expense	557,763	567,524	577,456	587,561	597,844	608,306	618,951	629,783	640,804	652,018
Maint - General	26,541	27,006	27,478	27,959	28,448	28,946	29,453	29,968	30,493	31,026
Maint. - Equipment	121,744	123,875	126,042	128,248	130,493	132,776	135,100	137,464	139,870	142,317
Promotions - Not Tax Ded	-	-	-	-	-	-	-	-	-	-
Real Estate Tax	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,824,192	2,887,892	2,953,134	3,019,959	3,088,408	3,158,522	3,230,346	3,303,923	3,379,300	3,456,521
Total Utility Operating Income	8,249,485	8,379,474	8,511,309	8,645,011	8,780,598	8,918,089	9,057,505	9,198,864	9,342,185	9,487,488

Schedule 7 Net Present Value of Projected Debt Service Payments

		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Less Contributions to Renewal & Replacement	4.20%	228,071	233,638	239,939	245,883	251,883	258,238	264,538	270,992	277,602	284,373	291,308	295,968
	Senior DSC Requirement												
Funds Available for Senior Debt Service		5,202,197	5,329,173	5,472,898	5,608,463	5,745,323	5,890,288	6,033,997	6,181,197	6,331,972	6,486,407	6,644,592	6,750,895
Debt Service Coverage	1.20	867,033	888,195	912,150	934,744	957,554	981,715	1,005,666	1,030,200	1,055,329	1,081,068	1,107,432	1,125,149
Net Funds Available for Debt Service		4,335,164	4,440,977	4,560,749	4,673,719	4,787,769	4,908,573	5,028,331	5,150,998	5,276,643	5,405,339	5,537,160	5,625,746
Net Present Value of NFADS ¹													
\$107,496,087													
	Junior DSC Requirement												
Funds Available for Junior Debt Service		867,033	888,195	912,150	934,744	957,554	981,715	1,005,666	1,030,200	1,055,329	1,081,068	1,107,432	1,125,149
Debt Service Coverage	1.05	41,287	42,295	43,436	44,512	45,598	46,748	47,889	49,057	50,254	51,479	52,735	53,579
Less: Contributions to Renewal and Replacement	4.20%	36,415	37,304	38,310	39,259	40,217	41,232	42,238	43,268	44,324	45,405	46,512	47,256
Net Funds Available for Debt Service		789,330	808,596	830,404	850,973	871,739	893,734	915,539	937,874	960,751	984,184	1,008,185	1,024,314
Net Present Value of NFADS ¹													
\$19,572,478													

¹ Net present value of NFADS represents the sum of net present values from FY 22 - FY 51

		FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042
Less Contributions to Renewal & Replacement	4.20%	300,697	305,496	310,364	315,304	320,315	325,399	330,557	335,789	341,096	346,478
	Senior DSC Requirement										
Funds Available for Senior Debt Service		6,858,762	6,968,212	7,079,262	7,191,932	7,306,241	7,422,205	7,539,846	7,659,180	7,780,228	7,903,007
Debt Service Coverage	1.20	1,143,127	1,161,369	1,179,877	1,198,655	1,217,707	1,237,034	1,256,641	1,276,530	1,296,705	1,317,168
Net Funds Available for Debt Service		5,715,635	5,806,843	5,899,385	5,993,277	6,088,534	6,185,171	6,283,205	6,382,650	6,483,523	6,585,839
Net Present Value of NFADS ¹											
\$107,496,087											
	Junior DSC Requirement										
Funds Available for Junior Debt Service		1,143,127	1,161,369	1,179,877	1,198,655	1,217,707	1,237,034	1,256,641	1,276,530	1,296,705	1,317,168
Debt Service Coverage	1.05	54,435	55,303	56,185	57,079	57,986	58,906	59,840	60,787	61,748	62,722
Less: Contributions to Renewal and Replacement	4.20%	48,011	48,777	49,555	50,344	51,144	51,955	52,779	53,614	54,462	55,321
Net Funds Available for Debt Service		1,040,681	1,057,288	1,074,138	1,091,233	1,108,577	1,126,172	1,144,022	1,162,129	1,180,495	1,199,124
Net Present Value of NFADS ¹											
\$19,572,478											

¹ Net present value of NFADS represents the sum of net present values from FY 22 - FY 51

Schedule 7 Net Present Value of Projected Debt Service Payments

		FY 2043	FY 2044	FY 2045	FY 2046	FY 2047	FY 2048	FY 2049	FY 2050	FY 2051
Less Contributions to Renewal & Replacement	4.20%	351,938	357,475	363,090	368,785	374,560	380,415	386,352	392,372	398,474
	Senior DSC Requirement									
Funds Available for Senior Debt Service		8,027,536	8,153,834	8,281,920	8,411,812	8,543,529	8,677,090	8,812,511	8,949,813	9,089,013
Debt Service Coverage	1.20	1,337,923	1,358,972	1,380,320	1,401,969	1,423,922	1,446,182	1,468,752	1,491,636	1,514,836
Net Funds Available for Debt Service		6,689,613	6,794,862	6,901,600	7,009,844	7,119,608	7,230,908	7,343,759	7,458,178	7,574,178
Net Present Value of NFADS ¹										
\$107,496,087										
	Junior DSC Requirement									
Funds Available for Junior Debt Service		1,337,923	1,358,972	1,380,320	1,401,969	1,423,922	1,446,182	1,468,752	1,491,636	1,514,836
Debt Service Coverage	1.05	63,711	64,713	65,730	66,760	67,806	68,866	69,941	71,030	72,135
Less: Contributions to Renewal and Replacement	4.20%	56,193	57,077	57,973	58,883	59,805	60,740	61,688	62,649	63,623
Net Funds Available for Debt Service		1,218,019	1,237,183	1,256,617	1,276,326	1,296,311	1,316,576	1,337,124	1,357,957	1,379,077
Net Present Value of NFADS ¹										
\$19,572,478										

¹ Net present value of NFADS represents the sum of net present values from FY 22 - FY 51

NPV Discount Rate

3.40%

Acquisition Debt Calculation

Par Value of Acquisition Debt		\$ 127,068,565
Less: Cost of Issuance	2.00%	\$ (2,541,371)
Less: Underwriters Discount	0.75%	\$ (953,014)
Less: DS Reserve Fund	1.0	\$ (6,822,598)
Acquisition Fund		\$ 116,751,581

Senior Lien Junior Lien

\$ 107,496,087	\$ 19,572,478
\$ (2,149,922)	\$ (391,450)
\$ (806,221)	\$ (146,794)
\$ (5,771,708)	\$ (1,050,891)
\$ 98,768,237	\$ 17,983,344