CITY OF PALM COAST, FLORIDA

CONSULTING ENGINEERING AND BOND FEASIBILITY REPORT

UTILITY SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2013

May 23, 2013

APPENDIX B

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PRMG
Public Resources Management Group, Inc.
Utility, Rate, Financial, and Management Consultants

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Public Resources Management Group, Inc.
Utility, Rate, Financial, and Management Consultants

May 23, 2013

The Honorable Mayor and
Members of the City Council
City of Palm Coast
264 Palm Coast Parkway N.E.
Palm Coast, FL 32137

Subject: **Consulting Engineering and Bond Feasibility Report – Utility System Improvement and Refunding Revenue Bonds, Series 2013**

Gentlemen:

Presented herein is our Consulting Engineering and Bond Feasibility Report (the "Report") for inclusion in the Official Statement that summarizes our analyses, studies and conclusions with regard to the proposal by the City of Palm Coast (the "City") to issue approximately $96,555,273[1] aggregate principal amount of Utility System Improvement and Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"). The City plans to issue the Series 2013 Bonds to: i) refund the outstanding Series 2003 Utility System Revenue Bonds, (the "Series 2003 Bonds") to achieve interest rate savings; ii) fund certain capital improvements to the water and wastewater system of the City; and iii) pay certain expenses related to the issuance and sale of the Series 2013 Bonds.

The primary purpose of this Report is to present a summary description of the water and wastewater system owned and operated by the City (the "System") and to summarize our financial projections of the System for the Fiscal Years ending September 30, 2013 through 2017 (the "Forecast Period") including the ability of the revenues derived from System operations to meet expenditure and funding obligations. As such, this Report includes, among other things, a discussion of: i) the System service area; ii) the facilities that comprise the System; iii) an assessment of the general condition of the facilities and compliance with regulatory and permit requirements; iv) projections of customer growth and capacity needs; v) the schedule of currently effective rates and fees for service; vi) the projects anticipated to be financed by the Series 2013 Bonds, as well as other sources; and vii) the recent historical and projected financial operating results of the System. The forecast of operating results include projections of the ability of the System to meet the rate covenant requirements pursuant to Resolution No. 2003-22 entitled the Master Utility System Bond Resolution adopted by the City Council on September 30, 2003, as amended and supplemented from time to time and as specifically amended and supplemented by a resolution anticipated to be adopted on May 21, 2013, prior to the issuance of the Series 2013

[1] Preliminary; subject to change.

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Bonds (collectively, the "Bond Resolution"), and which authorizes the issuance of the Series 2013 Bonds.

The financial projections in the Report, associated with the issuance of the Series 2013 Bonds, were based on discussions with and information provided by i) the management of the City; ii) the Financial Advisor to the City; as well as iii) certain assumptions and analyses made by us with respect to such financial projections. Capitalized, undefined terms used in this Report shall have the meaning ascribed thereto in the Bond Resolution.

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 and in conjunction with the following, we are of the opinion that:

1. Based upon general observations of the facilities, discussions with City staff, and a review of documents and reports filed with regulatory agencies, the existing facilities of the System appear to be in good condition. The System is adequately operated and maintained in accordance with prudent utility practice, is complying with all permitting and regulatory requirements, and can reasonably be expected to provide sufficient and reliable services to meet the existing requirements of the utility.

2. We see no impediments to the City's ability to secure and retain all permits necessary to operate and expand the System in the normal course of business.

3. The existing facilities of the System, together with planned renewals, replacements, and additions and improvements, can reasonably be expected to meet the projected requirements of the System, beyond the Fiscal Year ending September 30, 2017.

4. The System, taking into account expansion related improvements as discussed later in this Report, will provide sufficient capacity to comply with the regulatory requirements and to meet the anticipated service area needs beyond the five (5) Fiscal Year period ending September 30, 2017 based on the customer forecast assumed for the purposes of this Report.

5. The City's financial, administrative, and utility staff is capable of managing, operating, maintaining, and expanding the System as scheduled, needed, and required.

6. The City's Capital Improvement Plan (CIP) and the cost estimates recognized therein are reasonable, necessary and adequate to meet current regulatory and legal requirements, to provide reliable water and wastewater service to the City's customers, and to provide adequate reserve capacity for anticipated growth in customer connections reflected in this Report.

7. Assuming that the City continues to perform the necessary renewals and replacements to the System and continues to operate the System under prudent utility practices, it is anticipated that major improvements constructed from proceeds of the Series 2013 Bonds are expected to have a useful life in excess of the term of the Series 2013 Bonds.

8. Based on the Consulting Engineer's routine observations and investigations, nothing has come to the attention of the Consulting Engineer that lead them to believe that significant funds will be required for System improvements beyond that identified herein through Fiscal Year 2017. The financial forecast does recognize the need for the issuance of additional parity bonds in the Fiscal Year 2015 to finance a portion of the identified System capital improvement program. Subsequent to closing, should the City discover any additional capital needs, funding can be provided by increasing the Renewal, Replacement and Improvement Fund deposits, issuance of additional bonds, through developer contributions, or by increasing rates for monthly service.

9. The funds on deposit in the Series 2003 Bond Service Reserve Fund will be deposited into the Series 2013 Bonds Construction Fund and will be used to finance System capital improvements during the Forecast Period.

10. The projected growth in customers and usage of the System for the Forecast Period represents reasonable and attainable projections for the purposes of this Report and the corresponding revenues derived from such customers and usage are also considered to be reasonable and attainable.

11. The System Revenues for the Fiscal Years ending September 30, 2013 through 2017 under the City approved rates, coupled with the recognition of identified additional rate increases and cost of living (price) index adjustments, should be sufficient to: i) pay the Cost of Operation and Maintenance of the System; ii) pay the estimated debt service on the Outstanding Bonds, Series 2013 Bonds, the anticipated additional parity bonds, and the existing subordinate lien debt coming due in such years; iii) make the projected deposits necessary to meet the Renewal, Replacement and Improvement Fund Requirement which is available for additions, extensions, and improvements to the System; and iv) meet the rate covenants of the Bond Resolution.

12. The projected growth in the Cost of Operation and Maintenance represent reasonable projections for the purposes of this Report.

13. The existing rates for water and wastewater service are generally comparable to charges for similar service provided by other neighboring and coastal utilities located in Central and Northeast Florida. The anticipated rate adjustments as represented in this Report are not expected by the City to negatively affect the competitiveness of the City's monthly user rates over the Forecast Period.

14. The existing System Capital Facilities Fees are higher than the current comparable fees charged by neighboring utilities located in central and northeast Florida. PRMG considers the adopted Capital Facilities Fees to be cost-based, reasonable, and representative of the identified capital expenditures needs of the System as contained in the System's adopted capital improvement plan. Based on discussions with Utility Department staff, the application of the Capital Facilities Fees is not expected to negatively affect System growth.

The ability of the System to meet the Bond Service requirement and comply with the rate covenants of the Bond Resolution are subject to the assumptions and considerations identified in the Report and information obtained during preparation of the Report regarding the System and the associated financial projections reflected herein. As such, the Report should be read in its entirety with respect to such projections.

Respectfully submitted,

Public Resources Management Group, Inc.

Robert J. Ori
President

Jeffrey M. Wilson
Supervising Consultant

CPH, Inc.

David A. Gierach, P.E.
President

Ying Chun Lee, P.E.
Vice President/Associate

RJO/dlc
Attachments

CITY OF PALM COAST, FLORIDA

CONSULTING ENGINEERING AND BOND FEASIBILITY REPORT
UTILITY SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2013

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LIST OF TABLES AND FIGURES

[*] All referenced tables are located at the end of this Report.

[*] All referenced figures are located at the end of this Report.

CITY OF PALM COAST, FLORIDA

CONSULTING ENGINEERING AND BOND FEASIBILITY REPORT
UTILITY SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2013

INTRODUCTION

Presented herein is our Consulting Engineering and Bond Feasibility Report (the "Report") for inclusion in the Official Statement, which summarizes our analyses and studies with regard to the proposal by City of Palm Coast, Florida (the "City") to issue in the principal amount of $96,555,273[1] Utility System Improvement and Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"). The Series 2013 Bonds are being issued under the authority of Resolution No. 2003-22 entitled the Master Utility System Bond Resolution adopted by the City Council on September 30, 2003, as amended and supplemented from time to time and as specifically amended and supplemented by a resolution anticipated to be adopted on May 21, 2013, prior to the issuance of the Series 2013 Bonds (collectively, the "Bond Resolution"). For a more complete description of the Bond Resolution, please refer to Appendix D – Form of the Bond Resolution in the Official Statement relating to the Series 2013 Bonds. Capitalized, undefined terms used in this Report shall have the meaning ascribed thereto in the Bond Resolution.

The City plans to issue the Series 2013 Bonds to provide funds to: i) refund the outstanding Utility System Revenue Bonds, Series 2003 (the "Series 2003 Bonds") to achieve interest rate savings; ii) fund certain capital improvements to the water and wastewater system of the City; and iii) pay certain expenses related to the issuance and sale of the Series 2013 Bonds. Payment of the Series 2013 Bonds to be issued by the City, together with the interest thereon, shall be payable solely from, and secured equally by, a lien on the Pledged Revenues. Neither the credit nor taxing power of the City will be pledged for the repayment of the Series 2013 Bonds.

The primary purpose of this Report is to present a summary description of the System and to present the financial projections of operating results of the System and the anticipated ability of the System to meet the rate covenants as defined in the Bond Resolution for the period commencing October 1, 2012 through September 30, 2017 (the "Forecast Period" and whereby the Fiscal Year is for the twelve months ending September 30). As such, this Report includes, among other things: i) a description of the System facilities; ii) a discussion of existing System conditions and compliance with regulatory and permit requirements; iii) a summary of the projects anticipated to be financed by the System during the Forecast Period; iv) a presentation of recent historical sales and customer growth usage statistics; v) a presentation of the historical financial results of the System; and vi) a summary of the projections of operating results of the System for the Forecast Period. The forecast of operating results includes projections of the System's ability to meet the rate covenant requirements pursuant to the Bond Resolution.

The Consulting Engineer, CPH, Inc. ("CPH" or the "Consulting Engineer") was responsible for the review of the System as it relates to the presentation of the System overview, the assessment

[1] Preliminary; subject to change.

of the System's condition and regulatory compliance, and the proposed capital improvements to be financed by the Series 2013 Bonds, including the review of projected costs of those capital improvements. CPH has served as a consultant to the City since 2000 and has designed many of the previously constructed and proposed capital improvement projects for the System. CPH is a full-service environmental infrastructure consulting engineering firm with more than 250 employees nationwide that has provided water and wastewater management system planning, permitting, design, construction administration, and operational assistance to counties, municipal governments, and other public agencies for over 33 years. With respect to the evaluation of the condition of the System, CPH has performed limited investigations or visual inspections of the major above-ground assets of the System, and is familiar with the System and condition thereof by having worked as a consultant for the City since the original acquisition of such System in 2003. For more information regarding the attributes of the System, please refer to the sections of this Report entitled the "System."

Serving as the Feasibility Consultant, Public Resources Management Group, Inc. ("PRMG") was responsible for the compilation of the historical customer and financial results as well as the financial projections of the System. PRMG is a recognized utility management consulting firm, specializing in the development of rates, charges, and financial projects for publicly-owned and not-for-profit utility systems, primarily in Florida. The firm has been involved in a multitude of utility financings that have involved the preparation of financial forecasts on behalf of local governments and utility corporations in Florida that issue utility bonds secured for repayment by the revenues of such utility. PRMG has provided utility rate and consulting services on behalf of the City since 2003.

In preparation of this Report, CPH and PRMG have relied upon financial, statistical and operational data regarding the System that have been derived from operating reports and records prepared by the City management and staff and other information provided by the City. In addition, we have been furnished information, assumptions and projections from the City and others, including the estimated levels of debt service requirements by the City's Financial Advisor, First Southwest Company located in Orlando, Florida, and we have utilized information obtained from other utility systems in Florida and other sources. CPH and PRMG believe the sources of such information, assumptions, and projections to be reasonable for the purposes of this Report. We have no reason to believe that such information is unreliable for purposes of this Report. The actual results achieved during the Forecast Period reflected in this Report may vary from those projected and such variations could be material. Such projections are, therefore, subject to adjustment and we can give no assurances that the projections will be realized.

This Report summarizes the results of our studies and analyses up to the date of this Report. Prospective purchasers of the Series 2013 Bonds should not rely upon the information contained in this Report for a current description of any matters set forth herein as of any date subsequent to the date of this Report. Changed conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes.

The remainder of this Report provides a discussion of: i) the System facilities in service including compliance with operating and other regulatory permits and statistics regarding capacity utilization and availability; ii) the Capital Improvement Program identified by the City,

of which a portion will be funded from the proceeds of the Series 2013 Bonds; iii) a review of the System rates, fees and charges for utility service rendered by the City; iv) a historical summary and projections of customers served and service area needs; v) a presentation of the historical operating results of the System; and vi) a forecast of anticipated financial operations and the ability of the estimated System Pledged Revenues to meet the rate covenant requirements as defined in the Bond Resolution during the Forecast Period.

THE SYSTEM

General

The City is located in Flagler County (the "County") along the Atlantic Ocean on the northeastern portion of the Florida coast. The City was established and officially incorporated on December 31, 1999 and currently occupies approximately 64 square miles. Figure A on Page 4 provides a detailed location map of the City as well as a delineation of the current corporate limits of the City. Figure B on Page 7 provides the location of the water service area and Figure C on Page 8 provides the location of the wastewater service area. The estimated size of the service area (water or wastewater) is approximately 84 square miles and includes areas located outside the corporate limits of the City.

Based on information provided by the University of Florida, Bureau of Economic and Business Research ("BEBR") during the Fiscal Year 2012 (the "2012 BEBR Estimate"), the City had an estimated permanent population of approximately 77,155 people as of June 2012. The City is the largest municipality located in the County and the 2010 Census states that approximately 78.5% of the County population resided in the City.

The original ITT Development included approximately 44,000 platted lots. The City reports that a total of approximately 50,300 lots are currently platted where utility service is available within the City limits of which approximately 19,000 remain to be built on at this time. A number of additional residential developments that are in the planning stage or have been developed will add to the permanent population of the City. The projected 2030 population of the City (within the current City limits) is estimated by City management to be 141,414.

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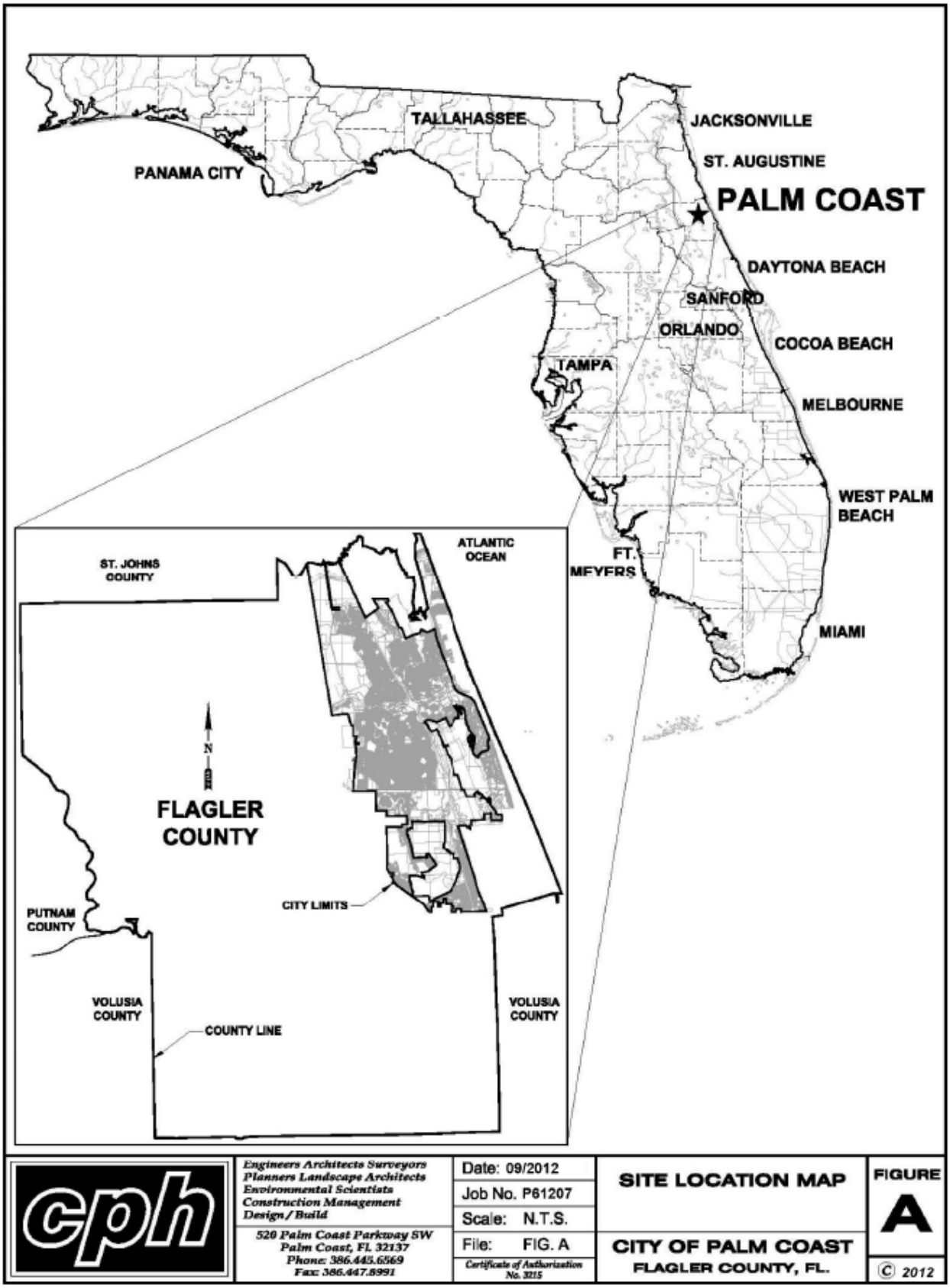

cph	Engineers Architects Surveyors Planners Landscape Architects Environmental Scientists Construction Management Design / Build 520 Palm Coast Parkway SW Palm Coast, FL 32137 Phone: 386.445.6569 Fax: 386.447.8991	Date: 09/2012 Job No. P61207 Scale: N.T.S. File: FIG. A Certificate of Authorization No. 3215	SITE LOCATION MAP CITY OF PALM COAST FLAGLER COUNTY, FL.	FIGURE A © 2012

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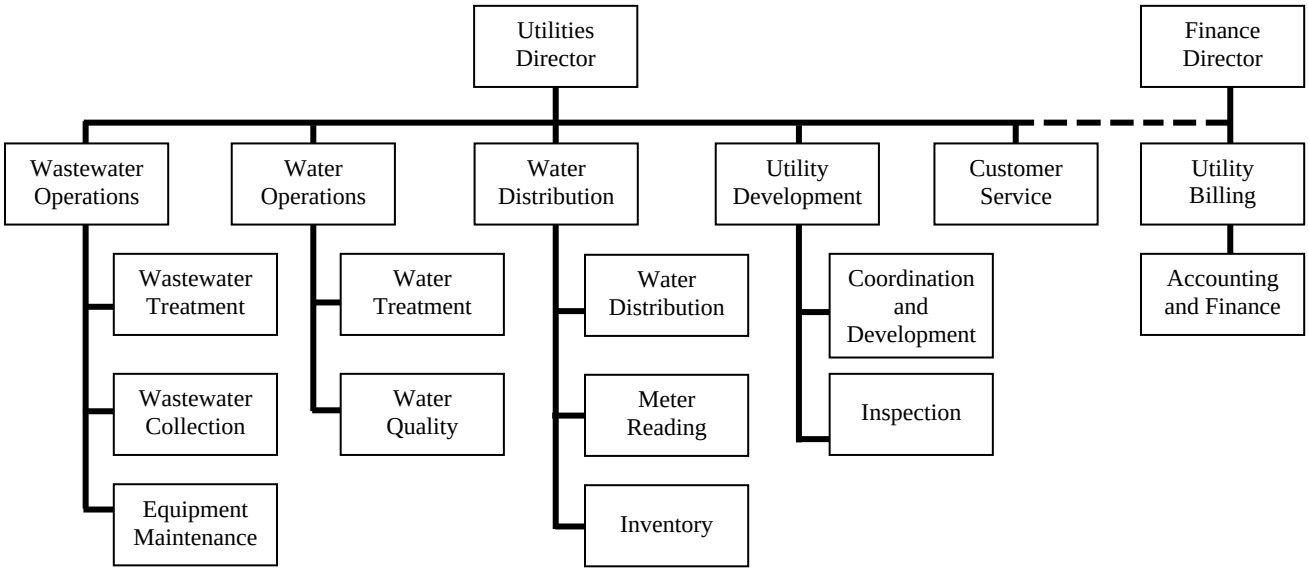
Some residences within the City limits have individual wells for irrigation use. Very few residences have on-site disposal systems such as septic tanks ("OSDS"). The current Water Service Area and the location of the primary utility facilities are shown on Figure B on page 7. The current Wastewater and Reclaimed Water Service Area is shown on Figure C on page 8.

System Operations and Management

The System operations are managed by the City of Palm Coast Utilities Department (the "Utilities Department") and are accounted for as a separate Enterprise Fund of the City. The Utilities Department is operated under the direction of the Public Works Director, who directly reports to the City Manager. An organizational chart of the functional divisions or structure of the Utilities Department is shown on Figure D on page 9 and summarized below by primary division:



The System was acquired by the City from Florida Water Services Corporation ("FWS") in the last calendar quarter of 2003 (essentially at the beginning of the Fiscal Year 2004). Many of the operational personnel employed by FWS were retained by the City at the time of acquisition to operate the System, which provided a smooth transition of ownership. As outlined below and recognizing the priority positions as reflected on the organizational chart shown on Figure D, the key operations personnel as retained by the City have operated the System for many years prior to acquisition by the City.

(Remainder of page intentionally left blank)

Name	Position	Years at Palm Coast Utility System [*]
Richard Adams	Utilities Director	35
Steve Flanagan	Utility Development Manager	27
Brian Matthews	Environmental Specialist	33
Cynthia Jessup	Customer Service Manager	8
Danny Ashburn	Manager, Wastewater Operations	31
Patrick Henderson	Chief Operator (Wastewater Treatment Plant)	22
James Hogan	Manager, Water Operations	32
Donald Holcomb	Chief Operator (Water Treatment Plant No. 1)	16
Fred Greiner	Chief Operator (Water Treatment Plant No. 2)	17
Peter Roussell	Chief Operator (Water Treatment Plant No. 3)	19
Randy Zaleski	Utility Systems Manager	39

[*] Reflects combined years operating the system as an employee of both FWS and the City.

Most of the above listed operations personnel were FWS employees that became City employees when the City acquired the System. The City reports that the transition from private to public employment for these personnel was smooth and did not have any impact on daily operations.

In addition to the operations personnel, City staff is well qualified and experienced in the management of public utility systems. Mr. James S. Landon, the City Manager, has over twenty-five (25) years of government administration and management experience. Mr. Landon has served as the City Manager since 2007; previously he served as the City Manager for Lancaster, Texas.

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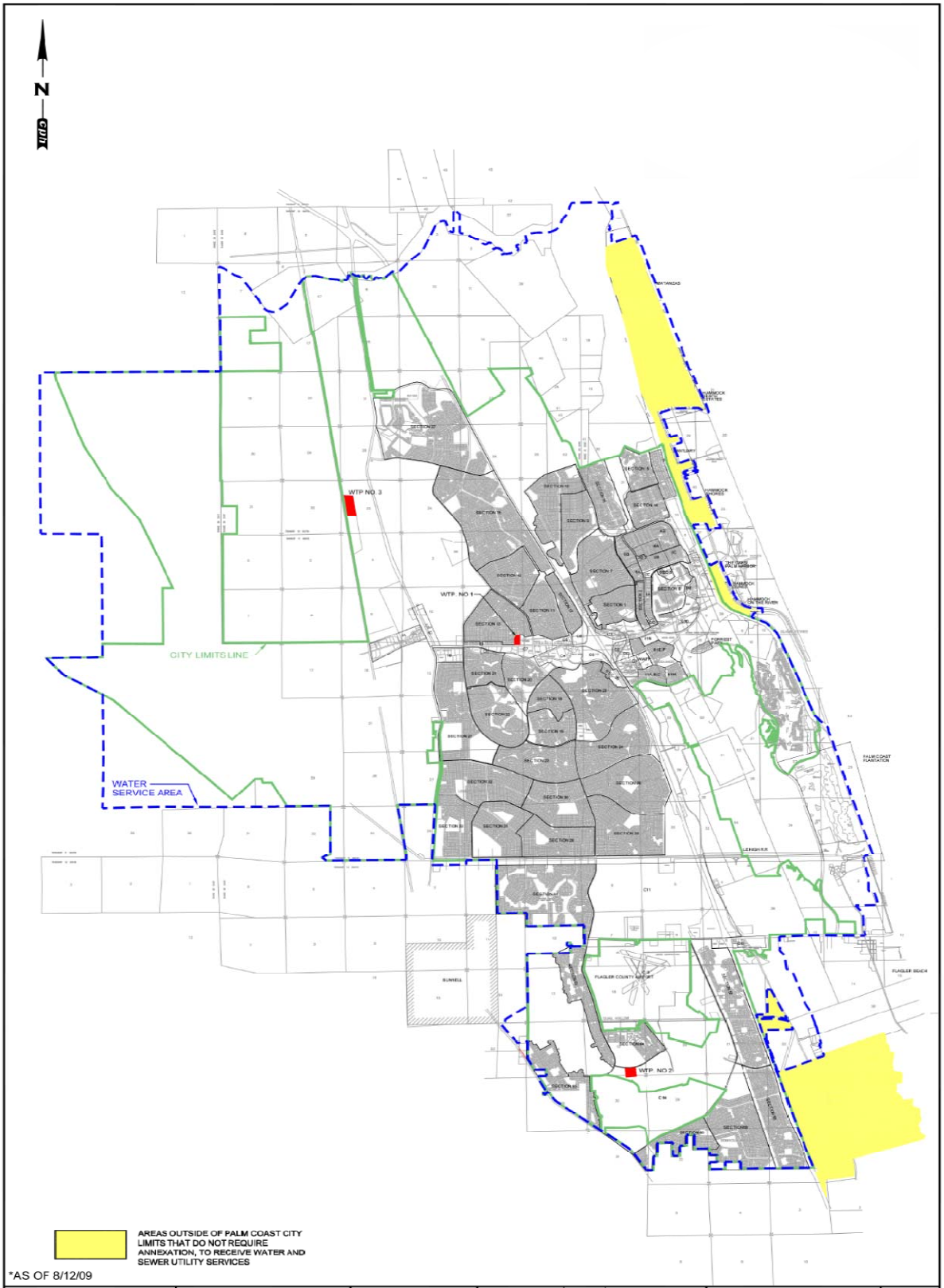

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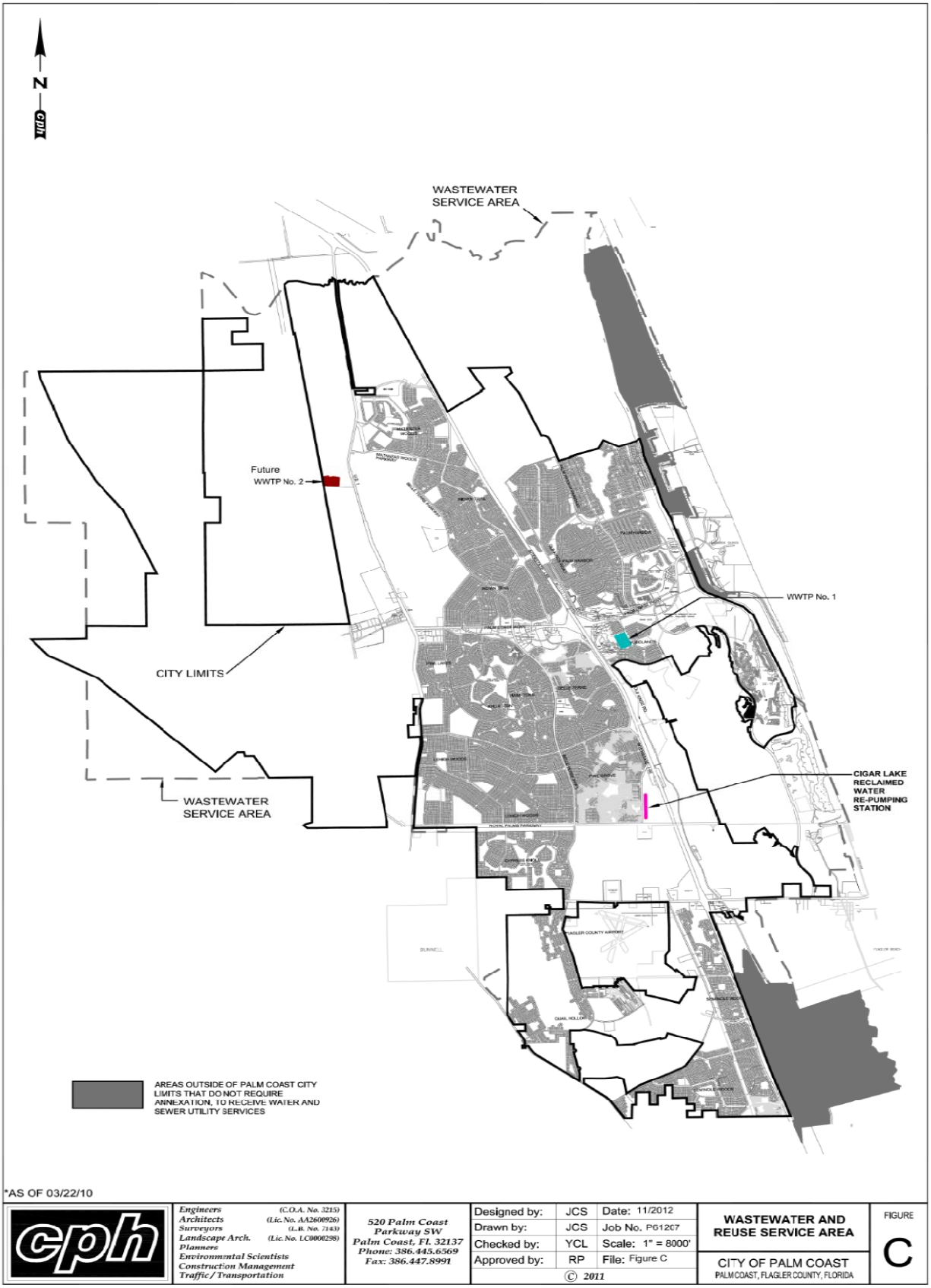

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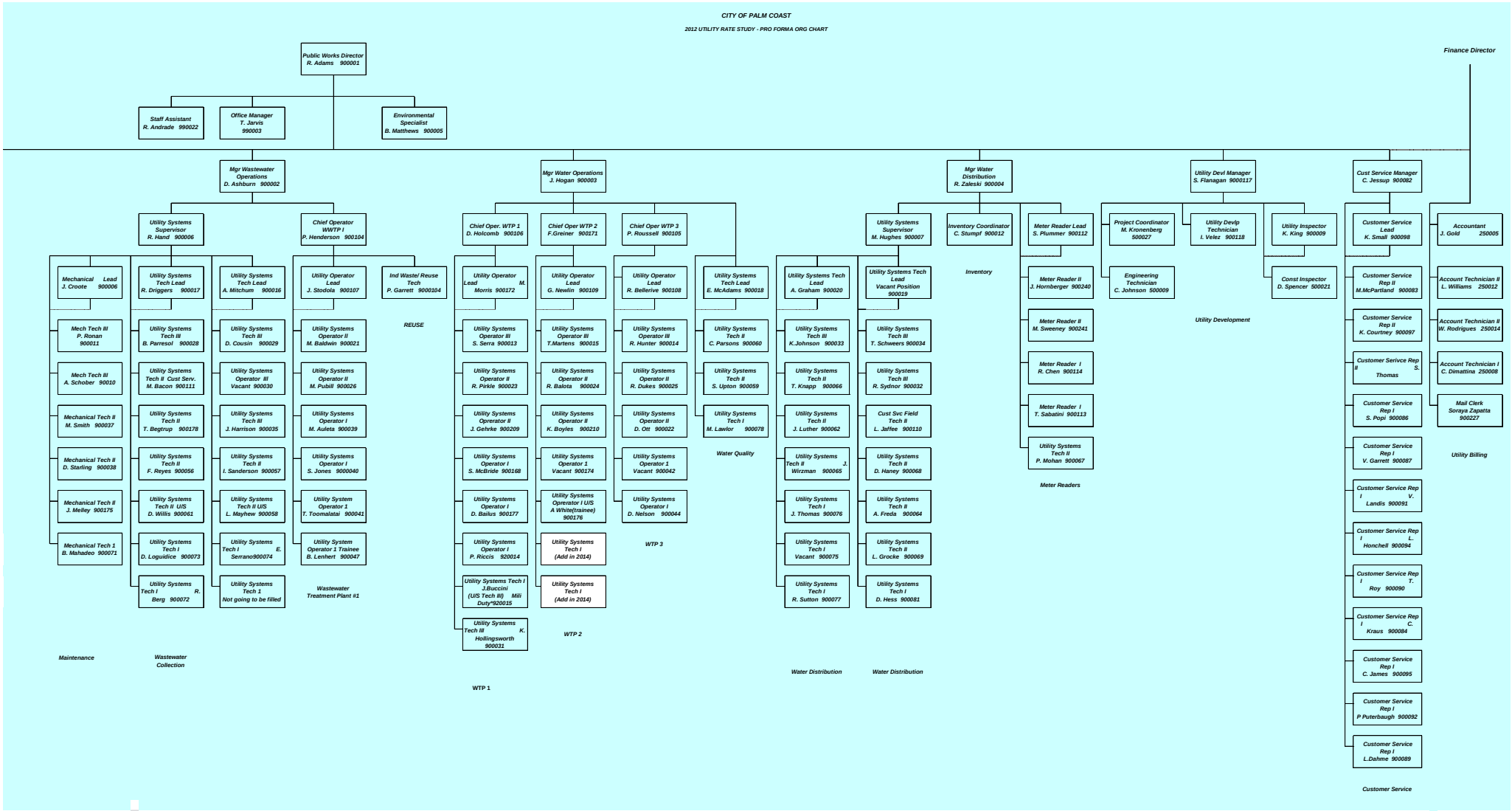
FIGURE D


CITY OF PALM COAST
2012 UTILITY RATE STUDY - PRO FORMA ORG CHART
Public Works Director R. Adams 900001
Staff Assistant R. Andrade 990022
Office Manager T. Jarvis 990003
Environmental Specialist B. Matthews 900005
Finance Director
Mgr Wastewater Operations D. Ashburn 900002
Mgr Water Operations J. Hogan 900003
Mgr Water Distribution R. Zaleski 900004
Utility Devl Manager S. Flanagan 9000117
Cust Service Manager C. Jessup 900082
Utility Systems Supervisor R. Hand 900006
Chief Operator WWTP I P. Henderson 900104
Chief Oper. WTP 1 D. Holcomb 900106
Chief Oper WTP 2 F.Greiner 900171
Chief Oper WTP 3 P. Roussell 900105
Utility Systems Supervisor M. Hughes 900007
Inventory Coordinator C. Stumpf 900012
Meter Reader Lead S. Plummer 900112
Project Coordinator M. Kronenberg 500027
Utility Devlp Technician I. Velez 900118
Utility Inspector K. King 900009
Customer Service Lead K. Small 900098
Accountant J. Gold 250005
Mechanical Lead J. Croote 900006
Utility Systems Tech Lead R. Driggers 900017
Utility Systems Tech Lead A. Mitchum 900016
Utility Operator Lead J. Stodola 900107
Ind Waste/ Reuse Tech P. Garrett 9000104
Utility Operator Lead M. Morris 900172
Utility Operator Lead G. Newlin 900109
Utility Operator Lead R. Bellerive 900108
Utility Systems Tech Lead E. McAdams 900018
Utility Systems Tech Lead A. Graham 900020
Utility Systems Tech Lead Vacant Position 900019
Meter Reader II J. Hornberger 900240
Engineering Technician C. Johnson 500009
Const Inspector D. Spencer 500021
Customer Service Rep II M.McPartland 900083
Account Technician II L. Williams 250012
Mech Tech III P. Ronan 900011
Utility Systems Tech III B. Parresol 900028
Utility Systems Tech III D. Cousin 900029
Utility Operator III M. Pubill 900026
REUSE
Utility Systems Operator III S. Serra 900013
Utility Systems Operator III T.Martens 900015
Utility Systems Operator III R. Hunter 900014
Utility Systems Tech II C. Parsons 900060
Utility Systems Tech III K.Johnson 900033
Utility Systems Tech III T. Schweers 900034
Meter Reader II M. Sweeney 900241
Meter Reader II K. Courtney 900097
Account Technician II W. Rodrigues 250014
Mech Tech III A. Schober 90010
Utility Systems Tech II Cust Serv. M. Bacon 900111
Utility Systems Operator III Vacant 900030
Utility Systems Operator II M. Auleta 900039
Utility Systems Operator II R. Pirkle 900023
Utility Systems Operator II R. Balota 900024
Utility Systems Operator II R. Dukes 900025
Utility Systems Tech II S. Upton 900059
Utility Systems Tech II T. Knapp 900066
Utility Systems Tech III R. Sydnor 900032
Meter Reader I R. Chen 900114
Customer Serivce Rep II S. Thomas
Account Technician I C. Dimattina 250008
Mechanical Tech II M. Smith 900037
Utility Systems Tech II T. Begtrup 900178
Utility Systems Tech III J. Harrison 900035
Utility Systems Operator I S. Jones 9000040
Utility Systems Operator II D. Ott 900022
Utility Systems Tech I M. Lawlor 900078
Utility Systems Tech II J. Luther 900062
Cust Svc Field Tech II L. Jaffee 900110
Meter Reader I T. Sabatini 900113
Customer Service Rep I S. Popi 900086
Mechanical Tech II D. Starling 900038
Utility Systems Tech II F. Reyes 900056
Utility Systems Tech II I. Sanderson 900057
Utility System Operator 1 T. Toomalatai 900041
Utility Systems Operator 1 Vacant 900042
Water Quality
Utility Systems Tech II J. Wirzman 900065
Utility Systems Tech II D. Haney 900068
Meter Reader I P. Mohan 900067
Customer Service Rep I V. Garrett 900087
Mechanical Tech II J. Melley 900175
Utility Systems Tech II U/S D. Willis 900061
Utility Systems Tech II U/S L. Mayhew 900058
Utility System Operator 1 Trainee B. Lenhert 900047
Utility Systems Operator I D. Nelson 900044
Utility Systems Tech I J. Thomas 900076
Utility Systems Tech II A. Freda 900064
Meter Readers
Customer Service Rep I V. Landis 900091
Utility Billing
Mechanical Tech 1 B. Mahadeo 900071
Utility Systems Tech I D. Loguidice 900073
Utility Systems Tech I E. Serrano900074
Utility Systems Operator I P. Riccis 920014
Utility Systems Operator I Vacant 900174
Utility Systems Operator I A White(trainee) 900176
WTP 3
Utility Systems Tech I Vacant 900075
Utility Systems Tech II L. Grocke 900069
Customer Service Rep I L. Honchell 900094
Utility Systems Tech I R. Berg 900072
Utility Systems Tech 1 Not going to be filled
Wastewater Treatment Plant #1
Utility Systems Tech I J.Buccini (U/S Tech III) Mili Duty*920015
Utility Systems Tech I (Add in 2014)
Utility Systems Tech I (Add in 2014)
WTP 2
Utility Systems Tech I R. Sutton 900077
Utility Systems Tech I D. Hess 900081
Customer Service Rep I T. Roy 900090
Customer Service Rep I C. Kraus 900084
Utility Development
Utility Systems Tech III K. Hollingsworth 900031
Customer Service Rep I C. James 900095
Customer Service Rep I P Puterbaugh 900092
Customer Service Rep I L.Dahme 900089
Mail Clerk Soraya Zapatta 900227
Maintenance
Wastewater Collection
WTP 1
Water Distribution
Water Distribution
Customer Service

The City utilizes MUNIS software for all City accounting and utility billing functions and has integrated the utility enterprise fund accounting and utility billing into the City's overall accounting and financial reporting system.

The City has retained outside engineering expertise in CPH. CPH assisted the City with the acquisition of the FWS Utility System and has provided utility system planning and engineering assistance to the City ever since the City acquired the Palm Coast Utility System. CPH has extensive engineering knowledge of the Palm Coast Utility System and is well positioned to assist in the implementation of the proposed 5-Year CIP. In addition, the City has retained PRMG to provide financial, rate consulting, and other related utility financial services since the acquisition of the System by the City.

WATER SYSTEM

General

The Water System is comprised of a source water supply, water treatment, transmission and distribution system (the "Water System"). During the Fiscal Year 2012, the Water System provided service to a total of 42,720 average active accounts and 46,611 equivalent residential connections ("ERCs") within the Water Service Area. An ERC for the Water System represents the equivalent usage requirements of an individually metered residential customer and equates to approximately 154 gallons per day ("gpd") of metered water service. Since commercial and master metered residential customers are served by larger sized meters than the standard residential customer, it is useful to equate such customers on a basis equivalent to the residential class for a more consistent presentation of the total customer base served. The remainder of this section of the Report provides a discussion of the Water System.

Water System Historical Demands and Flow Projections

The Water System average daily demand ("ADD") and maximum daily demand ("MDD") have been tabulated for each month from January 2005 through December 2012 in Table 13. The average daily demand and the maximum daily demand for the Fiscal Years 2006 to 2012 is presented below and documents the City's historical water demands.

Historical Water Demands [1]

Fiscal Year	Annual Average Day Demand (MGD)	Maximum Day Demand (MGD)
2006	8.339	11.328
2007	7.940	10.899
2008	7.330	10.347
2009	7.000	10.064
2010	7.269	9.698
2011	7.406	11.141
2012	7.155	9.463

MGD = Million Gallons per Day

[1] Historical information obtained from monthly operating reports submitted to the Florida Department of Environmental Protection by utility owner at time of report submittal.

Projected annual average daily demand and maximum daily demand projections from 2013 through 2032 are shown in Table 13 and Figure G, at the end of this Report and are based on the water service population projections as shown on Figure E at the end of this Report. The flow projections shown on Table 13 and below are for water capacity planning purposes (when to initiate the capacity expansion process which may be different than the forecast of Water System capacity and flow growth used to evaluate financial feasibility and compliance with the rate covenant as defined in the Bond Resolution). Due to the economic conditions for the past few years, the average day demand of water had reduced from 7.940 MGD in 2007 to 7.000 MGD in 2009, and then has increased from 7.000 MGD in 2009 to 7.406 MGD in 2011. The average day water demand for 2012 was 7.155 MGD.

Projected Water Demands – Capacity Planning Projections [1]

Fiscal Year	Annual Average Day Demand (MGD)	Maximum Day Demand (MGD)
2013	7.452	10.448
2014	7.556	10.594
2015	7.744	10.857
2016	7.951	11.148
2017	8.158	11.439

MGD = Million Gallons per Day

[1] Amounts derived from Figure G at the end of this Report and are based on City population projections.

Potable Water Consumptive Use Permit

The City has been issued a St. Johns River Water Management District ("SJRWMD") Consumptive Use Permit ("CUP") for the withdrawal of ground water. The SJRWMD is the State regulatory agency for this portion of the State and is responsible for regulating and managing water resources within its boundaries (i.e., northeast Florida). SJRWMD regulates raw water withdrawals and is authorized to require permits for the consumptive use of water. All significant water users in north Florida, including the City, are required to obtain permission to withdraw raw water through the issuance of a CUP by the SJRWMD. A permit is issued by the SJRWMD when an entity such as the City demonstrates that the water use is consistent with the public interest, is a reasonably beneficial use of water and will not legally interfere with any present existing legal use of water. The current CUP for the City's Water System issued by the SJRWMD is Consumptive Use Permit No. 1947, which was issued on August 9, 2011 and will expire on August 8, 2031.

Since completing the construction of its own water supply and treatment facilities in August 2007 (having secured a separate CUP from the SJRWMD for its own water supply), the Dunes Community Development District (DCDD) is no longer a wholesale water customer of the City of Palm Coast. However, the DCDD and the City have an interconnection for emergency situations.

The water supply for the City is obtained from both the Confined Surficial Aquifer ("CSA") and the Upper Floridan Aquifer ("UFA") that provides water to three water treatment facilities. The

individual and combined maximum permitted total withdrawal from these two aquifers is tabulated in the table below:

	Confined Surficial Aquifer		Floridan Aquifer		
Year	Average Daily Flow (MGD)	Annual Allocation (MGY)	Average Daily Flow (MGD)	Annual Allocation (MGY)	Total Average Daily Flow (MGD)
2012	5.812	2,120.92	4.075	1,487.19	9.886
2013	6.166	2,250.40	4.098	1,495.77	10.265
2014	6.520	2,379.87	4.122	1,504.34	10.644
2015-2031	6.875	2,509.35	4.150	1,512.91	11.023

MGY = Million Gallons per Year

Raw Water Supply

Raw water is conveyed to Water Treatment Plant No. 1, a lime softening water treatment plant, from thirty-one (31) CSA wells. The depth of the CSA wells ranges from 60-feet to 100-feet, and the pumping capacity of these wells ranges from 40 gallons per minute ("gpm") to 350 gpm.

Raw water is conveyed to Water Treatment Plant No. 2, a membrane softening nano-filtration plant, from eight (8) UFA wells. The depth of each of the UFA wells is approximately 300-feet, and the pumping capacity of these UFA wells currently ranges from approximately 350 gpm to 830 gpm.

Raw water to the Water Treatment Plant No. 3 is currently supplied by eight (8) CSA wells. These wells have a pumping capacity ranging from 150 to 350 gpm. The City has recently completed the construction of twelve (12) additional CSA wells and a raw water transmission system located in the western portion of the City. The City has recently awarded a contract for construction of an overhead power supply system to this new well field. It is anticipated that the power supply system will be completed in July of this year, and the City will be able to place the new well field into service at that time.

Each of the raw water supply well sites is fenced. A flow meter is provided at each well site along with a flow control valve, and a pump to waste valve with a piping connection to convey the water pumped to waste away from the well. Three of the shallow wells have a submersible well pump; all of the other wells have vertical turbine pumps. Most of the major supply wells have been provided a standby generator or a right angle drive and a diesel motor. The right angle drive has to be connected manually. Each of the wells has a Supervisory Control and Data Acquisition ("SCADA") system to permit the well to be started and stopped remotely based on the water supply demands that are monitored at the various water treatment plants. A sprinkler head has been installed in the discharge piping of water supply wells in wooded areas. The sprinklers can be manually activated to keep the area around the well irrigated and to provide protection from brush fires.

Each month operating personnel measure the static water level, pumping level, and pumping rate of each well. The pump control valve on the well discharge line can be periodically adjusted by operating personnel to control the well pumping level. Operating personnel also periodically monitor and record the surficial ground water levels, and forward this data to SJRWMD. The

City has an on-going program of maintenance and upkeep of each of the wells, which appears to be satisfactory.

The raw water main system that conveys the water supply from the wells to the water treatment plants is tabulated below:

Raw Water Mains

Size	Length (Ft.)
4-inch	2,330
6-inch	4,605
8-inch	52,038
10-inch	40,822
12-inch	20,628
14-inch	1,160
16-inch	19,334
18-inch	3,247
20-inch	9,217
TOTAL	**153,381**

Water Treatment Plant No. 1

The treatment unit at Water Treatment Plant No. 1 (WTP No. 1) is a lime softening treatment plant with a current rated capacity of 6.0 MGD. The treatment facilities at WTP No. 1 include three (3) lime storage silos, chemical feeders, six (6) 1.00 MGD upflow contact-clarifier softening units, six (6) 1.00 MGD mixed media filters, two (2) backwash storage tanks, two (2) lime sludge thickeners, two (2) treated water storage tanks and two (2) lime sludge storage lagoons.

Aluminum chlorohydrate is added to the raw water to aid in coagulation. Lime slurry is added in the upflow contact-clarifier softening units. Sodium hypochlorite and liquid ammonium sulfate are added to the softened water prior to filtration for chloramine disinfection and orthophosphate for corrosion control is added to the treated water after filtration. The treated water is stored at the water treatment plant in a 2.50 million gallon ("MG") pre-stressed concrete ground storage tank and a 1.00 million gallon ground storage steel tank, and is then pumped to the water distribution system. High service pumps maintain the water distribution system pressure. One of the high service pumps is powered by a diesel engine.

Filter backwash water is routed to the backwash storage tanks for separation of the solids from the liquid, and the liquid is then pumped back to the head end of the plant. Solids from the filter backwash tank are transferred to the sludge thickeners. Lime sludge is conveyed from the upflow contact-clarifier softening units to sludge thickener basins. Thickened lime sludge is pumped from the thickeners to lime sludge lagoons. An independent contractor currently removes the lime sludge from the lime sludge lagoons at no cost to the utility for disposal. The lime sludge is removed from the lagoon, allowed to dry, and hauled away by the contractor. The sludge is then mixed with sand and shell and used for roadway base.

A 520 KW generator provides standby power for the entire water treatment plant and all of the treatment units. Auxiliary power provides more than 50% of electrical demands of Water Treatment Plant No. 1 and the raw water sources in accordance with the requirements of Florida Administrative Code FAC 62-555.320(14).

The WTP No. 1 is staffed 24 hours per day. A SCADA system at WTP No. 1 permits the water treatment staff to monitor, start, or stop each of the wells from the water treatment plant. The SCADA system also permits the WTP No. 1 staff to monitor and/or control the operation of Water Treatment Plant No. 2. SCADA information regarding the sewage lift stations and the Wastewater Treatment Plant is also conveyed to WTP No. 1. All of the SCADA information conveyed to Water Treatment Plant No. 1 can be accessed from Water Treatment Plant No. 2, (WTP No. 2) and Water Treatment Plant No. 3 (WTP No. 3), the Wastewater Treatment Plant, or the Utility Office.

The WTP No. 1 was constructed in two phases. The first 2.0 MGD treatment system was constructed in 1979, the second 4.0 MGD treatment system was constructed in 1982, and a 2.5 MGD ground storage tank was constructed in 2001. Based on a review of regulatory permits and operating records, on-site inspections, and interviews with Water System operating personnel, the WTP No. 1 appears to be in good operating condition and is well maintained.

Water Treatment Plant No. 2

Water Treatment Plant No. 2 (WTP No. 2) is a low-pressure nano-filtration membrane softening treatment plant with four (4) 1.2 MGD membrane skids, plus 33% raw water blending for a current rated capacity of 6.384 MGD. The treatment units at WTP No. 2 include five (5) cartridge filters, four (4) membrane skids, chemical feeders, two (2) degasifiers, one (1) chlorine contact tank, a 2.0 MG pre-stressed concrete ground storage tank, and five (5) high service pumps. WTP No. 2 is staffed 24 hours per day. A SCADA system conveys the WTP No. 2 operational data to WTP No. 1.

The Membrane Treatment Building at WTP No. 2 was designed to accommodate six (6) 1.20 MGD skids; four (4) skids have been installed. Each installed skid has a 2-stage array with eighteen 1st stage and nine 2nd stage membrane vessels. Raw water (maximum 25% of finished water by volume) is blended with treated permeate to obtain a blend of finished water with hardness of approximately 100 mg/l so the finished water quality of WTP No. 2 is compatible with the finished water quality of WTP No. 1 and WTP No. 3. Sodium hypochlorite, ammonia, orthophosphate and caustic soda (for pH adjustment) are added to the permeate. The finished water is stored at the plant in a 2.00 MG pre-stressed concrete ground storage tank before being pumped to the water distribution system.

Concentrate generated by the membrane-softening units is currently piped directly to the Royal Palms Canal and disposed of by discharging the concentrate directly into the canal.

Industrial Waste Concentrate Disposal Permit FL0042838, which was issued on November 5, 2001 and which expired on November 4, 2006 permitted a total of up to 2.65 MGD the concentrate to be discharged to the Royal Palms Canal The City filed a timely application to the FDEP for renewal of this permit in May 2006. In August 2006 the FDEP indicated that the

existing method of concentrate disposal for WTP No. 2 will no longer be acceptable because of the necessity of an extended mixing zone variation for radionuclides, recoverable iron and specific conductance. As a result, the FDEP only renewed the existing permit (Permit No. FL0042838) for a duration in order to allow for the City to develop an alternate concentrate disposal method. With the assistance of the Consulting Engineers, a zero liquid discharge ("ZLD") treatment process utilizing lime softening and ultrafiltration system has been developed, designed, and permitted. The City is currently working on an application for a two year extension for the current discharge permit that will allow for enough time to acquire necessary funding and for the ZLD's construction time frame (the ZLD project will be funded with the proceeds of the Series 2013 Bonds as shown in the City's five-year (5) Capital Improvement Program discussed latter in the Report). The ZLD treatment system will recover the concentrate as drinking water and eliminate the discharge of concentrate to the Royal Palms Canal.

Water Treatment Plant No. 3

The WTP No. 3 is also a low-pressure nano-filtration membrane softening treatment plant with two (1) 1.125 MGD permeate production membrane skids, plus 25% raw water blending for a current rated finished water capacity of 3.0 MGD. The treatment units at WTP No. 3 include two (2) cartridge filters, two (2) nano-filtration membrane skids, chemical feeders, two (2) degasification towers (one for permeate treatment and one for concentrate treatment), two (2) scrubber towers for odor control, two (2) concentrate pumps, one (1) chlorine contact tank, finished water transfer pumps, high service pumps, and a 2.0 MG pre-stressed ground storage tank. WTP No. 3 is staffed 24 hours per day. A SCADA system conveys the WTP No. 3 operational data to WTP No. 1.

The Membrane Treatment Building at WTP No. 3 was designed to accommodate six (6) membrane skids. Two (2) skids have been installed. Each of the installed skids has a 2-stage array with sixteen (16) 1st stage and eight (8) 2nd stage membrane vessels. Raw water (approximately 25% of the finished water volume) is blended with treated permeate to obtain a finished water with hardness of approximately 100 mg/l, so the finished water quality of the WTP No. 3 is compatible with the finished water quality of WTP No. 1 and WTP No. 2. Sodium hypochlorite, ammonia, orthophosphate and caustic soda (for pH adjustment) are added to the permeate. The finished water is stored in a 2.00 MG pre-stressed concrete ground storage tank located at the plant site before being pumped to the water distribution system.

The plant currently treats raw water from the CSA wells. The City plans to treat additional ground water from the UFA at the WTP No. 3 as alternative water supply when additional membrane skids are installed in the future. The City will submit an application to the SJRWMD to request the allocation of the UFA water in the near future.

The WTP No. 3 concentrate is permitted to discharge to the intra-coastal waterway. It is also permitted to blend with the reclaimed water from the City Wastewater Treatment Plant No. 1 (WWTP No. 1) and use it for landscape irrigation. The third permitted method for handling of the WTP No. 3 concentrate is to pump the concentrate to the WTP No. 1 where it is blended with the raw water and treated through the existing lime softening process to drinking water standards. This method achieves a total recovery of concentrate as drinking water, and is

currently being used by the City to recover about 250 gpm of concentrate flow generated by WTP No. 3.

After completion of the additional twelve (12) CSA wells, WTP No. 3 will have sufficient ground water to increase the finished water production from 1.5 MGD to 3.0 MGD. Correspondently, the plant will also generate approximately 500 gpm of concentrate flow if it operates at 3.0 MGD finished water production. If 500 gpm of concentrate is to be diverted to the WTP No. 1, it will require some pre-treatment of concentrate at the WTP No. 3 to reduce the color prior to it being sent to the WTP No. 1 for recovery. If the concentrate is to be discharged to the intra-coastal waterway, it will need to be pretreated to reduce the total recoverable iron to below 0.3 mg/l as required by the Industrial Waste Concentrate Disposal Permit FL 0454451-004 with an Administrative Order AO 154 NE (Issuance Date: January 12, 2012). The Consulting Engineer is currently assisting the City in evaluating and selecting the most technically and economically feasible option for implementation.

Finished water from all three (3) water treatment plants is pumped to the water distribution system. Since the characteristics of the finished water from the three water treatment plants is similar, no distribution system adverse effects of mixing the finished water from these three (3) water plants have been observed. High service pumps maintain the distribution system pressure.

Elevated Storage

The Water System currently has two (2) elevated storage tanks with a combined storage capacity of 1,150,000 gallons to assist in maintaining water system pressure and meeting peak demand usage periods. The first elevated storage tank has a storage capacity of 750,000 gallons and provides elevated storage at a central location of the service area. This tank is located near the southwest intersection of I-95 and the Palm Coast Parkway. The second storage tank has a capacity of 400,000 gallons and provides storage for the service area east of the Intra-Coastal Waterway.

Both elevated storage tanks are equipped with pumps and automatic control valves so that the elevated tower water level can be maintained and water stored in the elevated water towers will be available during periods of peak water system demand. During periods of peak water system demand the automatic valves will open to release water stored in the elevated towers to the distribution system.

The City has a maintenance contract with a tank maintenance company which provides for periodic inspection, structural repairs, and touchup paint as required. Periodically, the tanks are repainted. Both elevated towers are well maintained and are in good condition.

Water Distribution System

A water distribution system has been installed to convey treated water to residential and commercial properties, and to provide fire protection. Fire hydrants have been located throughout the City. The initial distribution system was installed to provide service to specific portions of the service area. This distribution system has been expanded as development has

occurred. Additional distribution system improvements will need to be implemented by the City as development continues to occur within the service area.

A 16-inch water main extends along A1A north to Marineland. To improve water quality, an 8-inch line, without any connections to the distribution system, has been routed from the north end of the 16-inch water main to the 400,000 gallon elevated storage tank at A1A. Re-circulation pumps at the elevated storage tank draw water from the north end of the 16-inch water main, causing continuous circulation in the 16-inch water main. A flow meter measures and records the amount of water that is re-circulated. Chlorine and ammonia are added to the water in the 8-inch main before it is discharged back into the elevated storage tank and the water distribution system to improve the water quality.

The recirculation project described in the preceding paragraphs was implemented by the City to improve the water quality in the distribution system and to reduce the amount of flushing water to conserve water. A tabulation of the water distribution system pipe sizes and lengths is provided below:

Water Distribution System

Size	Water Main Length (Ft.)
2-inch	62,186
2.5 inch	353
3-inch	356
4-inch	235,665
6-inch	1,927,086
8-inch	603,329
10-inch	215,997
12-inch	256,863
14-inch	15,656
16-inch	193,016
18-inch	1,578
20-inch	22,992
24-inch	19,303
30-inch	2,307
TOTAL	**3,556,687**

No immediate water distribution system deficiencies were observed by the Consulting Engineers as part of its limited observation.

Water System Regulatory Compliance Issues

The following is a brief summary of regulatory issues and actions which currently affect the System:

WTP No. 2 Industrial Concentrate Disposal Permit:

WTP No. 2 has an Industrial Waste Concentrate Disposal Permit which requires the City to develop and implement an alternate disposal method other than the current discharge to Royal Palms Canal. The City's Consulting Engineers have recently completed the design and permitting of a zero liquid discharge treatment process which will treat the concentrate to

drinking water standards at WTP No. 2 site. This will eliminate the discharge of concentrate to Royal Palms Canal and comply with the permit requirements.

WTP No. 3 Industrial Concentrate Disposal Permit:

WTP No. 3 has an Industrial Waste Concentrate Disposal Permit which requires the City to comply with the total recoverable iron concentration of 0.3 mg/L when the concentrate is discharged to the intra-coastal waterway. The Consulting Engineers are currently assisting the City in studying and selecting an option for implementation to achieve compliance with the permit requirements when discharging to the intra-coastal.

Vulnerability Assessment

The Bioterrorism Act requires that each Community Water System that serves a population greater than 3,300 persons must perform an assessment of the vulnerability of its system to a terrorist attack or other deliberate acts that are intended to substantially disrupt the ability of the system to provide a safe and reliable supply of drinking water. A vulnerability assessment of the water production system was conducted in 2003 and measures to minimize vulnerability of the system were implemented by the City.

WASTEWATER SYSTEM

General

The Wastewater System is comprised of a collection, treatment and disposal (effluent and residuals) system (the "Wastewater System"). The total number of average active accounts served by the Wastewater System during the Fiscal Year 2012 was 35,102, which equated to approximately 37,757 ERCs. Palm Coast Plantation is the only development outside of the City limits that is currently served by the City's wastewater system. An ERC for wastewater service represents the equivalent usage requirements of an individually metered residential customer and equates to approximately 136 gpd of wastewater flow. A wastewater population projection is shown in Figure F at the end of this Report.

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Wastewater System Historical Flows and Flow Projections

Wastewater System Annual Average Daily Flow ("AADF") and Three-Month Average Daily Flow ("TMADF") have been tabulated for each month from 2005 through December 2012 and are shown in Table 14 and Figure H which are located at the end of this Report. Based on this reported information, the wastewater AADF and the TMADF for each year from 2006 to 2011 have been summarized as shown below. A comparison of the average daily flow and maximum Three Month Average Daily Flow documents that the City had a moderate increase in wastewater flows during the past seven years.

Historical Wastewater Flows [1]

Fiscal Year	Annual Average Daily Flow (MGD), Middle Year	Maximum 3-Month Average Daily Flow (MGD)
2006	4.697	5.125
2007	4.582	5.217
2008	4.716	5.304
2009	4.906	5.418
2010	5.268	5.767
2011	4.785	4.957
2012	5.037	5.268

[1] Amounts shown derived from monthly operating reports submitted by the utility owners to the FDEP.

Based on the historical trends in wastewater flows and the population projections developed by the City, the projected wastewater demands for capacity planning purposes was developed as shown below for the Forecast Period.

Projected Wastewater Flows – Capacity Planning Purpose [1]

Fiscal Year	Annual Average Daily Flow (MGD), Middle Year	Maximum 3-Month Average Daily Flow (MGD)
2013	5.121	5.537
2014	5.192	5.614
2015	5.320	5.752
2016	5.462	5.905
2017	5.603	6.058

[1] Amounts shown based on population projections and level of service standards and reflect flow projections for capacity planning purposes.

Wastewater Collection System

The wastewater collection system consists of a combination of gravity sewer systems and pre-treatment effluent pumping ("PEP") systems located at each respective lot. Approximately fifty (50) percent of the original platted wastewater service area is currently served or is to be served by a gravity sanitary sewer system, and approximately fifty (50) percent of the original platted wastewater service area is presently served or is to be served by pre-treatment effluent pumping systems. During early years of the development, the sanitary sewer system installed was a gravity sanitary sewer system. PEP systems will be installed for most of the areas original

platted for PEP system as development occurs. All new subdivisions and developments are required to have gravity wastewater systems. The PEP Wastewater System utilizes a holding tank and an individual pump for each customer. The tank and pump are owned and maintained by the City and the customer supplies power to the pump. Each PEP system is pumped into a small diameter, low-pressure collection system which discharges to lift stations that transport the wastewater to the treatment plant.

An analysis of wastewater flows indicated that there is some increase in flow during the wet weather periods. While there is some Infiltration/Inflow ("I/I") tributary to the Wastewater System during the wet weather periods, the I/I is not considered to be excessive. The City utility personnel continue to rehabilitate the wastewater collection system to minimize the I/I contribution to the system. The I/I tributary to the Wastewater System has not been reported to cause any major problems.

Gravity Sewer and Collection System

Sanitary sewer service lines convey wastewater from the individual residences and businesses to gravity sewer lines located within the street pavement. The gravity sewers convey the wastewater to lift stations (sewage pumping stations), and sewage force mains convey the wastewater from the lift stations to the wastewater treatment plant. The utility owns, maintains, and repairs the gravity collection sewers and manholes.

A tabulation of the gravity sewer sizes and lengths located in the wastewater collection system is provided below:

Gravity Sewer System

Size	Gravity Sewer Length (Ft.)
6-inch	435
8-inch	1,412,001
10-inch	101,065
12-inch	52,038
15-inch	5,148
16-inch	34
TOTAL	**1,570,721**

The collection system of gravity sewers and manholes appear to be well maintained. No immediate deficiencies were observed based on the limited observation and inspection performed by the Consulting Engineers.

Pre-Treatment Effluent Pumping System

PEP tanks and pumps are provided for each customer located in the portion of the service area that was designed to be served by the PEP System. Power to operate the PEP effluent pump is paid for by the individual residents or business owners. The 5-Year Capital Improvement Plan (CIP) includes funds for purchase of the PEP Systems and for upgrades to the low pressure sewer system. The City supplies, owns, and maintains the PEP tanks and PEP pumps. City personnel periodically check the solids accumulation in the PEP storage tank and arrange to have the storage tank pumped, to remove the solids whenever it is necessary. The PEP pressure sewers

discharge to wastewater lift stations, which convey the wastewater to the wastewater treatment plant.

The installed PEP Systems were sized to serve the development anticipated within the next 10 (10) years. Additional pressure sewers will need to be installed adjacent to the existing pressure sewers to serve the service area for the next ten (10) to twenty (20) years, and at build-out. The pressure sewer improvements should be phased based on the hydraulic modeling of the PEP pressure sewers to meet the development expected.

A tabulation of the pressure sewer sizes and lengths is provided below:

Pressure Sewers

Size	Length (Ft.)
2-inch	170,512
2.5-inch	676,746
3-inch	181,291
4-inch	102,085
6-inch	14,239
TOTAL	**1,144,873**

The pretreatment effluent pumping system appurtenances and pressure sewer system appear to be well maintained. No immediate deficiencies were observed based on the limited due diligence activities performed by the Consulting Engineers.

Lift Stations and Sewage Force Mains

The Wastewater System currently includes a total of 154 City-owned and -operated wastewater lift stations that convey wastewater from the individual sewer service areas to sewage force mains, and to the wastewater treatment plant. Many of the lift stations convey wastewater from the service area to an adjacent, or nearby, service area gravity sewer system and lift station. In addition to the City-owned facilities, there are twenty-four (24) privately-owned lift stations that convey wastewater to the City sewage force main system. The City also operates and maintains two (2) privately-owned wastewater lift stations.

Some of the lift stations installed with the early developments were Eductor Stations located in a grassed area of the street right-of-way. At the time the original system was installed, Eductors were often installed instead of a lift station for installations with low pumping rates. Eductors are more expensive than lift stations. Sewage is collected in a pot and an air compressor forces the sewage out of the pot. Many lift station options are now available and installations of Eductors are rare. The wet well is located at the center of the street pavement, and a blower provides air to force wastewater from the manhole at the center of the street to an adjacent gravity sewer system. The Eductor Station manhole wet wells have an overflow that will convey the wastewater from that service area to the adjacent gravity sewer system, when minor sewer system surcharging occurs. Currently there are nine (9) operating Eductor Stations. At some time in the future, the remainder of the Eductor Stations will also be converted to lift stations.

A number of wet well drywell pumping stations were installed with the original Wastewater System. Wastewater is collected in a wet well, and sewage pumps in an adjacent drywell convey the wastewater to a sewage force main. Most of these stations have been converted to wet well pumping stations with submersible sewage pumps.

Nearly all of the City lift stations are submersible pump stations, with a wet well and a separate valve vault. A rail system permits the submersible pumps to be removed and installed without dewatering the wet well. Most of the lift stations have an electrical connection and a transfer switch so a portable generator can be used to provide power during power outages. A separate pumping connection also permits a portable pump to be used to convey wastewater from the wet well directly to the force main.

Many of the lift stations convey wastewater from one service area to an adjacent service area gravity sewer or lift station. However, a few of the lift stations are major re-pump stations that convey wastewater directly to the wastewater treatment plant. On-site standby generators have been provided for the major lift stations. Sixteen (16) of the lift stations currently have on-site standby generators.

After being stored in the PEP storage tank, the PEP wastewater is septic and corrosive, causing deterioration of the wet well and piping. The Utilities Department has rehabilitated some of the lift stations that receive wastewater from the PEP systems. Rehabilitation, generally, includes cleaning the wet well surfaces, providing a protective coating in the wet well, and replacement of the pump discharge piping within the wet well. Over the next few years, these lift stations will be rehabilitated as part of the City's ongoing facilities repair and rehabilitation program.

A SCADA system conveys wet well level information and high-level alarm information to WTP No. 1. This information can also be accessed from the WWTP No. 1. SCADA telemetry systems have been installed at sixty-nine (69) lift stations and telephone dialers have been installed at sixteen (16) lift stations to relay information on the lift station operation to WTP No. 1, and to the WWTP No. 1.

The design and installed lift station pumping capacity has been based on the anticipated development and the wastewater flows that are expected to occur within the next ten (10) to twenty (20) years. The lift stations' design were based on periodic replacement of the pumps with larger capacity pumps, as additional development of the service area occurs. Based on an inspection of the City-owned lift stations by the Consulting Engineers, the lift stations are well maintained. Repair and rehabilitation for these lift stations that have reached their useful life has been included in the City's five-year (5) CIP. Installation of larger capacity lift station pumps will also be required at some of the lift stations, to increase the pumping capacity.

The design of sewage force mains was to serve the development that is anticipated within the next ten (10) years. As development occurs, additional sewage force mains will need to be installed. Sewage force main improvements will be phased to meet the expected development within the next ten (10) to twenty (20) years, and at build-out.

A tabulation of the current sewage force main sizes and lengths is provided below:

Sewage Force Mains

Force Main Size	Force Main Length (Ft.)
2-inch	1,368
3-inch	304
4-inch	25,028
6-inch	166,354
8-inch	156,077
10-inch	63,335
12-inch	79,527
14-inch	16,148
16-inch	48,834
18-inch	3,587
TOTAL	**560,562**

No sewage force main problems or deficiencies were observed based on the limited observation performed by the Consulting Engineers although improvements and expansion of the force main system will be needed to meet future demands.

Reclaimed Water Mains

Reclaimed water mains currently convey reclaimed water derived from the WWTP No. 1 to Hammock Dunes, Grand Haven Developments, Conservatory Golf Development, Town Center and the Creek Course golf course for golf course and landscape irrigation use. Reclaimed water is planned by the City to also be provided to nearly all of the new major developments. The developers are responsible for furnishing and installing reclaimed water mains within the developments and to dedicate the reclaimed water mains to the City. A tabulation of the current reclaimed water main size and lengths is provided below:

Reclaimed Water Mains

Reclaimed Water Main Size	Reclaimed Water Main Length (Ft.)
6-inch	42,352
8-inch	21,150
10-inch	14,217
12-inch	32,254
16-inch	66,953
18-inch	9,203
20-inch	17,252
24-inch	5,101
30-inch	2,757
TOTAL	**211,239**

Wastewater Treatment Plant

The current wastewater treatment plant (WWTP No. 1) is permitted to provide 6.83 MGD of advanced secondary activated sludge treatment expressed on annual average daily flow basis. The wastewater treatment plant effluent is of a sufficient quality that it can be used for irrigation of areas with public access.

The WWTP No. 1 has been constructed in several phases as listed below:

- Phase 1 was constructed in 1983 and provided 1.0 MGD of secondary treatment.
- Phase 2 was constructed in 1989 and provided an additional 1.0 MGD of secondary treatment, for a total of 2.0 MGD of secondary treatment.
- Phase 3 was constructed in 1995 and expanded the plant treatment capacity by 2.0 MGD to 4.0 MGD of secondary treatment.
- Phase 4 re-rated the wastewater treatment plant to 4.55 MGD of secondary treatment in December 2004.
- Phase 5 re-rated the wastewater treatment plant to 5.30 MGD of secondary treatment in January 2006.
- Phase 6 construction was completed in June 2006 for 6.83 MGD of advanced secondary treatment. The wastewater treatment plant effluent can be used for irrigation of areas with public access.

The 6.83 MGD wastewater treatment facility expansion and upgrading that was completed in 2006 was designed to accommodate a future plant expansion to 9.1 MGD capacity. The current wastewater treatment units are listed below:

- The headworks was designed and constructed to accommodate 9.1 MGD. The headworks consists of two (2) mechanical bar screens, six (6) submersible wastewater pumps, a grit removal unit, a parshall flume to measure the influent flow and a flow splitter to divide the flow to four separate treatment trains.
- One (1) Bio-Filter sized for 9.1 MGD provides odor control.
- Three (3) oxidation ditches provide biological treatment for 6.83 MGD. Provision has been made for future installation of a fourth oxidation ditch to provide a total biological treatment of 9.1 MGD.
- Three (3) alum feeders have been provided to improve settling (if necessary) for 6.83 MGD. Provision has been made for the future installation of a fourth alum feeder to treat 9.1 MGD.
- Six (6) clarifiers provide settling for 6.83 MGD. Provision has been made for future installation of two (2) additional settling tanks to provide settling for 9.1 MGD.
- Six (6) return activated sludge pumps convey return activated sludge from the clarifiers to the oxidation ditches. Provision has been made to install two (2) additional return activated sludge pumps when the plant flow exceeds 6.83 MGD.
- Three (3) waste sludge pumps convey waste sludge from the clarifiers to the aerobic digesters. Provision has been made for the future installation of a fourth waste sludge pump when the plant flows exceed 6.83 MGD.
- Four (4) separate tertiary disk filters provide solids removal. The tertiary disk filters design will accommodate future expansion from 6.83 MGD to 9.10 MGD.

- Liquid sodium hypochlorite is used for disinfection. Four (4) chlorine feed pumps have been provided.
- Two (2) separate chlorine contact tanks (each with two (2) separate chambers) provide the required chlorine contact time of the plant effluent. The chlorine contact tanks have been designed and constructed to accommodate 9.1 MGD.
- Weirs and ultra-sonic transducers measure the effluent flow.
- Six (6) vertical turbine transfer pumps transfer the plant effluent from the chlorine contact chambers to a 6 MG ground storage tank.
- Four (4) vertical turbine pumps convey plant effluent to Hammock Dunes, and reuse sites.
- One (1) 6 MG ground storage tank.
- Two (2) quality control structures convey reject plant effluent directly to the rapid infiltration basins whenever the plant effluent quality does not meet the quality standards for reclaimed water.
- Four (4) aerobic digesters with diffused aerators.
- One (1) circular aerobic digester with diffused aerators.
- Two (2) centrifugal blowers supplying air to all digesters.
- Two (2) sludge transfer pumps convey sludge from the aerobic digester to a centrifuge dewatering system.
- One (1) screw pump and conveyor system to convey the sludge cake to hauling trucks for transporting to a contracted off-site facility for final treatment, and disposal.
- One (1) sodium bi-sulfite feeder to de-chlorinate wet-weather wastewater treatment plant effluent that is discharged to the Intra-Coastal Waterway.
- Two (2) plant service pumps and a hydro-pneumatic tank provide pressurized plant service water.
- Two (2) irrigation pump provides high pressure irrigation water for the spray field.

Standby power is provided to WWTP No. 1 by two (2) separate generators. A 500 KW generator was provided in 1983. A second 1500 KW generator was provided during the 2006 improvements. The 1500 KW generator has been sized to also provide standby power for the Bio-Solids and Reclaimed Water Pumping improvements constructed in 2008.

One electrical room serves all facilities constructed prior to 2006. Two (2) electrical rooms serve the new facilities constructed after 2006.

The WWTP No. 1 includes two (2) office buildings, a laboratory and maintenance building. Buildings are also provided to house the sludge dewatering facilities, chlorination facilities and de-chlorination facilities.

Based on review of regulatory permits and operating records, performance of on-site inspections and interviews with Wastewater System operating personnel, the wastewater treatment facilities appear to be in good operating condition and are well maintained.

The City originally planned to construct a second wastewater treatment plant (WWTP No. 2) in 2011 near the northwest area of the Wastewater and Reclaimed Water Service Area. This plant had been designed and permitted, but the construction of the plant has been put on hold due to the recent economic downturn which significantly reduced the recent growth rate within the Palm Coast wastewater service area. The future WWTP No. 2 will have an initial capacity of 2.0 MGD and was designed to allow for expansion up to 6.0 MGD. It was also designed to provide the highest degree of treatment (Advanced Wastewater Treatment) utilizing the membrane biological reactor process.

Based on the recent wastewater flow projection, WWTP No. 2 will not be needed over the Forecast Period therefore, the cost of this project has not been included in the City's five-year (5) Capital Improvement Program.

Effluent Disposal

The wastewater treatment plant effluent can be used for irrigation of residential, golf course and other publicly accessible areas, for plant service water, irrigation of the wastewater treatment facility site, and disposed of in utility controlled rapid infiltration basins or disposed of at a spray field. A 6.0+ MG ground storage tank located at the wastewater treatment facility provides storage for the advanced secondary effluent.

The following is a discussion of the primary effluent disposal options available to the City:

Reclaimed Water

The wastewater treatment plant effluent (reclaimed water) complies with the advanced secondary standards and can be used for irrigation of areas with public access. To comply with these standards, the total suspended solids must be less than 5 mg/l and the chlorine content must be 1 mg/l or more after a required period of contact time. Reclaimed water that does not comply with these quality requirements is classified as reject water and is conveyed to the City controlled Rapid Infiltration Basins ("RIBs") (and spray fields) for disposal.

The primary method of reclaimed water disposal by the City is through reuse (using reclaimed water for irrigation and other processes and thus serves as an additional water resource and provides additional benefit by limiting groundwater use). A Palm Coast Reuse Service Area has been designated to be same as the Palm Coast Wastewater Service Area. This Reuse Service Area has been approved by FDEP. A total disposal capacity of 21.935 MGD was identified in the Reuse Service Report.

Hammock Dunes, Grand Haven, Town Center, Conservatory Golf Course Development, and the Hammock Dunes Creek Course golf course are the major developments that are using reclaimed water for irrigation. All new developments are required by the City ordinance to install a reclaimed water distribution system and to take and use reclaimed water when reclaimed water becomes available.

Cigar Lake Reclaimed Water Storage and Distribution Pump Station:

In 2009, the City constructed an off-site reclaimed water distribution pump station located near the northwest corner of I-95 and Royal Palms Canal. An existing 17 acre borrow pit which was dug for construction of the Town Center was used as reclaimed water storage pond. Cigar Lake provides approximately ten (10) MG gallons of storage capacity. The reclaimed water distribution pump station is capable of pumping up to ten (10) MGD of reclaimed water for irrigation at the Town Center and many other future developments located in the south section of the reclaimed water service area.

Other Reclaimed Water Disposal

Reclaimed water not used for irrigation of publically accessible areas can be disposed of at the City Rapid Infiltration Basins and the City Spray Field. The RIBs and the Spray Field are located approximately one and a half miles south of the existing WWTP No. 1 off Old Kings Road. Reclaimed water meeting the secondary treatment standards can be disposed of at the City-owned RIBs and Spray Field sites because these sites are restricted from public access. Whenever the reclaimed water demands for irrigation are less than the plant effluent flows, the excess advanced secondary plant effluent can also be disposed of at any or all of the RIB Sites and the Spray Field. Rapid Infiltration Basin No. 1 was constructed in a circular concentric pattern, and was one of the first RIBs constructed in Florida. Rapid Infiltration Basin No. 2 is a conventional RIB with four (4) separate ponds. Rapid Infiltration Basin No. 3 is a conventional RIB with two (2) separate ponds.

The reclaimed water that does not comply with the standards for irrigation of the publically accessible areas is conveyed to the RIBS and Spray Field for disposal. The spray field totals approximately sixty (60) acres and consists of two (2) separate spray fields located on the north and south of the RIB No. 1.

The disposal capacity of the Spray Field and the RIBs are tabulated below:

Permitted Effluent Disposal

Description	Amount (MGD)	Required Effluent Quality
Palm Coast Spray Field	0.60	Secondary
Palm Coast Rapid Infiltration Basin No. 1	1.00	Secondary
Palm Coast Rapid Infiltration Basin No. 2	0.92	Secondary
Palm Coast Rapid Infiltration Basin No. 3	0.55	Secondary
Total	3.07	

The rapid infiltration basins and the spray field appear to be in good condition and are well maintained based on the limited observation performed by the Consulting Engineers.

Limited Wet Weather Discharge

The Wastewater System has been permitted by the FDEP to discharge 1.6 MGD wet weather flow to the Intra-Coastal Waterway for ninety-one (91) days per year and the discharge cannot be activated more than 150 days during any calendar year. The Limited Wet Weather Discharge

Permit allows up to 150 days of wet-weather discharges to the Intra-Coastal Waterway during a wet (high rainfall) year. The wastewater treatment plant effluent must be dechlorinated prior to discharge to the Intra-Coastal Waterway. De-chlorination facilities located at the wastewater treatment facility are placed in operation whenever wastewater plant effluent is to be discharged to the Intra-Coastal Waterway. The chlorine content is analyzed prior to discharge to the Intra-Coastal Waterway to confirm that the effluent has been de-chlorinated. Flow measurement facilities monitor and record the amount of plant effluent discharged to the Intra-Coastal Waterway. The equipment to monitor the chlorine content and flow prior to discharge to the Intra-Coastal Waterway are housed within a fenced area near the point of discharge. The Utilities Department personnel measure and record the Intra-Coastal Waterway flow at the times when wet weather flows are discharged to the Intra-Coastal Waterway. The average annual wet-weather discharge to the Intra-Coastal Waterway for the years 2007 to 2012 was approximately 132 MG per year and was less than ninety-one (91) days for each year.

As the wastewater flow increases, the frequency, and the volume of discharge to the Intra-Coastal Waterway also increase, especially during the wet seasons when the demands for irrigation reduces. In 2011, the Consulting Engineers designed a treatment process which will upgrade about one-third capacity of the existing treatment process to the Advanced Wastewater Treatment standards utilizing the Biostyr Process. The treatment upgrade will allow the City to discharge additional AWT reclaimed water to the Intra-Coastal Waterway during the wet weather conditions under the FDEP APRICOT rule. The design was completed and permitted in early 2011, but the construction has been put on hold due to the slowdown of the growth and the reduction of wastewater flow during the past few years. It is projected that the construction of the plant upgrade will not begin until mid-2016.

Sludge Treatment and Disposal

Sludge is periodically wasted from the return activated sludge pumping stations to five (5) aerobic digesters for partial treatment. Diffused aeration with air supplied by centrifugal blowers is installed in all five (5) digesters. Periodically the sludge in the digesters is decanted and then conveyed to a centrifuge for dewatering to about 20% solids by weight. The dewatered sludge is conveyed to a truck loading station where it is trucked by a contracted hauler to a regional treatment facility for further treatment and disposal. The independent contractor is responsible to provide the necessary sludge treatment to comply with the FDEP and EPA standards.

Regulatory Compliance Issues

The current Wastewater Treatment Facility Permit that allows treatment and disposal of 6.83 MGD of advanced secondary reclaimed water will expire on April 29, 2017. In the past timely applications had been made by the City to the FDEP for renewal of this permit.

Environmental Assessment

Prior to acquiring the FWS utility System, the City employed Arcadis G&M, Inc. to perform a preliminary environmental audit for the properties of the System which included both soil and groundwater sampling in areas of concern. After sampling various areas of potential environmental concern, only one area was identified as an environmentally impacted site with respect to petroleum compounds which was the maintenance facility at 2 Utility Drive.

Envirosouth Technologies, Inc. was employed by the City to determine the extent of environmental impact in this area. The assessment included both field soil testing and groundwater sampling for laboratory chemical analysis. The results of the investigation indicated an area of dissolved petroleum constituents in excess of State Groundwater Cleanup Target Levels in the immediate vicinity of a former underground petroleum storage tank. The City has reviewed the concern with FDEP and implemented a Natural Attenuation Monitoring Program for the contaminated area. Monitoring wells have been installed and are sampled twice per year. The data is forwarded to FDEP. It is expected that the quarterly Natural Attenuation Monitoring Program will continue until 2 sample events are below CTLS.

Overall System Condition

The overall condition of the System based on the Consulting Engineer's evaluation is described below:

Palm Coast Utility Condition of Facilities

System Component	Condition
Production Wells and Raw Water Mains	Good
Water Treatment Plant No. 1	Good
Water Treatment Plant No. 2	Excellent
Water Treatment Plant No. 3	Excellent
Water Distribution System	Good
Water Elevated Storage	Good
Wastewater Collection System	Good
Pre-Treatment Effluent Pumping System	Good
Wastewater Lift Stations and Sewage Force Mains	Good
Wastewater Treatment Plant	Excellent
Reclaimed Water Mains and Effluent Disposal	Good

Excellent: Facilities are in proper working order, well maintained, and no deferred maintenance.
Good: Facilities are in proper working order, and are well maintained with only minor deferred maintenance identified
Average: Facilities are in proper working order maintained at industry standards with some deficiencies and deferred maintenance identified
Fair: Facilities may not be in proper working order and are not maintained, to industry standards, with significant deficiencies and deferred maintenance.
Poor: Facilities cannot properly function due to excessive deficiencies and deferred maintenance.

EXISTING SYSTEM DEBT AND PLAN OF FINANCE

The City has previously issued long-term debt in the amount of $96,650,000 to acquire the system in 2003 (the "Series 2003 Bonds"). In addition, the City issued $49,840,000 in long-term debt to fund certain capital improvements to the System (the "Series 2007 Bonds"). As of October 1, 2011, the City had Bonds outstanding in the aggregate principal amount of approximately $124,140,000 that were issued pursuant to the terms and conditions of the Bond Resolution (the "Outstanding Bonds") which are secured by a senior lien pledge on the Pledged Funds (essentially the Net Revenues) of the System. The City intends to use a portion of the proceeds of the Series 2013 Bonds to fund certain Water and Wastewater System capital improvements. The balance of the Series 2013 Bonds will be used to currently refund the outstanding Series 2003 Bonds. Reference the section of this Report entitled "Capital Improvement Program" for a discussion of the capital improvement program.

The following is a summary of the Outstanding Bonds as of October 1, 2012, the first day of the Fiscal Year 2013 for the System:

Outstanding Bonds	Outstanding as of October 1, 2012 [1]
Utility System Revenue Bonds, Series 2003 (the "Series 2003 Bonds")	$78,415,000
Utility System Revenue Bonds, Series 2007 (the "Series 2007 Bonds")	45,725,000
Total Outstanding Bonds	$124,140,000

[1] Amounts shown reflect the outstanding principal amount of the Bonds after the payment that was due and payable on October 1, 2012; it is anticipated that all of the Series 2003 Bonds will be refunded by the issuance of the Series 2013 Bonds as discussed below.

In addition to the Outstanding Bonds issued pursuant to the Bond Ordinance, the City has also secured additional debt allocable to the System. Specifically, the City has secured low-interest loans through the State Revolving Fund ("SRF") Loan program which is administered by the Florida Department of Environmental Protection ("FDEP"). The SRF Loans are subordinate in payment to the Outstanding Bonds and any additional parity bonds issued in accordance with the terms of the Bond Resolution. The following is a summary of the outstanding SRF Loans secured by the City as of September 30, 2012:

Junior Lien Debt	Liability Outstanding as of September 30, 2012 [1]	Loan Status
State Revolving Loan – WW90302S	$1,991,960	Loan Officially Closed with FDEP; Payments being made
State Revolving Loan – WW90303S	9,906,284	Loan Officially Closed with FDEP; Payments being made
State Revolving Loan – REUSE 903050	6,424,141	Loan Officially Closed with FDEP; Payments being made
State Revolving Loan – BIOSOLIDS 903080	4,877,207	Loan Officially Closed with FDEP; Payments being made
Total Subordinated Lien Debt Liability	**$23,199,592**	

[1] Amount estimated by the City to be an outstanding liability as of September 30, 2012.

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For the purposes of this Report and based on the direction of the City's Financial Advisor for the Series 2013 Bonds, it was assumed that the Series 2013 Bonds would have an aggregate principal amount of approximately $96,555,273 and would have a delivery date of July 1, 2013. The Series 2013 Bonds are anticipated by the City to be issued as additional parity bonds in accordance with the terms and conditions of the Bond Resolution. The following is a summary of the estimated sources and uses of the proceeds of the Series 2013 Bonds as provided by the City's Financial Advisor for the Series 2013 Bonds:

Estimated Sources and Uses of Series 2013 Bonds

Sources	Refunding 2003 Bonds	New Money Component	Total
Bond Proceeds: Par Amount	$66,390,000	$19,115,000	$85,505,000
Premium	8,701,898	2,348,375	11,050,273
Total	75,901,898	21,463,375	96,555,273
Other Sources of Funds:			
Debt Service Fund	2,204,800	0	2,204,800
Debt Service Reserve Fund	6,289,612	0	6,289,612
Total Sources of Funds	**$83,586,311**	**$21,463,375**	**$105,049,685**
Uses			
Project Fund Deposits:	$0	$21,200,000	$21,200,000
Refunding Escrow Deposits:			
Cash Deposit	1	0	1
SLGS Purchases	82,681,968	0	82,681,968
Total Deposits	82,681,969	0	82,681,969
Delivery Date Expenses:			
Cost of Issuance	506,002	148,685	654,687
Underwriter's Discount	393,340	114,690	513,030
Total Expenses	904,342	263,375	$1,167,717
Total Uses of Funds	**$83,586,311**	**$21,463,375**	**$105,049,685**

CAPITAL IMPROVEMENT PROGRAM

General

Due to the economic downturn, the growth of the Palm Coast service area has significantly slowed down during the past five (5) years. As a result the demands for water and wastewater services are much lower than what were projected during the Fiscal Year 2007 when the City issued the Series 2007 Bonds. The slowdown in growth resulted in the City reducing the then identified capital plan and the delay of the expansion of certain facilities for at least five (5) years. The City and its Consulting Engineers review and update their capital improvement program on an annual basis. The most recent five-year capital improvement plan (the "CIP") was revised to reflect the new lower demand projections and the reduced revenues due to continued effects of the economy on System growth. The cost of the capital improvements is

based on estimates made by the Consulting Engineer and discussions with the City. The Consulting Engineer is of the opinion that the capital improvement program as contained in the five-year CIP included in the financial forecast is adequate to provide the capacity and regulatory compliance needs of the System during the Forecast Period reflected in this Report.

For the purpose of preparing this Report and the financial projections as contained herein, only the capital needs for the Forecast Period were considered. Project costs for some of the projects and improvements included in the CIP are preliminary in nature as the contracts for construction have not been awarded. Accordingly, the total cost of the CIP could be more or less depending on future demand requirements and service area needs, actual contract awards, and other economic factors.

The five-year CIP for the Forecast Period is summarized on Table 3 at the end of this Report. As can be seen on Table 3 and as shown below, the projected cost of such improvements (the "Projects"), including an allowance for contingencies, is anticipated by the City to be approximately $54.4 million. Of the total cost of the Projects, $21,200,000 is expected to be funded from the proceeds of the Series 2013 Bonds.

Water Facilities

WTP No. 1, a conventional lime softening plant, has a permitted capacity of 6.000 MGD. WTP No. 2, a low pressure membrane softening facility, has a permitted capacity of 6.384 MGD. The recently constructed WTP No. 3, also a low pressure membrane softening plant, was completed in June 2008 and has a permitted capacity of 3.000 MGD. The total current permitted water treatment capacity is 15.384 MGD. The Water System Average Daily Demand ("ADD") and the Maximum Daily Demand ("MDD") are plotted on Figure G at the end of this Report along with the City's existing and proposed additional water treatment plant capacity.

The year of the proposed expansions are shown on Figure G at the end of this Report along with the projected Average Daily Demands and the Maximum Daily Demands (used for capacity planning purposes) which documents that the need for additional water treatment capacity is currently projected to be beyond the five-year Forecast Period. A list and brief description of the proposed Water System improvements contained in the CIP are provided below:

1. Water Supply Planning/CUP/AWS include: Water supply facility work-plan update and CUP modifications.

2. Water Treatment Plant No. 1 Well Improvements include: Replacement of some of the existing wells.

3. Water Treatment Plant No. 1 Miscellaneous Improvements include: Electrical improvements.

4. Water Treatment Plant No. 2 Well and Raw Water Main Improvements include: Activation of five (5) new wells and raw water main improvements.

5. Water Treatment Plant No. 2 Improvements include: Construction of the zero liquid discharge concentrate treatment facilities.

6. Water Treatment Plant No. 3 Well Field Improvements include: Construction of an overhead power supply system to the newly constructed Phase 2 well field system and well field expansion.

7. Water Main Improvements include: Citation, Old Kings Road and State Route 100 loop, 12-inch water main along Palm Coast Parkway from Cypress Point Parkway to the east side of I-95, and other miscellaneous water main installations.

8. General Plant R & R includes: Allowances for budgeting capital (recurring expenditures for assets such as equipment, furniture, and fixtures).

The following is a summary of the estimated cost of the Water System improvements as summarized above:

Water System Improvements

Project Reference [1]	Description	Estimated Project Costs [2]
1	Water Treatment Plant No. 1 Well Improvements	1,250,000
2	Water Treatment Plant No. 1 Miscellaneous Improvements	500,000
3	Water Treatment Plant No. 2 Well Improvements	4,500,000
4	Water Treatment Plant No. 2 Improvements	10,000,000
5	Water Treatment Plant No. 3 Well Improvements	1,600,000
6	Water Treatment Plant No. 3 Miscellaneous Improvements	900,000
7	Water Main Improvements	2,250,000
8	General Plant R & R	2,500,000
9	Distribution System Improvements	375,000
10	Fleet Replacement	766,936
12	**Total Water System Improvements**	**$26,491,936**

[1] Reference is to project list numbers as shown above for the Water System project descriptions.
[2] Reference is made to Five-Year CIP summarized on Table 3 at the end of this Report.

Of the total Water System capital improvements, $14,020,000 or 52.92% of the projects were assumed to be funded from the Series 2013 Bonds. The remainder of the capital costs will be funded from additional parity bonds, deposits made from operations to the Renewal, Replacement and Improvement Fund, Water Capital Facilities Fees, and other sources.

Wastewater Facilities

A description of the proposed Wastewater System improvements and a tabulation of the estimated current project cost contained in the CIP are provided below:

1. WWTP No. 1 Improvements include: Advanced Wastewater Treatment upgrade; Brush aerator rehab, RAS pumping improvements; Rapid Infiltration Basin site rehab; and other miscellaneous improvements.

2. Reclaimed Water System Improvements include: Construction of Matanzas Wood Pkwy Reclaimed water main, Seminole Blvd reclaimed water main, and other miscellaneous reclaimed water main improvements.

3. Wastewater Pumping Improvements include: OKR Master Pump Stations, Pump Station 4-2 Upgrade, and other miscellaneous pump station improvements.

4. Wastewater Force Mains Improvements include: OKR force main, 20" forcemain from WWTP No. 1 to St. Joe Canal and OKR forcemain Phase 2.

5. Private Effluent Pumping (PEP) System Improvements include: Installation of additional PEP tanks, force mains, and upgrade and rehabilitation of PEP pumping stations.

6. Beachside Pumping Station and Force Main Improvements include: Construction of a wastewater pumping station and force main to provide wastewater service to the beachside.

7. General Plant R & R includes: Allowances for budgetary capital (recurring expenditures for assets such as vehicles, equipment, furniture, and fixtures, etc.).

Wastewater System Improvements

Project Reference [1]	Description	Estimated Project Costs [2]
1	Wastewater Treatment Plant No. 1 Improvements	$7,580,000
2	Reclaimed Water System Improvements	2,750,000
3	Wastewater Pumping Station Improvements	2,525,000
4	Wastewater Force Main Improvements	1,950,000
5	PEP System Improvements	1,950,000
6	Beachside Pumping Station and Force Main Improvements	2,500,000
7	Fleet Replacement	1,386,189
8	General Plant R & R	2,500,000
9	**Total Wastewater System Improvements**	**$23,141,189**

[1] Reference is to project list numbers shown above for the Wastewater System project descriptions.
[2] Reference is made to Five-Year CIP summarized on Table 3 at the end of this Report.

Of the total Wastewater System capital improvements, $980,000 or 4.23% of the projects were assumed to be funded from the Series 2013 Bonds. The remainder of the capital costs will be funded from additional parity bonds, deposits made from operations to the Renewal, Replacement and Improvement Fund, Wastewater Capital Facilities Fees, and other sources.

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Miscellaneous Utility Services / Projects

A description of the proposed Miscellaneous System improvements and a tabulation of the estimated current project cost contained in the CIP are provided below:

Other Miscellaneous System Improvements

Project Reference [1]	Description	Estimated Project Costs [2]
1	CUP Modification Application	$250,000
2	Consultant Input on CIP Development	70,000
3	Water Supply Facilities Work Plan	60,000
4	Public Works / Utility Office and Yard Study	50,000
5	Nutrient Impact Study	17,000
6	Non-CIP Capital	4,156,449
7	Fleet Replacement	130,236
8	**Total Miscellaneous System Improvements**	**$4,733,685**

[1] Reference is to project list numbers shown above for the Miscellaneous System project descriptions.
[2] Reference is made to Five-Year CIP summarized on Table 3 at the end of this Report.

Based on the projected growth, the proposed five-Year CIP will result in adequate capacity to meet future Water and Wastewater System demands throughout the Forecast Period.

Funding Sources for Capital Program

As can be seen on Table 3 at the end of this Report, the City and its Consulting Engineers have identified approximately $54,366,810 in capital requirements or expenditures to be performed over the next five (5) Fiscal Years ending 2017, which are allocable to both new and existing customers. The City has identified several funding sources for the construction of the above referenced projects. Based on an analysis of available funds to be accrued during normal operations of the System by the City (e.g., receipt of Water and Wastewater System Capital Facilities Fees, deposits made to the Operating Reserve Fund and the Renewal, Replacement, and Improvement Fund from rates, etc.), the estimated amount of bond proceeds to be derived from the Series 2013 Bonds, the funding sources from the total five-Year CIP as estimated by the City is as follows:

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Summary of Five-Year Capital Improvement Plan Funding [1]

	Total Fiscal Years 2013 – 2017 [1]	Percent
Five-Year Capital Improvement Plan:		
Water System Improvements	$26,491,936	48.73%
Wastewater System Improvements	23,141,189	42.56%
Miscellaneous Utility Services	4,733,685	8.71%
Total Capital Projects	**$54,366,810**	**100.00%**
Funding Sources:		
Renewal, Replacement and Improvement Fund	$15,891,810	29.23%
System Capital Facilities Fees	925,000	1.70%
Prior Bond Proceeds	1,400,000	2.58%
Series 2013 Proceeds	21,200,000	38.99%
Series 2014 Proceeds [2]	14,950,000	27.50%
Total Funding Sources	**$54,366,810**	**100.00%**

[1] Amounts derived from Table 3.
[2] Represents additional parity bonds assumed to be issued at the beginning of the Fiscal Year 2015.

As can be seen above, 33.51% of the identified capital program is anticipated by the City to be funded from existing reserves and ongoing System operations and growth (e.g., Capital Facilities Fees, annual rate funding, and Renewal, Replacement, and Improvement Fund). It is also estimated that the use of a portion of the proceeds of the Series 2013 Bonds will account for approximately 38.99% of the funding sources for the projected five-year CIP. It is further estimated that the City will fund approximately 27.50% of the capital improvements identified in the five-year CIP through the issuance of additional parity bonds. As previously noted, the City plans to update its capital improvement plan for the System and corresponding funding analysis annually as part of the ongoing budget process to evaluate the timing of such additional borrowing needs as may be required due to changes in growth, levels of service, and other factors.

Renewal, Replacement and Improvement Fund Summary

Pursuant to the terms and conditions of the Bond Resolution, the City must establish and maintain a Renewal, Replacement, and Improvement Fund (the "RR&I Fund"). With respect to the RR&I Fund, such amounts shall be used by the City for the purpose of paying the costs of extraordinary repairs, extensions, enlargements, or additions to, or the replacement of facilities of the System. Pursuant to the Bond Resolution, the required annual deposit to such fund shall be at least equal to five percent (5%) of the Gross Revenues derived from the operation of the System during the immediately preceding Fiscal Year. However, no deposit is required if the City maintains an unencumbered balance in such fund equal to either one percent (1%) of the gross book value of the fixed assets of the System determined pursuant to generally accepted accounting principles or an amount certified by the City's Consulting Engineers as sufficient to provide immediately available funds to pay renewal and replacement costs of the System. With respect to the development of the financial projections of the System and based on discussions with the City, it has been assumed that the City will annually transfer not less than ten percent (10%) of the previous year's Gross Revenues to continue accruing funds for future facility replacement and betterment. This amount is funded from utility rates and expected by the City

to be set aside in the RR&I Fund for current or future projects as identified by the City and will not be used to fund the daily Cost of Operation and Maintenance of the System.

HISTORICAL AND PROJECTED SYSTEM SALES AND CUSTOMER USAGE STATISTICS

General

This section of the Report summarizes the recent trends in water and wastewater customers, water production and wastewater treatment, and associated sales and usage characteristics of the System. The historical period reflected in this Report covers the Fiscal Years ended September 30, 2008 through 2012 (the "Historical Period"). The Forecast Period reflected in this Report was previously defined as the Fiscal Years 2013 through 2017. Table 1 at the end of this Report reflects the historical active customers or accounts (terms used synonymously and relates to bills being rendered for service) receiving utility service as well as metered water sales (gallons sold) for the Water System. Similar information regarding the historical customers and billed wastewater flow (revenue gallons) for the Wastewater System is also shown on Table 1 at the end of this Report. Table 2 summarizes the projected customers and metered water sales and billed wastewater flow for the Water and Wastewater Systems, respectively for the Forecast Period.

Water System

The Water System has experienced an increase in customers and water sales over the past several years due to the continued development located within the Water System service area although most recently at a significantly reduced rate as a result of the prolonged economic downturn that has negatively impacted the housing market in Florida and the rest of the Country. As discussed below, the City has a significant amount of platted vacant parcels or lots with water and wastewater service being either available to or in close proximity of which will provide a strong potential for growth over the next ten to twenty years. Tables 1 and 2 at the end of this Report summarize the historical and projected customer accounts, water sales and average customer usage statistics, respectively, for the Water System. The historical and projected customer accounts for the Water System are summarized as follows:

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Historical and Projected Customer Accounts and Statistics - Water System

Fiscal Year Ended September 30 (Historical) [1]	Average Annual Water Accounts	Average Annual ERCs [2]	Water Sales (000s of Gallons)	Average Monthly Water Use per ERC [2]
2008	41,272	45,010	1,867,175	3,457
2009	42,191	46,012	2,266,388	4,105
2010	42,328	46,161	2,245,240	4,053
2011	42,643	46,505	2,455,433	4,400
2012	42,720	46,611	2,390,163	4,273
Average Annual Historical Growth Rate	0.87%	0.88%	6.37%	5.44%
Fiscal Year Ending September 30 (Projected) [3]				
2013	42,815	46,739	2,397,072	4,274
2014	42,924	46,877	2,404,453	4,274
2015	43,038	47,105	2,419,190	4,280
2016	43,164	47,324	2,430,628	4,280
2017	43,298	47,504	2,440,192	4,281
Average Annual Projected Growth Rate [4]	0.27%	0.38%	0.42%	0.03%

[1] Amounts shown derived from Table 1; amounts shown do not include fire service accounts but does recognize bulk water service.

[2] For purposes of this presentation, ERCs were determined based on information published by American Water Works Association (AWWA) which is used by utilities including the City, on the establishment of rate relationships among customers equivalent meter factors to the individual meter sizes served by the System for each class of customers during Fiscal Year 2011.

[3] Amounts shown derived from Table 2; amounts shown include fire service accounts and bulk water service.

[4] Projected growth rate from Fiscal Year 2012 to Fiscal Year 2017.

The Water System customer base consists primarily of single-family residential customers being serviced through a 5/8-inch or 3/4-inch meter service. As shown in the following table, this class accounted for approximately 80% of the total estimated accounts and 74% of the estimated ERCs served by the Water System during the Fiscal Year 2012.

Water Accounts and ERCs – Annual Average for Fiscal Year 2012

	Average Annual No. of Accounts	Percent to Total	Equivalent Residential Connections [1]	Percent to Total
Residential Single-Family [2]	34,162	79.97%	34,172	73.31%
Commercial	2,843	6.65%	6,344	13.61%
Irrigation	5,463	12.79%	5,781	12.40%
Fire Protection	250	0.59%	250	0.54%
Bulk Water	2	0.00%	65	0.14%
Total	42,720	100.00%	46,611	100.00%

[1] For purposes of this representation, ERCs were determined based on information published by the American Water Works Association (AWWA) which is used by utilities, including the City, in the establishment of rate relationships among customers (meter equivalent factors), which was applied to the individual meter sizes served by the System for each class of customers.

[2] Represents individually-metered single-family residential accounts; multi-family residential customers are considered by the City to be a component of commercial services.

As summarized on the table above, the Water System during the Fiscal Year 2012 provided service to approximately 46,600 ERCs, which is greater than the number of accounts (bills) served. As previously mentioned, an ERC represents the equivalent usage requirements of a single-family residential customer. Since commercial or multi-family customers are generally served by larger sized meters than the standard residential customer, it is useful to equate such customers on a basis equivalent to the residential class for a more consistent presentation of the total customer base served.

In addition to the retail customers served by the Water System and prior to the acquisition of the System by the City in 2003, FWS and Ocean City Utilities, Inc. ("Ocean City Utilities") entered into a bulk service agreement for utility service. Specifically, the parties entered into the Bulk Water Service Agreement on December 22, 1999 (the "OCU Bulk Agreement") for 70,000 gallons per day annual average of water treatment capacity from the Water System. This agreement was subsequently assigned to the City upon transfer of System assets and facilities to the City coincident with the utility acquisition from FWS in late 2003 (i.e., beginning of Fiscal Year 2004). The OCU Bulk Agreement provides for the ability to increase the amount of capacity purchased by Ocean City Utilities (in increments of no less than 10,000 gallons per day) and the utility has now reserved 90,000 gallons per day of water treatment capacity. Subsequent to the purchase of the System from FWS by the City, Flagler County (the "County") and Ocean City Utilities on October 5, 2004 entered into a Water and Wastewater System Purchase and Sales Agreement (the "OCU Purchase Agreement") which transferred the ownership of Ocean City Utilities to the County. The bulk service agreement was assigned to the County at the time of utility transfer and now the City provides bulk water service to the County pursuant to the terms of the OCU Bulk Agreement. The term of the OCU Bulk Agreement remains effective in perpetuity.

In addition to the assignment of the previously executed bulk water agreement and subsequent to the City's acquisition of the System, the City and the City of Flagler Beach ("Flagler Beach") entered into a series of Interlocal Agreements relating to the establishment of water service areas and the provision of potable water service. On March 21, 2006 the City and Flagler Beach entered in to the Interlocal Agreement Relating to Water Service Areas (the "Water Area Agreement") primarily to coordinate certain matters relative to the provision of potable water within the respective service areas of the two entities for the benefit of the public. The Water Area Agreement provided, among other things, the modification of the City's service area (relinquishing a portion of the water service area obtained by the City as a result of the acquisition of the FWS) and the term of the agreement which is in perpetuity. Subsequent to the execution of the Water Area Agreement, the two parties executed on August 1, 2006 the Interlocal Agreement for Collaborative Utility Services (the "Collaborative Agreement") and the Interlocal Agreement Relating to Bulk Potable [sic] Water Sale and Shared Utility Customers (the "Flagler Beach Bulk Agreement"). The primary intent of the Collaborative Agreement was, among other things, to i) recognize Flagler Beach will build a water treatment plant to serve its utility service area and that the City will provide wastewater service to the facility (as a retail customer of the City); ii) convey from the City to Flagler Beach an existing wastewater force main, including all liability thereto regarding the operations, maintenance and rehabilitation of such facility, in order for Flagler Beach to utilize such facilities as a concentrate main (reject water from the Flagler Beach water treatment process); and iii) transfer certain customers located outside the city limits of Flagler Beach to the City effective upon the next billing cycle after the

effective date of the such agreement (the customers included commercial accounts and a school). The term of the Collaborative Agreement was in perpetuity. The primary intent of the Flagler Beach Bulk Agreement was, among other things, to i) establish a specific bulk potable water service area; ii) delineate the rates for service as established by the City from time to time per resolution; and iii) provide a mechanism for the discontinuance of potable water service by the City if the Flagler Beach wastewater customers (within the specified service area) do not pay for the wastewater services. The term of the Flagler Beach Bulk Agreement is in perpetuity unless mutually modified as agreed upon by both parties.

As can be seen in the previous tables, the Water System has incurred a historical annual compound growth rate in the average number of accounts served of approximately 0.87% per year for the period 2008 to 2012 (generally consistent with the change in population as reported in the 2011 BEBR Estimate). This growth in the number of accounts served has occurred primarily due to both continued new development (construction) in the service area and in-fill of existing developments. It should be noted when the service area was initially developed and subsequently platted for sale, the developer (ITT) installed water and wastewater lines to the properties (a total of 44,000 lots that were platted for development). Therefore, as the properties are developed, connection to the System within this platted area is required. A portion of the growth of the System service area has been the continued development of the platted properties located within the City. Additionally, the City has expanded the service area as new development (outside the initial platted area) has occurred

The City believes this change in growth is consistent with the general slowdown in residential construction being experienced throughout the state and reflects a more "normalized" or "sustainable" growth/development trend for the City.

Based on the information provided by the City as it relates to the overall development activity, it is expected that the City will continue to grow and increase the water and wastewater customer base of the System. The development of the Water System customer forecast for the projected period reflected in this Report was based on: i) the continuation of development of vacant platted properties based on recent trends which includes the availability of water and wastewater service (available for immediate connection); ii) a review of recent historical trends in the issuance of building permits (which generally precede the connection to the System by a period ranging from six months to one year); iii) recognition of the incremental customer additions either approved by the City or in the development approval process; iv) the level of historical accounts being served at the end of the Fiscal Year 2012; and v) discussions and other information provided by the City. As shown on Table 2 and for the purposes of this Report, it was assumed that the average annual customers served (active accounts) for the Water System would increase at an average compound rate of growth of approximately 0.27% per year (with a similar growth rate for the ERCs served by the Water System). This rate of growth is less than the average growth rate experienced during the last five (5) Fiscal Years. A lower rate of growth (incremental additions to System) for the determination of sales revenue and bond compliance is more conservative even though there is a significant amount of capacity reserved or pending reservation through the development process which will lead to continued customer growth over time.

As can be seen below, it is estimated by the City that the Water System will have sufficient water production and treatment capacity to serve the future customer demands in the Water System

based on the facilities currently in service and the assumed forecast of customers and ERCs recognized for the financial projections as shown on Table 2. As can be seen below, it is estimated that the City will utilize approximately 64.4% of the total permitted capacity of the plant (based on flows at the water plant, not including any reserved but unused capacity) by the end of the Forecast Period. This capacity utilization relationship was based on the forecast of water sales as summarized on Table 2, an analysis of unaccounted for or unbilled water, average day to maximum day relationships based on historical data reported by the City, and an increase in the permitted capacity of the Water System occurring during the Forecast Period coincident with the expansion of water treatment facilities, all as summarized below.

	Projected Water Production (Finished Water)				
Fiscal Year Ending September 30,	Thousands of Gallons [1]	Average Daily Flow (MGD)	Maximum Daily Flow (MGD) [2]	Permitted Capacity (MGD-PDF)	Percent Capacity Utilized
2013	2,629,033	7.20	9.72	15.38	63.22%
2014	2,637,127	7.23	9.75	15.38	63.42%
2015	2,653,291	7.27	9.81	15.38	63.81%
2016	2,665,836	7.30	9.86	15.38	64.11%
2017	2,676,325	7.33	9.90	15.38	64.36%

MGD = Million Gallons per Day
MGD-PDF = Million Gallons per Day – Peak Daily Flow

[1] Amounts derived from Table 2 at the end of this Report.
[2] Amounts shown based on application of a maximum day peaking factor of 1.35 applied to anticipated average daily flows.

For the recent historical period reflected in the Report, the unaccounted for and unbilled (flushing) water has 9.26%, of the total water produced. Unaccounted for water is due to a variety of factors, including water used during construction (installation of new landscaping and flushing of new lines), hydrant testing, fire fighting, and water losses (system leakage). The water distribution system is constructed to serve approximately 50,300 platted lots. In some areas only one house may exist on a block, yet the distribution system is built to serve the whole block. As a result, an extensive flushing program is in place to maintain the water quality to the existing customers. As the area builds out, less flushing will be required and unbilled or non-revenue water should decrease. For the projection period, unaccounted for water was assumed to remain at levels currently experienced predicated on the recent historical water production and sales requirements relationships.

Based on recent historical trends in customer growth, discussions with staff members of the City, and a review of information regarding land use requirements of existing service areas, it has been assumed that water customers will increase during the Forecast Period reflected in this Report at growth rates which are lower than historically experienced by the Water System.

Wastewater System

The historical and projected customer (account) statistics for the Wastewater System are shown on Tables 1 and 2, respectively at the end of this Report and are summarized below:

Historical and Projected Customer Accounts and Statistics – Wastewater System

Fiscal Year Ending September 30 (Historical) [1]	Average Annual Wastewater Accounts	Average Annual ERCs [2]	Billed Flow (000s of Gallons)	Average Monthly Wastewater Gallons Billed per ERC [2]
2008	34,244	36,669	2,143,126	4,870
2009	34,715	37,174	2,407,589	5,397
2010	34,883	37,353	2,390,016	5,332
2011	34,957	37,433	2,492,256	5,548
2012	35,102	37,757	2,500,666	5,519
Average Annual Historical Growth Rate	0.62%	0.73%	3.93%	

Fiscal Year Ending September 30 (Projected) [3]	Average Annual Wastewater Accounts	Average Annual ERCs [2]	Billed Flow (000s of Gallons)	Average Monthly Wastewater Gallons Billed per ERC
2013	35,207	37,874	2,506,884	5,516
2014	35,312	37,996	2,512,519	5,511
2015	35,427	38,124	2,518,233	5,504
2016	35,554	38,323	2,527,886	5,497
2017	35,691	38,478	2,534,959	5,490
Average Annual Projected Growth Rate [4]	0.33%	0.38%	0.27%	

[1] Amounts shown derived from Table 1; amounts shown do not include effluent service customers.
[2] For purposes of this presentation, ERCs were determined based on information published by American Water Works Association (AWWA) which is used by utilities including the City, in the establishment of rate relationships among customers (equivalent meter factors) applied to the individual meter sizes served by the System for each class of customers.
[3] Amounts shown derived from Table 2; amounts shown do not include effluent service customers.
[4] Projected growth rate from Fiscal Year 2012 to Fiscal Year 2017.

Wastewater billed flow (sometimes referred to as revenue gallons) as shown in the above table represent the metered water consumption for which the City's wastewater flow or usage charge is billed. As subsequently discussed in the section of this Report regarding the rates for monthly service, water consumption provides the basis for the billing of wastewater usage charges and not all metered water use is billed a wastewater charge (e.g., water-only service associated with separately metered irrigation service and there is a billing threshold on the amount of wastewater flow that can be billed to a residential account because not all water used flows to the sewers). As was the case with the ERC usage trends experienced by the Water System, average monthly wastewater gallons billed on a per ERC basis has generally decreased over the recent historical period. Projections of wastewater gallons billed per ERC are anticipated to remain relatively constant during the Forecast Period as a result of continued water conservation efforts being implemented by the City (e.g., imposition of water conservation rates) and general downward trends in indoor water use.

As shown above, the wastewater customers of the System have experienced an average compound growth rate of approximately 0.62% since 2008. As shown below, the amount of active wastewater customers approximated 82% of the number of water customers during the most recently completed Fiscal Year 2012:

	Active Customers – For Fiscal Year 2012 [1]		
	Water	Wastewater	Percent to Water Accounts
Residential Single-Family Service	34,162	32,789	95.98%
Commercial and Multi-Family Service	2,843	2,310	81.26%
Irrigation Service	5,463	0	0.00%
Fire Protection	250	0	0.00%
Other	2	2	100.00%
Totals	42,720	35,102	82.17%

[1] Based on information provided by the City regarding the historical customers served; Reference Table 1 at end of this Report.

There are several thousand available platted lots or parcels located within the City (service is constructed and available) with the ability to service additional wastewater customers due to in-fill development. Furthermore, based on discussions with the City, all commercial development will be required to receive wastewater service from the System. As such, it is anticipated that the growth in wastewater customers will generally be consistent with that assumed for the Water System and the relationship of water customers receiving wastewater service as shown in the immediate table should begin to get closer since the majority of the new development will be receiving both utility services.

With respect to providing effluent service to the Dunes Community Development District which is adjacent to the City (the "Dunes CDD"), FWS and the Dunes CDD originally executed the Amendment to DCDD – PCUC Effluent Agreement dated January 14, 2003 (the "Dunes Effluent Agreement") to deliver effluent to the district for its use. The Dunes Effluent Agreement provides, among other things, the rates for service, reserved effluent capacity allocable to the district, the responsibilities of FWS and the Dunes CDD, including the upgrade of the Florida Water Pump Station necessary for the delivery of service, metering and the term of service. The Dunes Effluent Agreement, which was assigned to the City coincident with the acquisition of the System from FWS, is for a period of fifteen (15) years from the effective date, and does provide for the automatic renewal of additional ten (10) year periods thereafter (after termination of the initial 15 year term, any party may terminate the Dunes Effluent Agreement upon two (2) years prior written notice to the other). As a component of the provision of effluent service previously by FWS to the Dunes CDD, the parties also entered into the Amendment to Limited License Agreement for Use of Transmission Main dated January 19, 2003 (the "Transmission License Agreement") in order to allow FWS the right to use the Dunes CDD effluent transmission main to transmit and discharge effluent to the Intra-Coastal Waterway as specified in the license agreement. The Transmission License Agreement amended the Limited License Agreement for Use of Transmission Main dated August 12, 1997 and provided, among other things, for the term of the agreement (same as the Dunes Effluent Agreement), the fees and expenses charged for availability and use of the transmission line and discharge, and general responsibilities of the parties to such agreement. The Transmission License Agreement was also assigned to the City upon the acquisition of the FWS System in late 2003. Due to the continuing development of

utility facilities and circumstances changing at the City and Dunes CDD, it was determined by both parties to restate the existing agreements. The City and Dunes CDD entered into an Interlocal Agreement on August 17, 2007. The Interlocal Agreement allows that the City supply and the DCDD accept up to a maximum daily volume of 2.6 MGD of reclaimed water at the point of Delivery and also an establishment of an emergency potable water interconnection between their systems.

With respect to providing effluent service to the Grand Haven Community Development District which is adjacent to the City ("Grand Haven CDD"), Palm Coast Utility Corporation (owner of the System prior to FWS) and Grand Haven CDD executed the Working Agreement for Reuse of Reclaimed Water (the "Grand Haven Effluent Agreement") on April 23, 1997 to deliver effluent to the district for its use. The Grand Haven Effluent Agreement, which was assigned to the City coincident with the acquisition of the System from FWS, provided, among other things, the rates for service, reserved effluent capacity allocable to the district, responsibilities of FWS and the Grand Haven CDD, including the construction of facilities by the district to implement the reuse system including a reclaimed advanced secondary facility (filtration and high level disinfection) at the Palm Coast Wastewater plant site to provide spray irrigation in a public access area.

Pursuant to the Dunes Effluent Agreement, the City (formally FWS) has agreed to provide and the Dunes CDD has agreed to accept up to a maximum daily volume of 2.6 MGD of reclaimed water under certain terms and conditions which include:

1. The Dunes CDD will have an absolute first priority right to the first maximum daily volume of 1.6 MGD of Reclaimed Water generated by the Wastewater System;

2. The next maximum daily volume of 0.5 MGD of Reclaimed Water shall be made available to the Dunes CDD after 0.65 MGD is made available to Grand Haven CDD pursuant to the Grand Haven Effluent Agreement;

3. Effective upon the fourth anniversary of the agreement and subject to effluent availability, the Dunes CDD shall have an absolute first priority right to an additional maximum daily volume of 0.5 MGD of Reclaimed Water; and

4. The Dunes CDD shall accept a minimum of 0.6 MGD on a daily basis and 1.20 MGD on an average annual basis and at the fourth anniversary such minimum shall be increased to 1.2 MGD and 1.5 MGD, respectively, based on the availability of Reclaimed Water from the Wastewater System.

The Grand Haven Effluent Agreement provides for the delivery of a minimum of 200,000 gallons per day of effluent and an annual average quantity of 650,000 gallons per day, subject to the implementation schedule for the Dunes CDD mentioned above.

The Wastewater System currently has a permitted treatment capacity of 6.83 MGD expressed on an average annual daily flow (ADF) basis. With respect to the projected period reflected in this Report and the forecast of customer growth and usage requirements assumed for the financial projections, the Wastewater System is projected to have sufficient capacity to serve the wastewater service area requirements of the System. This capacity/utilization projection is based

on the forecast of wastewater equivalent residential connection (ERC) growth and corresponding billed flow as summarized on Table 2, and is summarized as follows:

	Wastewater Treatment		
Fiscal Year Ending September 30,	Average Daily Flow (MGD) [1]	Permitted Capacity (MGD)	Percent Capacity Utilized
2013	5.050	6.83	73.93%
2014	5.061	6.83	74.10%
2015	5.072	6.83	74.27%
2016	5.092	6.83	74.55%
2017	5.106	6.83	74.76%

[1] Amounts shown based on estimated ERC growth of the wastewater system and historical wastewater treatment requirements for the service area.

As can be seen above, approximately 74.76% of the permitted wastewater capacity at the end of the Forecast Period is expected to be in use after the planned facility expansions are completed.

With respect to customer growth and for the purposes of this Report, the increase in average annual wastewater customers or accounts has been assumed to increase at an annual compound rate of approximately 0.33% annually for the Forecast Period. As with the Water System, this projection is based on data provided by the City regarding historical trends and building activity experienced by the Wastewater System and is consistent with the forecast trends of customer account growth projected for the Water System.

TEN LARGEST CUSTOMERS OF WATER AND WASTEWATER SYSTEM

In order to provide additional information regarding the City's System customer base, a summary of certain statistical information of the ten largest customers on the basis of revenues billed has been presented based on information compiled by the City.

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Water and Wastewater Top Ten Utility Customers (Based on Sales Revenue)

Account	Service Class	Type of Service	Total Billed Revenues	% of Total System Rate Revenues
Dunes Community Dev. District	Commercial	RW	$147,193	0.52%
Flagler County School Board	Commercial	W,S,RW	$73,434	0.26%
Fairways Condo Assoc	Multi-Family	W/S	$52,827	0.19%
Grand Haven Community Dev, Dist.	Commercial	RW	$44,438	0.16%
Memorial Health Systems	Commercial	W/S	$37,780	0.13%
Hammock Dunes Club	Commercial	RW	$27,946	0.10%
Sunbelt Chemicals	Commercial	W/S	$27,212	0.10%
Conservatory Clubhouse	Commercial	RW	$23,101	0.08%
Palm Club Condo Association	Multi-Family	W	$22,251	0.08%
Woodhaven Condo Association	Multi-Family	W/S	$21,563	0.08%
Total Top Ten Customers			$477,744	1.68%
Total System Revenues			$28,404,358	100.00%

Service: W=Water; S=Sewer; RW=Reclaimed Water

RATES, FEES, AND CHARGES

General

The Bond Resolution authorizing the issuance of the Series 2013 Bonds contains a covenant under which the City will fix, establish, revise from time to time whenever necessary, maintain and collect always fees, rates, rentals, and other charges for the use of the products, services and facilities of the System which will always provide the following:

> *"…(i) Net Revenues in each Fiscal Year sufficient to pay one hundred ten percent (110%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, …"*
>
> *OR*
>
> *"…(ii) Net Revenues in each Fiscal Year sufficient to pay one hundred five percent (105%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, Water System Capital Facilities Fees and Sewer System Capital Facilities Fees in each Fiscal Year sufficient to pay at least one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.*
>
> *In addition to the above, the Bond Resolution also provides that the Net Revenues shall also be sufficient to provide one hundred percent (100%) of the Bond Service requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service or other obligations payable from the Revenues of the System, and other payments, and all allocations and applications of revenues therein required in such Fiscal Year."*

For the SRF Loans, the City's rate coverage requirements are defined in the SRF Loan Agreement for each specific loan secured by the City from the FDEP (collectively, the "SRF Loan Agreements"). The rate covenant coverage requirement referenced in the SRF Loan Agreements requires the City to maintain rates and charges for the services furnished by the Water System and Wastewater System, which together with System Capital Facilities Fees will provide: Net Revenues and System Development Fees – after payment of all senior lien

obligations (Senior Lien Bonds) – equal to or exceeding 115% of the sum of the semiannual loan payments due in such Fiscal Year.

The majority of the Gross Revenues for the System is derived from the application of the monthly user charges or rates levied against all customers for utility services rendered. The rates for monthly water and wastewater service accounted for approximately 95.3% of the reported System Gross Revenues for the Fiscal Year 2012. Gross Revenues includes interest earnings on unrestricted fund balances and realized gains from the sale of investments considered to be a component of Gross Revenues. Interest earnings on funds where earnings are considered to be restricted (e.g., Capital Facilities Fee or Project Fund balances) are not considered as a component of the Gross Revenues of the System.

Water and Wastewater Rates

The sales revenues derived from the monthly rates or user charges, as reflected on Table 7 at the end of this Report associated with the projected operating results for the System, were developed based on i) rates currently in effect as of October 1, 2012 as approved by the City Council pursuant to the adoption of Resolution No. 2006-25, on December 19, 2006 ; ii) the application of the price index adjustment as provided in Resolution No. 2006-25 of 1.70% which was made effective on October 1, 2012; and iii) adopted rates which was made to become effective April 1, 2013 as approved by the City Council pursuant to the adoption of Resolution No. 2013-10 on February 19, 2013 (collectively, the "Rate Resolution"). Projected revenues from rates for the Forecast Period also recognize: i) additional rate revenues associated with rate increases which were adopted by the City Council on February 19, 2013 pursuant to Resolution No. 2013-10; and ii) the anticipated implementation of an annual price index rate adjustment for the remaining years of the Forecast Period subsequent to the rate phasing program as provided in the Rate Resolution (the City has had a price index adjustment provision the rates since Fiscal Year 2009 and such index adjustments are anticipated to continue beyond the Forecast Period).

The current rates for the residential, commercial, and irrigation customer classes (considered as retail service) are consistent in terms of both rate structure and level. The water rates which are currently in effect pursuant to the Rate Resolution include: i) a constant service charge (readiness-to-serve charge) which varies by meter size; ii) a customer account charge to recover the cost of billing, meter reading, and other customer service needs and, combined with the constant service charge, serves as the minimum bill; and iii) a volumetric flow charge based on metered water consumption which increases as consumption increases in order to promote water conservation (applicable only to the residential class, all other classes have a uniform consumption charge).

As part of the consumptive use permitting process, the SJRWMD requires that utilities located within its boundaries have a water conservation promoting rate structure. This requirement is part of the SJRWMD water conservation goals related to the regulation of raw water withdrawals. The SJRWMD does not regulate the water rates of the System regarding rate level but requires that a conservation promoting pricing structure (as determined by the City as to pricing and application) is in place. The current water rates of the System as adopted by the City does employ a water conservation rate structure for the residential class, which the City believes is consistent with the general water conservation program goals recommended by SJRWMD.

The Wastewater System rates are similar in structure to that of the Water System and include: i) a constant service charge (readiness-to-serve charge) which varies by meter size; and ii) a volumetric flow charge based on metered water consumption which serves as the basis for wastewater use. Furthermore, with respect to the individually metered single-family residential class, the wastewater consumption charges include a maximum residential billing threshold of 8,000 gallons per month per unit.

The rates for service are solely regulated by the Palm Coast City Council and neither the Flagler County Utility Regulatory Authority nor the Florida Public Service Commission regulates or has any oversight or review role regarding the rates charged by the City for water and wastewater utility service by the System. The following is a summary of the monthly rates within the System for service currently in effect and as adopted by the City and delineated in the Rate Resolution:

Water and Wastewater Rates – Monthly Rate Schedule [1]

Water System

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
Monthly Service Charge:				
Residential Single-Family Service:				
Meter Size				
5/8 x 3/4", 3/4"	$14.18	$14.50	$15.08	$15.68
1"	35.48	36.25	37.70	39.21
1-1/2"	70.96	72.50	75.40	78.42
2"	113.54	116.00	120.64	125.47
Commercial, and Multi-Family Service:				
Meter Size				
5/8 x 3/4", 3/4"	$14.18	$14.50	$15.08	$15.68
1"	35.48	36.25	37.70	39.21
1-1/2"	70.96	72.50	75.40	78.42
2"	113.54	116.00	120.64	125.47
3"	227.05	232.00	241.28	250.93
4"	354.76	362.50	377.00	392.08
6"	709.53	725.00	754.00	784.16
8"	1,134.31	1,160.00	1,206.40	1,254.66
10"	1,630.58	1,667.50	1,734.20	1,803.57
Irrigation Service (Water-Only):				
Meter Size				
5/8 x 3/4", 3/4"	$7.10	$7.25	$7.54	$7.84
1"	35.48	36.25	37.70	39.21
1-1/2"	70.95	72.50	75.40	78.42
2"	113.54	116.00	120.64	125.47
3"	227.05	232.00	241.28	250.93
4"	354.76	362.50	377.00	392.08
6"	709.53	725.00	754.00	784.16

Table continued on following page.

Water and Wastewater Rates – Monthly Rate Schedule [1] (cont'd.)

Water System (cont'd.)

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
Consumption Charge (per 1,000 Gallons of Metered Water):				
Residential Service:				
0 - 5,000 Gallons	$3.84	$3.93	$4.09	$4.25
5,001 - 10,000 Gallons	4.22	4.32	4.49	4.67
10,001 - 20,000 Gallons	5.77	5.50	5.72	5.95
Above 20,000 Gallons	6.92	7.07	7.35	7.64
Commercial and Multi-Family Service				
All Gallons	3.94	4.50	4.68	4.87
Irrigation Service				
0 – 5,000 Gallons	$3.94	$4.32	$4.49	$4.67
5,001 – 10,000 Gallons	4.22	4.32	4.49	4.67
10,001 – 20,000 Gallons	5.77	5.50	5.72	5.95
Above 20,000 Gallons	6.92	7.07	7.35	7.64

Wastewater System

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
Monthly Service Charge:				
Residential Single-Family Service				
Meter Size				
5/8 x 3/4", 3/4"	$11.90	$14.23	$14.80	$15.39
1"	29.78	35.58	37.00	38.48
1-1/2"	59.54	71.15	74.00	76.96
2"	95.27	113.84	118.39	123.13
Commercial, and Multi-Family Service:				
Meter Size				
5/8 x 3/4", 3/4"	$11.90	$14.23	$14.80	$15.39
1"	29.78	35.58	37.00	38.48
1-1/2"	59.54	71.15	74.00	76.96
2"	95.27	113.84	118.39	123.13
3"	190.19	227.68	236.79	246.26
4"	297.72	355.75	369.98	384.78
6"	595.45	711.50	739.96	769.56
8"	951.87	1,138.40	1,183.94	1,231.30
10"	1,368.32	1,636.45	1,701.91	1,769.99

Table continued on following page.

Water and Wastewater Rates – Monthly Rate Schedule [1] (cont'd.)

Wastewater System (cont'd.)

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
Consumption Charge (per 1,000 Gallons of Metered Water):				
Residential Service [2]	$3.30	$3.70	$3.85	$4.00
General Service and Multi-Family	$3.97	$4.44	$4.62	$4.80
Bulk Wastewater	$3.22	$3.55	$3.69	$3.84

[1] Rates currently in effect as approved and adopted by the City pursuant to the Rate Resolution and reflect rates for service rendered inside the City limits. The City has adopted a change in rates effective on April 1, 2013 as provided in the Rate Resolution. Pursuant to Section 180.193, Florida Statutes and as referenced in the Rate Resolution, the City has adopted and currently assesses a surcharge of twenty-five percent (25%) of the monthly rates charged to consumers located outside of the municipal boundaries of the City.

[2] For all individually metered residential units, the consumption charge shall not apply to monthly usage (metered water sales) in excess of 8,000 gallons.

Bulk Water Service

As previously mentioned, the Water System currently provides water service on a bulk or wholesale basis to the Dunes CDD for emergency backup and Flagler County Utilities. The rates for service currently in effect as adopted by the City pursuant to the Rate Resolution are as follows:

Bulk Water Rates – per 1,000 gallons

Water System

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
All Metered Consumption	$2.19	$4.08	$4.24	$4.41

Effluent (Reclaimed Water) Service

As reflected in the City's Rate Resolution, the City currently charges an effluent or reclaimed water rate for bulk or low-pressure service. As previously discussed, Effluent Service is currently provided only to the Dunes and Grand Haven CDDs pursuant to executed Effluent Agreements. The rates for service currently in effect where based on the service characteristics of such customers and are as follows:

All Metered Consumption (per 1,000 gallons)

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
Dunes CDD	$0.21	$0.23	$0.24	$0.25
Grand Haven CDD	0.32	0.35	0.36	0.37
All Other Wholesale Customers	0.51	0.55	0.57	0.59

The following is the current retail effluent service rates in effect pursuant to the Rate Resolution.

Retail Effluent Rates

	Effective Oct. 1, 2012	Effective April 1, 2013	Effective Oct. 1, 2014	Effective Oct. 1, 2015
Monthly Base Charge	$5.25	$5.67	$5.90	$6.14
Usage Charge (per 1,000 Gallons				
0 – 10,000 Gallons	$0.79	$0.85	$0.88	$0.92
10,001 – 20,000 Gallons	1.18	1.27	1.32	1.37
Over 20,000 Gallons	1.58	1.71	1.78	1.85

Water and Wastewater System Capital Facilities Fees (Impact Fees)

In addition to the monthly rates for water and wastewater service, the City currently charges System Capital Facilities Fees, which are sometimes referred to as "Impact Fees" to new connections based upon an equitable and proportionate share of the cost for: i) water production and transmission facilities; and ii) wastewater transmission, treatment and effluent disposal capacity of the System. The purpose of the Capital Facilities Fees is for paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess or unused capacity of the System in order to serve new users. The obligation for the payment of these charges by a new customer or developer arises at the time when the City and developer enter into a developer agreement, which is prior to construction. If an existing customer requests an increase in water or wastewater capacity due to increased development, additional Water and/or Wastewater System Capital Facilities Fees will be charged prior to the development consistent with the net increase in demand. The current Capital Facilities Charges were adopted by the City on February 19, 2013 pursuant to Resolution No. 2013-10. The following table summarizes the Water System and Wastewater System Capital Facilities Fees.

	Existing Capital Facilities Fees
Water – $ per ERC	$2,045.00
Wastewater – $ per ERC	2,265.00

Under Florida law, Capital Facilities Fees may be validly imposed against new connections in order to fund capital improvements that are needed to serve new connections or for debt service for bonds or other obligations issued for such purposes and, therefore, can be applied only to pay debt service related to bonds or other obligations issued to finance expansion of the System. Such lawfully available Capital Facilities Fees must be placed in separate accounts and used only for the capital improvements or Bond Service attributable to expansion or over sizing of the System through construction or acquisition. Capital Facilities Fee revenues fluctuate with the amount of new construction which occurs within the City's service area. Therefore, no assurances can be made that such revenues will not decrease or be eliminated altogether in the event that new construction, for whatever reason, might decrease or cease altogether within the System service area.

Miscellaneous Service Charges

The City also has adopted a schedule of fees, charges, and deposits which are applicable to miscellaneous or customer requested services. The fees generally are imposed to recover the cost of specific service such as water and sewer taps and utility turn-on fees or a deposit to defray the risk for nonpayment of System services. The following is a summary of miscellaneous service fees, charges, and deposits that were adopted and are currently in effect for the System.

Customer Deposit and Billing Procedures

The City requires a deposit at the time of service application by a customer in order to defray the risk of non-payment for utility services. The deposit is estimated on an individual account basis, and is equivalent to two months of the water and sewer charge for such account. The City applies interest to the deposit equal to the average rate earned on such deposits in the previous Fiscal Year and applies an interest credit to the utility bill of the account at the end of each year to recognize interest earned on the customer's deposit as held by the City. The following is a summary of the customer deposits currently in effect and as adopted by the City:

Customer Deposits

Meter Size	Water	Wastewater	Total
5/8 x 3/4"	$110.00	$80.00	$190.00
1"	150.00	125.00	275.00
1-1/2"	300.00	250.00	550.00
2"	480.00	400.00	880.00
3"	900.00	750.00	1,650.00
4"	1,500.00	1,250.00	2,750.00
6"	3,000.00	2,500.00	5,500.00
8"	4,800.00	4,000.00	8,800.00
10"	6,900.00	5,750.00	12,650.00

Bills for utility service are to be rendered monthly by the City. Pursuant to the covenant requirements of the Bond Resolution, the City will not render any free service of any nature nor will preferential rates be established for users within the same class. The City shall also diligently enforce the payment of rates, fees and other charges for services of the System.

Water Meter Installation and Service Connect Charges

The current water meter installation charges and service connect charges the City has adopted in order to recover its cost of physically connecting a water customer to the System are summarized below:

	Water Service	
Meter Size	Meter Connection Fee	Tap-in charge
5/8" x 3/4"	$358.41	$468.68
Any Other Meter Size	Full City Costs	Full City Costs

Other Miscellaneous Service Charges

In addition to the above referenced charges, the City charges several other fees which are applicable to miscellaneous or customer requested services. A summary of other miscellaneous charges imposed by the City, which are common in the utility industry, include the following:

Charge/Fee Description	Amount
New Customer Service Initial Connection (Service) Fee	$25.00 [1]
Utility Turn-On at Customer Request	25.00/$35.00 After Hours
Utility Turn-Off at Customer Request	25.00
Premise Visit Charge (in lieu of disconnection)	25.00
Late Payment Fee	1.5% of Bill With a $5.00 Minimum
Plan Review Charge	Actual Cost
Meter Test Charge (5/8", 3/4", and 1" meter)	$40.00 [2]
Monthly Private Fire Protection Service Charge	
5/8" Service Charge	$1.45
3/4" Service Charge	1.45
1" Service Charge	3.63
1-1/2" Service Charge	7.26
2" Service Charge	11.61
3" Service Charge	23.25
4" Service Charge	36.35
6" Service Charge	72.69
8" Service Charge	116.29
10" Service Charge	167.16
12" Service Charge	312.51
Sewer Lateral/Connection Inspection Charges	25.00
Fire Flow Test	85.00
Back-Flow Preventer – Annual Inspection Fee	50.00
Fire Hydrant Maintenance	145.00 per Hydrant
Returned Check Charge [3]	Maximum Amount Allowed by Law

[1] Charge in addition to meter/service installation charge.
[2] Charged only if meter is tested as registering correct. If meter is incorrect, usage or volume charges will be adjusted by City.
[3] Charge represents general City policy and is based on Chapter 832.07, Florida Statutes.

Price Index Rate Adjustment Clause

As a component of the rates for water and wastewater service, the City has also adopted a Price Index Rate Adjustment Clause as part of the Rate Resolution; the City has indexed rates consistently (in the absence of a formal rate adjustment) since 2009. The purpose of this index rate adjustment is to allow the City the ability to adjust the monthly rates for water and wastewater service to account for inflationary effects on the cost of daily operations without a formal rate hearing or analysis, thus providing a rate mechanism to generally maintain Net Revenue margins with minor annual rate adjustments for the financial benefit of the System. The application of a rate index to account for such general inflationary cost increases is common in the public utility industry and is also allowed by the Florida Public Service Commission which regulates investor-owned utilities. With respect to the Rate Resolution, the price index rate adjustment is generally applied annually to the monthly user rates and is based on the change in

the Consumer Price Index for All Urban Consumers as of June 30 of each year as published by the United States Department of Labor, Bureau of Labor Statistics. The rates, fees and charges involving capital facilities (connection) fees, installation fees, and taps relating to the System shall be adjusted annually by the Construction Cost Index as of June 30 of each year as published by the Engineering News-Record.

Rate Comparisons

Tables 9 through 11 at the end of this Report provide a comparison of the monthly cost of providing water and wastewater service for a 5/8 by 3/4 inch water meter at various usage levels calculated under the existing System rates. Also included on the tables is a comparison to bills calculated under the rates of other neighboring Florida utilities and coastal communities as of the billing month of March 2013. The monthly bills for the various Florida utilities used for the comparison are exclusive of local taxes. Additionally, for municipal-owned utility systems, which includes the City, such utilities may apply to customers located outside the corporate limits of such municipality a surcharge of up to 50% when compared to the rates for service to customers located within the corporate limits as allowed pursuant to Section 180.191, Florida Statutes (the City currently imposes a 25% surcharge for service rendered outside the corporate limits of the City). The 5/8-by 3/4-inch meter comparison (for inside-the-city service) is presented since this represents the majority of the City's water and wastewater residential customers and the majority of the customers for the other utilities reflected in the comparison. As can be seen in the comparison, the System rates produce bills for the City that are comparable in amount when compared to the other neighboring utilities. The average residential customer for the System uses approximately 4,000 gallons of monthly water service. A comparison of water and wastewater rates at this consumption level between the City and the utilities surveyed are as follows:

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	Residential Service Assuming 4,000 Gallons of Utility Service [1]		
	Water	Wastewater	Total
City of Palm Coast			
Existing Rates	$29.54	$25.10	$54.64
Adopted Rates – Effective April 1, 2013	30.22	29.03	59.25
Other Neighboring/Surveyed Utilities			
Brevard County - North Brevard	$16.18	$29.30	$45.48
City of Daytona Beach [2]	26.86	34.20	61.06
City of Edgewater	22.68	32.90	55.58
City of Melbourne	23.85	35.14	58.99
City of Ormond Beach	17.99	24.04	42.03
City of Palm Bay [2]	26.69	35.89	62.58
City of Port Orange	17.20	23.85	41.05
City of Port St. Lucie	23.96	42.68	66.64
City of St. Augustine	21.02	28.46	49.48
City of South Daytona	28.00	35.57	63.57
St. Johns County	24.03	25.87	49.90
City of Titusville [2]	19.64	39.27	58.91
New Smyrna Beach Utilities Commission	15.68	34.89	50.57
Volusia County - Softened	25.77	34.30	60.07
JEA (City of Jacksonville) [2]	17.80	35.34	53.14
Flagler County	55.04	33.30	88.34
City of West Melbourne	34.73	16.63	51.36
Other Florida Utilities Average	$24.54	$31.86	$56.40

[1] Based on utility survey shown on Tables 7 through 9; reflects inside-City service rates for municipal utility systems.
[2] Utilities are currently involved in or contemplating a rate study, or are expecting a change in the rates charged during the next twelve months; the proposed rate adjustments, if any, are not reflected in the current rate above.

As discussed previously, the City imposes a Water and Wastewater System Capital Facilities Fee to new customers requesting water and wastewater capacity from the System in an effort to fund the capital cost of such capacity and to equitably assign such costs to those users that are imposing the need for the additional capital facilities. Application of a Water and Wastewater System Capital Facilities Fee is commonly used by Florida utilities to fund capital or plant requirements associated with new growth. Table 12 at the end of this Report provides a comparison of the City's current Capital Facilities Fees and those charged by neighboring and coastal utilities. The charges shown are based on an ERC basis. As previously discussed, an ERC is representative of the average daily capacity of a single-family residential unit and generally represents the lowest level and the most common level of use. As shown below and on Table 12, the current and anticipated Water and Wastewater System Capital Facilities Fees are generally higher than the fees charged by the other surveyed utilities reflected on the comparison. This is a direct result of: i) the immediate need to expand facilities with advanced treatment processes (e.g., reverse osmosis water), which have a higher cost of construction; ii) the costs being recovered in the fees reflect current capital costs and not historical (embedded) costs, which is the case of several utilities reflected in the comparison; and iii) the City not receiving grant funds (contributed capital) to finance the costs of expansion, which many utilities received years ago when such funds were readily available.

	Capital Facilities Fees – Rate per ERC		
	Water	Wastewater	Combined
City of Palm Coast			
Existing –Fiscal Year 2013	$2,045.00	$2,265.00	$4,310.00
Neighboring Utility Average [1]	$1,776.00	$2,048.00	$3,824.00

[1] Based on utility survey shown on Table 12.

HISTORICAL OPERATING RESULTS

General

The historical operating results for the combined Water and Wastewater Systems for the Fiscal Years ended September 30, 2008 through 2012 (previously defined as the "Historical Period"), are summarized below and are shown in detail at the end of this Report. The historical operating results were based on audited financial information as provided by the City. In general, the historical operating results have been presented in a manner consistent with the requirements of the Bond Resolution relative to the determination of Net Revenues of the System. Therefore, the amounts shown reflect certain differences in the presentation of the financial results when compared to the Comprehensive Annual Financial Reports of the City. Specifically, these major differences relate to: i) the determination of the Cost of Operation and Maintenance (i.e., depreciation, amortization and City payments-in-lieu-of-tax expenses not recognized); ii) the development of interest income (i.e., does not include earnings on Capital Facilities Fees or Project Fund balances associated with proceeds of bonds issued for the System, if any, which are restricted to such Funds); and iii) recognition of other transfers which are not considered as a Cost of Operation and Maintenance.

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Summary of Historical Operating Results

The historical operating results for the System are shown on Table 4 at the end of this Report and are summarized below:

System Historical Operating Results and Bond Service Coverage Results

Description	Fiscal Year Ended September 30, [1]				
	2008	2009	2010	2011	2012
Gross Revenues:					
Total Sales Revenues	$23,127,897	$26,171,938	$26,343,358	$27,867,134	$28,404,358
Other Operating Revenues [2]	1,797,816	1,872,585	1,788,777	1,378,200	1,181,941
Transfer (To)/From Rate Stabilization [3]	0	0	1,500,000	0	0
Total Gross Revenues	24,925,713	28,044,523	29,632,135	29,245,334	29,586,299
Total Cost of Operations and Maintenance [4]	16,496,689	16,743,299	17,170,763	15,614,566	15,064,742
Net Revenues	8,429,023	11,301,224	12,461,372	13,630,768	14,521,557
Pledged Capital Facilities Fees [5]	1,879,237	705,695	635,364	197,789	1,356,338
Net Revenues with Pledged Capital Facilities Fees	10,308,260	12,006,919	13,096,735	13,828,557	15,877,895
Senior Lien Bond Service Requirement:					
Total Bond Service Requirement	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
Senior Lien Bond Service Coverage [6]:					
Test 1 – Net Revenue Test:					
Net Revenues	8,429,023	11,301,224	12,461,372	13,630,768	14,521,557
Total Bond Service Requirement	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
Bond Service Coverage (110% Required)	1.00	1.20	1.32	1.45	1.54
-OR-					
Test 2 – Net Revenue and Pledged Revenue Test:					
Net Revenues	8,429,023	11,301,224	12,461,372	13,630,768	14,521,557
Total Bond Service Requirement	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
Bond Service Coverage (105% Required)	1.00	1.20	1.32	1.45	1.54
-AND-					
Net Revenues with Pledged Capital Facilities Fees	10,308,260	12,006,919	13,096,735	13,828,557	15,877,895
Total Bond Service Requirement	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
Bond Service Coverage (120% Required)	1.22	1.28	1.39	1.47	1.69
Subordinate Debt Service Requirement:					
State Revolving Fund Loan Requirement [7]	1,322,685	1,985,708	1,964,692	1,913,651	1,913,648
Total Subordinate Debt Service Requirement	1,322,685	1,985,708	1,964,692	1,913,651	1,913,648
Subordinate Debt Service Coverage: [8]					
Net Revenues Available After Payment of Senior Lien Bond Service	(16,105)	1,886,060	3,049,008	4,212,310	5,105,059
Total Capital Facilities Fees [9]	3,720,524	1,397,139	1,257,897	391,584	1,653,801
(Less) Senior Lien Bond Service Coverage	(1,689,026)	(941,516)	(941,236)	(941,846)	(941,650)

Table continued on following page.

System Historical Operating Results and Bond Service Coverage Results (cont'd.)

Description	Fiscal Year Ending September 30, [1] 2008	2009	2010	2011	2012
Subordinate Debt Service Coverage: [8] (cont'd.)					
Adjusted Pledged Revenues Available for Subordinate Debt Service After Payment of Senior Lien Bonds	2,015,393	2,341,683	3,365,669	3,662,048	5,817,210
Subordinate Loan Debt Service Coverage (115% Required)	1.52	1.18	1.71	1.91	3.04
Less Other Required Transfers [10]					
Utility System Reserve Account	0	0	0	0	0
Renewal, Replacement and Improvement Fund	852,228	1,246,286	1,402,226	1,481,607	1,462,267
Total Other Required Transfers [11]	852,228	1,246,286	1,402,226	1,481,607	1,462,267
Excess of Net Revenues Above Required Transfers Without Capital Facilities Fees	(2,191,018)	(1,345,933)	(317,910)	817,052	1,729,144
Total System Capital Facilities Fees	3,720,524	1,397,139	1,257,897	391,584	1,653,801
Total Amount Available for Capital Expenditures and Other Purposes [12]	$1,529,506	$51,206	$939,987	$1,208,636	$3,382,945

[1] Amounts derived from Comprehensive Annual Financial Reports (2008 through 2012) and other System information as provided by the City.
[2] Amounts shown include all interest income reported in the CAFR for each respective Fiscal Year and for the Fiscal Year 2012 that is considered to be a component of Gross Revenues in accordance with the Bond Resolution; such amounts do not include earnings on Capital Facilities Fee or Construction Fund balances established pursuant to the issuance of the Outstanding Bonds.
[3] Reflects transfer from the Rate Stabilization Fund that was established by the City from operations (available reserves) prior to the beginning of the Historical Period.
[4] Amounts shown do not include depreciation or amortization expenses which are non-cash expense of the utility or payment-in-lieu-of taxes to the City's General Fund, all of which are not considered as a Cost of Operation and Maintenance, as provided by the Bond Resolution.
[5] Amounts shown based on estimated Expansion Percentage of 59.53% to determine the Water and Sewer System Capital Facilities Fees Bond Service Component.
[6] Pursuant to the Bond Resolution, the debt service coverage test (rate covenant) includes a two-part calculation. The debt service coverage test includes the following:
Test 1 – Net Revenue Test: Net Revenues must be 110% of the Bond Service requirement; OR
Test 2 – Pledged Revenue Test: Net Revenues must be 105% of the Bond Service requirement and Pledged Revenues being 120% of the Bond Service requirement.
[7] Amounts shown reflect indebtedness associated with State Revolving Fund Loans secured by the City to fund improvements to the City's Wastewater System.
[8] Pursuant to the SRF Loan Agreement, Pledged revenues for SRF Loan repayment is after the recognition of payment of Senior Lien Bonds, including coverage. For purposes of this Report, Fiscal Year 2008 recognizing a 20% coverage allowance on the Senior Lien Bonds since Test 2 was relied on for Senior Lien Coverage purposes and a 10% coverage allowance was recognized for Fiscal Years 2009 through 2012 because Test 1 was relied upon for Senior Lien Coverage
[9] The pledge for the repayment of the Subordinate Debt Service Obligations includes all Capacity Facilities Fee receipts and is not limited by any amounts in excess of the Bond Service requirement of such Bond Year multiplied by the water and wastewater Expansion Percentage (reference footnote 6 above).
[10] Other required transfers as defined in the Bond Resolution include the funding of the Bond Service Reserve Account and the Renewal, Replacement and Improvement Fund (the "RR&I Fund") in an amount equivalent to the requirement as defined in the Bond Resolution.
[11] Amounts shown reflect additional rate covenant requirement whereby the Net Revenues of the System must fund the payment of all required transfers to the Utility System Reserve Fund, the Subordinated Debt Service Fund, and the Renewal, Replacement, and Improvement Fund.
[12] Amounts shown represent sum of the Net Revenues available after payment of all required transfers plus the Water and Wastewater System Capital Facilities Fees and represent funds available for capital expenditures and other requirements of the System.

In the development of the historical operating results and review of the debt service coverage test as shown above and in more detail on Table 4, several observations and information sources were recognized. The following is a summary of such observations and information sources.

1. The Net Revenues of the System (prior to the recognition of Water and Wastewater System Capital Facilities Fees) approximate 45% of the total reported Gross Revenue. Additionally, the Net Revenue ratio has remained relatively constant over the Historical

Period. Based on a review of the Cost of Operation and Maintenance as reported by the City for the System, the primary expenses include wages and salaries, including related employee benefits, power expenses, chemicals, and sludge disposal. These specific expenses accounted for approximately 56% of the total reported Cost of Operation and Maintenance of the System.

2. During the Fiscal Year 2008, the City did not have sufficient Net Revenues to meet the rate covenant test as defined in the Bond Resolution but with the inclusion of Capital Facilities Fees, did meet the rate covenant test from a Pledged Revenue basis. This was due to the significant decline in revenue growth anticipated by the City as a result of the downturn in the economy which affected the City, the State, and country. Furthermore, the ability to meet the rate covenant was further affected by the increase in the Bond Service requirement for such year which was a direct result of reflecting a full year of debt repayment requirements for the Series 2007 Bonds.

   During the Fiscal Year 2009, the City increased the rates and charges by approximately 12.5% in a direct response to the reduction in development and the corresponding reduction in rate revenues. The result of the increase in rate revenue allowed the City to meet the rate covenant as delineated in the Bond Resolution for such Fiscal Year.

3. In response to the marginal growth being experienced by the System and recognizing the financial commitments of the System, the City raised water and wastewater rates by 1.10% in Fiscal Year 2011 and 3.60% in Fiscal Year 2012 (application of a price index rate adjustment).

4. As a result of the downgrade in the Debt Service Reserve surety provider and in accordance with the terms of the Bond Resolution, the City had to cash fund the Utility System (debt service) Reserve Requirement for the Series 2003 Bonds during Fiscal Year 2009 in the amount of $6,289,612. The City funded this requirement from available undesignated reserves which limited the flexibility of the available funds for other System requirements. The City has maintained a cash-funded Debt Service Reserve Fund since this event.

5. The reduction in the Cost of Operations and Maintenance beginning in Fiscal Year 2011 was due to cost reductions implemented by City Staff mainly related to elimination of certain contractual services performed by third party providers that are now being performed by existing City personnel.

Issuance of Additional Parity Bonds

Pursuant to the Bond Resolution, Additional Bonds may be issued and secured on a parity basis with the pledge of the Net Revenues of the System subject to the following primary conditions as derived from the Bond Resolution:

1. That the books and records of the City relative to the System and the Net Revenues and, if applicable, Wastewater System Capital Facilities Fees and Water System Capital Facilities Fees have been reviewed by the Finance Director; and either

2. That the amount of the Net Revenues derived for any consecutive 12 months out of the preceding 30 months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") is equal to not less than 110% of the Maximum Bond Service requirement becoming due in any Bond Year thereafter on A) all Bonds issued under the Bond Resolution, if any, then Outstanding; and B) on the Additional Parity Obligations with respect to which such certificate is made; or C) that Net Revenues during the Test Period is equal to not less than 105% of the Maximum Bond Service requirement, if any, then Outstanding, and i) all Bonds issued under the Bond Resolution, if any, then Outstanding; and ii) on the Additional Parity Obligations with respect to which such certificate is made and Net Revenues during the Test Period as so adjusted plus Wastewater System Capital Facilities Fees and Water System Capital Facilities Fees during the Test Period is equal to not less than 120% of the Maximum Bond Service requirement becoming due in any Bond Year thereafter on 1) all Bonds issued under the Bond Resolution, if any, then Outstanding; and 2) on the Additional Parity Obligations with respect to which such certificate is made.

With respect to the Additional Bonds Test and based on: i) audited financial information provided by the City for the twelve (12) month period ended September 30, 2012 (the period constituting the Test Period); ii) estimates of sales revenues which could have reasonably been anticipated during the twelve (12) month period assuming application of the City's rates for water and wastewater service based on currently effective City rates as delineated in the Rate Resolution; and iii) the Maximum Annual Bond Service on the City's Outstanding Bonds and the Series 2013 Bonds, the results for the twelve (12) month period ended September 30, 2012 recognizing the City's current rates are estimated as follows:

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Additional Parity Bonds Test

	Test Period Twelve (12) Months Ended September 30, 2012		
	City-Reported Actual [1]	Adjustments	As Adjusted
Operating Revenues [2]	$28,404,358	$2,793,853	$31,198,211
Cost of Operation and Maintenance [3]	15,064,742	6,985	15,071,727
Net Operating Revenue	$13,339,616	$2,786,868	$16,126,484
Other Operating Revenues	1,114,254	0	1,114,254
Interest Income	67,687	0	67,687
Net Revenues (Without Capital Facilities Fees)	$14,521,557	$2,786,868	$17,308,425
Pledged Capital Facilities Fees [4]	1,356,338	0	1,356,338
Pledged Revenues (Net Revenues and Capital Facilities Fees)	15,877,895	2,786,868	18,664,763
Parity Bonds Maximum Bond Service [5]	$9,416,499	536,333	$9,952,831
Additional Bonds Test 1			
Bond Service Coverage (Without Capital Facilities Fees)			
Calculated	1.54		1.74
Required	1.10		1.10
OR			
Additional Bonds Test 2			
Bond Service Coverage (With Capital Facilities Fees) [4]			
Calculated	1.69		1.88
Required	1.20		1.20

[1] Based on financial information compiled and provided by the City; amounts shown based on unaudited financial information.

[2] Adjustments to reflect projected additional rate revenue from adopted 1.70% price index (inflation) rate increase effective October 1, 2012 and the additional adopted rate increase of 8.0% effective April 1, 2013 pursuant to the Rate Resolution. Amounts shown have been reduced to reflect customer demand elasticity.

[3] Reflects recognition of an allowance for bad debt expense (0.25% of additional rate revenues) associated with the estimated increase in Net Revenue due to the recognition of the additional rate adjustment.

[4] Amount shown reflects Capital Facilities Fees as received by the City adjusted to reflect the product of the Test Period Bond Service requirement and multiplied by the Expansion Percentage to represent the amount of Capital Facilities Fees to be considered as a Pledged Revenue. Although the Expansion Percentage is anticipated to be greater due to the issuance of the Series 2013 Bonds, the previous percentages for the Series 2003 and 2007 Bonds were used in this analysis for the purposes of this Report.

[5] Adjustment to reflect the maximum annual combined debt service on the Outstanding Bonds and Series 2013 Bonds which is anticipated to occur in Fiscal Year 2029.

PROJECTED OPERATING RESULTS

General

Projections of the operating results of the Water and Wastewater Utility Systems have been prepared for the five (5) Fiscal Years (October 1 through September 30) 2013 through 2017 (previously defined as the "Forecast Period"). Projections were based on: i) the Fiscal Year 2011 and 2012 actual operating results and other financial information as provided by the City; ii) the Adopted Fiscal Year 2013 budget; iii) discussions with City staff and its consulting engineers regarding current and future utility trends and capital improvements to the System; and iv) other information provided by the City and its consultants associated with the System.

Presented on Table 6 at the end of this Report are financial projections for the System. The table includes annual projections of Gross Revenues, Cost of Operation and Maintenance, Bond Service requirements, required deposits to the various funds and accounts established by the Bond Resolution, including the Renewal, Replacement and Improvement Fund and the Utility System Reserve Fund, and balances available for capital outlay and other System purposes. Projected Gross Revenue includes those from sales (rate revenue), interest income on the available unrestricted funds as defined in the Bond Resolution, and other miscellaneous operating revenues anticipated to be derived from operations. The projected sales revenue has been forecasted based on revenue anticipated to be derived from the existing and anticipated rates of the System. The projected Bond Service requirement shown on Table 6 at the end of this Report is subject to change based upon the actual terms of the sale of the Series 2013 Bonds.

Projected sales revenue for the System is based on growth projections in customers and usage as illustrated on Table 2 at the end of this Report. These forecasts were based on historical growth and usage trends coupled with data provided by the City relating to projected residential and commercial development within the utility service area. Interest income has been estimated on balances in certain funds created by the Bond Resolution including balances in the Revenue Fund and Surplus Fund (operating reserves); Bond Service Fund, including the Utility System Reserve Fund, if applicable; and the Renewal, Replacement, and Improvement Fund. Projected Cost of Operation and Maintenance is based on various factors such as projected expense increases due to inflation and projected changes in expenses due to anticipated changes in operations, including the implementation of the capital program. Funds received from the application of Water and Wastewater System Capital Facilities Fees to new growth have been assumed, for the purposes of the determination of expenditure financing, not to be available to pay Cost of Operation and Maintenance or the Bond Service requirement. However, such fees have been recognized in the determination of Bond Service coverage requirements since they are considered as Pledged Revenue for rate covenant requirements under the terms of the Bond Resolution and in the development of the capital improvement plan funding analysis.

As discussed previously, Table 7 presents a breakdown of sales revenue for the System. Included in the forecast of System Gross Revenues is additional rate revenue associated with annual rate adjustments which are anticipated to be required to meet the projected capital financing requirements of the System. Such increases, expressed as a percentage of System sales revenues, are projected as follows:

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Estimated System Average Rate Percentage Adjustment

		Water System			Wastewater			
Fiscal Year	Effective Date	Price Indexing Rate Adjustment [1]	Additional Revenue Adjustment	Combined Increase	Price Indexing Rate Adjustment [1]	Additional Revenue Adjustment	Combined Increase	Combined Water and Wastewater Increase
2013 [1]	1-Apl-13	N/A	3.27%	3.27%	N/A	15.61%	15.61%	8.00%
2014 [2]	1-Oct-13	1.50%	2.50%	4.00%	1.50%	2.50%	4.00%	4.00%
2015 [2]	1-Oct-14	1.70%	2.30%	4.00%	1.70%	2.30%	4.00%	4.00%
2016 [3]	1-Oct-15	2.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
2017 [3]	1-Oct-16	2.20%	0.00%	2.20%	2.20%	0.00%	2.20%	2.20%

[1] Reflects annual rate adjustment identified in the preparation of the financial forecast to meet the expenditure requirements of the System; such percent adjustments were adopted by the City Council on February 19, 2013 for implementation effective April 1, 2013 pursuant to the Rate Resolution.

[2] Reflects additional rate adjustments for Fiscal Years 2014 and 2015 estimated to be required to meet System expenditure requirements; amounts include the price index rate adjustment as part of the overall estimated percentage increase. Adjustments were adopted by the City Council on February 19, 2013 for implementation effective April 1, 2013 pursuant to the Rate Resolution.. Future rate adjustments assumed to become effective with services rendered on October 1 of each Fiscal Year.

[3] Amounts shown reflect the application of a price index rate adjustment assumed to equal the Consumer Price Index (CPI) which a component of the Rate Resolution; estimates are based on the assumed Fiscal Year inflation factor recognized for the development of the financial forecast included in this Report and will be subject to the actual inflation rate at the time of the index calculation.

Principal Considerations and Assumptions Regarding Projected Operating Results

In the preparation of this Report and the conclusions that follow, we have made certain assumptions with respect to conditions that may occur in the future. While we believe the assumptions are reasonable for the purpose of this Report, they are dependent upon future events and actual conditions may differ from those assumed. In addition, for our projections and estimates, we have used and relied upon certain information and assumptions provided to us or prepared by others, including: i) information and assumptions provided to us by the City such as data regarding historical financial information and historical customer and sales statistics; ii) information contained in the Comprehensive Annual Financial Reports prepared by the City on behalf of the System; iii) information provided by the City's Financial Advisors with respect to assumptions regarding the issuance of the Series 2013 Bonds; and iv) information provided by the City and its Consulting Engineers with respect to the CIP of the System, including incremental increases in the Cost of Operation and Maintenance associated with the implementation of such program. While we believe use thereof to be 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 or assumptions provided to us, or prepared by others, the actual results will vary from those estimated and projected herein.

In making the projections and estimates summarized in this Report, 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 Adopted Fiscal Year 2013 Operating and Capital Budget associated with the operations of the System as provided by the City served as a base line for the expenditure projections and the underlying assumptions therein were assumed to be reasonable and representative of anticipated operations. Such budgetary amounts for the Fiscal Year 2013 represent the most recent financial forecast of the System as approved by the City Council

which was developed based on historical operating results and trends and known or anticipated changes in System operations for such Fiscal Year. The budgeted Cost of Operation and Maintenance were compared to prior Fiscal Year actual results, adjusted where necessary, and then incorporated into the Fiscal Year 2013 component of the financial forecast.

2. Projected revenues from current rates and charges for the System have been based on: i) the schedule of rates and charges currently in effect which are contained in the Rate which provides for phased rate adjustments through the Fiscal Year 2015; and ii) the forecast of water and wastewater customers and sales (water use and billed wastewater flow) for the respective utility systems as presented on Table 2. The projected revenues from rates for the Forecast Period recognize; i) additional rate revenues associated with an overall 8.0% rate adjustment effective on April 1, 2013 which was adopted by the City Council pursuant to Resolution No. 2013-10; ii) the future additional rate adjustments of 4.0% for Fiscal Year 2014 and 4.0% for Fiscal Year 2015 which were also adopted by the City Council pursuant to Resolution No. 2013-10; and iii) the anticipated implementation of an annual price index rate adjustment for the Fiscal Years 2016 and 2017 which are considered necessary by the City to assist in maintaining Net Revenue margins by recovering the inflationary effects on the Cost of Operation and Maintenance and capital expenditures associated with ongoing renewals and replacements upon the System. The following is a summary of the additional rate revenues associated with the proposed rate adjustments recognized during the Forecast Period subsequent to Fiscal Year 2012 reflected in this Report.

	Fiscal Year Ending September 30,				
	2013[1]	2014	2015	2016	2017
Total Additional Cumulative Rate Revenue	$1,033,654	$3,341,192	$4,601,368	$5,334,480	$6,123,166
Cumulative Percent Increase	3.56%	11.46%	15.70%	18.11%	20.70%

[1] Amounts do not include the effects of the 1.70% price index rate adjustment that was made effective by the City on October 1, 2012.

3. Included in the financial projections are other operating revenues associated with service initiation and delinquent fees, meter-testing fees, permit review fees, return check charges, and other related customer requested services revenues (such fees and revenues being customary to the utility industry). For the purposes of this Report, other operating revenues were based on: i) a review of historical amounts received from such charges as reported by the City, with an emphasis on the Fiscal Year 2012 actual operating results; ii) estimated other operating revenues as budgeted by the City for the Fiscal Year 2013; and iii) discussions with the City. Based on a review of such sources, it was assumed that such revenues would either increase in proportion to System growth (customer service fees) or remain constant during the Forecast Period. Furthermore, no additional revenues associated with any change in services fees or addition of new fees was recognized in the financial forecast presented in this Report.

4. The City has Effluent Service Agreements with the Dunes CDD and the Grand Haven CDD for the delivery and sale of Reclaimed Water to such community development districts. For the projected period, Reclaimed water revenues were based on; i) constant deliveries of effluent of approximately 2.4 MGD for the Forecast Period even though System growth will allow for a greater availability of Reclaimed Water to be delivered to these two entities; and ii) the current and adopted future reclaimed water rates over the Forecast Period. For purposes of this analysis, approximately $184,000 in annual reclaimed water sales revenues has been recognized over the course of the Forecast Period.

5. In addition to the retail customers, the System currently provides potable water service on a bulk or wholesale basis to one customer, Flagler County (Beverly Beach Area). For the Forecast Period, the bulk water revenues were based on i) the current and adopted future rates for service as delineated in the Rate Resolution; ii) actual water use as reported by the City for the most recent historical periods (Fiscal Years 2011 and 2012); and iii) no significant change in bulk water service demands or use by the customers as may result due to growth of their respective retail water service areas. For purposes of this analysis, approximately $68,000 in annual bulk water sales revenues has been recognized over the course of the Forecast Period.

6. The projected Cost of Operation and Maintenance associated with operation of the System was based on recent historical expense trends and the adjusted Fiscal Year 2013 Utility System Budget and were subsequently escalated for the remaining four years of the Forecast Period (through Fiscal Year 2017). These projected expenses were estimated for the Forecast Period based on the following:

    a. Projected operation and maintenance expenses for the initial Fiscal Year of the Forecast Period were based upon the City's Adopted Fiscal Year 2013 Utility Budget which reflects the most recent annual financial projections of the utility at the time of this study. Such amounts were adjusted based on recent actual operating results and incorporated into the Fiscal Year 2013 component of the Forecast Period.

    b. Materials and supplies expenses, other contractual services expenses, repair and maintenance expenses, and certain other operating expenses have been projected to increase in general from historical and current budgetary levels at an annual rate equal to inflation ranging from 1.0% to 3.5% based on the nature of the expenditure. These escalation factors were based on i) the Implicit Price Deflator and Consumer Price Index forecast prepared by the Congressional Budget Office as contained in The Economic and Budget Outlook dated February 2013; and ii) recent historical trends requesting the change in expenses. Additionally, these escalators were compared to historical price indices used by many utilities for financial forecasting and rate review purposes. These indices included the gross national product implicit price deflator index which is used by the Florida Public Service Commission in the establishment of price indices for operating costs as required pursuant to Section 367.081(4)(a), Florida Statutes, in the regulation of private or investor-owned utilities.

    c. Based on discussions with the City, the escalation of wages and salaries above Fiscal Year 2013 budgeted amounts was increased by approximately 4.0% annually to reflect

increases due to inflation and allowances for salary adjustments such as merit increases and cost of living adjustments. Personnel benefits (i.e., contributions toward retirement, health insurance, FICA, etc.) were projected to remain at the same percentage relationship to total salaries as was reflected in the Fiscal Year 2013 budget based on discussions with the City. Furthermore, it was assumed that all employee positions as identified in the Fiscal Year 2013 Budget would remain filled (position fully funded) during the year and no allowance for employee vacancies was assumed.

d. With respect to the projection of variable costs for water and wastewater operations, the cost for purchased power and chemicals for the water and wastewater treatment facilities were determined utilizing the cost of the expense for water production and wastewater treatment to the City's customers as outlined in the City's Fiscal Year 2013 Budget and was escalated for the Forecast Period based on an allowance for inflation, which is consistent with recent historical trends, and the projection of flow requirements as discussed earlier in this Report.

e. A contingency allowance of three percent (3.0%) of the total Cost of Operation and Maintenance was recognized in each Fiscal Year of the Forecast Period. The allowance has been included in order to have sufficient funds to meet unknown or unplanned expenditures throughout the Fiscal Year and to recognize potential changes in revenues due to weather, conservation, and other factors. This allowance increases the revenue requirements of the System by approximately $510,000 on average annually and is included as a component of the Cost of Operation and Maintenance with respect to the determination of total expenditure requirements of the System.

f. Although considered a System operating expense for financial reporting purposes, depreciation and amortization expenses have not been recognized as a component of the Cost of Operation and Maintenance consistent with the provisions of the Bond Resolution since such amounts represent non-cash expenses.

7. The financial projections of the Cost of Operation and Maintenance as reflected on Table 5 include the recognition of additional employees that are anticipated to be required to meet the increased service level needs/requirements of the System during the Forecast Period. The recognition of the additional employees was based on information provided by City staff and is primarily due to serving the increased growth of the System service area (i.e., increases in the number of customers served which pose a greater demand on the existing employee availability and utilization). The following table summarizes the additional employees recognized in the financial forecast above the level of personnel assumed to be employed (funded) for the Fiscal Year 2013 as reflected in the budget for such respective Fiscal Year.

Department	Number of Employees	Fiscal Year Recognized	Additional Annual Personnel Services Cost [*]
Water Plants – Tech I	2	2014	100,674
Total Employee Additions	2		

[*] Reflects salary and benefits per employee classification in year of addition.

The recognition of the additional employees (salaries and benefits) anticipated to meet the System/service area requirements will increase the Cost of Operation and Maintenance by approximately $101,000 annually.

8. An allowance for bad debt expense has been made to recognize a certain amount of revenues that will be considered as uncollectible and written off throughout the year. This expenditure item has been included in the cost for customer service and was projected based on trends incurred by utilities statewide and discussions with City personnel. A bad debt ratio estimated at 0.25% of sales revenues was subsequently applied to the level of sales revenues projected for the Forecast Period in the Report to estimate the amount of expense to recognize. The expense recognized in the Fiscal Year 2013 Cost of Operation and Maintenance was approximately $72,000 and was subsequently escalated based on System growth.

9. Included as a Cost of Operation and Maintenance Expense for financial reporting purposes is an allowance for Administrative Expenses or indirect costs, which represent expenses accounted for in the City's General Fund that are directly related to and allocated pro rata to the System. Examples of expenses included in the Administrative Expense allowance funded from System operations are management and business expenses linked to the City Council, City administrative and support staff, human resources, finance and accounting, recordkeeping, management information systems (MIS) activities, purchasing, and other related expenses as identified by the City which provide a benefit to the System. The projection for the Fiscal Year 2013 was based on the Administrative Expense allowance prepared by the City as reflected in the Fiscal Year 2013 Budget for the System. The Fiscal Year 2013 amount reflected in the financial forecast was $1,158,212. For the remainder of the Forecast Period, such amounts were projected to increase approximately 2.5% annually based on various escalation factors as discussed with the City.

10. Included as a revenue requirement for the Water and Wastewater System is an expenditure associated with the transfer of funds to the City's General Fund. The transfer has been determined to be equivalent to a payment-in-lieu-of-taxes ("PILOT"). This payment to the General Fund is considered equivalent in concept to a property tax or franchise fee that would be received if the System were to be owned and operated by a private utility. The forecast of this expenditure was predicated on a property tax equivalent and was calculated based on i) the amount reported in the Fiscal Year 2013 Budget; ii) the reported amount of gross utility plant in service as provided by the City at the end of the Fiscal Year 2012; iii) the estimated increase in Gross Utility Plant based on the capital improvement program identified during the Forecast Period; and iv) the maintenance of the current millage rate adopted by the City for the determination of the Fiscal Year 2013 ad valorem taxes. The PILOT expenditures averaged $680,000 annually for the Forecast Period of the study. This transfer is in addition to the Administrative Expense or indirect cost allocation payment to the City. Although considered as an operating expense for financial reporting purposes presented in accordance with generally accepted accounting principles, the expense is not considered as a Cost of Operation and Maintenance pursuant to the Bond Resolution.

11. Also included as a revenue requirement for the System is a second transfer to the City's General Fund. The forecast of this expenditure was based on the Fiscal Year 2013 Budget,

escalated based on the estimated increase in Gross Utility Plant for the Forecast Period. The PILOT expenditures averaged $240,000 annually for the Forecast Period of the study. This transfer is in addition to the Administrative Expense and PILOT Transfer. Although considered as an operating expense for financial reporting purposes presented in accordance with generally accepted accounting principles, the expense is not considered as a Cost of Operation and Maintenance pursuant to the Bond Resolution.

12. The City originally issued the Series 2003 Bonds in the principal amount $96,650,000 primarily to finance i) the acquisition of the System previously owned and operated by FWS; and ii) finance certain capital improvements for the System. As of October 1, 2012, $78,415,000 of the Series 2003 Bonds was considered as being outstanding. As mentioned previously, it is the City's intention to refund all of the Series 2003 Bonds with the issuance of the Series 2013 Bonds. The City is currently required to maintain a cash-funded Bond Service Reserve Fund associated with the Series 2003 Bonds in the amount of $6,289,612. Based on discussions with the City and their Financial Advisor, the maintenance of this specific reserve will no longer be required coincident with the issuance of the Series 2013 Bonds (due to the Series 2003 Bonds being refunded). The funds on deposit in the Series 2003 Utility System Reserve Fund will be used to pay down a portion of the outstanding balance of the Series 2003 Bonds. Based on the City's current plan of finance, the City plans to refund the Series 2003 Bonds effective July 1, 2013 and accordingly the Bond Service requirement for this series of bonds will no longer be applicable.

13. The City has also originally issued in the principal amount $49,840,000 of Series 2007 Bonds to finance certain capital improvements for the System. The Series 2003 Bonds were issued on parity with the Series 2003 Bonds and as of October 1, 2012, $45,725,000 of the Series 2007 Bonds was considered as being outstanding. The Bond Service requirement included in this Report for the Series 2007 Bonds were based on the actual Bond Service schedule for this single issue and are presented on a "gross" basis (i.e., not net of interest earnings on any Bond Service related funds or accounts). Furthermore, the amount shown is based on the monthly funding requirements of the Bond Service Fund as required by the Bond Resolution, which authorized the bonds (essentially an accrual basis), as opposed to when the Bond Service requirement is actually paid.

14. The City is currently anticipating the issuance of the Series 2013 Bonds which are assumed to be issued on a parity basis with the Series 2007 Bonds (collectively for both series of bonds, the "Senior Lien Bonds"). The Series 2013 Bonds are being issued for the purpose of refunding the Series 2003 Bonds in their entirety and to finance $21,200,000 in capital improvement projects identified by the City. The annual Bond Service requirement for the Series 2013 Bonds was derived from the estimated debt service schedule as provided by the City's Financial Advisors. The assumptions provided by the Financial Advisors with respect to the annual Bond Service requirement on the Series 2013 Bonds include: i) total principal amount of the bonds estimated at approximately $96,555,273 which included a premium of $11,050,273; ii) an assumed average coupon interest rates on the serial and term bonds that comprise the Series 2013 Bonds of 5.20%; iii) a term of twenty-four (24) years with essentially level debt service payments; and iv) the payment of issuance expenses associated with the Series 2013 Bonds. It was further assumed that the Series 2013 Bonds would be issued on or about July 1, 2013.

In accordance with Government Accounting Standards Board ("GASB") 68, bond issuance costs will be fully expensed in the year of issuance and not amortized over the life of the bonds. Implementation of GASB 68 shall occur for reporting periods beginning in 2014 which is after the issuance of the Series 2013 Bonds. It is our understanding that the bond issuance expenses: i) for previously issued bonds will be adjusted as a prior period adjustment and ii) all future bonds will be considered as a non-operating expense for financial reporting purposes. Since such expenses will be funded from bond proceeds, the bond issuance expenses are not considered as a Cost of Operation and Maintenance during the Forecast Period.

15. In addition to the Series 2013 Bonds, it is anticipated based on the five-year CIP as identified by the City and its consulting engineers that additional parity obligations issued on a parity basis to the Series 2013 Bonds payable from the Pledged Revenues of the System may be required (the "Additional Bonds"). Specifically, it was assumed that the City would issue Utility System Revenue Bonds, Series 2014 (the "Series 2014 Bonds") to fund a deposit to the Series 2014 Bonds Project Fund of approximately $14,950,000 to finance a portion of the five-year CIP. The Series 2014 Bonds were assumed to be tax-exempt bonds and the assumptions recognized in the development of the financial forecast associated with the issuance of the Series 2014 Bonds are summarized below:

Proposed Additional Bonds	Total Principal Amount of Bonds	Projected Issuance Date	Projected Average Annual Interest Rate	Estimated Annual Bond Service Requirement	Utility System Reserve Requirement	Maturity Date
Series 2014 Bonds	$16,835,000	October 1, 2014	5.75%	$1,190,508	1,190,508	October 2041

Based on the five-year CIP and the corresponding capital facility plan of finance as shown on Table 3 at the end of this Report, it is not anticipated that the City will need to issue any other Additional Bonds during the Forecast Period and accordingly, no Additional Bonds other than the Series 2014 Bonds were assumed.

16. The City has recognized a liability associated with a repayment obligation for Subordinated Lien Debt that was issued to finance capital improvements to the System. All of the Subordinated Lien Debt represents loans derived from the State of Florida's State Revolving Fund ("SRF") Loan Program that is administered by the FDEP. The SRF Loan Program provides low-interest loans to public utilities such as the City to help finance capital projects (the "SRF Program"). Repayment of the Subordinated Lien Debt is secured by the Pledged Revenues as defined in the Loan Agreement for such debt, which represents the Net Revenues and Impact Fees (Capital Facilities Fees) less payment of all Senior Lien Bonds. A summary of the Subordinated Lien Debt liability as reported by the City as of September 30, 2012 is summarized below:

Junior Lien Debt	Liability Outstanding as of September 30, 2012 [1]	Loan Status
State Revolving Loan – WW90302S	$1,991,960	Loan Officially Closed with FDEP; Payments being made
State Revolving Loan – WW90303S	9,906,284	Loan Officially Closed with FDEP; Payments being made
State Revolving Loan – REUSE 903050	6,424,141	Loan Officially Closed with FDEP; Payments being made
State Revolving Loan – BIOSOLIDS 903080	4,877,207	Loan Officially Closed with FDEP; Payments being made
TOTAL SUBORDINATED LIEN DEBT LIABILITY	**$23,199,592**	

[1] Amount estimated by the City to be an outstanding liability as of September 30, 2012.

As summarized above, all of the existing SRF loans for which the City has incurred a liability are for projects that have now been completed (prior to September 30, 2012).

The Subordinated Lien bond service requirements included in this Report for the outstanding SRF Program loans were based on the actual loan repayment schedules for each issue. The loan repayments are presented on a "gross" basis (i.e., not net of interest earnings on any debt service related funds or accounts). The amounts shown are based on a monthly funding requirement (an accrual basis) to match principal and interest payments on a semi-annual basis as required by the Loan Agreement, which authorized the issuance of the loans as opposed to when the loan service requirements may actually be paid. A summary of the Subordinated Lien debt service payments for the Forecast Period is included on Table 6 at the end of this Report. No additional Subordinated Lien Debt was assumed to be secured by the City during the Forecast Period.

17. Based on the provisions of the Bond Resolution, the City is required to establish and maintain a Renewal, Replacement, and Improvement Fund (the "RR&I Fund"). The purpose of the RR&I Fund is to provide moneys for the purpose of paying the cost of extensions, enlargements, or additions to, or the replacement of capital assets of the System or emergency repairs thereto. As defined in the Bond Resolution, the City shall deposit into the RR&I Fund an amount equal to 5.0% of the Gross Revenues (as defined in the Bond Resolution) received by the System in the immediately preceding Fiscal Year. However, no deposit is required if the City maintains an unencumbered balance in such fund equal to either one percent (1%) of the gross book value of the fixed assets of the System pursuant to generally accepted accounting principles or an amount as certified by the consulting engineer as necessary and desirable to provide immediately available funds to pay renewal and replacement expenditures of the System (the "RR&I Fund Requirement"). For the purposes of developing the funding requirements from rates and based on the near-term forecast of the capital needs of the System as provided by the Consulting Engineers, an anticipated deposit to the Renewal and Replacement Fund on average of approximately 10% of the previous years' Gross Revenues was recognized over the Forecast Period which is greater than the RR&I Fund Requirement as reflected in the Bond Resolution. This additional deposit was based on the projected funding requirements necessary to meet the anticipated near-term capital expenditure needs for the System

(associated with ongoing asset renewals and replacements) and to accrue funds for future expenditure needs. With respect to the analysis of meeting the rate covenant requirements as defined in the Bond Resolution, only the minimum deposit as provided in the Bond Resolution has been recognized. Based on the estimate of total System revenues derived from the application of rates and other charges for utility service, other available income which will accrue to the benefit of the utility (e.g., interest earnings), and the assumed level of funding requirements as delineated in this assumption, the following annual deposits to the RR&I Fund were assumed for the Forecast Period.

Renewal, Replacement & Improvement Fund Transfers [1]

Fiscal Year	Required Transfer Amount	Additional Transfer Amount	Total Transfer Amount Recognized
2013	$1,499,547	$749,774	$2,249,321
2014	1,580,113	1,580,113	3,160,226
2015	1,700,062	1,700,062	3,400,124
2016	1,773,088	1,773,088	3,546,175
2017	1,817,148	1,817,148	3,634,297

[1] Pursuant to the Bond Resolution the City is required to transfer 5% of the prior year's Gross Revenues into the Renewal, Replacement & Improvement Fund; an additional 5% is being transferred to meet the ongoing capital needs of the System and limit the issuance of future financings.

18. As provided by the Bond Resolution, the City may establish a Rate Stabilization Fund. The purpose of which is to provide a better match of cash availability to expenditure requirements. For the purposes of the financial forecast presented in this Report and based on discussions with City staff, only additional deposits to the fund were recognized and no future withdraws from the Rate Stabilization Fund have been assumed. The anticipated deposits to the Rate Stabilization Fund reflected during the Forecast Period and the projected ending balance in such Fund were assumed as follows:

Deposits and Uses of the Rate Stabilization Fund

Fiscal Year Ending September 30,	Deposits	Withdrawal	Ending Balance [1]
2013	$239,382	$0	$239,382
2014	500,000	0	739,382
2015	0	0	739,382
2016	0	0	739,382
2017	0	0	739,382

[1] All interest earnings on the Rate Stabilization Fund were assumed to be a component of Gross Revenues and not maintained in such Fund.

As previously mentioned, the Forecast Period recognized in the financial forecast reflected in this Report is through the Fiscal Year 2017 and as shown above, the estimated ending balance in the Rate Stabilization Fund is $739,382. Absent any material change in System growth, the Cost of Operation and Maintenance or the funding of future capital improvement needs of the System subsequent to the end of the Forecast Period, and assuming that the City continues to index the monthly rates for service each October 1 to recover inflationary impacts on the cost of providing service, it is anticipated that the System Net Revenues would continue to meet the expenditure requirements of the System.

To the extent that changes in the cost of providing service do occur, the use of monies anticipated to be on deposit in the Rate Stabilization Fund would allow the City additional flexibility in order to evaluate its service (cost) needs, the potential phase-in of any changes in rates, and to meet the rate covenants as defined in the Bond Resolution.

19. Investment income on funds and accounts created by the Bond Resolution as maintained by the City has been estimated utilizing average annual interest rate of 0.20% during Fiscal Years 2013 and 2014 and increasing to an average annual interest rate of 0.50% at the end of the Forecast Period. A projection of the estimated average balances in each respective fund. This interest rate assumption is based on recent earnings performance results of the System, discussions with City staff, and a review of the earnings performance of available investment vehicles related to the City (e.g., Florida PRIME administered by the State Board of Administration). The assumed average interest rates are representative of the current investment rates being earned by the City and are less than recent historical rates during the Historical Period; the maintenance of the low investment rates limits the overall volatility of such earnings in the financial plan and to provide assurance that such earnings would be available for the determination of Net Revenues. The assumed average interest rate has been applied to estimated average balances in funds and accounts created by the City, including: i) Bond Service Fund, including the Interest Account and Principal Account; ii) the Utility System Reserve Fund, if any; iii) the RR&I Fund; iv) the Rate Stabilization Fund; and v) the Revenue Fund and Surplus Fund (considered as the operating reserves of the System). It has also been assumed that any interest earnings on the Water and Wastewater System Capital Facilities Fees Funds and the Project Funds associated with the issuance of Series 2013 Bonds and Series 2014 Bonds and any additional parity obligations will be deposited in the respective funds and not be available for the payment of the Cost of Operation and Maintenance or Bond Service requirements consistent with the provisions of the Bond Resolution. A summary of the interest earnings recognized in the financial forecast for each Fiscal Year as well as the estimated cash balances by individual fund or account are presented in Table 8 at the end of this Report. A summary of the projected interest income recognized during the Forecast Period is presented below.

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Interest Income Assumed During Forecast

Fund [1]	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
Unrestricted:					
Operating Reserves [2]	$4,442	$5,479	$16,541	$19,170	$21,782
Renewal and Replacement	5,148	6,292	18,916	20,193	22,529
Sinking Fund	5,643	5,933	16,316	16,316	16,319
Rate Stabilization	239	979	3,697	3,697	3,697
Debt Service Reserve	14,696	8,406	21,015	21,015	21,015
Unrestricted Interest Income	$30,168	$27,089	$76,485	$80,391	$85,341
Restricted:					
Project Fund [3][4]	$0	$0	$0	$0	$0
Prior Bond Proceeds	0	0	0	0	0
Customer Deposits [4]	6,501	6,514	16,319	16,400	16,482
Water Capital Facilities Fees [4]	83	235	989	1,540	2,137
Wastewater Capital Facilities Fees [4]	989	903	4,453	7,344	10,485
Restricted Interest Income	7,573	7,652	21,761	25,285	29,105
Total Interest Income	$37,741	$34,741	$98,245	$105,675	$114,446

[1] Interest Rates assumed for the forecast period are beginning at 0.20% for 2013 and increasing to 0.50% by 2017.
[2] Includes the Revenue Fund and the Surplus Fund.
[3] No interest Income was assumed as monies on deposit in the Project Fund as these monies are already appropriated to capital improvement projects.
[4] Interest income earned on fund balances is restricted to uses of the fund as stated in the Bond Resolution.

20. The five-year CIP for the System was based on data derived from the City's most recent five-year CIP. The capital funding plan was based on i) the purpose of the expenditures (e.g., expansion-related); ii) available balances in the funds and accounts established by the City which are available for capital projects; iii) anticipated Capital Facilities Fees for receipts derived from new development; iv) the use of Additional Bonds to finance water and wastewater projects; and v) the use of previously issued bond proceeds. Also included in the five-year CIP is the use of the RR&I Fund to finance recurring capital projects (i.e., essentially the betterment or replacement of assets). The recognition of this revenue requirement is necessary in order to allow the City an annual funding mechanism to continue to provide high quality service (i.e., maintain same level of service) to its customers as the utility system ages.

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Five-Year Capital Improvement Program Summary of Projects and Funding Sources

	Fiscal Year Ending September 30, [1]					
	2013	2014	2015	2016	2017	Total
Capital Projects:						
Water System	$11,175,622	$5,663,184	$3,427,003	$2,242,203	$3,983,923	$26,491,936
Wastewater System	4,562,054	1,654,760	4,179,736	6,307,209	6,437,430	23,141,189
Miscellaneous Utility Projects [2]	740,875	807,716	924,113	1,057,555	1,203,426	4,733,685
TOTAL SYSTEM CAPITAL PROJECTS	**$16,478,551**	**$8,125,661**	**$8,530,852**	**$9,606,967**	**$11,624,780**	**$54,366,810**
Funding Sources:						
RR&I Fund	$2,373,551	$2,855,661	$3,280,852	$3,406,967	$3,974,780	$15,891,810
Existing Bond Proceeds	1,400,000	0	0	0	0	1,400,000
Capital Facilities Fees	925,000	0	0	0	0	925,000
Series 2013 Bonds	11,780,000	5,270,000	4,150,000	0	0	21,200,000
Series 2014 Bonds	0	0	1,100,000	6,200,000	7,650,000	14,950,000
TOTAL FUNDING SOURCES	**$16,478,551**	**$8,125,661**	**$8,530,852**	**$9,606,967**	**$11,624,780**	**$54,366,810**

[1] Amounts shown reflect when funding projected to be required and may be different from when funds are actually expended through project completion.
[2] Represents departmental capital such as vehicles, equipment and other related facilities that are normally not a component of the City's CIP but are considered as a recurring capital expenditure for financial reporting purposes.

21. At the time of the initial construction of the System, and for many years thereafter the utility system was an affiliate of the company developing the community. The development company and the utility had an arrangement pursuant to which lot sales within the City were often accompanied by a pre-payment of Capital Facilities Fees for water and wastewater capacity and a commitment to provide service at such time as the lot was developed. Upon acquisition, the City became obligated to honor the pre-paid connection commitments. The financial forecast takes into account this pre-paid capital facilities fee arrangement, and the accompanying financial projections have been adjusted to recognize reduced Capital Facilities Fee receipts in this portion of the System service area. The forecast recognizes a reduction of approximately 40% of potential Capital Facilities Fee collections to account for prepaid connections. It should be noted that any increase in the Capital Facilities Fees as implemented by the City pursuant to the rate regulation process, above that amount of the fees prepaid by a lot owner, will be required to be paid prior to service being available.

22. With respect to the determination of the amount of Capital Facilities Fees to be reflected as a source of funds for the analysis of Bond Service requirement coverage purposes as defined in the Bond Resolution, such amounts were adjusted to recognize only the estimated Capital Facilities Fees that are considered as being pledged to the payment of the Bond Service requirement. The Bond Service requirement for the Series 2007 Bonds, proposed Series 2013 Bonds, and any Additional Bonds was multiplied by the estimated Expansion Percentage as defined in the Bond Resolution and the product of such calculation was then compared to the estimated amount of Capital Facilities Fees projected to be collected (receipts) during the Forecast Period. The Expansion Percentage was based on: i) a review of the available capacity of the acquired System developed on a functional basis (i.e., water treatment, transmission, etc.); and ii) a review of the projects funded from the Series 2007 Bonds and anticipated to be funded from the Series 2013 Bonds and

associated capacity utilization relationships coincident with such projects. It has been estimated that the initial Expansion Percentage to determine the amount of Capital Facilities Fee receipts that can be recognized in the rate covenant test was 59.73% for Fiscal Years 2013 and 2014 of the total projected Bond Service requirement. Beginning in the Fiscal Year 2015, coincident with the beginning of the Bond Service payments for the Series 2014 Bonds, the Expansion Percentage was estimated to be 54.34% for the remainder of the Forecast Period. Based on discussions with the City Staff, the City does not anticipate using any portion of the Capital Facilities Fees collected, if considered as being legally available, to pay the annual Bond Service requirement on the existing or proposed Outstanding Bonds. For the projected period shown, the amount of Capital Facility Fees recognized as a Pledged Revenue for Bond Service coverage requirements and the corresponding amount of fees anticipated to be used to pay the annual Bond Service requirement were assumed as follows:

Projected Capital Facility Fee Collections

Fiscal Year	Total System Estimated Bond Service Requirement	Bond Service with Expansion Percentage Applied [1]	Assumed Capital Facilities Fees Collected	Capital Facilities Fees Recognized as Pledged Revenue	Capital Facilities Fees Used to Pay Senior Lien Bond Service
2013	$9,371,443	$5,597,707	$387,900	$387,900	$0
2014	9,952,294	5,944,658	404,686	404,686	0
2015	11,138,902	6,053,036	427,958	427,958	0
2016	11,139,177	6,053,185	669,920	669,920	0
2017	11,141,302	6,054,340	517,519	517,519	0

[1] Based on estimated Expansion Percentage of 59.73% for 2013 and 2014 and 54.34% for the remainder of the Forecast Period.

As can be seen above, all projected Capital Facilities Fees assumed to be received during the Forecast Period were considered as being a component of Pledged Revenue however no collected fees were assumed to be applied towards the payment of the annual Bond Service requirement during the Forecast Period.

23. All contracts, agreements, statutes, rules, and regulations which have been relied upon by us in preparing this Report and the projected operating results contained herein will be fully enforceable and remain in effect in accordance with their terms and conditions, and such terms and conditions will be compiled with by the parties involved throughout the study period. We make no representations or warranties and provide no opinion concerning the enforceability or legal interpretation of such contractual and legal requirements.

Summary of Projected Operating Results

As shown on Table 6 at the end of this Report and summarized as follows, projections have been prepared of the operating results for the Water and Wastewater Systems. Such projections were prepared in accordance with our understanding of the flow of funds prescribed by the Bond Resolution and the assumptions and considerations used in the projections as described earlier.

Summary of Projected Operating Results and Debt Service Coverage

	Fiscal Year Ending September 30, [1]				
	2013	2014	20015	2016	2017
Gross Revenues:					
Total Sales Revenue	$30,099,693	$32,501,756	$33,912,874	$34,790,182	$35,699,390
Other Operating Revenues [2]	1,472,395	1,472,395	1,472,395	1,472,395	1,472,395
Investment Income [3]	30,168	27,089	76,485	80,391	85,341
Transfer To / (From) Rate Stabilization Fund [4]	(239,382)	(500,000)	0	0	0
Total Gross Revenues	31,362,873	33,501,240	35,461,754	36,342,968	37,257,126
Total Cost of Operations and Maintenance [5]	16,494,308	17,033,692	17,486,854	17,975,315	18,503,296
Net Revenues	14,868,565	16,467,548	17,974,900	18,367,652	18,753,830
Percent to Total Revenue	47.41%	49.16%	50.69%	50.54%	50.34%
Pledged Capital Facilities Fees [6]	387,900	404,686	427,958	669,920	517,519
Net Revenue with Pledged Capital Facilities Fees	15,256,465	16,872,234	18,402,857	19,037,572	19,271,349
Senior Lien Bond Service Requirement					
Outstanding Bonds:					
Series 2003 Bonds [7]	4,716,302	0	0	0	0
Series 2007 Bonds	3,131,106	3,130,906	3,128,906	3,129,681	3,129,081
Additional Parity Bonds:					
Series 2013 Bonds [8]	1,524,035	6,821,388	6,819,488	6,818,988	6,821,713
Series 2014 Bonds [9]	0	0	1,190,508	1,190,508	1,190,508
Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
Senior Lien Bond Service Coverage [10]					
Test 1 – Net Revenue Test:					
Net Revenues	14,868,565	16,467,548	17,974,900	18,367,652	18,753,830
Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
Bond Service Coverage (110% Required)	158.66%	165.46%	161.37%	164.89%	168.33%
-OR-					
Test 2 – Net Revenue and Pledged Revenue Test:					
Net Revenues	14,868,565	16,467,548	17,974,900	18,367,652	18,753,830
Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
Bond Service Coverage (105% Required)	158.66%	165.46%	161.37%	164.89%	168.33%
-AND-					
Net Revenues and Pledged Capital Facilities Fees	15,256,465	16,872,234	18,402,857	19,037,572	19,271,349
Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
Bond Service Coverage (120% Required)	162.80%	169.53%	165.21%	170.91%	172.97%
Subordinate Debt Service Requirement: [11]					
Net Revenues Available After Payment of Senior Lien Bond Service	5,497,122	6,515,255	6,835,998	7,228,476	7,612,528
Total Capital Facilities Fees	387,900	404,686	427,958	669,920	517,519
(Less) Senior Lien Bond Service Coverage	(937,144)	(995,229)	(1,113,890)	(1,113,918)	(1,114,130)
Adjusted Pledged Revenues Available for Subordinate Bond Service After Payment of Senior Lien Bonds	4,947,877	5,924,711	6,150,066	6,784,478	7,015,917

Table continued on following page.

Summary of Projected Operating Results and Debt Service Coverage (cont'd.)

	Fiscal Year Ending September 30, [1]				
	2013	2014	2015	2016	2017
Subordinate Debt Service Coverage: [12]					
Subordinate Bond Service Requirement:					
Outstanding SRF Loan Debt Service	1,913,648	1,913,649	1,913,648	1,913,649	1,913,650
Total Subordinate Debt Service	1,913,648	1,913,649	1,913,648	1,913,649	1,913,650
Subordinate Loan Debt Service Coverage (115% Required)	258.56%	309.60%	321.38%	354.53%	366.62%
Less Other Required Transfers					
Utility System Reserve Account [13]	0	0	0	0	0
Renewal, Replacement and Improvement Fund [14]	1,499,547	1,580,113	1,700,062	1,773,088	1,817,148
Total Other Required Transfers	1,499,547	1,580,113	1,700,062	1,773,088	1,817,148
Excess of Net Revenues Above Required Transfers Without Capital Facilities Fees [15]	2,083,927	3,021,493	3,222,288	3,541,739	3,881,730
Total System Capital Facilities Fees	387,900	404,686	427,958	669,920	517,519
TOTAL AMOUNT AVAILABLE FOR CAPITAL EXPENDITURES AND OTHER PURPOSES [16]	**$2,471,827**	**$3,426,179**	**$3,650,246**	**$4,211,659**	**$4,399,249**

[1] Amounts derived from Table 6 at the end of this Report.

[2] Amounts shown includes miscellaneous income and customer-requested service charges (e.g., initiation of service, turn-on and turn-off of service, delinquent fees, meter tests, reclaimed water service, etc.).

[3] Amounts shown reflect estimated interest income earned on projected balances of the various funds created by the Bond Resolution, including the Revenue Fund and Surplus Fund (Operating Reserves), Renewal, Replacement and Improvement Fund, and Bond Service Fund. Interest earned on the Water and Wastewater Capital Facilities Fee (Impact Fee) Funds and the Project Fund have not been recognized since such earnings are restricted to such funds.

[4] Represents amounts anticipated to be transferred to the City's Rate Stabilization Fund which represents a reduction in the determination of Gross Revenue pursuant to the Bond Resolution.

[5] Amounts shown do not include depreciation and amortization expenses which are a non-cash expense or payment-in-lieu-of taxes to the City's General Fund, all of which are not considered a Cost of Operations and Maintenance in accordance with the provisions of the Bond Resolution.

[6] Based on estimated Expansion Percentage of 59.73% for Fiscal Years 2013 and 2014, and 54.34% for the remainder of the Forecast Period in order to estimate Pledged Capital Facilities Fees.

[7] The Series 2003 Bonds will be refunded by the issuance of the Series 2013 Bonds and will no longer be an obligation payable from System Pledged Revenues. Amounts shown reflect the interest expense on such bonds until the date of refunding which is assumed to be July 1, 2013.

[8] Amounts shown are preliminary estimates as provided by the City's Financial Advisor and subject to change based on the actual terms of the Series 2013 Bonds.

[9] Amounts represent additional parity bonds issued in accordance with the terms of the Bond Resolution in order to provide funds for capital project financing during the Forecast Period; the Additional Bonds are assumed to be issued on October 1, 2014.

[10] Pursuant to the Bond Resolution, the debt service coverage test (rate covenant) includes a two-part calculation. The debt service coverage test includes the following:

Test 1 – Net Revenue Test: Net Revenues must be 110% of the Bond Service requirement; OR

Test 2 – Pledged Revenue Test: Net Revenues must be 105% of the Bond Service requirement and Pledged Revenues being 120% of the Bond Service requirement.

[11] Amounts shown reflect indebtedness associated with SRF Loans secured by the City to fund improvements to the City's Wastewater System; no other subordinated indebtedness is outstanding at this time.

[12] Pursuant to the SRF Loan Agreement, Pledged revenues for SRF Loan repayment is after the recognition of payment of Senior Lien Bonds, including coverage. For purposes of this Report a 10% coverage allowance on the Senior Lien Bonds was recognized because the City is projected to meet Test 1 of the Senior Lien Coverage Test.

[13] Utility System Reserve Requirement is assumed to be fully funded or secured by a Reserve Fund Insurance Policy throughout the Forecast Period; therefore no deposits are recognized as being required.

[14] Amount shown reflects the annual funding requirement of the Renewal, Replacement, and Improvement Fund in the amount equal to 5% of the System's Gross Revenues for the immediately preceding Fiscal Year consistent with the provisions of the Bond Resolution.

[15] Amounts shown reflect additional rate covenant requirement whereby the Net Revenues of the System must fund the payment of all required transfers to the Utility System Reserve Fund, the Subordinated Debt Service Fund, and the Renewal, Replacement, and Improvement Fund.

[16] Amounts shown represent sum of the Net Revenues available after payment of all required transfers plus the Water and Wastewater System Capital Facilities Fees and represent funds available for capital expenditures and other requirements of the System.

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. Based upon general observations of the facilities, discussions with City staff, and a review of documents and reports filed with regulatory agencies, the existing facilities of the System appear to be in good condition. The System is adequately operated and maintained in accordance with prudent utility practice, is complying with all permitting and regulatory requirements, and can reasonably be expected to provide sufficient and reliable services to meet the existing requirements of the utility.

2. We see no impediments to the City's ability to secure and retain all permits necessary to operate and expand the System in the normal course of business.

3. The existing facilities of the System, together with planned renewals, replacements and additions, can reasonably be expected to meet the projected requirements of the System, beyond the Fiscal Year ending September 30, 2017.

4. The System, taking into account expansion related improvements as discussed previously in this Report, will provide sufficient capacity to comply with the regulatory requirements and to meet the anticipated service area needs beyond the five (5) Fiscal Year period ending September 30, 2017 based on the customer forecast assumed for the purposes of this Report.

5. The City's financial, administrative, and utility staff is capable of managing, operating, maintaining, and expanding the System as scheduled, needed, and required.

6. The City's Capital Improvement Plan and the cost estimates recognized therein are reasonable, necessary and adequate to meet current regulatory and legal requirements, to provide reliable water and wastewater service to the City's customers, and to provide adequate reserve capacity for anticipated growth in customer connections reflected in this Report.

7. Assuming that the City continues to perform the necessary renewals and replacements to the System and continues to operate the System under prudent utility practices, it is anticipated that major improvements constructed from proceeds of the Series 2013 Bonds are expected to have a useful life in excess of the term of the Series 2013 Bonds.

8. Based on the Consulting Engineer's routine observations and investigations, nothing has come to the attention of the Consulting Engineer that lead them to believe that significant funds will be required for System improvements beyond that identified herein through Fiscal Year 2017. The financial forecast does recognize the need for the issuance of additional parity bonds in the Fiscal Year 2015 to finance a portion of the identified System capital improvement program. Subsequent to closing, should the City discover any additional capital needs, funding can be provided by increasing the Renewal, Replacement

and Improvement Fund deposits, issuance of additional bonds, through developer contributions, or by increasing rates for monthly service.

9. The funds on deposit in the Series 2003 Bond Service Reserve Fund will be deposited into the Series 2013 Bonds Construction Fund and will be used to finance System capital improvements during the Forecast Period.

10. The projected growth in customers and usage of the System for the Forecast Period represents reasonable and attainable projections for the purposes of this Report and the corresponding revenues derived from such customers and usage are also considered to be reasonable and attainable.

11. The System Revenues for the Fiscal Years ending September 30, 2013 through 2017 under the City approved rates, coupled with the recognition of identified additional rate increases and cost of living (price) index adjustments, should be sufficient to: i) pay the Cost of Operation and Maintenance of the System; ii) pay the estimated debt service on the Outstanding Bonds, Series 2013 Bonds, the anticipated additional parity bonds, and the existing subordinate lien debt coming due in such years; iii) make the projected deposits necessary to meet the Renewal, Replacement and Improvement Fund Requirement which is available for additions, extensions, and improvements to the System; and iv) meet the rate covenants of the Bond Resolution.

12. The projected growth in the Cost of Operation and Maintenance represent reasonable projections for the purposes of this Report.

13. The existing rates for water and wastewater service are generally comparable to charges for similar service provided by other neighboring and coastal utilities located in central and northeast Florida. The anticipated rate adjustments as represented in this Report are not expected by the City to negatively affect the competitiveness of the City's monthly user rates over the Forecast Period.

14. The existing System Capital Facilities Fees are higher than the current comparable fees charged by neighboring utilities located in central and northeast Florida. PRMG considers the adopted Capital Facilities Fees to be cost-based, reasonable, and representative of the identified capital expenditures needs of the System as contained in the System's adopted capital improvement plan. Based on discussions with Utility Department staff, the application of the Capital Facilities Fees is not expected to negatively affect System growth.

CITY OF PALM COAST, FLORIDA

CONSULTING ENGINEERING AND BOND FEASIBILITY REPORT
UTILITY SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2013

LIST OF TABLES

Table 1

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Historical Customer Statistics

Line No.	Description	Fiscal Year Ended September 30, [1] 2008	2009	2010	2011	2012
	Water System:					
	Inside City					
	Residential [2]					
1	Accounts	32,290	32,425	32,538	32,631	32,645
2	Sales (000s)	1,331,121	1,580,970	1,564,326	1,621,429	1,595,016
3	Average Monthly Use	3,435	4,072	4,006	4,141	4,072
	Multi-Family					
4	Accounts	1,095	1,413	1,455	1,544	1,528
5	Sales (000s)	41,581	56,002	56,429	71,080	74,515
6	Average Monthly Use	3,164	3,303	3,232	3,836	4,064
	Commercial					
7	Accounts	1,031	1,109	1,131	1,180	1,190
8	Sales (000s)	123,695	168,406	166,947	232,698	248,390
9	Average Monthly Use	9,998	12,655	12,301	16,433	17,394
	Irrigation [3]					
10	Accounts	5,161	5,234	5,312	5,368	5,388
11	Sales (000s)	240,324	279,836	279,302	334,073	279,441
12	Average Monthly Use	3,880	4,455	4,382	5,186	4,322
	Bulk					
13	Accounts	0	0	0	0	0
14	Sales (000s)	0	0	0	0	0
15	Average Monthly Use	0	0	0	0	0
	Fire Protection					
16	Accounts	151	209	218	231	236
17	Sales (000s)	0	704	235	102	109
18	Average Monthly Use	0	281	90	37	38
	Outside City					
	Residential [2]					
19	Accounts	1,388	1,408	1,467	1,481	1,517
20	Sales (000s)	82,683	102,656	107,381	121,441	114,432
21	Average Monthly Use	4,964	6,076	6,100	6,833	6,286

Footnotes on Page 3 of 3

Table 1

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Historical Customer Statistics

Line No.	Description	Fiscal Year Ended September 30, [1] 2008	2009	2010	2011	2012
	Outside City (continued)					
	Multi-Family					
22	Accounts	38	38	38	38	38
23	Sales (000s)	8,325	10,197	11,320	11,187	11,320
24	Average Monthly Use	18,257	22,362	24,825	24,533	24,825
	Commercial					
25	Accounts	58	66	85	84	87
26	Sales (000s)	16,739	21,678	26,410	27,981	27,586
27	Average Monthly Use	24,050	27,371	25,892	27,759	26,423
	Irrigation [3]					
28	Accounts	48	54	69	71	75
29	Sales (000s)	4,081	4,049	5,685	8,281	8,416
30	Average Monthly Use	7,085	6,249	6,866	9,720	9,351
	Bulk					
31	Accounts	2	2	2	2	2
32	Sales (000s)	18,627	27,842	27,196	27,156	30,939
33	Average Monthly Use	776,104	1,160,067	1,133,167	1,131,483	1,289,113
	Fire Protection					
34	Accounts	10	13	13	13	14
35	Sales (000s)	0	1	9	4	0
36	Average Monthly Use	1	4	61	23	2
	Total Water System					
37	Average Annual Accounts	41,272	42,191	42,328	42,643	42,720
38	Annual Water Sales	1,867,175	2,266,388	2,245,240	2,455,433	2,390,163
39	Raw Water Produced	2,675,450	2,555,000	2,653,185	2,703,190	2,611,575
40	Unbilled Water Produced	808,275	288,612	407,945	247,757	221,412
41	Water Loss Percentage	43.29%	12.73%	18.17%	10.09%	9.26%
42	Average Daily Flow	7.330	7.000	7.269	7.406	7.155
43	Max Daily Flow	10.347	10.064	9.698	11.141	9.463
44	Max Percentage Above Average	41.16%	43.77%	33.42%	50.43%	32.26%

Footnotes on Page 3 of 3

Table 1

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Historical Customer Statistics

Line No.	Description	Fiscal Year Ended September 30, [1] 2008	2009	2010	2011	2012
	Wastewater System:					
	Inside City					
	Residential [2]					
45	Accounts	32,258	32,393	32,505	32,598	32,612
46	Sales (000s)	1,117,023	1,329,453	1,312,720	1,360,639	1,338,473
47	Average Monthly Use	2,886	3,420	3,365	3,478	3,420
	Multi-Family					
48	Accounts	931	1,201	1,237	1,235	1,299
49	Sales (000s)	35,344	47,602	47,965	56,864	63,338
50	Average Monthly Use	3,164	3,303	3,232	3,836	4,064
	Commercial					
51	Accounts	876	943	961	944	1,012
52	Sales (000s)	105,141	143,145	141,905	186,158	211,132
53	Average Monthly Use	9,998	12,655	12,301	16,433	17,394
	Effluent - Wastewater Accounts					
54	Accounts	2	2	2	2	2
55	Sales (000s)	877,710	877,710	877,710	877,710	877,710
56	Average Monthly Use	36,571,250	36,571,250	36,571,250	36,571,250	36,571,250
	Outside City					
	Residential [2]					
57	Accounts	177	177	177	177	177
58	Sales (000s)	7,908	9,679	9,717	10,885	10,014
59	Average Monthly Use	3,723	4,557	4,575	5,125	4,715
	Total Wastewater System					
60	Average Annual Accounts	34,244	34,715	34,883	34,957	35,102
61	Annual Wastewater Sales	2,143,126	2,407,589	2,390,016	2,492,256	2,500,666
62	Annual Wastewater Treated	1,721,340	1,790,690	1,922,820	1,746,525	1,838,505
63	Average Daily Flow (MGD)	4.72	4.91	5.27	4.79	5.04
64	Max Daily Flow	5.32	5.42	5.77	4.96	5.27

Footnotes:

[1] Fiscal year 2012 is based on actual information as of September 30, 2012

[2] Accounts represented in the residential class include all single family, duplex, tri-plex, quad-plex, and town home customer classes as these customers are all consistently billed under residtial rate structures.

[3] Includes all irrigation accounts regardless of customer class (i.e. Residential, Commercial or Multi-Family).

Table 2

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Projected Customer Statistics

Line No.	Description	Fiscal Year Ended September 30, 2013	2014	2015	2016	2017
	Water System:					
	Inside City					
	Residential					
1	Accounts	32,725	32,805	32,890	32,980	33,075
2	Sales (000s)	1,598,924	1,602,832	1,606,985	1,611,382	1,616,023
3	Average Monthly Use	4,072	4,072	4,072	4,072	4,072
	Multi-Family					
4	Accounts	1,538	1,548	1,563	1,583	1,608
5	Sales (000s)	74,925	75,335	76,238	77,817	78,843
6	Average Monthly Use	4,060	4,056	4,065	4,096	4,086
	Commercial					
7	Accounts	1,200	1,210	1,220	1,232	1,244
8	Sales (000s)	249,594	251,138	252,002	256,447	258,144
9	Average Monthly Use	17,333	17,296	17,213	17,346	17,293
	Irrigation					
10	Accounts	5,388	5,388	5,388	5,388	5,388
11	Sales (000s)	279,441	279,441	279,441	279,441	279,441
12	Average Monthly Use	4,322	4,322	4,322	4,322	4,322
	Bulk					
13	Accounts	0	0	0	0	0
14	Sales (000s)	0	0	0	0	0
15	Average Monthly Use	0	0	0	0	0
	Fire Protection					
16	Accounts	238	241	246	251	256
17	Sales (000s)	105	107	109	111	113
18	Average Monthly Use	37	37	37	37	37

Table 2

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Projected Customer Statistics

Line No.	Description	Fiscal Year Ended September 30, 2013	2014	2015	2016	2017
	Outside City					
	Residential					
19	Accounts	1,522	1,527	1,532	1,537	1,542
20	Sales (000s)	114,807	115,183	115,558	115,934	116,309
21	Average Monthly Use	6,286	6,286	6,286	6,286	6,286
	Multi-Family					
22	Accounts	38	38	38	38	38
23	Sales (000s)	11,320	11,320	11,320	11,320	11,320
24	Average Monthly Use	24,825	24,825	24,825	24,825	24,825
	Commercial					
25	Accounts	89	91	93	95	100
26	Sales (000s)	28,411	28,715	36,969	37,143	38,359
27	Average Monthly Use	26,602	26,296	33,126	32,581	31,966
	Irrigation					
28	Accounts	77	79	81	86	91
29	Sales (000s)	8,602	9,439	9,625	10,090	10,695
30	Average Monthly Use	9,310	9,957	9,902	9,777	9,794
	Bulk					
31	Accounts	2	2	2	2	2
32	Sales (000s)	30,939	30,939	30,939	30,939	30,939
33	Average Monthly Use	1,289,113	1,289,113	1,289,113	1,289,113	1,289,113
	Fire Protection					
34	Accounts	14	16	16	18	20
35	Sales (000s)	4	4	4	5	5
36	Average Monthly Use	23	23	23	23	23
	Total Water System					
37	Average Annual Accounts	42,831	42,945	43,069	43,210	43,364
38	Annual Water Sales	2,397,072	2,404,453	2,419,190	2,430,628	2,440,192
39	Raw Water Produced	2,629,033	2,637,127	2,653,291	2,665,836	2,676,325
40	Unbilled Water Produced	231,960	232,675	234,101	235,208	236,133
41	Water Loss Percentage	9.68%	9.68%	9.68%	9.68%	9.68%
42	Average Daily Flow	7.203	7.225	7.269	7.304	7.332
43	Max Daily Flow	9.724	9.754	9.814	9.860	9.899
44	Max Percentage Above Average	35.00%	35.00%	35.00%	35.00%	35.00%

Table 2

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Projected Customer Statistics

Line No.	Description	Fiscal Year Ended September 30, 2013	2014	2015	2016	2017
	Wastewater System:					
	Inside City					
	Residential					
45	Accounts	32,692	32,772	32,857	32,947	33,042
46	Sales (000s)	1,341,756	1,345,039	1,348,528	1,352,221	1,356,120
47	Average Monthly Use	3,420	3,420	3,420	3,420	3,420
	Multi-Family					
48	Accounts	1,309	1,319	1,334	1,354	1,379
49	Sales (000s)	63,759	64,181	65,058	66,550	67,605
50	Average Monthly Use	4,060	4,056	4,065	4,096	4,086
	Commercial					
51	Accounts	1,022	1,032	1,042	1,054	1,066
52	Sales (000s)	212,467	214,090	215,131	219,291	221,104
53	Average Monthly Use	17,333	17,296	17,213	17,346	17,293
	Effluent - Wastewater Accounts					
54	Accounts	2	2	2	2	2
55	Sales (000s)	877,710	877,710	877,710	877,710	877,710
56	Average Monthly Use	36,571,250	36,571,250	36,571,250	36,571,250	36,571,250
	Outside City					
	Residential					
57	Accounts	182	187	192	197	202
58	Sales (000s)	11,192	11,499	11,806	12,113	12,421
59	Average Monthly Use	5,124	5,124	5,124	5,124	5,124
	Total Wastewater System					
60	Average Annual Accounts	35,207	35,312	35,427	35,554	35,691
61	Annual Wastewater Sales	2,506,884	2,512,519	2,518,233	2,527,886	2,534,959
62	Annual Wastewater Treated	1,843,076	1,847,219	1,851,420	1,858,517	1,863,717
63	Average Daily Flow (MGD)	5.05	5.06	5.07	5.09	5.11
64	Max Daily Flow	5.28	5.29	5.31	5.33	5.34

City of Palm Coast, Florida
Water and Wastewater Utility System

Summary of Five-Year Capital Improvement Program

Line No.		Description	Funding Source	2013	2014	2015	2016	2017	Total
	Water System:								
	Water Treatmetn Plant #3								
1	81010	Membrane Replacement	R&R	$ -	$ -	$ -	$ -	$ 275,000	$ 275,000
2	81010	Color Reduction/Iron Removal	R&R	-	-	-	-	-	0
3	81010	Color Reduction/Iron Removal	Series 2013 Bonds	125,000	500,000	-	-	-	625,000
4	Total Water Treatmetn Plant #3			$ 125,000	$ 500,000	$ -	$ -	$ 275,000	$ 900,000
	Wellfield and Wells								
5	81019	Well Field Development WTP #3 Phase 2	Existing Bond Proceeds	$ -	$ -	$ -	$ -	$ -	$ -
6	81019	Well Field Development WTP #3 Phase 2	Series 2013 Bonds	1,050,000	-	-	-	-	1,050,000
7	81019	Wellfield Expansion WTP #3 Phase 3	Series 2014 Bonds	-	-	-	250,000	1,600,000	1,850,000
8	81019	Wellfield Expansion WTP #2	Series 2013 Bonds	500,000	970,000	-	-	-	1,470,000
9	81019	Wellfield Expansion WTP #2	Series 2014 Bonds	-	-	-	1,000,000	1,000,000	2,000,000
10	81019	Wellfield Expansion WTP #2	Series 2013 Bonds	-	-	950,000	-	-	950,000
11	81019	Wellfield Expansion WTP #2	R&R	-	30,000	50,000	-	-	80,000
12	81019	AWS Investigation/APT/WTP#3	Series 2013 Bonds	350,000	200,000	-	-	-	550,000
13	81019	Replacement Well Construction WTP #1	Series 2013 Bonds	250,000	250,000	-	-	-	500,000
14	81019	Replacement Well Construction WTP #1	WConn-Fee	-	-	-	-	-	0
15	81019	Replacement Well Construction WTP #1	Series 2013 Bonds	-	-	-	-	-	0
16	81019	Replacement Well Construction WTP #1	R&R	-	-	250,000	250,000	250,000	750,000
17	Total Wellfield and Wells			$ 2,150,000	$ 1,450,000	$ 1,250,000	$ 1,500,000	$ 2,850,000	$ 9,200,000
	Water Mains								
18	81020	Citation/Old Kings Road/SR100 Water Main Loop	WConn-Fee	$ -	$ -	$ -	$ -	$ -	$ -
19	81020	Citation/Old Kings Road/SR100 Water Main Loop	Series 2013 Bonds	-	-	900,000	-	-	900,000
20	81020	Old Kings Road Water Main Extension to Eagle Lakes	Series 2013 Bonds	-	-	50,000	-	-	50,000
21	81020	Old Kings Road Water Mains (Phase 2)	R&R	-	-	-	-	100,000	100,000
22	81020	Pine Lakes Parkway North Improvements	Series 2013 Bonds	200,000	-	-	-	-	200,000
23	81020	WM on Palm Coast Pkwy (Belle Terre Pkwy to East of I-95	Series 2013 Bonds	1,000,000	-	-	-	-	1,000,000
24	Total Water Mains			$ 1,200,000	$ -	$ 950,000	$ -	$ 100,000	$ 2,250,000
	Water Treatment Plant #1								
25	84002	WTP # 1 & 3 /Raw Water/Concentrate/Ferrate study	WConn-Fee	$ -	$ -	$ -	$ -	$ -	$ -
26	84002	WTP No. 1 Misc. Improvements(Electrical Improvements)	Series 2013 Bonds	-	-	500,000	-	-	500,000
27	Total Water Treatment Plant #1			$ -	$ -	$ 500,000	$ -	$ -	$ 500,000
	Water Treatment Plant #2								
28	84003	Concentrate Zero Discharge Treatment	Series 2013 Bonds	7,000,000	3,000,000	-	-	-	10,000,000
29	84003	Concentrate Zero Discharge Treatment	WWConn-Fee	-	-	-	-	-	0
30	84003	Concentrate Zero Discharge Treatment	Existing Bond Proceeds	-	-	-	-	-	0
31	84003	Concentrate Zero Discharge Treatment	R&R	-	-	-	-	-	0
32	84003	Concentrate Zero Discharge Treatment	WConn-Fee	-	-	-	-	-	0
33	84003	Membrane Replacement	Existing Bond Proceeds	-	-	-	-	-	0
34	Total Water Treatment Plant #2			$ 7,000,000	$ 3,000,000	$ -	$ -	$ -	$ 10,000,000
	General Plant R&R								
35	84004	Construction	R&R	$ 200,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 2,200,000
36	84004	Construction	Series 2013 Bonds	300,000	-	-	-	-	300,000
37	Total General Plant R&R			$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 2,500,000
	Distribution System Improvements								
38	84005	Construction	R&R	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 375,000
39	84005	Construction	R&R	-	-	-	-	-	0
	Miscellaneous								
40	N/A	Fleet Replacement	R&R	$ 125,622	$ 138,184	$ 152,003	$ 167,203	$ 183,923	$ 766,936
41	Total Miscellaneous			$ 125,622	$ 138,184	$ 152,003	$ 167,203	$ 183,923	$ 766,936
42	**Total Water System Improvements**			$ 11,175,622	$ 5,663,184	$ 3,427,003	$ 2,242,203	$ 3,983,923	$ 26,491,936

City of Palm Coast, Florida
Water and Wastewater Utility System

Summary of Five-Year Capital Improvement Program

Line No.		Description	Funding Source	2013	2014	2015	2016	2017	Total
	Wastewater System:								
		Pretreatment Effluent Pumping System							
43	82001	System Upgrades	R&R	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 500,000
44	82001	PEP Tanks	R&R	250,000	300,000	300,000	300,000	300,000	1,450,000
45		Total Pretreatment Effluent Pumping System		$ 350,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 1,950,000
		Wastewater Treatment Plant #1							
46	82002	AWT Upgrade Design & Construction	Series 2014 Bonds	$ -	$ -	$ 500,000	$ 3,000,000	$ 3,000,000	$ 6,500,000
47	82002	Brush Aerator Rehab	Series 2013 Bonds	50,000	-	-	-	-	50,000
48	82002	Cost Study for Dryer System Installation	Series 2013 Bonds	50,000	-	-	-	-	50,000
49	82002	Return Activated Sludge Pumping Improvement	Series 2013 Bonds	250,000	-	-	-	-	250,000
50	82002	Rib Site Slope Evaluation and Rehab	Series 2013 Bonds	30,000	200,000	-	-	-	230,000
51	82002	Clarifiers #7 & #8 Rehab	Series 2013 Bonds	-	-	500,000	-	-	500,000
52		Total Wastewater Treatment Plant #1		$ 380,000	$ 200,000	$ 1,000,000	$ 3,000,000	$ 3,000,000	$ 7,580,000
		Force Mains							
53	82003	20" Discharge from WWTP #1 to St.Joe Canal	Existing Bond Proceeds	$ -	$ -	$ -	$ -	$ -	$ -
54	82003	20" Discharge from WWTP #1 to St.Joe Canal	Series 2014 Bonds	-	-	350,000	350,000	-	700,000
55	82003	OKR Force Mains (Phase 2)	Series 2014 Bonds	-	-	250,000	1,000,000	-	1,250,000
56		Total Force Mains		$ -	$ -	$ 600,000	$ 1,350,000	$ -	$ 1,950,000
		Reclaimed Water Mains							
57	82004	Holland Park Reuse Main	Series 2013 Bonds	$ 100,000	$ -	$ -	$ -	$ -	$ 100,000
58	82004	Seminole Blvd Reclaimed Water Main	Series 2014 Bonds	-	-	-	-	250,000	250,000
59	82004	Matanzas Wood Pkwy Reclaimed Water Main	Series 2014 Bonds	-	-	-	600,000	1,700,000	2,300,000
60	82004	Old Kings Road (Phase 2)	Existing Bond Proceeds	-	-	-	-	-	0
61	82004	Old Kings Road (Phase 2)	Series 2014 Bonds	-	-	-	-	100,000	100,000
62		Total Reclaimed Water Mains		$ 100,000	$ -	$ -	$ 600,000	$ 2,050,000	$ 2,750,000
		Beachside Sewer System							
63	82009	Construction	Existing Bond Proceeds	$ 1,400,000	$ -	$ -	$ -	$ -	$ 1,400,000
64	82009	Construction	WWConn-Fee	925,000	-	-	-	-	925,000
65	82009	Construction	Series 2013 Bonds	175,000	-	-	-	-	175,000
66		Total Beachside Sewer System		$ 2,500,000	$ -	$ -	$ -	$ -	$ 2,500,000
		Wastewater Treatment Plant #3							
67	82010	Engineering & Planning	R&R	$ -	$ -	$ -	$ -	$ -	$ -
68		Total Wastewater Treatment Plant #3		$ -	$ -	$ -	$ -	$ -	$ -
		Lift Stations and Pump Stations							
69	85003	Pump Station 4-2 Upgrade	Series 2013 Bonds	$ 350,000	$ 150,000	$ -	$ -	$ -	$ 500,000
70	85003	Pump Station Upgrades	R&R	75,000	75,000	75,000	75,000	75,000	375,000
71	85003	Pump Station Upgrades	R&R	-	-	-	-	-	0
70	85003	Pump Station On-Line Generator	R&R	30,000	30,000	30,000	30,000	30,000	150,000
72	85003	Pump Station Odor Control Systems	R&R	50,000	50,000	50,000	50,000	50,000	250,000
73	85003	Pump Station Odor Control Systems	R&R	-	-	-	-	-	0
72	85003	OKR Master Pump Station	Series 2014 Bonds	-	-	-	-	-	0
74	85003	OKR Master Pump Station	Series 2013 Bonds	-	-	1,250,000	-	-	1,250,000
75		Total Lift Stations and Pump Stations		$ 505,000	$ 305,000	$ 1,405,000	$ 155,000	$ 155,000	$ 2,525,000
		General Plant R&R - Wastewater							
76	85005	Construction	R&R	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 2,500,000
77		Total General Plant R&R - Wastewater		$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 2,500,000
		Miscellaneous							
78	N/A	Fleet Replacement	R&R	$ 227,054	$ 249,760	$ 274,736	$ 302,209	$ 332,430	$ 1,386,189
79		Total Miscellaneous		$ 227,054	$ 249,760	$ 274,736	$ 302,209	$ 332,430	$ 1,386,189
80		**Total Wastewater System Improvements**		$ 4,562,054	$ 1,654,760	$ 4,179,736	$ 6,307,209	$ 6,437,430	$ 23,141,189

Table 3

City of Palm Coast, Florida
Water and Wastewater Utility System

Summary of Five-Year Capital Improvement Program

Line No.		Description	Funding Source	2013	2014	2015	2016	2017	Total
		Miscellaneous Utility Services							
		Miscellaneous Utility Services(54029000-034000)							
81	89002	CUP Modification Application	R&R	$ 100,000	$ 100,000	$ 50,000	$ -	$ -	$ 250,000
82	89002	Consultant Input on CIP Developmen	R&R	14,000	14,000	14,000	14,000	14,000	70,000
83	89002	Water Supply Facilities Work Plan	R&R	30,000	-	30,000	-	-	60,000
84	89002	Public Works/Utility Office and Yard Study	R&R	-	-	-	50,000	-	50,000
85	89002	Nutrient Impact Study	R&R	17,000	-	-	-	-	17,000
86	N/A	Non-CIP Capital	R&R	558,542	670,251	804,301	965,161	1,158,194	4,156,449
87	N/A	Non-CIP Capital	Oper-Res	-	-	-	-	-	0
88	N/A	Fleet Replacement	R&R	21,332	23,466	25,812	28,393	31,233	130,236
89		Total Miscellaneous Utility Services(54029000-034000)		$ 740,875	$ 807,716	$ 924,113	$ 1,057,555	$ 1,203,426	$ 4,733,685
90		**Total Miscellaneous Utility Services**		$ 740,875	$ 807,716	$ 924,113	$ 1,057,555	$ 1,203,426	$4,733,685
91		**Total System Improvements**		**$ 16,478,551**	**$ 8,125,661**	**$ 8,530,852**	**$ 9,606,967**	**$ 11,624,780**	**$ 54,366,810**
		FUNDING SOURCES							
		WATER SYSTEM							
92		Operating Reserves	Oper-Res	$ -	$ -	$ -	$ -	$ -	$ -
93		Rate Revenues	Rate-Rev	-	-	-	-	-	-
94		Renewals & Replacements Func	R&R	400,622	743,184	1,027,003	992,203	1,383,923	4,546,936
95		Water Capital Facilities Fees Fund	WConn-Fee	-	-	-	-	-	-
96		Developer	Developer	-	-	-	-	-	-
97		Existing Debt Proceeds	Existing Bond Proceeds	-	-	-	-	-	-
98		Series 2013	Series 2013 Bonds	10,775,000	4,920,000	2,400,000	-	-	18,095,000
99		Series 2014 Bonds	Series 2014 Bonds	-	-	-	1,250,000	2,600,000	3,850,000
100		Construction Fund	Construction Fund	-	-	-	-	-	-
101		Grants	Grant	-	-	-	-	-	-
102		Assessment	Assessment	-	-	-	-	-	-
103		Additional Item B		-	-	-	-	-	-
104		**Total Water System**		$ 11,175,622	$ 5,663,184	$ 3,427,003	$ 2,242,203	$ 3,983,923	$ 26,491,936
		WASTEWATER SYSTEM							
105		Operating Reserves	Oper-Res	$ -	$ -	$ -	$ -	$ -	$ -
106		Rate Revenues	Rate-Rev	-	-	-	-	-	-
107		Renewals & Replacements Func	R&R	1,232,054	1,304,760	1,329,736	1,357,209	1,387,430	6,611,189
108		Wastewater Capital Facilities Fees Func	WWConn-Fee	925,000	-	-	-	-	925,000
109		Developer	Developer	-	-	-	-	-	-
110		Existing Debt Proceeds	Existing Bond Proceeds	1,400,000	-	-	-	-	1,400,000
111		Series 2013	Series 2013 Bonds	1,005,000	350,000	1,750,000	-	-	3,105,000
112		Series 2014 Bonds	Series 2014 Bonds	-	-	1,100,000	4,950,000	5,050,000	11,100,000
113		Construction Fund	Construction Fund	-	-	-	-	-	-
114		Grants	Grant	-	-	-	-	-	-
115		Assessment	Assessment	-	-	-	-	-	-
116		**Total Wastewater System**		$ 4,562,054	$ 1,654,760	$ 4,179,736	$ 6,307,209	$ 6,437,430	$ 23,141,189
		COMBINED SYSTEM							
117		Operating Reserves	Oper-Res	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
118		Rate Revenues	Rate-Rev	-	-	-	-	-	-
119		Renewals & Replacements Func	R&R	**2,373,551**	**2,855,661**	**3,280,852**	**3,406,967**	**3,974,780**	**15,891,810**
120		Water Capital Facilities Fees Fund	WConn-Fee	-	-	-	-	-	-
121		Wastewater Capital Facilities Fees Func	WWConn-Fee	**925,000**	-	-	-	-	**925,000**
122		Developer	Developer	-	-	-	-	-	-
123		Existing Debt Proceeds	Existing Bond Proceeds	**1,400,000**	-	-	-	-	**1,400,000**
124		Series 2013	Series 2013 Bonds	**11,780,000**	**5,270,000**	**4,150,000**	-	-	**21,200,000**
125		Series 2014 Bonds	Series 2014 Bonds	-	-	**1,100,000**	**6,200,000**	**7,650,000**	**14,950,000**
126		Construction Fund	Construction Fund	-	-	-	-	-	-
127		Grants	Grant	-	-	-	-	-	-
128		Assessment	Assessment	-	-	-	-	-	-
129		**Total Combined System**		**$ 16,478,551**	**$ 8,125,661**	**$ 8,530,852**	**$ 9,606,967**	**$ 11,624,780**	**$ 54,366,810**

Table 4

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Historical Operating Results

Line No.	Description	Fiscal Year Ended September 30, [1] 2008	2009	2010	2011	2012
	Gross Revenues:					
1	Water System Sales Revenues	$14,478,993	$16,143,425	$16,313,649	$17,445,894	$17,654,180
2	Wastewater System Sales Revenues	8,648,904	10,028,514	10,029,709	10,421,240	10,750,178
3	Total Sales Revenues	23,127,897	26,171,938	26,343,358	27,867,134	28,404,358
	Other Revenues:					
4	Water Connection Fees	229,953	227,366	232,477	262,064	274,267
5	Wastewater Inspection Fees	43,631	13,622	30,737	975	15,725
6	Other Utility Revenue	999,878	1,277,505	1,165,153	1,060,663	824,262
7	Interest Income	524,354	354,091	360,411	54,498	67,687
8	Total Other Revenues	1,797,816	1,872,585	1,788,777	1,378,200	1,181,941
9	Transfer (To)/From Rate Stabilization [2]	0	0	1,500,000	0	0
10	Total Gross Revenues	24,925,713	28,044,523	29,632,135	29,245,334	29,586,299
	Cost of Operations and Maintenance [3] [4]					
11	Utility Administration	1,304,081	1,302,988	1,314,739	1,151,637	1,157,078
12	Customer Service	1,036,753	1,135,114	1,138,521	1,193,655	1,183,168
13	Utility Maintenance	708,010	730,641	652,293	594,595	579,002
14	Wastewater Collection	2,453,080	2,401,259	2,312,915	2,070,342	2,073,228
15	Wastewater Treatment	1,910,474	1,881,268	1,753,714	1,734,356	1,529,129
16	Water Plant #1	1,611,476	1,857,114	1,529,393	1,665,536	1,592,980
17	Water Plant #2	1,213,453	1,454,783	1,214,471	1,207,796	1,126,701
18	Water Plant #3	889,824	883,269	963,501	963,643	858,830
18	Water Quality	421,867	459,566	413,409	421,981	444,640
19	Water Distribution	3,850,520	3,595,264	4,073,205	2,645,691	2,476,419
20	Utility Inventory, Non-Departmental and Other	1,097,152	1,042,033	1,804,602	1,965,334	2,043,568
21	Total Cost of Operations and Maintenance	16,496,689	16,743,299	17,170,763	15,614,566	15,064,742
22	Net Revenues	8,429,023	11,301,224	12,461,372	13,630,768	14,521,557
23	Pledged Capital Facilities Fees [5]	1,879,237	705,695	635,364	197,789	1,356,338
24	Net Revenues with Pledged Capital Facilities Fees	10,308,260	12,006,919	13,096,735	13,828,557	15,877,895
	Senior Lien Bond Service Requirement					
25	Series 2003 Bonds	6,284,873	6,284,908	6,285,908	6,287,203	6,287,243
26	Series 2007 Bonds	2,160,256	3,130,256	3,126,456	3,131,256	3,129,256
27	Total Bond Service	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
	Senior Lien Bond Service Coverage:					
	Net Revenue Bond Service Coverage:					
	Test 1 – Net Revenue Test:					
28	Net Revenues	8,429,023	11,301,224	12,461,372	13,630,768	14,521,557
29	Total Bond Service Requirement	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
30	Bond Service Coverage (110% Required)	100%	120%	132%	145%	154%

Footnotes on Page 3 of 3.

Table 4

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Historical Operating Results

Line No.	Description	Fiscal Year Ended September 30, [1] 2008	2009	2010	2011	2012
	-OR-					
	Test 2 – Net Revenue and Pledged Revenue Test:					
	Net Revenues	8,429,023	11,301,224	12,461,372	13,630,768	14,521,557
	Total Bond Service Requirement	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
	Bond Service Coverage (105% Required)	100%	120%	132%	145%	154%
	-AND-					
	Net Revenues with Pledged Capital Facilities Fees [6]					
31	Available for Bond Service	10,308,260	12,006,919	13,096,735	13,828,557	15,877,895
32	Total Bond Service	8,445,129	9,415,164	9,412,364	9,418,459	9,416,499
33	Bond Service Coverage (120% Required)	122%	128%	139%	147%	169%
	Subordinate Debt (SRF Loan) Bond Service Coverage: [7]					
	Net Revenues Available After Payment of					
34	Senior Lien Bond Service	(16,105)	1,886,060	3,049,008	4,212,310	5,105,059
35	Total Capital Facilities Fees	3,720,524	1,397,139	1,257,897	391,584	1,653,801
36	(Less) Senior Lien Bond Service Coverage	(1,689,026)	(941,516)	(941,236)	(941,846)	(941,650)
	Adjusted Pledged Revenues Available for Bond Service					
37	After Payment of Senior Lien Bonds	2,015,393	2,341,683	3,365,669	3,662,048	5,817,210
	Subordinate Bond Service Requirement:					
38	State Revolving Loan Requirement [8]	1,322,685	1,985,708	1,964,692	1,913,651	1,913,648
39	Total Subordinate Bond Service	1,322,685	1,985,708	1,964,692	1,913,651	1,913,648
40	SRF Loan Bond Service Coverage (115% Required)	152.37%	117.93%	171.31%	191.36%	303.99%
	Less Other Required Transfers [9]					
41	Bond Service Reserve Account	0	0	0	0	0
42	Renewal, Replacement and Improvement Fund	852,228	1,246,286	1,402,226	1,481,607	1,462,267
43	Total Other Required Transfers	852,228	1,246,286	1,402,226	1,481,607	1,462,267
	Excess of Net Revenues Above Required Transfers					
44	Without Capital Facilities Fees	(2,191,018)	(1,345,933)	(317,910)	817,052	1,729,144
45	Total System Capital Facilities Fees	3,720,524	1,397,139	1,257,897	391,584	1,653,801
	Total Amount Available for Capital Expenditures and					
46	Other Purposes (Includes Capital Facilities Fees) [10]	$1,529,506	$51,206	$939,987	$1,208,636	$3,382,945

Footnotes Continued on Page 3 of 3.

Table 4

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Historical Operating Results

Footnotes:

[1] Amounts derived from actual operating results information as provided by the City for each respective Fiscal Year illustrated.

[2] Amounts shown reflect transferred to and or from the Rate Stabilization Fund from those reported in the City's Fiscal Years 2008 through 2012 Consolidated Annual Financial Reports (CAFR's).

[3] Amounts shown do not include depreciation or amortization expenses which are non-cash expense of the utility, as provided by the Bond Resolution.

[4] Prior to Fiscal Year 2009 expense detail was grouped in total amounts for water and wastewater departments and was not available in the same level of detail for Fiscal Year 2008 as was availible for Fiscal Years 2009-2012. Expenses for the Fiscal Year 2008 were allocated to each respective water and wastewater department based apon the distribution of that departments expenses as compared to total water and wastewater departmental expenses.

[5] Amounts shown based on estimated Expansion Percentage of 59.53% to determine the Water and Sewer System Capital Facilities Fees Bond Service Component.

[6] Pursuant to the Bond Resolution, the Pledged Revenue Coverage Test is a two-point test that includes coverage based only on Net Revenues being 105% and Pledged Revenues being 120%; since the Net Revenue-Only Test is shown, the first compenent of the second Test is not shown.

[7] Pursuant ot the SRF Loan Agreement, Pledged revenues for SRF Loan repayment is after the recognition of payment of Senior Lien Bonds, including coverage. For purposes of this Report, Fiscal Year 2008 recognizing a 20% coverage allowance on the Senior Lien Bonds since Test 2 was relied on for Senior Lien Coverage purposes and a 10% coverage allowance was recognized for Fiscal Years 2009 through 2012 because Test 1 was relied upon for Senior Lien Coverage.

[8] Amount shown reflects indebtedness associated with a State Revolving Fund loan undertaken by the City to fund improvements to the City's wastewater system infrastructure.

[9] Other required transfers as defined in the Bond Resolution include the funding of the Bond Service Reserve Account and the Renewal, Relacement and Improvement Fund (the "RR&I Fund") in an amount equivalent to the requirement defined.

[10] Amounts shown available for capital expenditures and other requirements of the System.

Table 5

City of Palm Coast, Florida

Water and Wastewater Utility System

Development of Projected Cost of Operations and Maaintenance

Line No.	Description	2013 Budget	Adjustments	Adjusted 2013	Escalation Reference	Projected Fiscal Year Ending September 30, 2014	2015	2016	2017
	UTILITY ADMINISTRATION								
1	Salaries And Wages	$639,910	$0	$639,910	Labor	$659,107	$678,881	$699,247	$720,224
2	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
3	Comp Earned	0	0	0	Labor	0	0	0	0
4	Comp Used	0	0	0	Labor	0	0	0	0
5	Car/Cell Allowance	3,900	0	3,900	Labor	4,017	4,138	4,262	4,389
6	Overtime	2,500	0	2,500	Labor	2,575	2,652	2,732	2,814
7	Fica Taxes	40,077	0	40,077	Labor	41,279	42,518	43,793	45,107
8	Medicare	9,379	0	9,379	Labor	9,660	9,950	10,249	10,556
9	Retirement Contributions	66,583	0	66,583	Labor	68,580	70,638	72,757	74,940
10	Health Insurance	93,368	0	93,368	Health	102,705	112,975	124,273	136,700
11	Dental Insurance	0	0	0	Health	0	0	0	0
12	125 Benefit	0	0	0	Labor	0	0	0	0
13	Life Insurance	2,889	0	2,889	Health	3,178	3,496	3,845	4,230
14	Disability	2,857	0	2,857	Health	3,143	3,457	3,803	4,183
15	Workers Compensation	23,601	0	23,601	Labor	24,309	25,038	25,789	26,563
16	State Unemployment Comp	0	0	0	Labor	0	0	0	0
17	Professional Services	87,800	0	87,800	CPI	89,117	90,454	91,991	93,831
18	Other Contractual Svcs	31,840	0	31,840	CPI	32,318	32,802	33,360	34,027
19	Travel & Per Diem	5,900	0	5,900	Labor	6,077	6,259	6,447	6,641
20	Employee Training	0	0	0	Labor	0	0	0	0
21	Electricity	19,000	0	19,000	Electric-W	20,007	21,067	22,189	23,378
22	Water	0	0	0	CPI	0	0	0	0
23	Rentals/Leases	440	0	440	W-Sales	441	442	443	445
24	Fleet Replacement Allocation	11,154	0	11,154	Repair	11,154	11,154	11,154	11,154
25	Property Insurance	6,890	0	6,890	Insurance	6,701	6,718	6,736	6,754
26	Liability Insurance	6,838	0	6,838	Insurance	6,651	6,667	6,685	6,703
27	Automobile Insurance	2,668	0	2,668	Insurance	2,595	2,601	2,608	2,615
28	Repair And Maintenance Svcs	25,850	0	25,850	Repair	25,850	25,850	25,850	25,850
29	Fleet Maintenance Allocation	18,603	0	18,603	Repair	18,603	18,603	18,603	18,603
30	Printing & Binding	3,990	0	3,990	W-Sales	4,000	4,009	4,018	4,033
31	Advertising & Promotion	3,500	0	3,500	WAccounts	3,510	3,521	3,532	3,545
32	Other Charges And Obligations	2,000	0	2,000	CPI	2,030	2,060	2,095	2,137
33	Office Supplies/Equip Und□$750	10,000	0	10,000	M&S	10,000	10,000	10,000	10,000
34	Postage	1,200	0	1,200	WAccounts	1,204	1,207	1,211	1,215
35	Operating Supp&Equipunder□$750	21,000	0	21,000	M&S	21,000	21,000	21,000	21,000
36	Fuel Charge	11,000	0	11,000	CPI	11,165	11,332	11,525	11,756
37	Books, Pub, Subscrip, Membersh	3,475	0	3,475	Labor	3,579	3,687	3,797	3,911
38	TOTAL UTILITY ADMINISTRATION	1,158,212	0	1,158,212		1,194,555	1,233,177	1,273,996	1,317,305
	CUSTOMER SERVICE								
39	Salaries And Wages	$612,968	$0	$612,968	Labor	$631,357	$650,298	$669,807	$689,901
40	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
41	Comp Earned	0	0	0	Labor	0	0	0	0
42	Comp Used	0	0	0	Labor	0	0	0	0
43	Car/Cell Allowance	910	0	910	Labor	937	965	994	1,024
44	Overtime	12,500	0	12,500	Labor	12,875	13,261	13,659	14,069
45	Fica Taxes	38,847	0	38,847	Labor	40,012	41,213	42,449	43,723
46	Medicare	9,091	0	9,091	Labor	9,364	9,645	9,934	10,232
47	Retirement Contributions	61,181	0	61,181	Labor	63,016	64,907	66,854	68,860
48	Health Insurance	157,068	0	157,068	Health	172,775	190,052	209,058	229,963
49	Dental Insurance	0	0	0	Health	0	0	0	0
50	125 Benefit	0	0	0	Labor	0	0	0	0
51	Life Insurance	2,756	0	2,756	Health	3,032	3,335	3,668	4,035
52	Disability	2,725	0	2,725	Health	2,998	3,297	3,627	3,990
53	Workers Compensation	2,773	0	2,773	Labor	2,856	2,942	3,030	3,121
54	State Unemployment Comp	0	0	0	Labor	0	0	0	0
55	Other Contractual Svcs	183,000	0	183,000	CPI	185,745	188,531	191,736	195,571
56	Travel & Per Diem	1,000	0	1,000	Labor	1,030	1,061	1,093	1,126
57	Employee Training	500	0	500	Labor	515	530	546	563
58	Property Insurance	7,013	0	7,013	Insurance	6,821	6,838	6,856	6,875
59	Liability Insurance	6,959	0	6,959	Insurance	6,768	6,785	6,803	6,822
60	Repair And Maintenance Svcs	0	0	0	Repair	0	0	0	0
61	Printing & Binding	3,000	0	3,000	W-Sales	3,007	3,014	3,021	3,033
62	Advertising & Promotion	0	0	0	WAccounts	0	0	0	0
63	Office Supplies/Equip Und□$750	5,000	0	5,000	M&S	5,000	5,000	5,000	5,000
64	Postage	144,500	0	144,500	WAccounts	144,932	145,364	145,838	146,361
65	Operating Supp&Equipunder□$750	1,000	0	1,000	M&S	1,000	1,000	1,000	1,000
66	Books, Pub, Subscrip, Membersh	200	0	200	Labor	206	212	219	225
67	Machinery & Equipment	0	0	0	CPI	0	0	0	0
68	Interest On Customer Deposits	35,000	0	35,000	CPI	35,525	36,058	36,671	37,404
69	TOTAL CUSTOMER SERVICE	1,287,991	0	1,287,991		1,329,772	1,374,309	1,421,863	1,472,895

Table 5

City of Palm Coast, Florida

Water and Wastewater Utility System

Development of Projected Cost of Operations and Maaintenance

Line No.	Description	2013 Budget	Adjustments	Adjusted 2013	Escalation Reference	Projected Fiscal Year Ending September 30, 2014	2015	2016	2017
	UTILITY MAINTENANCE								
70	Salaries And Wages	$246,481	$0	$246,481	Labor	$253,875	$261,492	$269,336	$277,417
71	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
72	Car/Cell Allowance	780	0	780	Labor	803	828	852	878
73	Overtime	35,000	0	35,000	Labor	36,050	37,132	38,245	39,393
74	Fica Taxes	17,815	0	17,815	Labor	18,349	18,900	19,467	20,051
75	Medicare	4,169	0	4,169	Labor	4,294	4,423	4,556	4,692
76	Retirement Contributions	28,652	0	28,652	Labor	29,512	30,397	31,309	32,248
77	Health Insurance	61,082	0	61,082	Health	67,190	73,909	81,300	89,430
78	Dental Insurance	0	0	0	Health	0	0	0	0
79	125 Benefit	0	0	0	Labor	0	0	0	0
80	Life Insurance	1,290	0	1,290	Health	1,419	1,561	1,717	1,889
81	Disability	1,275	0	1,275	Health	1,403	1,543	1,697	1,867
82	Workers Compensation	9,625	0	9,625	Labor	9,914	10,211	10,517	10,833
83	Other Contractual Svcs	19,000	0	19,000	CPI	19,285	19,574	19,907	20,305
84	Travel & Per Diem	4,500	0	4,500	Labor	4,635	4,774	4,917	5,065
85	Employee Training	0	0	0	Labor	0	0	0	0
86	Communication Services	0	0	0	CPI	0	0	0	0
87	Rentals/Leases	2,500	0	2,500	W-Sales	2,506	2,512	2,518	2,527
88	Fleet Replacement Allocation	8,239	0	8,239	Repair	8,239	8,239	8,239	8,239
89	Property Insurance	3,614	0	3,614	Insurance	3,515	3,524	3,533	3,543
90	Liability Insurance	3,586	0	3,586	Insurance	3,488	3,496	3,506	3,515
91	Automobile Insurance	2,677	0	2,677	Insurance	2,604	2,610	2,617	2,624
92	Repair And Maintenance Svcs	88,300	0	88,300	Repair	88,300	88,300	88,300	88,300
93	Fleet Maintenance Allocation	30,670	0	30,670	Repair	30,670	30,670	30,670	30,670
94	Office Supplies/Equip Und□$750	1,500	0	1,500	M&S	1,500	1,500	1,500	1,500
95	Postage	300	0	300	WAccounts	301	302	303	304
96	Operating Supp&Equipunder□$750	25,000	0	25,000	M&S	25,000	25,000	25,000	25,000
97	Fuel Charge	38,000	0	38,000	CPI	38,570	39,149	39,814	40,610
98	TOTAL UTILITY MAINTENANCE	634,055	0	634,055		651,422	670,044	689,821	710,899
	WASTEWATER COLLECTION								
99	Salaries And Wages	$676,581	$0	$676,581	Labor	$696,878	$717,785	$739,318	$761,498
100	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
101	Comp Used	0	0	0	Labor	0	0	0	0
102	Car/Cell Allowance	2,080	0	2,080	Labor	2,142	2,207	2,273	2,341
103	Overtime	25,000	0	25,000	Labor	25,750	26,523	27,318	28,138
104	Fica Taxes	43,637	0	43,637	Labor	44,946	46,294	47,683	49,114
105	Medicare	10,214	0	10,214	Labor	10,520	10,836	11,161	11,496
106	Retirement Contributions	70,167	0	70,167	Labor	72,272	74,440	76,673	78,974
107	Health Insurance	157,068	0	157,068	Health	172,775	190,052	209,058	229,963
108	Dental Insurance	0	0	0	Health	0	0	0	0
109	125 Benefit	0	0	0	Labor	0	0	0	0
110	Life Insurance	3,159	0	3,159	Health	3,475	3,822	4,205	4,625
111	Disability	3,123	0	3,123	Health	3,435	3,779	4,157	4,572
112	Workers Compensation	23,569	0	23,569	Labor	24,276	25,004	25,754	26,527
113	State Unemployment Comp	0	0	0	Labor	0	0	0	0
114	Other Contractual Svcs	250,000	0	250,000	CPI	253,750	257,556	261,935	267,173
115	Travel & Per Diem	9,000	0	9,000	Labor	9,270	9,548	9,835	10,130
116	Employee Training	0	0	0	Labor	0	0	0	0
117	Electricity	220,000	0	220,000	Electric-S	224,372	225,080	226,482	227,552
118	Rentals/Leases	2,500	0	2,500	S-Sales	2,503	2,510	2,516	2,524
119	Fleet Replacement Allocation	197,630	0	197,630	Repair	197,630	197,630	197,630	197,630
120	Property Insurance	12,709	0	12,709	Insurance	12,361	12,392	12,425	12,458
121	Liability Insurance	12,611	0	12,611	Insurance	12,265	12,296	12,329	12,362
122	Automobile Insurance	9,381	0	9,381	Insurance	9,124	9,147	9,171	9,196
123	Repair And Maintenance Svcs	157,000	0	157,000	Repair	157,000	157,000	157,000	157,000
124	Fleet Maintenance Allocation	184,859	0	184,859	Repair	184,859	184,859	184,859	184,859
125	Printing & Binding	4,000	0	4,000	S-Sales	4,006	4,016	4,026	4,038
126	Advertising & Promotion	0	0	0	SAccounts	0	0	0	0
127	Other Charges And Obligations	15,000	0	15,000	CPI	15,225	15,453	15,716	16,030
128	Postage	300	0	300	WAccounts	301	302	303	304
129	Operating Supp&Equipunder□$750	62,500	0	62,500	CPI	63,438	64,389	65,484	66,793
130	Fuel Charge	75,000	0	75,000	CPI	76,125	77,267	78,580	80,152
131	Chemicals	15,000	0	15,000	Chemical-S	15,525	16,107	16,751	17,463
132	Road Material And Supplies	5,000	(5,000)	0	M&S	0	0	0	0
133	Impr-Reuse Water Meters	5,000	0	5,000	SAccounts	5,085	5,174	5,274	5,393
134	Machinery & Equipment	0	0	0	M&S	0	0	0	0
135	TOTAL WASTEWATER COLLECTION	2,252,088	(5,000)	2,247,088		2,299,310	2,351,468	2,407,917	2,468,305

Table 5

City of Palm Coast, Florida

Water and Wastewater Utility System

Development of Projected Cost of Operations and Maaintenance

Line No.	Description	2013 Budget	Adjustments	Adjusted 2013	Escalation Reference	Projected Fiscal Year Ending September 30, 2014	2015	2016	2017
	WASTEWATER TREATMENT								
136	Salaries And Wages	$372,060	$0	$372,060	Labor	$383,222	$394,718	$406,560	$418,757
137	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
137	Car/Cell Allowance	520	0	520	Labor	536	552	568	585
138	Overtime	46,000	0	46,000	Labor	47,380	48,801	50,265	51,773
139	Fica Taxes	25,959	0	25,959	Labor	26,738	27,540	28,366	29,217
140	Medicare	6,075	0	6,075	Labor	6,257	6,445	6,638	6,837
141	Retirement Contributions	41,811	0	41,811	Labor	43,065	44,357	45,688	47,059
142	Health Insurance	78,534	0	78,534	Health	86,387	95,026	104,529	114,982
143	Dental Insurance	0	0	0	Health	0	0	0	0
144	125 Benefit	0	0	0	Labor	0	0	0	0
145	Life Insurance	1,881	0	1,881	Health	2,069	2,276	2,504	2,754
146	Disability	1,863	0	1,863	Health	2,049	2,254	2,480	2,728
147	Workers Compensation	14,043	0	14,043	Labor	14,464	14,898	15,345	15,806
148	State Unemployment Comp	0	0	0	Labor	0	0	0	0
149	Other Contractual Svcs	397,200	0	397,200	CPI	403,158	409,205	416,162	424,485
150	Travel & Per Diem	6,500	0	6,500	Labor	6,695	6,896	7,103	7,316
151	Electricity	450,000	0	450,000	Electric-S	458,943	460,391	463,258	465,447
152	Rentals/Leases	2,000	0	2,000	S-Sales	2,003	2,008	2,013	2,019
153	Fleet Replacement Allocation	8,783	0	8,783	Repair	8,783	8,783	8,783	8,783
154	Property Insurance	10,320	0	10,320	Insurance	10,037	10,062	10,089	10,116
155	Liability Insurance	10,241	0	10,241	Insurance	9,960	9,985	10,012	10,039
156	Automobile Insurance	1,505	0	1,505	Insurance	1,464	1,467	1,471	1,475
157	Repair And Maintenance Svcs	80,000	0	80,000	Repair	80,000	80,000	80,000	80,000
158	Fleet Maintenance Allocation	14,934	0	14,934	Repair	14,934	14,934	14,934	14,934
159	Other Charges And Obligations	0	0	0	CPI	0	0	0	0
160	Office Supplies/Equip Und□$750	2,200	0	2,200	Repair	2,200	2,200.00	2,200	2,200
161	Postage	500	0	500	SAccounts	509	517	527	539
162	Operating Supp&Equipunder□$750	45,000	0	45,000	CPI	45,675	46,360	47,148	48,091
163	Fuel Charge	10,000	0	10,000	CPI	10,150	10,302	10,477	10,687
164	Chemicals	137,374	0	137,374	Chemical-S	142,182	147,514	153,414	159,935
165	Books, Pub, Subscrip, Membersh	500	(500)	0	Labor	0	0	0	0
166	Machinery & Equipment	0	0	0	M&S	0	0	0	0
167	TOTAL WASTEWATER TREATMENT	1,765,803	(500)	1,765,303		1,808,861	1,847,495	1,890,536	1,936,564
	WATER PLANT #1								
168	Salaries And Wages	$404,514	$0	$404,514	Labor	$416,649	$429,149	$442,023	$455,284
169	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
169	Car/Cell Allowance	1,040	0	1,040	Labor	1,071	1,103	1,136	1,171
170	Overtime	15,000	0	30,945	Labor	31,874	32,830	33,815	34,829
171	Fica Taxes	26,079	0	26,079	Labor	26,861	27,667	28,497	29,352
172	Medicare	6,105	0	6,105	Labor	6,288	6,477	6,671	6,871
173	Retirement Contributions	41,956	0	41,956	Labor	43,215	44,511	45,846	47,222
174	Health Insurance	80,000	0	80,000	Health	88,000	96,800	106,480	117,128
175	Dental Insurance	0	0	0	Health	0	0	0	0
176	125 Benefit	0	0	0	Labor	0	0	0	0
177	Life Insurance	1,889	0	1,889	Health	2,078	2,286	2,514	2,766
178	Disability	1,869	0	1,869	Health	2,056	2,261	2,488	2,736
179	Workers Compensation	15,000	0	15,000	Labor	15,450	15,914	16,391	16,883
180	State Unemployment Comp	0	0	0	Labor	0	0	0	0
181	Other Contractual Svcs	327,500	0	327,500	CPI	332,413	337,399	343,134	349,997
182	Travel & Per Diem	2,000	0	2,000	Labor	2,060	2,122	2,185	2,251
183	Employee Training	0	0	0	Labor	0	0	0	0
184	Electricity	240,000	0	240,000	Electric-W	252,718	266,108	280,280	295,298
185	Rentals/Leases	3,000	0	3,000	W-Sales	3,007	3,014	3,021	3,033
186	Fleet Replacement Allocation	5,487	0	5,487	Repair	5,487	5,487	5,487	5,487
187	Property Insurance	10,198	0	10,198	Insurance	9,919	9,943	9,970	9,997
188	Liability Insurance	10,120	0	10,120	Insurance	9,843	9,867	9,894	9,920
189	Automobile Insurance	1,884	0	1,884	Insurance	1,832	1,837	1,842	1,847
190	Repair And Maintenance Svcs	78,500	0	78,500	Repair	78,500	78,500	78,500	78,500
191	Fleet Maintenance Allocation	10,166	0	10,166	Repair	10,166	10,166	10,166	10,166
192	Other Charges And Obligations	200	0	200	CPI	203	206	210	214
193	Office Supplies/Equip Und□$750	1,200	0	1,200	M&S	1,200	1,200	1,200	1,200
194	Operating Supp&Equipunder□$750	61,150	0	61,150	CPI	62,067	62,998	64,069	65,351
195	Fuel Charge	7,000	0	7,000	CPI	7,105	7,212	7,334	7,481
196	Chemicals	375,000	0	375,000	Chemical-S	388,125	402,680	418,787	436,585
197	Books, Pub, Subscrip, Membersh	1,750	0	1,750	Labor	1,803	1,857	1,912	1,970
198	TOTAL WATER PLANT #1	1,728,607	0	1,744,552		1,799,990	1,859,593	1,923,853	1,993,538

Table 5

City of Palm Coast, Florida

Water and Wastewater Utility System

Development of Projected Cost of Operations and Maaintenance

Line No.	Description	2013 Budget	Adjustments	Adjusted 2013	Escalation Reference	Projected Fiscal Year Ending September 30, 2014	2015	2016	2017
	WATER PLANT #2								
199	Salaries And Wages	$282,452	$0	$282,452	Labor	$290,926	$299,653	$308,643	$317,902
200	Additional Personnel Costs	0	0	0	Calculated	94,961	96,575	98,507	100,674
201	Car/Cell Allowance	520	0	520	Labor	536	552	568	585
202	Overtime	20,000	0	20,000	Labor	20,600	21,218	21,855	22,510
203	Fica Taxes	18,167	0	18,167	Labor	18,712	19,273	19,852	20,447
204	Medicare	4,253	0	4,253	Labor	4,381	4,512	4,647	4,787
205	Retirement Contributions	29,250	0	29,250	Labor	30,128	31,031	31,962	32,921
206	Health Insurance	61,082	0	61,082	Health	67,190	73,909	81,300	89,430
207	Dental Insurance	0	0	0	Health	0	0	0	0
208	125 Benefit	0	0	0	Labor	0	0	0	0
209	Life Insurance	1,316	0	1,316	Health	1,448	1,592	1,752	1,927
210	Disability	1,303	0	1,303	Health	1,433	1,577	1,734	1,908
211	Workers Compensation	13,203	0	13,203	Labor	13,599	14,007	14,427	14,860
212	Other Contractual Svcs	90,000	0	90,000	CPI	91,350	92,720	94,296	96,182
213	Travel & Per Diem	4,000	0	4,000	Labor	4,120	4,244	4,371	4,502
214	Electricity	290,000	0	290,000	Electric-W	305,367	321,547	338,671	356,819
215	Rentals/Leases	10,000	0	10,000	W-Sales	10,025	10,047	10,070	10,109
216	Fleet Replacement Allocation	0	0	0	Repair	0	0	0	0
217	Property Insurance	7,380	0	7,380	Insurance	7,178	7,196	7,215	7,234
218	Liability Insurance	7,324	0	7,324	Insurance	7,123	7,141	7,160	7,179
219	Automobile Insurance	703	0	703	Insurance	684	685	687	689
220	Repair And Maintenance Svcs	59,500	0	59,500	Repair	59,500	59,500	59,500	59,500
221	Fleet Maintenance Allocation	3,263	0	3,263	Repair	3,263	3,263	3,263	3,263
222	Office Supplies/Equip Und□$750	1,600	0	1,600	Repair	1,600	1,600	1,600	1,600
223	Postage	500	0	500	WAccounts	501	503	505	506
224	Operating Supp&Equipunder□$750	62,100	0	62,100	M&S	62,100	62,100	62,100	62,100
225	Fuel Charge	3,000	0	3,000	CPI	3,045	3,091	3,143	3,206
226	Chemicals	266,000	0	266,000	Chemical-W	271,675	272,600	273,551	274,982
227	Books, Pub, Subscrip, Membersh	1,650	0	1,650	Labor	1,700	1,750	1,803	1,857
228	TOTAL WATER PLANT #2	1,238,566	0	1,238,566		1,373,143	1,411,888	1,453,183	1,497,681
	WATER PLANT #3								
229	Salaries And Wages	$302,951	$0	$302,951	Labor	312,040	321,401	331,043	340,974
230	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
230	Comp Used	0	0	0	Labor	0	0	0	0
231	Car/Cell Allowance	520	0	520	Labor	536	552	568	585
232	Overtime	10,000	0	10,000	Labor	10,300	10,609	10,927	11,255
233	Fica Taxes	19,439	0	19,439	Labor	20,022	20,623	21,242	21,879
234	Medicare	4,549	0	4,549	Labor	4,685	4,826	4,971	5,120
235	Retirement Contributions	31,298	0	31,298	Labor	32,237	33,204	34,200	35,226
236	Health Insurance	61,082	0	61,082	Health	67,190	73,909	81,300	89,430
237	Dental Insurance	0	0	0	Health	0	0	0	0
238	125 Benefit	0	0	0	Labor	0	0	0	0
239	Life Insurance	1,409	0	1,409	Health	1,550	1,705	1,875	2,063
240	Disability	1,394	0	1,394	Health	1,533	1,687	1,855	2,041
241	Workers Compensation	14,128	0	14,128	Labor	14,552	14,988	15,438	15,901
242	State Unemployment Comp	0	0	0	Labor	0	0	0	0
243	Other Contractual Svcs	103,500	0	103,500	CPI	105,053	106,628	108,441	110,610
244	Travel & Per Diem	3,000	0	3,000	Labor	3,090	3,183	3,278	3,377
245	Electricity	205,000	0	205,000	Electric-W	215,863	227,300	239,405	252,234
246	Rentals/Leases	2,450	0	2,450	W-Sales	2,456	2,462	2,467	2,477
247	Fleet Replacement Allocation	3,479	0	3,479	Repair	3,479	3,479	3,479	3,479
248	Property Insurance	5,696	0	5,696	Insurance	5,540	5,554	5,569	5,584
249	Liability Insurance	5,653	0	5,653	Insurance	5,498	5,512	5,527	5,541
250	Automobile Insurance	1,073	0	1,073	Insurance	1,044	1,046	1,049	1,052
251	Repair And Maintenance Svcs	58,000	0	58,000	Repair	58,000	58,000	58,000	58,000
252	Fleet Maintenance Allocation	5,105	0	5,105	Repair	5,105	5,105	5,105	5,105
253	Office Supplies/Equip Und□$750	1,500	0	1,500	M&S	1,500	1,500	1,500	1,500
254	Operating Supp&Equipunder□$750	51,500	0	51,500	CPI	52,273	53,057	53,959	55,038
255	Fuel Charge	4,000	0	4,000	CPI	4,060	4,121	4,191	4,275
256	Chemicals	74,500	0	90,000	Chemical-W	91,920	92,233	92,555	93,039
257	Books, Pub, Subscrip, Membersh	1,500	0	90,000	Labor	92,700	95,481	98,345	101,296
258	Machinery & Equipment	0	0	0	M&S	0	0	0	0
259	Transfer To Fleet Management	0	0	0	W-Sales	0	0	0	0
260	TOTAL WATER PLANT #3	972,726	0	1,076,726		1,112,225	1,148,164	1,186,289	1,227,079

Table 5

City of Palm Coast, Florida

Water and Wastewater Utility System

Development of Projected Cost of Operations and Maaintenance

Line No.	Description	2013 Budget	Adjustments	Adjusted 2013	Escalation Reference	Projected Fiscal Year Ending September 30, 2014	2015	2016	2017
	WATER QUALITY								
261	Salaries And Wages	$247,103	$0	$247,103	Labor	$254,516	$262,152	$270,016	$278,117
262	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
263	Comp Earned	0	0	0	Labor	0	0	0	0
264	Comp Used	0	0	0	Labor	0	0	0	0
265	Car/Cell Allowance	1,430	0	1,430	Labor	1,473	1,517	1,563	1,609
266	Overtime	5,000	0	5,000	Labor	5,150	5,305	5,464	5,628
267	Fica Taxes	15,536	0	15,536	Labor	16,002	16,482	16,977	17,486
268	Medicare	3,636	0	3,636	Labor	3,745	3,857	3,973	4,092
269	Retirement Contributions	24,913	0	24,913	Labor	25,660	26,430	27,223	28,040
270	Health Insurance	43,630	0	43,630	Health	47,993	52,792	58,072	63,879
271	Dental Insurance	0	0	0	Health	0	0	0	0
272	125 Benefit	0	0	0	Labor	0	0	0	0
273	Life Insurance	1,120	0	1,120	Health	1,232	1,355	1,491	1,640
274	Disability	1,108	0	1,108	Health	1,219	1,341	1,475	1,622
275	Workers Compensation	11,246	0	11,246	Labor	11,583	11,931	12,289	12,657
276	Other Contractual Svcs	50,000	0	50,000	CPI	50,750	51,511	52,387	53,435
277	Travel & Per Diem	1,500	0	1,500	Labor	1,545	1,591	1,639	1,688
278	Employee Training	0	0	0	Labor	0	0	0	0
279	Rentals/Leases	500	0	500	W-Sales	501	502	504	505
280	Fleet Replacement Allocation	2,126	0	2,126	Repair	2,126	2,126	2,126	2,126
281	Property Insurance	2,634	0	2,634	Insurance	2,562	2,568	2,575	2,582
282	Liability Insurance	2,614	0	2,614	Insurance	2,542	2,549	2,556	2,562
283	Automobile Insurance	2,208	0	2,208	Insurance	2,147	2,153	2,159	2,164
284	Repair And Maintenance Svcs	8,000	0	8,000	Repair	8,000	8,000	8,000	8,000
285	Fleet Maintenance Allocation	12,733	0	12,733	Repair	12,733	12,733	12,733	12,733
286	Printing & Binding	1,600	0	1,600	W-Sales	1,604	1,608	1,611	1,617
287	Office Supplies/Equip Und□$750	750	0	750	M&S	750	750	750	750
288	Operating Supp&Equipunder□$750	8,000	0	8,000	M&S	8,000	8,000	8,000	8,000
289	Fuel Charge	15,000	0	15,000	CPI	15,225	15,453	15,716	16,030
290	Books, Pub, Subscrip, Membersh	7,200	0	7,200	Labor	7,416	7,638	7,868	8,104
291	TOTAL WATER QUALITY	469,587	0	469,587		484,476	500,345	517,164	535,068
	WATER DISTRIBUTION								
292	Salaries And Wages	$884,542	$0	$884,542	Labor	$911,078	$938,411	$966,563	$995,560
293	Additional Personnel Costs	0	0	0	Calculated	0	0	0	0
293	Comp Earned	0	0	0	Labor	0	0	0	0
294	Comp Used	0	0	0	Labor	0	0	0	0
295	Car/Cell Allowance	2,080	0	2,080	Labor	2,142	2,207	2,273	2,341
296	Overtime	60,000	0	60,000	Labor	61,800	63,654	65,564	67,531
297	Fica Taxes	60,565	0	60,565	Labor	62,382	64,253	66,181	68,166
298	Medicare	14,174	0	14,174	Labor	14,599	15,037	15,488	15,953
299	Retirement Contributions	97,464	0	97,464	Labor	100,388	103,400	106,502	109,697
300	Health Insurance	209,424	0	209,424	Health	230,366	253,403	278,743	306,618
301	Dental Insurance	0	0	0	Health	0	0	0	0
302	125 Benefit	0	0	0	Labor	0	0	0	0
303	Life Insurance	4,386	0	4,386	Health	4,825	5,307	5,838	6,422
304	Disability	4,341	0	4,341	Health	4,775	5,253	5,778	6,356
305	Workers Compensation	43,996	0	43,996	Labor	45,316	46,675	48,076	49,518
306	State Unemployment Comp	0	0	0	Labor	0	0	0	0
307	Other Contractual Svcs	285,000	0	285,000	CPI	289,275	293,614	298,606	304,578
308	Travel & Per Diem	5,900	0	5,900	Labor	6,077	6,259	6,447	6,641
309	Rentals/Leases	2,000	0	2,000	W-Sales	2,005	2,009	2,014	2,022
310	Fleet Replacement Allocation	103,110	0	103,110	Repair	103,110	103,110	103,110	103,110
311	Property Insurance	16,291	0	16,291	Insurance	15,845	15,884	15,927	15,969
312	Liability Insurance	16,167	0	16,167	Insurance	15,724	15,763	15,805	15,848
313	Automobile Insurance	11,174	0	11,174	Insurance	10,868	10,895	10,924	10,953
314	Repair And Maintenance Svcs	108,000	0	108,000	Repair	108,000	108,000	108,000	108,000
315	Fleet Maintenance Allocation	114,658	0	114,658	Repair	114,658	114,658	114,658	114,658
316	Printing & Binding	1,000	0	1,000	W-Sales	1,002	1,005	1,007	1,011
317	Other Charges And Obligations	0	0	0	CPI	0	0	0	0
318	Office Supplies/Equip Und□$750	2,500	0	2,500	M&S	2,500	2,500	2,500	2,500
319	Postage	1,000	0	1,000	WAccounts	1,003	1,006	1,009	1,013
320	Operating Supp&Equipunder□$750	170,000	0	170,000	M&S	170,000	170,000	170,000	170,000
321	Fuel Charge	90,000	0	90,000	CPI	91,350	92,720	94,296	96,182
322	Books, Pub, Subscrip, Membersh	6,000	0	6,000	Labor	6,180	6,365	6,556	6,753
323	Impr-Reuse Water Meters	416,000	(416,000)	0	WAccounts	0	0	0	0
324	Machinery & Equipment	13,500	(13,500)	0	M&S	0	0	0	0
325	TOTAL WATER DISTRIBUTION	2,743,272	(429,500)	2,313,772		2,375,269	2,441,390	2,511,865	2,587,398

Table 5

City of Palm Coast, Florida

Water and Wastewater Utility System

Development of Projected Cost of Operations and Maaintenance

Line No.	Description	2013 Budget	Adjustments	Adjusted 2013	Escalation Reference	Projected Fiscal Year Ending September 30, 2014	2015	2016	2017
	UTILITY NONDEPARTMENTAL								
326	Bad Debt Expense	$0	$72,665	$72,665	Calculated	$72,901	$73,279	$73,639	$73,941
327	Annual Opeb Cost	0	25,000	25,000	Labor	25,750	26,523	27,318	28,138
328	Accounting And Auditing	0	0	0	CPI	0	0	0	0
329	It&C Allocation	862,800	0	862,800	CPI	875,742	888,878	903,989	922,069
330	Other Charges And Obligations	1,105,074	0	1,105,074	CPI	1,121,650	1,138,475	1,157,829	1,180,986
331	Depreciation	0	0	0	Constant	0	0	0	0
332	Depreciation Exp Buildings	0	0	0	Constant	0	0	0	0
333	Depreciation Exp-Mach And Equi	0	0	0	Constant	0	0	0	0
334	Depreciation Exp- Improthbuildi	0	0	0	Constant	0	0	0	0
335	Depreciation Exp- Infrastructur	0	0	0	Constant	0	0	0	0
336	Fema Reimbursement	0	0	0	Constant	0	0	0	0
337	Land	0	0	0	Constant	0	0	0	0
338	Machinery & Equipment	0	0	0	M&S	0	0	0	0
339	Capital Proj Fund Transfr	0	0	0	Calculated	0	0	0	0
340	Contra - Machinery & Equipment	0	0	0	M&S	0	0	0	0
341	Principal	4,579,595	(4,579,595)	0	Calculated	0	0	0	0
342	Interest	6,609,771	(6,609,771)	0	Calculated	0	0	0	0
343	Other Debt Service Costs	2,500	0	2,500	Calculated	2,500	2,500	2,500	2,500
344	Flagler Area Alliance	10,000	0	10,000	Constant	10,000	10,000	10,000	10,000
345	Transfer To General Fund	182,976	(182,976)	0	Calculated	0	0	0	0
346	Transfer To Utility Cap	1,459,542	(1,459,542)	0	Calculated	0	0	0	0
347	In-Lieu-Of-Tax Trnsf To Gnl Fd	662,000	(662,000)	0	Calculated	0	0	0	0
348	Operating Contingency	119,479	360,938	480,417	Calculated	496,127	509,326	523,553	538,931
349	TOTAL UTILITY NONDEPARTMENTAL	15,593,737	(13,035,281)	2,558,456		2,604,670	2,648,980	2,698,828	2,756,564
350	Total Cost of Operations and Maintenance	$29,844,644	($13,470,281)	$16,494,308		$17,033,692	$17,486,854	$17,975,315	$18,503,296

Table 6

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Projected Operating Results

Line No.	Description	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
	Gross Revenues:					
	Utility System Sales Revenues					
1	Water System Sales Revenues [1]	$17,922,477	$17,979,041	$18,090,987	$18,176,478	$18,249,314
2	Wastewater System Sales Revenues [1]	11,143,562	11,181,523	11,220,519	11,279,224	11,326,910
3	Revenues from Anticipated Rate Adjustments [2]	1,033,654	3,341,192	4,601,368	5,334,480	6,123,166
4	Total Sales Revenues	30,099,693	32,501,756	33,912,874	34,790,182	35,699,390
	Other Revenues:					
5	Miscellaneous Revenues [3]	$1,315,395	$1,315,395	$1,315,395	$1,315,395	$1,315,395
6	Connection Fees [4]	157,000	157,000	157,000	157,000	157,000
7	Transfers from Reserves	0	0	0	0	0
8	Interest Income [5]	30,168	27,089	76,485	80,391	85,341
9	Total Other Revenues	1,502,563	1,499,484	1,548,880	1,552,786	1,557,736
10	Transfers From/(To) Rate Stabilization Fund [6]	($239,382)	($500,000)	$0	$0	$0
11	Total Gross Revenues	31,362,873	33,501,240	35,461,754	36,342,968	37,257,126
	Cost of Operations and Maintenance [7] [8]					
12	Utility Administration	$1,158,212	$1,194,555	$1,233,177	$1,273,996	$1,317,305
13	Customer Service	1,287,991	1,329,772	1,374,309	1,421,863	1,472,895
14	Utility Maintenance	634,055	651,422	670,044	689,821	710,899
15	Wastewater Collection	2,247,088	2,299,310	2,351,468	2,407,917	2,468,305
16	Wastewater Treatment	1,765,303	1,808,861	1,847,495	1,890,536	1,936,564
17	Water Plant No. 1	1,744,552	1,799,990	1,859,593	1,923,853	1,993,538
18	Water Plant No. 2	1,238,566	1,373,143	1,411,888	1,453,183	1,497,681
19	Water Plant No. 3	1,076,726	1,112,225	1,148,164	1,186,289	1,227,079
20	Water Quality	469,587	484,476	500,345	517,164	535,068
21	Water Distribution	2,313,772	2,375,269	2,441,390	2,511,865	2,587,398
22	Other Expenses (Includes Indirect Cost Allocation)	2,558,456	2,604,670	2,648,980	2,698,828	2,756,564
23	Total Cost of Operations and Maintenance	16,494,308	17,033,692	17,486,854	17,975,315	18,503,296
24	Net Revenues	14,868,565	16,467,548	17,974,900	18,367,652	18,753,830
25	Pledged Capital Facilities Fees [9]	$ 387,900	$ 404,686	$ 427,958	$ 669,920	$ 517,519
26	Net Revenues with Pledged Capital Facilities Fees	15,256,465	16,872,234	18,402,857	19,037,572	19,271,349
	Senior Lien Debt Service Requirement					
	Outstanding Bonds:					
27	Series 2003 Bonds	4,716,302	0	0	0	0
28	Series 2007 Bonds	3,131,106	3,130,906	3,128,906	3,129,681	3,129,081
	Additional Bonds					
29	Series 2013 Bonds [10]	1,524,035	6,821,388	6,819,488	6,818,988	6,821,713
30	Series 2014 Bonds [10]	0	0	1,190,508	1,190,508	1,190,508
31	Total Debt Service - Senior Lien Bonds	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
	Net Revenue Bond Service Coverage:					
	Test 1 – Net Revenue Test:					
32	Net Revenues	14,868,565	16,467,548	17,974,900	18,367,652	18,753,830
33	Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
34	Bond Service Coverage (110% Required)	158.66%	165.46%	161.37%	164.89%	168.33%

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Table 6

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Projected Operating Results

Line No.	Description	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
	-OR-					
	Test 2 – Net Revenue and Pledged Revenue Test:					
35	Net Revenues	14,868,565	16,467,548	17,974,900	18,367,652	18,753,830
36	Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
37	Bond Service Coverage (105% Required)	158.66%	165.46%	161.37%	164.89%	168.33%
	-AND-					
38	Net Revenues and Pledged Capital Facilities Fees [11]	15,256,465	16,872,234	18,402,857	19,037,572	19,271,349
39	Total Bond Service Requirement	9,371,443	9,952,294	11,138,902	11,139,177	11,141,302
40	Bond Service Coverage (120% Required)	162.80%	169.53%	165.21%	170.91%	172.97%
	Subordinate Debt (SRF Loan) Bond Service Coverage: [12]					
	Net Revenues Available After Payment of					
41	Senior Lien Bond Service	5,497,122	6,515,255	6,835,998	7,228,476	7,612,528
42	Total Capital Facilities Fees	387,900	404,686	427,958	669,920	517,519
43	(Less) Senior Lien Bond Service Coverage	(937,144)	(995,229)	(1,113,890)	(1,113,918)	(1,114,130)
	Adjusted Pledged Revenues Available for Bond Service					
44	After Payment of Senior Lien Bonds	4,947,877	5,924,711	6,150,066	6,784,478	7,015,917
	Subordinate Bond Service Requirement:					
45	Existing SRF Bond Service	1,913,648	1,913,649	1,913,648	1,913,649	1,913,650
	Proposed SRF Bond Service [13]					
46	Proposed Additional SRF Bond	0	0	0	0	0
47	Proposed Additional SRF Bond	0	0	0	0	0
48	Total Subordinate Bond Service	1,913,648	1,913,649	1,913,648	1,913,649	1,913,650
49	SRF Loan Bond Service Coverage (115% Required)	258.56%	309.60%	321.38%	354.53%	366.62%
	Less Other Required Transfers					
50	Bond Service Reserve Account [14]	0	0	0	0	0
51	Renewal, Replacement and Improvement Fund [15]	1,499,547	1,580,113	1,700,062	1,773,088	1,817,148
52	Other	0	0	0	0	0
53	Total Other Required Transfers	1,499,547	1,580,113	1,700,062	1,773,088	1,817,148
	Excess of Net Revenues Above Required Transfers					
54	Without Capital Facilities Fees [16]	2,083,927	3,021,493	3,222,288	3,541,739	3,881,730
55	Total System Capital Facilities Fees	387,900	404,686	427,958	669,920	517,519
	Total Amount Available for Capital Expenditures and					
56	Other Purposes (Includes Capital Facilities Fees) [17]	$2,471,827	$3,426,179	$3,650,246	$4,211,659	$4,399,249

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Table 6

City of Palm Coast, Florida

Water and Wastewater Utility System

Summary of Projected Operating Results

Footnotes:

[1] Amounts shown include sales revenues based upon projected customer and usage statistics shown on Table 2.

[2] Represents additional sales revenues related to adopted and anticipated water and wastewater rate adjustments for the forcast period.

[3] Amounts shown include anticipated miscellaneous and customer requested service charges (establishment of account, turn on/turn off, restoration of service, meter tests, etc.).

[4] Amounts shown reflect miscellaneous revenues associated with meter installations and meter tap fees collected from new customer connections.

[5] Amounts shown reflect estimated interest income earned on projected balances of the various funds created by the Bond Resolution, including the Revenue Fund and Surplus Fund (Operating Reserves), Renewal, Replacement and Improvement Fund, and Bond service Fund. Interest earned on the Water and Sewer Capital Facilities Fee (Impact Fee) Funds and the Project Fund have not been recognized since such earning are restricted to such funds.

[6] Represents amounts anticipated to be transferred from the City's Rate Stabilization Fund for Fiscal Years 2013 and 2014.

[7] Amounts shown do not include depreciation and amortization expenses which are a non-cash expense and not considered a Cost of Operations and Maintenance in accordance with the provisions of the Bond Resolution.

[8] Amounts derived from Table 5.

[9] Amounts based on estimated Expansion Percentage of 59.73% for the Fiscal Year 2013 and 2014, and an estimated Expansion Percentage of 54.34% for the remaining period to determine the Water and Sewer System Capital Facilities Fees Bond Service Component.

[10] Amounts shown are preliminary estimates as provided by the City's Financial Advisor and subject to change based on the actual terms of the Series 2013 Bonds. Projected Series 2014 bonds are estimates based on assumed issuance.

[11] As defined in the Bond Resolution, the debt service coverage test (rate covenant) includes a two-part calculation.
The debt service coverage test is shown below (also reference Note 20 below):

Test No. 1 - Net Revenues Only
Required Coverage - 1.10

Test No. 2 - Net Revenues and Capital Facilities Fees Only
Net Revenues Only - Required Coverage - 1.05
AND Net Revenues and Capital Facilities Fees - Required Coverage - 1.20

[12] Pursuant to the SRF Loan Agreement, Pledged revenues for SRF Loan repayment is after the recognition of payment of Senior Lien Bonds, including coverage. For purposes of this Report a 10% coverage allowance on the Senior Lien Bonds was recognized because the City is projected to meet Test 1 of the Senior Lien Coverage Test.

[13] Represents anticipated future debt service from the SRF administered by the Florida Department of Environmental Protection (FDEP).

[14] Bond Service Reserve Requirement is assumed to be fully funded or secured by a Reserve Fund Insurance Policy throughout the forecast period, therefore no deposits are recognized as being required.

[15] Amount shown reflects the annual transfer to the Renewal, Replacement and Improvement Fund in the amount equal to 10% of the water and wastewater system's Gross Revenues for the immediately preceding fiscal year, which is above the 5% requirement as stated in the provisions of the

[16] Amounts shown reflect additional rate covenant test whereby the Net Revenues of the System must fund the payment of the Bond Service required transfer to the Reserve Fund and the Renewal, Replacement, and Improvement Fund, and subordinated debt.

[17] Amounts shown represent sum of excess Net Revenues above required transfers and Water and Sewer System Capital Facilities Fees.

Table 7

City of Palm Coast, Florida

Water and Wastewater Utility System

Projected Revenue Calculation - Water and Wastewater System

Line No.	Description	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
	WATER SALES					
	Metered Sales					
	INSIDE CITY CUSTOMERS					
	Residential					
1	Base	$ 5,568,997	$ 5,582,610	$ 5,597,074	$ 5,612,388	$ 5,628,553
2	Volumetric	6,702,787	6,719,171	6,736,579	6,755,011	6,774,468
3	Total Residential Revenues	$ 12,271,784	$ 12,301,781	$ 12,333,653	$ 12,367,399	$ 12,403,021
	Multi-Family					
4	Base	$ 309,564	$ 311,266	$ 315,011	$ 321,990	$ 326,074
5	Volumetric	295,205	296,821	300,376	306,599	310,640
6	Total Multi-Family Revenues	$ 604,769	$ 608,087	$ 615,387	$ 628,589	$ 636,713
	Commercial					
7	Base	$ 671,637	$ 675,723	$ 677,766	$ 690,367	$ 694,794
8	Volumetric	983,401	989,482	992,887	1,010,400	1,017,089
9	Total Commercial Revenues	$ 1,655,038	$ 1,665,205	$ 1,670,653	$ 1,700,767	$ 1,711,883
	Fire Protection					
10	Base	$ 40,914	$ 41,298	$ 42,745	$ 43,256	$ 44,008
11	Volumetric	415	420	429	438	446
12	Total Fire Protection Revenues	$ 41,329	$ 41,718	$ 43,174	$ 43,694	$ 44,454
	Irrigation - Base					
13	Base	$ 517,297	$ 517,297	$ 517,297	$ 517,297	$ 517,297
14	Volumetric	1,402,105	1,402,105	1,402,105	1,402,105	1,402,105
15	Total Irrigation Revenues	$ 1,919,402	$ 1,919,402	$ 1,919,402	$ 1,919,402	$ 1,919,402
	OUTSIDE CITY CUSTOMERS					
	Residential - Base					
16	Base	$ 325,098	$ 326,162	$ 327,226	$ 328,290	$ 329,354
17	Volumetric	667,441	669,624	671,808	673,991	676,174
18	Total Residential Revenues	$ 992,539	$ 995,787	$ 999,034	$ 1,002,281	$ 1,005,528
	Multi-Family					
19	Base	$ 39,588	$ 39,588	$ 39,588	$ 39,588	$ 39,588
20	Volumetric	55,695	55,695	55,695	55,695	55,695
21	Total Multi-Family Revenues	$ 95,283	$ 95,283	$ 95,283	$ 95,283	$ 95,283
	Commercial					
22	Base	$ 68,842	$ 69,587	$ 90,220	$ 90,645	$ 93,731
23	Volumetric	139,782	141,278	181,888	182,743	188,727
24	Total Commercial Revenues	$ 208,624	$ 210,865	$ 272,107	$ 273,388	$ 282,458
	Fire Protection					
25	Base	$ 247	$ 282	$ 282	$ 318	$ 353
26	Volumetric	19	22	22	24	27
27	Total Fire Protection Revenues	$ 266	$ 304	$ 304	$ 342	$ 380

Table 7

City of Palm Coast, Florida

Water and Wastewater Utility System

Projected Revenue Calculation - Water and Wastewater System

Line No.	Description	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
	Irrigation - Base					
28	Base	$ 11,717	$ 13,633	$ 13,846	$ 14,273	$ 15,338
29	Volumetric	53,970	59,221	60,388	63,305	67,098
30	Total Irrigation Revenues	$ 65,687	$ 72,854	$ 74,234	$ 77,578	$ 82,435
	Bulk					
31	Base	$ -	$ -	$ -	$ -	$ -
32	Volumetric	67,756	67,756	67,756	67,756	67,756
33	Total Bulk Revenues	$ 67,756	$ 67,756	$ 67,756	$ 67,756	$ 67,756
34	Total Base Revenues	$ 7,553,902	$ 7,577,446	$ 7,621,055	$ 7,658,411	$ 7,689,089
35	Total Volumetric Revenues	10,368,575	10,401,595	10,469,932	10,518,067	10,560,225
36	TOTAL WATER SALES REVENUES	$ 17,922,477	$ 17,979,041	$ 18,090,987	$ 18,176,478	$ 18,249,314
	WASTEWATER SALES					
	Measured Revenues					
	Residential - Inside City					
37	Base	$ 4,668,847	$ 4,680,271	$ 4,692,409	$ 4,705,261	$ 4,718,827
38	Volumetric	4,427,796	4,438,630	4,450,141	4,462,329	4,475,195
39	Total Residential - Inside City Revenues	$ 9,096,642	$ 9,118,901	$ 9,142,550	$ 9,167,590	$ 9,194,022
	Residential Outside City					
40	Base	$ 32,498	$ 33,391	$ 34,284	$ 35,176	$ 36,069
41	Volumetric	46,109	47,376	48,642	49,908	51,174
42	Total Residential Outside City Revenues	$ 78,607	$ 80,766	$ 82,925	$ 85,084	$ 87,243
	Multi-Family					
43	Base	$ 238,495	$ 240,495	$ 242,494	$ 246,279	$ 250,421
44	Volumetric	253,125	254,798	258,281	264,203	268,390
45	Total Multi-Family Revenues	$ 491,620	$ 495,293	$ 500,775	$ 510,483	$ 518,811
	Commercial					
46	Base	$ 448,879	$ 452,308	$ 455,880	$ 461,163	$ 464,735
47	Volumetric	843,494	849,935	854,070	870,586	877,781
48	Total Commercial Revenues	$ 1,292,373	$ 1,302,244	$ 1,309,951	$ 1,331,749	$ 1,342,516
	Effluent					
49	Volumetric	$ 184,319	$ 184,319	$ 184,319	$ 184,319	$ 184,319
50	Total Effluent Revenues	$ 184,319	$ 184,319	$ 184,319	$ 184,319	$ 184,319
51	Total Base Revenues	$ 5,388,719	$ 5,406,465	$ 5,425,067	$ 5,447,879	$ 5,470,052
52	Total Consumption Revenues	5,754,843	5,775,058	5,795,453	5,831,345	5,856,859
53	TOTAL WASTEWATER SALES REVENUES	$ 11,143,562	$ 11,181,523	$ 11,220,519	$ 11,279,224	$ 11,326,910
	WATER AND WASTEWATER COMBINED					
54	**Total Base Revenues**	**$ 12,942,621**	**$ 12,983,911**	**$ 13,046,121**	**$ 13,106,290**	**$ 13,159,141**
55	**Total Consumption Revenues**	**16,123,418**	**16,176,653**	**16,265,385**	**16,349,412**	**16,417,083**
56	**TOTAL SALES REVENUES**	**$ 29,066,038**	**$ 29,160,564**	**$ 29,311,506**	**$ 29,455,702**	**$ 29,576,224**

Table 8

City of Palm Coast, Florida

Water and Wastewater Utility System

Projected Cash Balances and Interest Earnings

Line No.	Description	Fund Restriction	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
	SUMMARY (Ending Balance)						
1	**Operating Reserves**	Unrestricted	$ 2,465,758	$ 3,013,340	$ 3,602,962	$ 4,064,883	$ 4,647,732
2	**R&R Fund**	Unrestricted	138,243	442,809	562,081	701,290	360,806
3	**Sinking Fund**	Unrestricted	2,821,273	2,966,486	3,263,137	3,263,206	3,263,738
4	**Rate Stabilization Fund**	Unrestricted	239,382	739,382	739,382	739,382	739,382
5	**Prior Bond Proceeds**	Restricted	-	-	-	-	-
6	**Debt Service Reserve**	Unrestricted	4,202,966	4,202,966	4,202,966	4,202,966	4,202,966
7	**Construction Fund**	Restricted	9,420,000	4,150,000	13,850,000	7,650,000	-
8	**Customer Deposits**	Restricted	3,257,200	3,263,714	3,280,033	3,296,433	3,312,915
9	**Water Impact Fee**	Restricted	78,385	156,352	240,344	377,258	479,855
10	**Wastewater Impact Fee**	Restricted	238,001	665,525	1,120,089	1,824,930	2,379,611
11	**Total Ending Balances**		$ 22,861,208	$ 19,600,573	$ 30,860,994	$ 26,120,348	$ 19,387,005
	Operating Reserve Account						
12	Beginning Balance (2)		$ 1,976,581	$ 2,465,758	$ 3,013,340	$ 3,602,962	$ 4,064,883
13	Transfers In / Out - Operating Surplus / Deficiency		489,177	547,582	589,622	461,921	582,849
14	Transfers Out - SRF Debt Service Reserve		0	0	0	0	0
15	Transfers Out - CIP		0	0	0	0	0
16	Transfers Out - 'Projected Op Results'		0	0	0	0	0
17	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
18	Interest Income		4,442	5,479	16,541	19,170	21,782
19	Recognition of Interest Income to Fund Revenue Requirements		4,442	5,479	16,541	19,170	21,782
20	Ending Balance		2,465,758	3,013,340	3,602,962	4,064,883	4,647,732
	Renewal and Replacement						
21	Beginning Balance		$ 262,474	$ 138,243	$ 442,809	$ 562,081	$ 701,290
22	Transfers In		2,249,321	3,160,226	3,400,124	3,546,176	3,634,296
23	Transfers Out - CIP		(2,373,551)	(2,855,661)	(3,280,852)	(3,406,967)	(3,974,780)
24	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
25	Interest Income		5,148	6,292	18,916	20,193	22,529
26	Recognition of Interest Income to Fund Revenue Requirements		5,148	6,292	18,916	20,193	22,529
27	Ending Balance		138,243	442,809	562,081	701,290	360,806
	Sinking Fund						
28	Principal and Interest Payment		$ 11,285,091	$ 11,865,943	$ 13,052,550	$ 13,052,826	$ 13,054,952
29	Average Balance		2,821,273	2,966,486	3,263,137	3,263,206	3,263,738
30	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
31	Interest Income		5,643	5,933	16,316	16,316	16,319
32	Recognition of Interest Income to Fund Revenue Requirements		5,643	5,933	16,316	16,316	16,319
	Rate Stabilization Fund						
33	Beginning Balance		$ 0	$ 239,382	$ 739,382	$ 739,382	$ 739,382
34	Transfers In		239,382	500,000	0	0	0
35	Transfers Out - Operations		0	0	0	0	0
36	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
37	Interest Income		239	979	3,697	3,697	3,697
38	Recognition of Interest Income to Fund Revenue Requirements		239	979	3,697	3,697	3,697
39	Ending Balance		239,382	739,382	739,382	739,382	739,382
	Prior Bond Proceeds						
40	Beginning Balance		$ 1,400,000	$ 0	$ 0	$ 0	$ 0
41	Transfers In		0	0	0	0	0
42	Transfers Out		1,400,000	0	0	0	0
43	Interest Rate		0.00%	0.00%	0.00%	0.00%	0.00%
44	Interest Income		0	0	0	0	0
45	Recognition of Interest Income to Fund Revenue Requirements		0	0	0	0	0
46	Ending Balance		0	0	0	0	0

Table 8

City of Palm Coast, Florida

Water and Wastewater Utility System

Projected Cash Balances and Interest Earnings

Line No.	Description	Fund Restriction	Fiscal Year Ending September 30, 2013	2014	2015	2016	2017
	Debt Service Reserve						
47	Beginning Balance		$ 10,492,578	$ 4,202,966	$ 4,202,966	$ 4,202,966	$ 4,202,966
48	Series 2013 Bonds		0	0	0	0	0
49	Series 2014 Bonds		0	0	0	0	0
50	Available Debt Issue 3		0	0	0	0	0
51	Transfers Out		6,289,612	0	0	0	0
52	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
53	Interest Income		14,696	8,406	21,015	21,015	21,015
54	Recognition of Interest Income to Fund Revenue Requirements		14,696	8,406	21,015	21,015	21,015
55	Ending Balance		4,202,966	4,202,966	4,202,966	4,202,966	4,202,966
	Construction Fund						
56	Beginning Balance		$ 0	$ 9,420,000	$ 4,150,000	$ 13,850,000	$ 7,650,000
57	Transfer In - Series 2013 Bonds		21,200,000	0	0	0	0
58	Transfer In - Series 2014 Bonds		0	0	14,950,000	0	0
59	Transfer In - Debt Service Reserve		0	0	0	0	0
60	Transfer Out - Series 2013 Bonds		11,780,000	5,270,000	4,150,000	0	0
61	Transfer Out - Series 2014 Bonds		0	0	1,100,000	6,200,000	7,650,000
62	Transfer Out - CIP Miscellanous		0	0	0	0	0
63	Interest Rate		0.00%	0.00%	0.00%	0.00%	0.00%
64	Interest Income		0	0	0	0	0
65	Recognition of Interest Income to Fund Revenue Requirements		0	0	0	0	0
66	Ending Balance		9,420,000	4,150,000	13,850,000	7,650,000	0
	Customer Deposits						
67	Beginning Balance		$ 3,250,698	$ 3,257,200	$ 3,263,714	$ 3,280,033	$ 3,296,433
68	Transfers In		0	0	0	0	0
69	Transfers Out		0	0	0	0	0
70	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
71	Interest Income		6,501	6,514	16,319	16,400	16,482
72	Recognition of Interest Income to Fund Revenue Requirements		0	0	0	0	0
73	Ending Balance		3,257,200	3,263,714	3,280,033	3,296,433	3,312,915
	Water Capacity Fees						
74	Beginning Balance		$ 4,851	$ 78,385	$ 156,352	$ 240,344	$ 377,258
75	Transfers In		73,451	77,733	83,003	135,374	100,460
76	Transfers Out - Capital Projects		0	0	0	0	0
77	Transfers Out - To Pay Debt Service		0	0	0	0	0
78	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
79	Interest Income		83	235	989	1,540	2,137
80	Recognition of Interest Income to Fund Revenue Requirements		0	0	0	0	0
81	Ending Balance		78,385	156,352	240,344	377,258	479,855
	Wastewater Capacity Fees						
82	Beginning Balance		$ 751,706	$ 238,001	$ 665,525	$ 1,120,089	$ 1,824,930
83	Transfers In (Conn. Fees & Sys. Dev. Charges)		410,306	426,622	450,111	697,497	544,196
84	Transfers In (Beachside Dev. Charges)		0	0	0	0	0
85	Transfers Out - Capital Projects		925,000	0	0	0	0
86	Transfers Out - To Pay Debt Service		0	0	0	0	0
87	Interest Rate		0.20%	0.20%	0.50%	0.50%	0.50%
88	Interest Income		989	903	4,453	7,344	10,485
89	Recognition of Interest Income to Fund Revenue Requirements		0	0	0	0	0
90	Ending Balance		238,001	665,525	1,120,089	1,824,930	2,379,611
	Total Unrestricted Interest Income						
91	Water System	Unrestricted	$ 7,736	$ 9,342	$ 27,735	$ 29,688	$ 32,163
92	Wastewater System	Unrestricted	22,432	17,748	48,750	50,703	53,178
93	Total		30,168	27,089	76,485	80,391	85,341
	Total Restricted Interest Income						
94	Water System	Restricted	$ 3,787	$ 3,826	$ 10,880	$ 12,642	$ 14,552
95	Wastewater System	Restricted	3,787	3,826	10,880	12,642	14,552
96	Total		7,573	7,652	21,761	25,285	29,105

Table 9
City of Palm Coast, Florida
Water and Wastewater Utility System

Comparison of Typical Monthly Residential Bills for Water Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter 0 Gallons	2,000 Gallons	4,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	25,000 Gallons
	City of Palm Coast								
1	Rates Effective - 10/1/2012	$14.18	$21.86	$29.54	$46.04	$54.48	$83.33	$112.18	$146.28
2	Rates Effective - 4/1/2013	$14.50	$22.36	$30.22	$47.11	$55.75	$83.25	$110.75	$146.10
	Other Florida Utilities:								
3	Brevard County - North Brevard	$12.32	$12.32	$16.18	$31.62	$42.82	$70.82	$108.86	$152.24
4	City of Daytona Beach [2]	13.51	17.96	26.86	44.66	53.56	75.81	98.06	120.31
5	City of Edgewater	10.82	13.90	22.68	42.00	52.54	83.63	117.88	152.13
6	City of Melbourne	6.89	15.37	23.85	40.81	49.29	70.49	91.69	112.89
7	City of Ormond Beach	11.79	11.79	17.99	31.55	38.91	57.31	75.71	94.11
8	City of Palm Bay [2]	13.01	19.85	26.69	43.52	52.46	79.91	114.26	148.61
9	City of Port Orange	9.90	11.70	17.20	29.60	37.10	58.65	80.90	103.15
10	City of Port St. Lucie	9.28	16.62	23.96	42.00	51.58	78.83	108.28	137.73
11	City of St. Augustine	16.46	16.46	21.02	39.26	48.38	71.18	93.98	116.78
12	City of South Daytona	13.00	18.00	28.00	48.45	59.35	86.60	113.85	141.10
13	St. Johns County	11.91	17.97	24.03	38.40	45.96	77.81	109.66	155.86
14	City of Titusville [2]	8.56	14.10	19.64	34.92	43.26	70.96	123.66	176.36
15	New Smyrna Beach Utilities Commission	11.65	13.51	15.68	22.08	26.00	35.80	47.45	59.10
16	Volusia County - Softened	12.09	18.93	25.77	41.82	50.24	71.99	95.99	147.79
15	JEA (City of Jacksonville) [2]	12.60	15.20	17.80	25.70	31.00	44.25	57.50	86.10
16	Flagler County - (Beverly Beach)	28.88	41.96	55.04	81.20	94.28	126.98	159.68	192.38
17	City of West Melbourne	14.08	24.28	34.73	56.43	67.73	97.38	127.38	157.38
18	Other Florida Utilities' Average	$12.75	$17.64	$24.54	$40.82	$49.67	$74.02	$101.46	$132.59

Footnotes:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect March 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utilities currently have proposed rate increases that are not reflected in the current rates above.

Table 10
City of Palm Coast, Florida
Water and Wastewater Utility System

Comparison of Typical Monthly Residential Bills for Wastewater Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter 0 Gallons	2,000 Gallons	4,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	25,000 Gallons
	City of Palm Coast								
1	Rates Effective - 10/1/2012	$11.90	$18.50	$25.10	$38.30	$38.30	$38.30	$38.30	$38.30
	Rates Effective - 4/1/2013	$14.23	$21.63	$29.03	$43.83	$43.83	$43.83	$43.83	$43.83
	Other Florida Utilities:								
2	Brevard County - North Brevard	$15.86	$22.58	$29.30	$42.74	$49.46	$56.18	$56.18	$56.18
3	City of Daytona Beach [2]	11.22	18.88	34.20	64.84	80.16	118.46	156.76	195.06
4	City of Edgewater	12.78	22.84	32.90	53.02	63.08	88.23	113.38	138.53
5	City of Melbourne	9.02	22.08	35.14	61.26	74.32	106.97	139.62	172.27
6	City of Ormond Beach	15.40	15.40	24.04	41.32	49.96	71.56	93.16	114.76
7	City of Palm Bay [2]	16.65	26.27	35.89	55.13	64.75	64.75	64.75	64.75
8	City of Port Orange	11.70	15.75	23.85	44.05	54.15	79.40	104.65	129.90
9	City of Port St. Lucie	13.84	28.26	42.68	71.52	71.52	71.52	71.52	71.52
10	City of St. Augustine	22.69	22.69	28.46	51.54	63.08	63.08	63.08	63.08
11	City of South Daytona	14.90	21.79	35.57	63.79	78.89	116.64	154.39	192.14
12	St. Johns County	11.43	18.65	25.87	40.31	47.53	47.53	47.53	47.53
13	City of Titusville [2]	12.59	25.93	39.27	65.95	79.29	112.64	112.64	112.64
14	New Smyrna Beach Utilities Commission	18.61	26.75	34.89	51.17	59.31	79.66	100.01	120.36
15	Volusia County - Softened	18.58	26.44	34.30	50.02	57.88	73.60	73.60	73.60
14	JEA (City of Jacksonville) [2]	14.10	24.72	35.34	58.16	70.36	100.86	131.36	131.36
15	Flagler County - (Beverly Beach)	14.42	23.86	33.30	52.18	61.62	85.22	108.82	132.42
16	City of West Melbourne	12.03	12.03	16.63	35.03	44.23	67.23	90.23	113.23
17	Other Florida Utilities' Average	$14.46	$22.05	$31.86	$53.06	$62.92	$82.56	$98.92	$113.49

Footnotes:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect March 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utilities currently have proposed rate increases that are not reflected in the current rates above.

Table 11
City of Palm Coast, Florida
Water and Wastewater Utility System

Comparison of Typical Monthly Residential Bills for Combined Water and Wastewater Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter 0 Gallons	2,000 Gallons	4,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	25,000 Gallons
	City of Palm Coast								
1	Rates Effective - 10/1/2012	$26.08	$40.36	$54.64	$84.34	$92.78	$121.63	$150.48	$184.58
2	Rates Effective - 4/1/2013	$28.73	$43.99	$59.25	$90.94	$99.58	$127.08	$154.58	$189.93
	Other Florida Utilities:								
3	Brevard County - North Brevard	$28.18	$34.90	$45.48	$74.36	$92.28	$127.00	$165.04	$208.42
4	City of Daytona Beach [2]	24.73	36.84	61.06	109.50	133.72	194.27	254.82	315.37
5	City of Edgewater	23.60	36.74	55.58	95.02	115.62	171.86	231.26	290.66
6	City of Melbourne	15.91	37.45	58.99	102.07	123.61	177.46	231.31	285.16
7	City of Ormond Beach	27.19	27.19	42.03	72.87	88.87	128.87	168.87	208.87
8	City of Palm Bay [2]	29.66	46.12	62.58	98.65	117.21	144.66	179.01	213.36
9	City of Port Orange	21.60	27.45	41.05	73.65	91.25	138.05	185.55	233.05
10	City of Port St. Lucie	23.12	44.88	66.64	113.52	123.10	150.35	179.80	209.25
11	City of St. Augustine	39.15	39.15	49.48	90.80	111.46	134.26	157.06	179.86
12	City of South Daytona	27.90	39.79	63.57	112.24	138.24	203.24	268.24	333.24
13	St. Johns County	23.34	36.62	49.90	78.71	93.49	125.34	157.19	203.39
14	City of Titusville [2]	21.15	40.03	58.91	100.87	122.55	183.60	236.30	289.00
15	New Smyrna Beach Utilities Commission	30.26	40.26	50.57	73.25	85.31	115.46	147.46	179.46
16	Volusia County - Softened	30.67	45.37	60.07	91.84	108.12	145.59	169.59	221.39
15	JEA (City of Jacksonville) [2]	26.70	39.92	53.14	83.86	101.36	145.11	188.86	217.46
16	Flagler County - (Beverly Beach)	43.30	65.82	88.34	133.38	155.90	212.20	268.50	324.80
17	City of West Melbourne	26.11	36.31	51.36	91.46	111.96	164.61	217.61	270.61
18	Other Florida Utilities' Average	$27.21	$39.70	$56.40	$93.89	$112.59	$156.58	$200.38	$246.08

Footnotes:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect March 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utilities currently have proposed rate increases that are not reflected in the current rates above.

Table 12
City of Palm Coast, Florida
Water and Wastewater Utility System

Comparison of Residential Capital Facilities Fees for Water and Wastewater Service [1]

Line No.	Description	Residential Connection for a 5/8" or 3/4" Meter Water	Wastewater	Combined
	City of Palm Coast			
1	Rates Effective - 10/1/2012	$ 2,680	$ 2,735	$ 5,415
2	Rates Effective - 2/19/2013	$ 2,045	$ 2,265	$ 4,310
	Other Florida Utilities:			
3	Brevard County - North Brevard	$ 1,903	$ 2,257	$ 4,160
4	City of Daytona Beach [2]	1,033	1,368	2,401
5	City of Edgewater	1,612	2,227	3,839
6	City of Melbourne	1,116	1,583	2,699
7	City of Ormond Beach	2,276	2,218	4,494
8	City of Palm Bay [2]	2,446	3,422	5,868
9	City of Port Orange	1,555	1,540	3,095
10	City of Port St. Lucie	1,221	2,069	3,290
11	City of St. Augustine	1,628	2,135	3,763
12	City of South Daytona	625	625	1,250
13	St. Johns County	1,879	2,378	4,257
14	City of Titusville [2]	1,500	2,070	3,570
15	New Smyrna Beach Utilities Commission	1,250	1,250	2,500
16	Volusia County - Softened	1,525	2,896	4,421
15	JEA (City of Jacksonville) [2]	2,035	1,274	3,309
16	Flagler County - (Beverly Beach)	2,780	2,500	5,280
17	City of West Melbourne	3,804	3,000	6,804
18	Other Florida Utilities' Average	$ 1,776	$ 2,048	$ 3,824

Footnotes:

[1] Unless otherwise noted, amounts shown reflect residential rates in effect March 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utility is currently involved in a rate study, is planning to conduct a rate study, or will implement a rate revision within the next twelve months.

TABLE 13

Palm Coast Historical Water Service Data							
Date	MADF (MGD)	MDF (MGD)	AADF (MGD)	Date	MADF (MGD)	MDF (MGD)	AADF (MGD)
Jan-05	6.430	7.315	6.583	Jan-09	6.843	7.842	7.310
Feb-05	6.675	8.823	6.693	Feb-09	6.924	7.967	7.311
Mar-05	6.587	8.142	6.712	Mar-09	7.615	8.712	7.334
Apr-05	6.995	8.261	6.640	Apr-09	7.797	9.153	7.331
May-05	6.986	8.159	6.532	May-09	7.491	10.064	7.195
Jun-05	6.269	7.324	6.474	Jun-09	7.075	8.278	7.124
Jul-05	6.756	8.609	6.485	Jul-09	6.873	8.353	7.099
Aug-05	6.915	8.225	6.569	Aug-09	6.422	7.386	7.068
Sep-05	7.539	9.056	6.734	Sep-09	6.491	7.520	7.031
Oct-05	7.050	8.762	6.784	Oct-09	7.258	8.291	7.043
Nov-05	7.073	8.622	6.806	Nov-09	7.020	8.796	7.036
Dec-05	6.498	8.053	6.814	Dec-09	6.023	7.197	7.000
Jan-06	7.287	9.364	6.886	Jan-10	6.230	8.002	6.935
Feb-06	7.296	8.728	6.938	Feb-10	6.144	7.701	6.870
Mar-06	8.234	9.423	7.075	Mar-10	6.613	7.322	6.786
Apr-06	9.133	10.507	7.253	Apr-10	7.475	8.687	6.760
May-06	10.056	11.597	7.509	May-10	8.046	9.698	6.806
Jun-06	8.754	11.359	7.716	Jun-10	7.894	9.485	6.874
Jul-06	8.497	10.273	7.861	Jul-10	8.027	9.695	6.970
Aug-06	9.186	10.961	8.050	Aug-10	7.357	9.603	7.048
Sep-06	8.367	9.452	8.119	Sep-10	7.435	8.730	7.127
Oct-06	8.908	9.635	8.274	Oct-10	8.000	9.274	7.189
Nov-06	7.829	8.825	8.337	Nov-10	7.170	8.362	7.201
Dec-06	7.148	8.059	8.339	Dec-10	6.750	8.191	7.269
Jan-07	6.979	8.036	8.366	Jan-11	6.383	7.745	7.275
Feb-07	7.734	8.750	8.402	Feb-11	6.702	8.994	7.321
Mar-07	8.523	9.900	8.426	Mar-11	7.570	9.316	7.401
Apr-07	9.234	10.684	8.435	Apr-11	8.059	9.675	7.449
May-07	9.792	10.899	8.413	May-11	8.581	9.967	7.494
Jun-07	8.599	10.543	8.400	Jun-11	8.294	11.141	7.527
Jul-07	7.384	8.510	8.307	Jul-11	7.400	8.835	7.475
Aug-07	8.590	10.003	8.257	Aug-11	7.580	9.191	7.494
Sep-07	7.101	8.593	8.152	Sep-11	7.406	8.967	7.491
Oct-07	6.958	8.229	7.989	Oct-11	7.059	8.237	7.413
Nov-07	7.323	8.311	7.947	Nov-11	6.976	8.152	7.397
Dec-07	7.059	8.767	7.940	Dec-11	6.826	8.132	7.406
Jan-08	6.834	7.757	7.928	Jan-12	7.480	7.988	7.494
Feb-08	6.915	7.589	7.859	Feb-12	6.694	7.863	7.494
Mar-08	7.344	8.532	7.761	Mar-12	7.357	8.605	7.476
Apr-08	7.829	9.363	7.644	Apr-12	7.999	9.463	7.471
May-08	9.119	10.347	7.588	May-12	8.175	9.501	7.437
Jun-08	7.936	10.295	7.533	Jun-12	6.923	8.109	7.323
Jul-08	7.166	8.602	7.515	Jul-12	7.936	9.253	7.368
Aug-08	6.797	8.505	7.365	Aug-12	6.505	8.447	7.278
Sep-08	6.930	8.229	7.351	Sep-12	6.999	8.096	7.244
Oct-08	7.113	8.314	7.364	Oct-12	6.879	8.358	7.229
Nov-08	7.104	7.954	7.346	Nov-12	7.071	8.208	7.237
Dec-08	6.627	7.483	7.330	Dec-12	6.578	7.736	7.155

Palm Coast Projected Water Service Data				
Date	Connections	Connection Growth	AADF (MGD)*	MDF (MGD)**
2013	33,650	353	7.452	10.448
2014	34,119	469	7.556	10.594
2015	34,966	847	7.744	10.857
2016	35,903	936	7.951	11.148
2017	36,839	936	8.158	11.439
2018	37,775	936	8.366	11.729
2019	38,712	936	8.573	12.020
2020	39,843	1,132	8.824	12.371
2021	41,562	1,719	9.204	12.905
2022	43,281	1,719	9.585	13.439
2023	45,000	1,719	9.966	13.972
2024	46,718	1,719	10.346	14.506
2025	48,686	1,967	10.782	15.117
2026	51,399	2,713	11.383	15.959
2027	54,112	2,713	11.983	16.802
2028	56,825	2,713	12.584	17.644
2029	59,538	2,713	13.185	18.487
2030	62,011	2,473	13.733	19.254
2031	63,763	1,752	14.121	19.798
2032	65,515	1,752	14.509	20.342

* 92 Gal/Capita/Day based on five-year historical data

** Max Day Flow projected ysing a historical factor of 1.4

TABLE 14

Palm Coast WasteWater Service Data							
Date	MADF (MGD)	TMADF (MGD)	AADF (MGD)	Date	MADF (MGD)	TMADF (MGD)	AADF (MGD)
Jan-05	3.936	3.896	4.009	Jan-09	4.444	4.463	4.679
Feb-05	3.939	3.898	4.011	Feb-09	4.096	4.328	4.643
Mar-05	4.366	4.080	4.053	Mar-09	4.365	4.302	4.591
Apr-05	4.490	4.265	4.138	Apr-09	4.292	4.251	4.577
May-05	4.481	4.446	4.230	May-09	6.431	5.029	4.777
Jun-05	4.808	4.593	4.343	Jun-09	5.531	5.418	4.906
Jul-05	4.932	4.740	4.443	Jul-09	4.991	5.651	4.922
Aug-05	4.490	4.743	4.414	Aug-09	6.115	5.546	4.969
Sep-05	5.113	4.845	4.387	Sep-09	5.567	5.558	4.968
Oct-05	5.457	5.020	4.480	Oct-09	3.790	5.157	4.881
Nov-05	4.804	5.125	4.553	Nov-09	5.068	4.808	4.928
Dec-05	5.090	5.117	4.659	Dec-09	5.126	4.661	4.985
Jan-06	4.405	4.766	4.698	Jan-10	5.432	5.209	5.067
Feb-06	4.735	4.743	4.764	Feb-10	5.957	5.505	5.222
Mar-06	4.433	4.524	4.770	Mar-10	5.913	5.767	5.351
Apr-06	4.242	4.470	4.749	Apr-10	5.251	5.707	5.431
May-06	4.233	4.303	4.729	May-10	4.990	5.385	5.311
Jun-06	4.424	4.300	4.697	Jun-10	5.011	5.084	5.268
Jul-06	4.478	4.378	4.659	Jul-10	4.840	4.947	5.255
Aug-06	4.379	4.427	4.649	Aug-10	4.869	4.907	5.151
Sep-06	4.591	4.483	4.606	Sep-10	4.783	4.831	5.086
Oct-06	4.374	4.448	4.516	Oct-10	4.663	4.772	5.159
Nov-06	4.516	4.494	4.492	Nov-10	4.756	4.734	5.133
Dec-06	4.676	4.522	4.457	Dec-10	4.701	4.707	5.097
Jan-07	4.999	4.730	4.507	Jan-11	4.793	4.750	5.044
Feb-07	5.641	5.105	4.582	Feb-11	5.113	4.869	4.974
Mar-07	5.011	5.217	4.630	Mar-11	4.910	4.939	4.890
Apr-07	4.140	4.931	4.622	Apr-11	4.849	4.957	4.857
May-07	4.182	4.444	4.618	May-11	4.597	4.785	4.824
Jun-07	3.996	4.106	4.582	Jun-11	4.543	4.663	4.785
Jul-07	4.736	4.305	4.603	Jul-11	4.860	4.667	4.786
Aug-07	4.448	4.393	4.609	Aug-11	4.693	4.699	4.772
Sep-07	5.707	4.964	4.702	Sep-11	4.865	4.806	4.779
Oct-07	5.758	5.304	4.818	Oct-11	5.025	4.861	4.809
Nov-07	4.114	5.193	4.784	Nov-11	4.952	4.947	4.825
Dec-07	4.959	4.944	4.808	Dec-11	5.311	5.096	4.876
Jan-08	4.872	4.648	4.797	Jan-12	5.026	5.096	4.895
Feb-08	4.528	4.786	4.704	Feb-12	4.943	5.093	4.881
Mar-08	4.999	4.800	4.703	Mar-12	4.962	4.977	4.886
Apr-08	4.455	4.661	4.730	Apr-12	4.873	4.926	4.888
May-08	4.034	4.496	4.717	May-12	4.800	4.878	4.904
Jun-08	3.976	4.155	4.716	Jun-12	6.132	5.268	5.037
Jul-08	4.800	4.270	4.721	Jul-12	5.430	5.454	5.084
Aug-08	5.548	4.775	4.813	Aug-12	6.923	6.162	5.270
Sep-08	5.588	5.312	4.803	Sep-12	6.425	6.259	5.400
Oct-08	4.835	5.324	4.726	Oct-12	6.413	6.587	5.516
Nov-08	4.501	4.975	4.758	Nov-12	5.661	6.166	5.575
Dec-08	4.444	4.593	4.715	Dec-12	5.377	5.817	5.580

Palm Coast Projected Wastewater Service Data				
Date	Connections	Connection Growth	AADF (MGD)*	TMADF (MGD)**
2013	32,262	336	5.121	5.537
2014	32,709	447	5.192	5.614
2015	33,516	807	5.320	5.753
2016	34,407	892	5.462	5.906
2017	35,299	892	5.603	6.059
2018	36,190	892	5.745	6.212
2019	37,082	892	5.887	6.365
2020	38,160	1,078	6.058	6.550
2021	39,796	1,637	6.317	6.831
2022	41,433	1,637	6.577	7.111
2023	43,069	1,637	6.837	7.392
2024	44,706	1,637	7.097	7.673
2025	46,579	1,873	7.394	7.995
2026	49,163	2,583	7.804	8.438
2027	51,746	2,583	8.214	8.882
2028	54,329	2,583	8.625	9.325
2029	56,913	2,583	9.035	9.768
2030	59,267	2,355	9.408	10.173
2031	60,936	1,669	9.673	10.459
2032	62,605	1,669	9.938	10.745

* 159 gal/ERU based on five-year historical data
*1.081 ratio of TMADF/AADF

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FIGURE E
Palm Coast Water Service Population
(Mid Year)

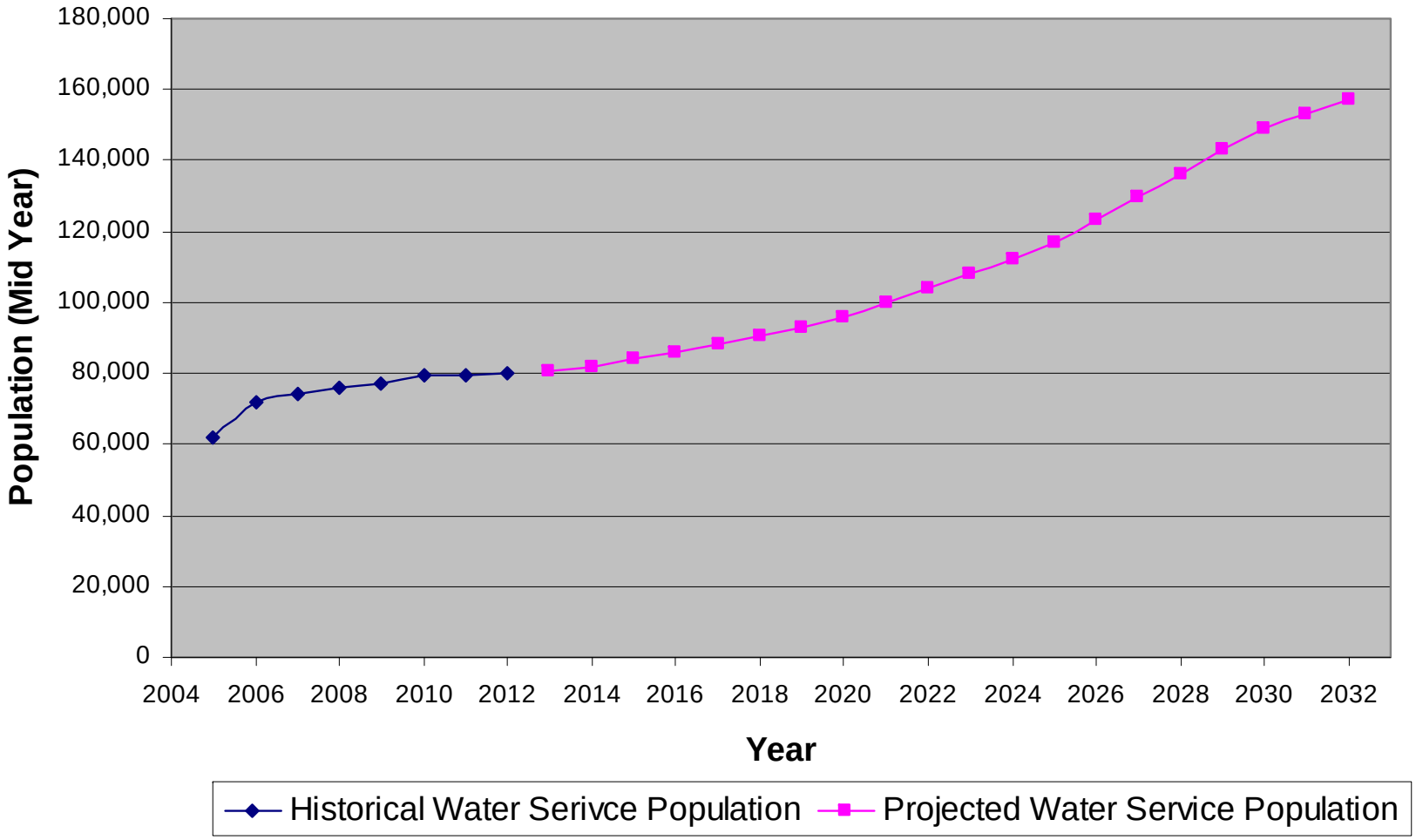

FIGURE F
Palm Coast Wastewater Service Population
(Mid Year)

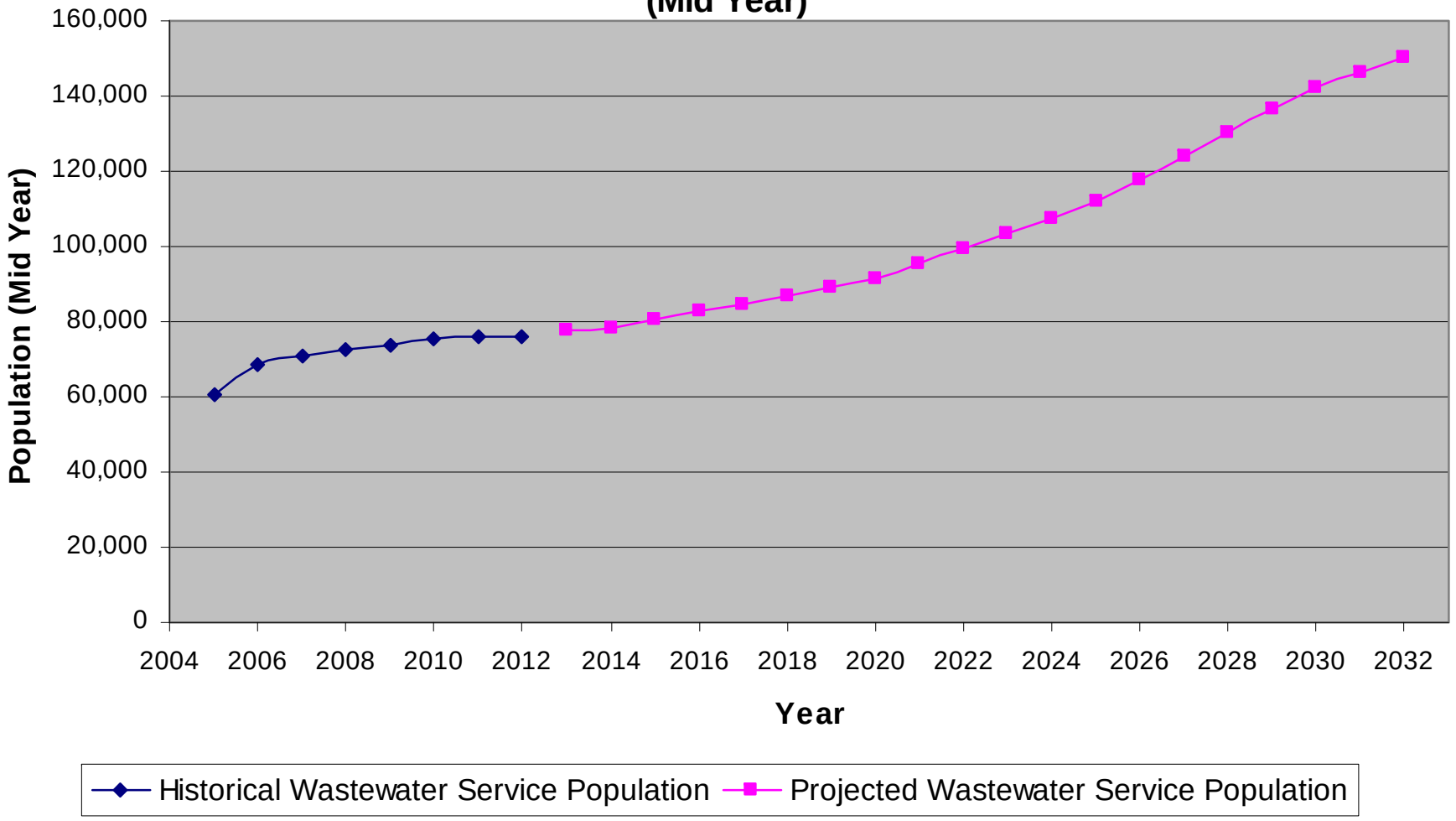

FIGURE G
Palm Coast Water Demands

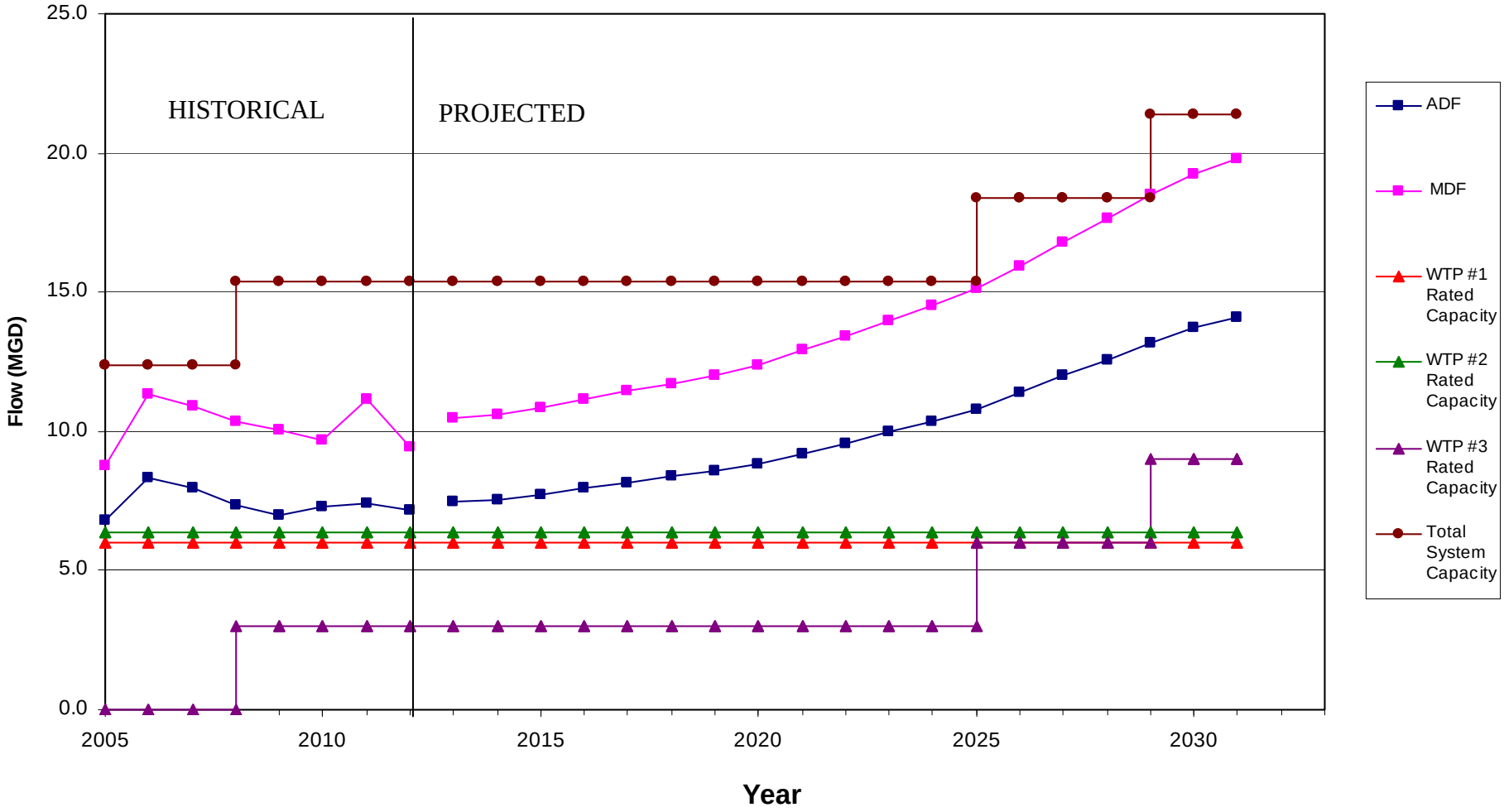

FIGURE H
Palm Coast Wastewater Demands