

**APPENDIX C**

**Report of Rate Consultant**

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**BURTON &  
ASSOCIATES**

June 1, 1992

County Chairman and the  
Board of County Commissioners  
Orange County, Florida  
P. O. Box 1393  
Orlando, FL 32802

RE: Rate Consultant's Report  
Orange County Water Utilities Revenue Bonds  
Series 1992

Dear Chairman and Commissioners:

The accompanying financial forecast of the Orange County Water Utilities System (System) consists of 1) historical statements of net operating revenues and debt service coverage for each of the five years in the period from October 1, 1986 through September 30, 1991, 2) forecasted statements of net operating revenues and debt service coverage and of sources and uses of funds for each of the six years in the period from October 1, 1991 through September 30, 1997, and 3) a summary of significant forecast assumptions. These forecasts present management's estimates of the most probable results of operations and debt service coverage for the forecast period. Thus, the forecast reflects management's judgement, based on present circumstances, as to the most likely set of conditions and management's most likely course of action.

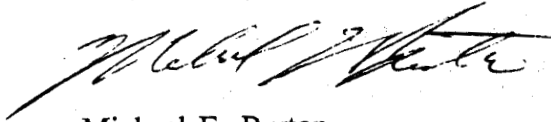
We have examined the financial forecast in accordance with generally accepted standards for an examination of a financial forecast. Our examination included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We have no responsibility to update this report for events and circumstances occurring after the date of this report. The accompanying financial forecast indicates that, based upon the assumptions presented herein, sufficient revenues would be generated from the System to meet the System's operation and maintenance, debt service and capital cost requirements through FY 1997.

Based upon our examination, we believe that the accompanying financial forecast is presented in conformity with generally accepted guidelines for presentation of a financial forecast and that the underlying assumptions provide for a reasonable basis for management's forecast.

County Chairman and the  
Board of County Commissioners  
Orange County, Florida  
June 1, 1992  
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However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Very truly yours,



Michael E. Burton  
President

MB/kr

**ORANGE COUNTY, FLORIDA  
WATER UTILITIES SYSTEM (THE SYSTEM)**

**SUMMARY OF SIGNIFICANT FORECAST  
ASSUMPTIONS AND NOTES TO FINANCIAL FORECAST  
FIVE YEARS ENDING SEPTEMBER 30, 1997**

**A. Basis of Presentation**

The accompanying Forecast was prepared based upon data and information provided by the Orange County Public Utilities Division, which functions as a self-supporting governmental enterprise, to reflect cash flow of the System available for debt service. The Series 1992 Bond Resolution permits inclusion of stormwater system revenues and expenses in the System. The accompanying Forecast includes Management's assumption that stormwater operations and maintenance expenses will be funded from sources other than the pledged revenues of the System.

This Forecast is based upon assumptions of management concerning future events and circumstances and management's most likely course of action with respect to the facilities to be operated during the forecast period. This Forecast is management's best estimate of the most probable results to be expected from future operations of the System.

**B. Significant Assumptions**

The significant assumptions used in preparing the accompanying Forecast are explained below.

1. Scope of Operations

It is assumed that during the forecast period, the System will continue to provide water and wastewater service to the majority of the unincorporated area of Orange County, under the overall direction and control of the Orange County Board of County Commissioners.

2. Regulation

It is assumed that current and anticipated Federal and State government regulations concerning environmental and other matters affecting operations of the System have been considered by management in the development of the system's operations and maintenance budget and capital improvement program.

3. Revenues from Rates

It is assumed that revenues of the System for FY 92 will equal projected FY 92 revenues and that the revenues of the System for FY 93 will equal budgeted FY 93 revenues. It is assumed that water and wastewater service revenues will be affected by 1) a 3 percent annual rate increase as provided for in the County's Water and Wastewater Rate Resolutions # 87-SW-03 and 87-SW-04 and 2) a 2.86 percent annual growth factor for water and a 2.18 percent annual growth factor for wastewater which is assumed based upon a conservative evaluation of historical system growth.

Other system operating revenues included in the Forecast were projected by Management for FY 92 through FY 97 based upon consideration of historical revenues, current conditions and other relevant factors as appropriate.

4. Connection Fees

It is assumed that the connection fees in effect throughout the forecast period will be equal to the current connection fees of \$982 per equivalent residential connection for water and \$2,279 per equivalent residential unit for wastewater. It is also assumed that connection fees will only be used to fund expansion projects or the portions of projects associated with providing expanded system capacity.

5. Grants

It is assumed that the System will receive no grants during the term of the forecast period.

6. Operating and Maintenance Expenses

It is assumed that operation and maintenance expenses for FY 92 and FY 93 will equal the projected FY 1992 and budgeted FY 1993 operations and maintenance expenses respectively. Subsequent annual operations and maintenance expenses are forecasted to increase by 7 percent per year based upon management's estimates. This forecasted percentage increase is less than the average annual historical increase in operations and maintenance expenses because 1) the effect of the Utility's program to consolidate operations into regional facilities is allowing the realization of cost efficiencies, 2) the County has eliminated a policy which provided automatic cost of living salary increases which gives Utility management more control over personnel costs and 3) the Utility experienced substantial growth during the 1980's at a higher level than is projected during the forecast period which caused the variable components of operations and maintenance expense to escalate in the historical years at a greater rate than is projected due to the substantially lower growth rate projected during the forecast period.

The projected operations and maintenance expenses in the accompanying Forecast include only expenses for water and wastewater operations. Stormwater operation and maintenance expenses are not defined by the Series 1992 Bond Resolution as operating and maintenance expenses of the System that are funded prior to paying debt service, but may be funded after the payment of debt service as described in Note 7 below.

7. Other Budgeted Costs

The Forecast includes the funding of certain budgeted costs that are not included in operations and maintenance expenses and are funded by System revenues after the payment of debt service and funding of the Debt Service Reserve Account. These budgeted costs include Minor Capital of \$997,000 per year, Capital Leases/Payback Agreements of \$570,000 per year, Contribution to the General Fund of the County of \$1.5 million per year, and replenishment of the Operations and Maintenance and Renewal and Replacement Reserve Accounts as required by the Series 1992 Bond Resolution. The Series 1992 Bond Resolution permits the payment of stormwater operations and maintenance costs by System revenues after the payment of debt service upon election to do so by subsequent resolution by the Board of County Commissioners. However, the accompanying Forecast includes Management's assumption that stormwater operations and maintenance expenses will be funded from sources other than the pledged revenues of the System.

8. Payback Agreements

The System has entered into several water and/or wastewater agreements with private developers whereby the developer constructs and installs treatment plants, distribution systems, etc., and then conveys these projects to the System. The System reimburses the developer for the project over a period of time based on specified percentages of connection fees and/or service charges collected. These payments are reflected in the Forecast as described in Note 7 above.



9. Debt Service Reserve Fund

It is assumed that the Series 1985 Bonds Debt Service Reserve Fund will be used as a portion of the cash defeasance element of the refunding plan for the Series 1992 Bonds. It is also assumed that the System will obtain Surety Bonds in lieu of a debt service reserve fund for the Series 1992 Bonds.

10. Renewal and Replacement and Operation and Maintenance Funds

In accordance with the Series 1992 Bond Resolution, it is assumed that the System will make appropriate deposits to maintain the Renewal and Replacement and Operation and Maintenance Reserve Funds at required levels throughout the forecast period. These deposits are reflected in the Forecast as described in Note 7.

11. Interest Income

Based upon the System's recent historical experience, it is assumed that an interest rate of 5.3 percent per annum will be earned on the Series 1985 Bonds Debt Service Reserve Fund for the first nine months of FY 1992 at which time the fund will be liquidated as part of the Series 1985 Bonds cash defeasance. It is also assumed that an interest rate of 5.3 percent per annum will be earned on the average balance of the required Renewal and Replacement Fund, the O&M Reserve Fund and all other funds on hand during each year of the forecast period, except that it is assumed that an average interest rate of 5.0 percent per annum will be earned on all bond construction funds invested.

12. Interest Expense

It is assumed that the Series 1992 Bonds will be delivered on June 25, 1992, and that the average annual coupon rate will be 6.57 percent per annum with a final maturity in 2017.

13. Capital Improvements and Related Funding

The System has developed a capital improvements program which is an integral part of its plan to meet the System's commitments. The program has been developed by the System's engineering staff with the assistance of the System's consulting engineers. It is assumed that 1) the existing capital improvement program will not be altered significantly during the five year forecast period; and 2) that the program will be implemented substantially as planned.

All anticipated expenditures related to the capital improvement program will be funded from Series 1992 Bond proceeds, proceeds of an anticipated Series 1995 Bond Issue in the amount of approximately \$41 million, and other funds presently available or provided from pledged revenues and connection fees during the forecast period.

14. Cash Reserves and Reserve Revenue Account Balance

The Forecast includes the use of existing unrestricted cash reserves and the unrestricted annual balance of the Reserve Revenue Account (after payment of Other Budgeted Costs as discussed in Note 7) to fund projects identified in the Capital Improvements Program referenced in Note 13 above, with the exception that a \$5.0 million minimum balance is maintained in the Reserve Revenue Account for contingencies.

15. Financing

It is assumed that revenue bonds in the amount of \$127,755,000 will be issued as of June 25, 1992, (Series 1992 Bonds) requiring debt service payments to provide for principal and interest over 25 years at an average annual coupon rate of 6.57 percent.

The proceeds of the Series 1992 Bonds will be used to 1) refund the outstanding Series 1985 and 1987 Bonds and 2) provide \$55,228,931 to fund capital improvement program projects.

The Series 1992 issue is forecasted to include the following sources and uses of funds

**SOURCES:**

Par Amount of Bonds	\$127,755,000.00
County Contribution	12,285,474.04
ISF Liquidation	5,173,626.56
85 DSRF Liquidation	6,563,205.39
1985 Debt Service Account	426,578.44
1987 Debt Service Account	339,672.50
Accrued Interest	<u>522,950.50</u>
Total Sources	153,066,507.43

**USES:**

Construction Fund		\$55,228,930.91
87 Escrow Fund		48,667,134.72
85 Refunding Escrow Fund		23,778,979.11
Cash Defeasance		22,197,383.93
DSR Surety Policy	3.250% Of the Reserve Requirement	333,829.19
UD	1.00% Of the Par Amount of Bonds	1,277,550.00
COI		200,000.00
Insurance	0.33% Of Total Debt Service	858,714.92
Accrued Interest		522,950.50
Rounding		<u>1,034.15</u>
Total Uses		153,066,507.43

The debt service payment schedule of the Series 1992 Bonds shows approximately level annual debt service over 25 years.

**ORANGE COUNTY  
WATER UTILITIES SYSTEM  
REVENUE FORECAST FOR SERIES 1992 REVENUE BONDS**

REVENUES & EXPENSES	PROJECTED FISCAL YEARS					
	1992 PROJECTED	1993 BUDGET	1994 PROJECTED	1995 PROJECTED	1996 PROJECTED	1997 PROJECTED
<b>REVENUES:</b>						
TOTAL WATER SERVICE	\$12,851,237	\$13,604,320	\$14,413,557	\$15,270,932	\$16,179,306	\$17,141,713
WASTEWATER SERVICE:						
RATE REVENUE	\$35,297,007	\$37,125,392	\$39,070,929	\$41,118,421	\$43,273,211	\$45,540,922
OTHER (1)	6,458,451	4,975,900	4,027,091	4,049,480	3,604,530	3,162,467
TOTAL WASTEWATER SERVICE	\$41,755,458	\$42,101,292	\$43,098,020	\$45,167,901	\$46,877,741	\$48,703,389
MISCELLANEOUS	767,751	774,116	789,598	805,390	821,498	837,928
<b>TOTAL OPERATING REVENUES</b>	<b>\$55,374,446</b>	<b>\$56,479,728</b>	<b>\$58,301,176</b>	<b>\$61,244,223</b>	<b>\$63,878,545</b>	<b>\$66,683,030</b>
<b>CURRENT EXPENSES:</b>						
PERSONAL SERVICES	\$17,228,795	\$18,798,077	\$20,113,942	\$21,521,918	\$23,028,452	\$24,640,444
CONTRACTUAL SERVICES	4,725,001	4,902,019	5,245,160	5,612,321	6,005,184	6,425,547
MATERIALS AND SUPPLIES	1,687,940	1,758,088	1,881,154	2,012,835	2,153,733	2,304,495
UTILITIES	3,493,624	3,332,672	3,565,959	3,815,576	4,082,666	4,368,453
REPAIRS AND MAINTENANCE	2,525,935	2,713,488	2,903,432	3,106,672	3,324,139	3,556,829
OTHER EXPENSES	3,567,087	4,172,451	4,464,523	4,777,039	5,111,432	5,469,232
<b>TOTAL CURRENT EXPENSES</b>	<b>\$33,228,382</b>	<b>\$35,676,795</b>	<b>\$38,174,170</b>	<b>\$40,846,362</b>	<b>\$43,705,607</b>	<b>\$46,764,999</b>
<b>OPERATING INCOME</b>	<b>\$22,146,064</b>	<b>\$20,802,933</b>	<b>\$20,127,005</b>	<b>\$20,397,861</b>	<b>\$20,172,938</b>	<b>\$19,918,030</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
INTEREST REVENUE (2)	\$2,555,267	\$3,523,003	\$1,986,234	\$1,315,454	\$2,163,656	\$1,423,152
MISCELLANEOUS	\$0	\$0	\$0	\$0	\$0	\$0
<b>PLEGGED REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>\$24,701,331</b>	<b>\$24,325,936</b>	<b>\$22,113,239</b>	<b>\$21,713,315</b>	<b>\$22,336,594</b>	<b>\$21,341,182</b>
<b>DEBT SERVICE REQUIREMENT: (3)</b>						
SERIES 1985 & 1987	\$4,854,500	\$0	\$0	\$0	\$0	\$0
SERIES 1992 ISSUE (4)	\$3,922,129	\$9,889,645	\$10,264,768	\$10,270,284	\$10,266,753	\$10,265,318
ADDITIONAL BONDS (5)	0	0	0	3,470,879	3,470,879	3,470,879
<b>TOTAL DEBT SERVICE REQUIREMENTS</b>	<b>\$8,776,629</b>	<b>\$9,889,645</b>	<b>\$10,264,768</b>	<b>\$13,741,163</b>	<b>\$13,737,632</b>	<b>\$13,736,197</b>
<b>DEBT SERVICE COVERAGE: BY NET REVENUES</b>	<b>2.81</b>	<b>2.46</b>	<b>2.15</b>	<b>1.58</b>	<b>1.63</b>	<b>1.55</b>

- (1) Other Wastewater Service Revenue includes the following categories: 1) Environmental Surcharge, 2) Industrial, 3) Septic Service and 4) Revenue & Maintenance Fees. These revenues are not subject to assumed or calculated annual rate increases or growth assumptions. Projections for FY's 1993 - 1997 were provided by the County in the FY 1993 Budget.
- (2) Interest income is projected assuming 5.3 % per annum earnings on the average balance of the required Renewal and Replacement Account, the Operation and Maintenance Account and all other funds held during each year of the forecast period, except that earnings on the Construction Fund are assumed at an average rate of 5.0% per annum.
- (3) Debt service payments for Fiscal Year 1992 assume a partial year's debt service on the Series 1985 Bonds and Series 1987 Bonds (prior to defeasance thereof upon issuance of Series 1992 Bonds) and a partial year's debt service on the Series 1992 Bonds.
- (4) Assumes the Series 1992 Bonds will be issued in the aggregate principal amount of \$127,755,000 with an average annual interest rate of 6.57%, will have substantially level annual debt service and a final maturity of October 1, 2017.
- (5) Assumes an issue of Additional Bonds in Fiscal Year 1995 in the aggregate principal amount of \$40,992,000 with an average annual interest rate of 7.50%, substantially level annual debt service and a final maturity of October 1, 2025.

SOURCE: BURTON & ASSOCIATES

06/01/92

**ORANGE COUNTY  
WATER UTILITIES SYSTEM  
FORECASTED SOURCES AND USES OF FUNDS  
FISCAL YEARS ENDING SEPTEMBER 30, 1992 THROUGH 1997**

	PROJECTED FISCAL YEARS					
	1992	1993	1994	1995	1996	1997
<b>SOURCES:</b>						
BEGINNING BALANCES:						
RESERVE REVENUE ACCOUNT	\$26,177,239	\$16,857,590	\$18,456,622	\$8,199,940	\$5,000,000	\$5,000,000
BOND FUNDS CARRIED FORWARD	0	44,587,931	24,543,931	3,434,931	32,502,712	17,492,308
RESTRICTED RESERVES BALANCE	16,020,455	10,220,343	10,566,044	11,137,621	11,774,147	12,497,936
WATER CONNECTION FEES BALANCE	10,192,719	11,275,019	0	0	0	0
SEWER CONNECTION FEES BALANCE	0	0	0	0	0	0
REVENUE:						
NET OPERATING REVENUE	22,146,064	20,802,933	20,127,005	20,397,861	20,172,938	19,918,030
WATER CONNECTION FEE REVENUE	4,321,000	4,124,000	4,002,000	4,002,000	4,002,000	4,002,000
SEWER CONNECTION FEE REVENUE	5,873,000	5,873,000	4,688,000	3,008,000	3,008,000	3,008,000
ADDITIONAL DEPOSITS RECEIVED	100,000	100,000	100,000	100,000	100,000	100,000
INVESTMENT EARNINGS	2,555,267	3,523,003	1,986,234	1,315,454	2,163,656	1,423,152
D.S. RESERVE FUND LIQUIDATION PREMIUM	763,093					
NET BOND PROCEEDS - SERIES 1992 BONDS	55,228,931	0	0	0	0	0
ADDITIONAL NET BOND PROCEEDS	0	0	0	39,981,793	0	0
<b>TOTAL SOURCES</b>	<b>\$143,377,768</b>	<b>\$117,363,819</b>	<b>\$84,469,836</b>	<b>\$91,577,599</b>	<b>\$78,723,453</b>	<b>\$63,441,426</b>
<b>USES:</b>						
CAPITAL EXPENDITURES:						
WATER & WASTEWATER CAPITAL IMPROVEMENTS (1)	\$23,662,000	\$48,041,000	\$47,566,000	\$24,693,000	\$26,129,000	\$27,599,000
PROJECTS FROM FY1991	1,114,000					
DEBT SERVICE:						
EXISTING DEBT SERVICE	4,854,500	0	0	0	0	0
SERIES 1992 ISSUE	3,922,129	9,889,645	10,264,768	10,270,284	10,266,753	10,265,318
DEBT SERVICE FOR ADDITIONAL BONDS	0	0	0	3,470,879	3,470,879	3,470,879
OTHER CASH REQUIREMENTS:						
REFUND OF PREPAID CONNECTION FEES	6,469,000	2,800,000	800,000	800,000	800,000	800,000
MINOR CAPITAL	996,577	996,577	996,577	996,577	996,577	996,577
GENERAL FUND CONTRIBUTION	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
CAPITAL LEASES/PAYBACK AGREEMENTS	570,000	570,000	570,000	570,000	570,000	570,000
DEFEASANCE/REFUNDING OF SERIES 1986 BONDS	18,848,679	0	0	0	0	0
RESTRICTED INVESTMENTS:						
DEBT SERVICE RESERVE FUND	0	0	0	0	0	0
R&R RESERVE REQUIREMENT	2,711,219	2,768,722	2,823,986	2,915,059	3,062,211	3,193,927
CUSTOMER DEPOSITS	1,750,000	1,850,000	1,950,000	2,050,000	2,150,000	2,250,000
O&M RESERVE REQUIREMENT	5,759,124	5,947,322	6,363,634	6,809,089	7,285,725	7,795,725
RATE STABILIZATION FUND	0	0	0	0	0	0
<b>TOTAL USES</b>	<b>\$70,857,228</b>	<b>\$74,363,266</b>	<b>\$72,834,966</b>	<b>\$54,074,887</b>	<b>\$56,231,145</b>	<b>\$58,441,427</b>
ENDING BALANCE	\$72,720,540	\$43,000,553	\$11,634,871	\$37,502,712	\$22,492,308	\$5,000,000
ADD BACK RESTRICTED INVESTMENTS	10,220,343	10,566,044	11,137,621	11,774,147	12,497,936	13,239,653
<b>TOTAL ENDING BALANCE</b>	<b>\$82,940,883</b>	<b>\$53,566,597</b>	<b>\$22,772,491</b>	<b>\$49,276,859</b>	<b>\$34,990,244</b>	<b>\$18,239,652</b>
<b>COVERAGE AND RATES:</b>						
DEBT SERVICE COVERAGE:						
BY NET INCOME (INCLUDING INVESTMENT EARNINGS)	2.81	2.46	2.15	1.58	1.63	1.55
PERCENT RATE INCREASES	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

(1) INCLUDES SUPPORT CAPITAL EXPENDITURES, CAPITALIZED NEW METERS, CAPITALIZED LABOR, AND DEVELOPER PROJECTS.

SOURCE: BURTON & ASSOCIATES

06/01/92

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APPENDIX D

ORANGE COUNTY WATER AND WASTEWATER SYSTEM

ORANGE COUNTY, FLORIDA

ANNUAL FINANCIAL REPORT

for the years ended September 30, 1991 and 1990

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