



## **AMHERST COUNTY SERVICE AUTHORITY**

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August 26, 2011

To: Amherst County Service Authority Board

Subject: ACSA Debt Service Obligations, How They Might Be Addressed, And A Summary Of Available ACSA Reserves

Dear Board Members:

Attached you will find our financial consultant's 2011 Pro-Forma Cash Flow Update. It contains the pros and cons of several possible ways to address the Authority's escalating debt service payments (increasing by \$120,500 in CY 2012). Three of these are potential refinancing alternatives. Please study the material closely and have your ideas and questions ready for the meeting.

One pair of approaches is to temporarily draw down Dedicated or Non-Dedicated Cash Reserves. In order for the Board to fully evaluate those alternatives they must be aware of what financial resources are available. Below is a summary of those resources, based primarily on the Treasurer's Trial Balance of 12/31/10.

The year end trial balance is referenced because it is the most stable. During other months balances fluctuate dramatically. (Immediately prior to semi-annual debt service payments we might appear flush with cash, while immediately after we would appear destitute.) December is also a mid-point between two such payments. The figures below also reflect two significant changes since that date, reimbursement of all 2010 bond project expenditure, and the Harris Creek Weir replacement authorization earlier this year.



\$ 7,919,075	= 12/31/10 Treasurer's Trail Balance
<u>- 5,281,545</u>	= Bond Construction Funds, Invested Until Reimbursed
\$ 2,637,530	
<u>+ 984,966</u>	= 2010 Bond Project Reimbursements, In Early 2011
\$ 3,622,496	
<u>- 1,000,000</u>	= Dedicated, Rate Stabilization Reserve
\$ 2,622,496	
<u>- 412,324</u>	= Dedicated, Water Rights/Swimming Pool Reserve
\$ 2,210,172	
<u>- 412,324</u>	= Dedicated, Watershed Real Estate Reserve
\$ 1,797,848	
<u>- 303,000</u>	= Dedicated, Harris Creek Replacement Weir Reserve
\$ 1,494,848	= Non-Dedicated Cash Reserves

The 2011 budget, excluding bond construction project appropriations, is \$3,371,076. Therefore, **Non-Dedicated Cash Reserves**, at 44.3% of the budget, are already slightly below the 50% Best Practice level recommended by our financial consultants.

[Please note that the \$1,000,000 Dedicated Rate Stabilization Reserve is an outgrowth of the 2000 Bonds, and their refinancing in 2010. It exists to assure current and future bond holders of ACSA's financial stability and credit worthiness. The fact that it was in place allowed the Authority to float both its 2009 and 2010 bonds at the lowest possible interest rates, and without having to borrow substantial additional funds to establish new Debt Service Reserves.]

I hope the Board finds this information useful as they consider the various alternatives to meet future debt service obligations suggested in the Pro-Forma.

Sincerely,



Dan E. French  
Director of Public Utilities

**DAVENPORT**  
& COMPANY LLC

Est. 1863 • Member: NYSE • FINRA • SIPC

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**Pro-Forma Cash Flow Update**  
**Amherst County Service Authority**  
**September 6, 2011**

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# Goals & Objectives

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- Adjust rates and charges so that the Authority has sufficient annual cash flow available to pay annual operating expenses and provide the **Bond Trust Agreement Requirement of \$1.15 for Every \$1.00 of Debt Service (1.15x Debt Service Coverage). Operational budget must be structurally balanced.**
- This is a Requirement of the Authority's Bond Trust Agreement to keep from a default and is a common requirement of Utility Revenue Bonds.
- Maintain adequate level of Non-Designated Cash Reserves. **For a Utility the size of ACSA, Non-Designated Cash Reserve levels in keeping with Best Practices approximate 50% of the total budget.**
- Such reserves are necessary for a utility to be able to respond to essential emergency capital expenditures or to undertake capital improvement projects when desirable opportunities arise.
- Minimize any "Rate Shock" from Future Water & Sewer Rate increases such as the double digit adjustments the Authority experienced in the late 1980's/Early 1990's.
- With the issuance of the 2000 Bonds, the Authority began considering and implementing rate increases every two years.
- In 2006, the Authority began an annual review and implementation of adjusting rates and charges so as to further "smooth out" the impact to the customer.

# Background

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- In 2009 the Authority borrowed approximately \$8.04 million for the Lanum Filtration Plant Technological Upgrades (the “Project”) to meet requirements of new Federal Water Quality Regulation mandates that were beyond the control of the Authority:
- The Plan of Finance provided for the following:
  1. Taking advantage of the low interest rate environment;
  2. Avoiding potential limited availability of qualified contractors to perform the required work at a competitive cost as both the new water quality regulations and requirements of the Chesapeake Bay Clean Water initiatives were emerging on the same timeline; and
  3. Completing the construction of the project at favorable pricing as a result of the bids received.
- The project provided for the ability to meet both current and future residential, commercial and industrial community needs, until the next treatment plant hydraulic expansion (projected for approximately 2025).
- As a part of the planning process for the 2009 Bonds, a five year plan with annual rate adjustments (consistent with the 2006 annual rate adjustment decision) was presented to the Board to meet projected debt service needs and was adopted.

## **Background (cont.)**

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- As a result of the continued recessionary environment during the CY 2011 budget cycle, the Authority Board reconsidered annual adjustments to its rates, which has been a practice since 2006.
  - Rates were effectively held flat with no increase from CY 2010 through CY 2011 with the Authority deferring any increase until CY 2012.
  - **The Authority's discretionary budget appropriations have been further cut by 27.5% over the last two years in an attempt to accommodate debt service costs related to the 2009 Bonds, and recessionary revenue levels.**
  
- The pro-forma model has been updated to include actual CY 2010 audited information and the most current CY 2011 budget.
  - In CY 2010, CVTC experienced a leak that materially affected its usage and fees for that year.
  - The repair of the leak and continued downsizing by CVTC in CY 2011 have further reduced the anticipated revenue from this customer.
  - Projections for CY 2012 fully incorporate this decline in revenue.

# Expense Assumptions

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- CY 2011 Budget Expenditures used as the base line for pro-forma purposes.
- July 1 Wage Compensation adjustments are projected to be 5% per year as the recession subsidies and the Authority Board restores its merit based employee compensation program.
- Fill the vacant plant operator at \$36,000 beginning in CY 2014
- 3.0% growth rate for all other expenses beginning in CY 2012, except debt service and fees to the Regional Wastewater Treatment Facility. Regional plant expenses are rising more rapidly due primarily to the requirements of the Chesapeake Bay Clean Water initiatives and higher sludge disposal cost caused by the closure of the Lynchburg landfill. Annual costs are expected to rise from the current \$151,000 to \$179,000 for CY 2012.
- \$200,000 of Necessary James River Sewer Line Erosion Stabilization expense funded from cash reserves in CY 2012 – matched with Corps of Engineers grant.
- Due to the necessary treatment plant overhauls and upgrades, Lynchburg landfill closure and Chesapeake Bay Clean Water initiatives, the Lynchburg Note Payments are estimated to increase from the current \$223,600 to the following:
  - CY 2012 = \$268,000
  - CY 2013 = \$270,000
  - CY 2014 = \$323,000
  - CY 2015 = \$333,000

# Revenue Assumptions

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- Debt Service Fully Incorporates the 2009 Bond for the Lanum Filtration Plant Upgrade and the 2010 Refinancing.
  - 2009 New Money Bonds Reach Peak Debt Service at **\$665,000** in FY 2014.
  - 2010 Refunding Bonds Reduce Debt Service by Approximately \$40,000 from Prior 2000 Bond Levels. Revised Ongoing Debt Service for this Obligation is Approximately **\$275,000**.
  
- Decreased activities resulting from CVTC's accelerated downsizing remains a bigger impact than in prior projections.
  - Based on year to date CY 2011 numbers, it appears the conservation from CVTC will result in larger than anticipated revenue declines.
  - Volume in billable units is assumed to further decrease at 7.0% per year from CY 2011.
  
- All other residential and commercial average volumes are held constant.
  
- Active Account Growth:
  - Water – 25 per Year.
  - Sewer – 10 Per Year.
  
- New Connection Growth:
  - Water – 48 per Year.
  - Sewer – 8 Per Year.



# Estimated Water Rate Impact

## Projected Water Rate Increase (Current vs Prior Projection)

Year	Current		Prior	
	Average Monthly Residential Cost Impact	9/6/2011 Pro-Forma Projection	Average Monthly Residential Cost Impact	8/3/2010 Pro-Forma Projection
2010	\$1.10	7.50%	\$1.10	7.50%
2011	\$0.00	0.00%	\$1.20	7.50%
2012	\$3.35	21.00%	\$1.25	7.25%
2013	\$1.15	6.00%	\$1.30	7.00%
2014	\$1.10	5.50%	\$1.30	6.50%

**\$30.55**  
**Projected 2014 Average Monthly Residential Customer Cost**

- Billing charge is held constant at \$18.00 and excluded from rate adjustments.
- Difference between the prior projection and the current projection (through CY 2014) is 55¢.
- With the annual rate adjustments the projected 2014 Average Monthly Residential Customer Cost increases approximately \$5.60 per month from CY 2011 Levels (\$24.95).
- Projected increase for CY 2015 and CY 2016 approximates inflationary growth averaging 3.0%.

# Estimated Sewer Rate Impact

## Projected Sewer Rate Increase (Current vs Prior Projection)

Year	Current		Prior	
	Average Monthly Residential Cost Impact	9/6/2011 Pro-Forma Projection	Average Monthly Residential Cost Impact	8/3/2010 Pro-Forma Projection
2010	\$1.50	7.50%	\$1.50	7.50%
2011	\$0.00	0.00%	\$1.60	7.50%
2012	\$4.50	21.00%	\$1.65	7.25%
2013	\$1.55	6.00%	\$1.75	7.00%
2014	\$1.50	5.50%	\$1.70	6.50%

**\$29.05**

**Projected 2014 Average Monthly Residential Customer Cost**

**\$28.20**

- Difference between the prior projection and the current projection (through CY 2014) is 85¢.
- With the annual rate adjustments the projected 2014 Average Monthly Residential Customer Cost increases approximately \$7.55 per Month from CY 2011 Levels (\$21.50).
- Projected increase for CY 2015 and CY 2016 approximates inflationary growth averaging 3.0%.

# General Observations

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- Based on the revised assumptions and projections the cumulative difference in Rate Impacts by CY 2014 (Versus the August 2010 Projections) is modest at \$0.55 per month for water and \$0.85 per month for sewer.
- It is important to note that because the Board has instructed staff to freeze the Basic Service Fee at \$18.00 for each bill, the percentage increase related to water charges for the average monthly residential customer is lower.

	<u>2011</u>	<u>2012</u>	<u>% Change</u>
Basic Service Fee	\$18.00	\$18.00	0.00%
Water Rate	\$3.19	\$3.86	21.00%
<u>Translated to:</u>			
Avg. Monthly Residential Co:	\$24.95	\$28.30	13.43%
(4.9hcf/month)			

# General Observations

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- Although expenses have been moderated in the near term due to economic circumstances, general operating requirements of the system related to providing services and ongoing maintenance necessitate some levels of increases.
- Rate increases shown herein are based on the revised revenue and expense assumptions. Reduced revenues due to increased conservation efforts at CVTC, increased sewer treatment expenses and **Holding rates constant in CY 2011 has put greater pressure on the CY 2012 (and beyond) rate projections.**
- The table below shows the impact of rate increases for O&M growth plus debt service versus debt service only (assuming the O&M budget can remain constant).

<u>Year</u>	<u>Projected Rate Increases for</u>	
	<u>O&amp;M</u>	<u>Debt Service</u>
2012	21.00%	15.50%
2013	6.00%	2.00%
2014	5.50%	1.50%

# General Observations

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- **Recommendation:** the Authority should plan to generate sufficient ongoing revenues to pay for operational expenses and cover its **Debt Service Obligations by 1.15x – This is a Bond Trust Agreement requirement to keep from a default.**
- The Authority Board may use monies from Non-Designated Cash Reserves or the Authority Board may find it more acceptable to redirect funds from one or both of the \$412,324 Designated Reserves for Water Shed/Water Rights to temporarily offset anticipated rate increases.
- **According to Best Practices it is Davenport’s strong recommendation that the Authority maintain a Non-Designated Cash Reserve balance approximating a minimum of 50% of its annual operating budget before dedicating funds to discretionary capital expenditures or other purposes.**
- If the Authority Board wishes to use any of the funds described above to mitigate the rate increases, it must procedurally transfer such funds to the Rate Stabilization Fund first and then apply them toward its revenues as needed.
- **Note: The Bond Trust Agreement requires that the Rate Stabilization Fund be maintained at \$1 million, if the Authority Board desires to lower this requirement, it must obtain an independent financial consultant to certify that a lower amount is justified. Although the Authority Board may be able to undertake such action, doing so may affect the Authority’s credit should it need to borrow for refinancing or any other purpose.**
- **Additionally, the use of one time monies from any source to balance the upcoming budget may require subsequent rate increases to be larger to cover projected future budgets or restore those funds.**

# General Observations

➤ Impact of using one time funds to mitigate projected CY 2012 rate increase. The following assumes that the Authority Board uses \$300,000 in one time funds spread out over CY 2012 and CY 2013.

<u>Year</u>	<u>Projected Rate Increases</u>		<u>Funds Used</u>
	<u>Current Projection</u>	<u>With Use of One Time Funds</u>	
2012	21.00%	10.00%	\$265,000
2013	6.00%	13.50%	\$35,000
2014	5.50%	8.50%	\$0
	32.50%	32.00%	\$300,000

- **The use of one time funds reduces the CY 2012 impact from 21% to 10%, however, subsequent increases are larger.**
- Once the Authority Board uses the one time funds they are gone forever, unless there is some provision to replenish them in future budgets.
- **With the use of one time funds in CY 2012 and CY 2013, rates would have to be higher in later years (i.e. CY 2014 and thereafter) than those shown above to incorporate the ability to replenish the amounts used.**

# Refinancing/Restructuring 2009 Bonds

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- Given the current historically low interest rate environment, the Authority may have a potential refinancing and restructuring opportunity with respect to its Series 2009 Bonds that could help reduce the projected rate increases.
- Recommendation:** Given today's low interest rate environment, pursue a potential refinancing and restructuring. Goals would include:
  - Lower the Authority's cost of funds; and
  - If the Authority Board so desired, reduce cash flow pressure on Rates and Charges related to the existing 2009 Bond debt service by extending the debt from the current 18 year amortization to either 20 or 25 years.

The Authority has two potential alternatives for such refinancing:

1. Private Placement with a local banking institution; or
2. Participating in the Virginia Resources Authority's Pooled Financing Program.

# Refinancing/Restructuring 2009 Bonds

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## Alternative 1: Private Placement

- The Refinancing would have a 20 year amortization, which is two years longer than the current debt structure. The interest rate would be guaranteed for 10-year period (with a reset at the end of year 10 for the remaining term);
- Refinancing would be a Revenue Bond of the Authority;
- Can be completed in approximately 45-60 days depending on the Authority's meeting schedule;
- The Authority only pays for professional work (Bond Counsel, Financial Advisor, and Bank) upon a successful closing;
- Private Placements offer the ability to competitively procure the most favorable banking services from a group of local, regional and national banks; and
- The Authority has the benefit of knowing exactly the terms and conditions via this strategy before it decides whether or not to move forward.
- Should interest rates be higher at the end of the first 10 year period, the Authority could refinance the debt and/or cover the increase in interest cost from community growth or interest income.



# Refinancing/Restructuring 2009 Bonds

## Alternative 1: 20 Year Private Placement – Preliminary Results

- Impact on Rates: Projected increases from CY 2012 through CY 2014 are reduced by 3.50%.

### Series 2009 Bonds

2009 Bond Payoff 8,200,000  
 Interest Rate 4.50%  
 Final Maturity 2029

### Proposed Refunding

Refunding Bonds Issued 8,250,000  
 Interest Rate 3.50%  
 Final Maturity 2031

### Preliminary Savings

Debt Service Savings 2012-2021 903,000  
 Debt Service Savings 2022-2029 0  
 Additional Debt Service 2030-2031 0  
 Net Cash Flow Savings 903,000  
 PV Savings 639,000  
 % of Refunded Bonds 7.94%

If Rate remains at 3.50%		Total	
1st Ten Years	2nd Ten Years	768,000	1,671,000
0	0	(1,132,000)	(1,132,000)
903,000	(364,000)	539,000	639,000
			7.94%

### Debt Service Comparison

Year	Series 2009 Bonds	Proposed Refunding	Annual Savings (Cost)
2011	465,000	405,000	60,000
2012	585,000	566,000	19,000
2013	622,000	566,000	56,000
2014	662,000	566,000	96,000
2015	662,000	566,000	96,000
2016	662,000	566,000	96,000
2017	662,000	566,000	96,000
2018	662,000	566,000	96,000
2019	662,000	566,000	96,000
2020	662,000	566,000	96,000
2021	662,000	566,000	96,000
2022	662,000	566,000	96,000
2023	662,000	566,000	96,000
2024	662,000	566,000	96,000
2025	662,000	566,000	96,000
2026	662,000	566,000	96,000
2027	662,000	566,000	96,000
2028	662,000	566,000	96,000
2029	662,000	566,000	96,000
2030	0	566,000	(566,000)
2031	0	566,000	(566,000)
Totals	12,264,000	11,725,000	539,000

# Refinancing/Restructuring 2009 Bonds

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## Alternative 2: Virginia Resources Authority

- The Refinancing would have a 20 year (or 25 year) amortization, which is two (to seven) years longer than the current debt structure;
- Refinancing would be a Revenue Bond of the Authority;
- The next available opportunity to apply is for the Spring 2012 sale (applications would be due in the winter);
- The transaction would be executed based on prevailing market conditions and savings benchmarks as established by the Authority. If the market conditions do not provide meeting these benchmarks the refinancing will not proceed.
- Once Interest Rates are established during the bond sale, **the cost of funds is fixed and will not change over the life of the transaction.**
- Preliminary results are shown on the next two pages based on market conditions as of August 23, 2011. Rates are subject to change until the transaction is completed in the Spring of 2012.

# Refinancing/Restructuring 2009 Bonds

## Alternative 2A: 20 Year VRA – Preliminary Results

➤ Impact on Rates: Projected increases from CY 2012 through CY 2014 are reduced by 3.25%.

### Series 2009 Bonds

2009 Bond Payoff 7,944,000  
Interest Rate 4.50%  
Final Maturity 2029

### Proposed Refunding

Refunding Bonds Issued 8,150,000  
Interest Rate (1) 3.75%  
Final Maturity 2031

### Preliminary Savings

Debt Service Savings 2012-2029 1,432,000  
Additional Debt Service 2030-2031 (1,162,000)  
Net Cash Flow Savings 270,000  
PV Savings 472,000  
% of Refunded Bonds 3.57%

### Debt Service Comparison

Year	Series 2009 Bonds	Proposed Refunding	Annual Savings (Cost)
2011	--	--	--
2012	403,000	308,000	95,000
2013	622,000	581,000	41,000
2014	662,000	581,000	81,000
2015	662,000	581,000	81,000
2016	662,000	581,000	81,000
2017	662,000	581,000	81,000
2018	662,000	581,000	81,000
2019	662,000	581,000	81,000
2020	662,000	581,000	81,000
2021	662,000	581,000	81,000
2022	662,000	581,000	81,000
2023	662,000	581,000	81,000
2024	662,000	581,000	81,000
2025	662,000	581,000	81,000
2026	662,000	581,000	81,000
2027	662,000	581,000	81,000
2028	662,000	581,000	81,000
2029	662,000	581,000	81,000
2030	0	581,000	(581,000)
2031	0	581,000	(581,000)
Totals	11,617,000	11,347,000	270,000

(1) Market as of August 23, 2011.

# Refinancing/Restructuring 2009 Bonds

## Alternative 2B: 25 Year VRA – Preliminary Results

- **Impact on Rates:** Projected increases from CY 2012 through CY 2014 are reduced by 6.0%.

### Series 2009 Bonds

2009 Bond Payoff 7,944,000  
 Interest Rate 4.50%  
 Final Maturity 2029

### Proposed Refunding

Refunding Bonds Issued 8,150,000  
 Interest Rate (1) 3.99%  
 Final Maturity 2036

### Preliminary Savings

Debt Service Savings 2012-2029 2,483,000  
 Additional Debt Service 2030-2031 (3,647,000)  
 Net Cash Flow Savings (Cost) (1,164,000)  
 PV Savings 195,000  
 % of Refunded Bonds 2.46%

(1) Market as of August 23, 2011.

### Debt Service Comparison

Year	Series 2009 Bonds	Proposed Refunding	Annual Savings (Cost)
2011	--	--	--
2012	403,000	277,000	126,000
2013	622,000	521,000	101,000
2014	662,000	521,000	141,000
2015	662,000	521,000	141,000
2016	662,000	521,000	141,000
2017	662,000	521,000	141,000
2018	662,000	521,000	141,000
2019	662,000	521,000	141,000
2020	662,000	521,000	141,000
2021	662,000	521,000	141,000
2022	662,000	521,000	141,000
2023	662,000	521,000	141,000
2024	662,000	521,000	141,000
2025	662,000	521,000	141,000
2026	662,000	521,000	141,000
2027	662,000	521,000	141,000
2028	662,000	521,000	141,000
2029	662,000	521,000	141,000
2030	0	521,000	(521,000)
2031	0	521,000	(521,000)
2032	0	521,000	(521,000)
2033	0	521,000	(521,000)
2034	0	521,000	(521,000)
2035	0	521,000	(521,000)
2036	0	521,000	(521,000)
Totals	11,617,000	10,697,000	(1,164,000)

# Operating Pro-forma - Case 18.25.11 Revised Projections

	Audited					Budget					Projected				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
<b>Amherst County Service Authority</b>															
Fiscal Year Ended December 31,															
<b>Operating Revenue from Services</b>															
1	1,953,328	2,123,953	2,218,137	2,471,369	2,298,400	2,642,114	2,758,700	2,870,560	2,936,778	3,003,665					
2	590,935	600,744	525,671	624,629	688,500	606,651	638,508	669,440	685,764	703,696					
3	107,993	52,783	90,092	100,440	72,900	72,900	72,900	72,900	72,900	72,900					
4	2,652,256	2,777,480	2,833,907	3,196,438	3,059,800	3,321,665	3,470,108	3,612,901	3,695,443	3,780,260					
5	702,283	448,135	1,119,947	958,062	272,300	321,020	337,863	354,229	363,647	373,347					
6															
7															
8	39,004	36,503	37,734	45,035	40,225	40,225	40,225	40,225	40,225	40,225					
9	177,613	116,567	26,586	21,673	9,400	2,579	5,945	6,081	6,106	6,150					
10	216,617	153,070	64,320	66,708	49,625	42,804	46,170	46,306	46,331	46,375					
11															
12	<b>3,571,156</b>	<b>3,378,685</b>	<b>4,018,174</b>	<b>4,221,208</b>	<b>3,381,725</b>	<b>3,685,490</b>	<b>3,854,142</b>	<b>4,013,436</b>	<b>4,105,420</b>	<b>4,199,983</b>					
13	8.62%	-5.39%	18.93%	5.05%	-19.89%	8.98%	4.58%	4.13%	2.29%	2.30%					
14	<b>Operating Expenses</b>														
15	169,703	324,023	313,372	339,480	226,000	232,676	239,549	246,625	253,912	261,414					
16	369,006	439,777	423,181	419,260	484,756	498,122	511,859	561,979	577,391	593,229					
17	211,485	234,066	254,872	276,413	324,400	333,120	342,075	351,274	360,722	370,426					
18	21,457	19,983	39,485	27,980	21,000	21,543	22,099	22,670	23,256	23,857					
19	58,520	47,175	66,722	84,994	55,800	57,369	58,982	60,642	62,348	64,102					
20	152,523	168,914	230,412	206,784	208,800	240,478	248,203	257,978	265,802	273,648					
21	208,194	207,387	228,716	225,976	227,813	233,791	239,928	246,226	252,691	259,327					
22	645,728	655,922	660,761	655,764	696,207	715,672	735,686	756,264	777,421	799,176					
23	143,575	197,596	41,693	27,240	17,200	60,096	62,199	64,376	66,629	68,961					
24	31,100	77,635	41,693	27,240	12,000	32,888	33,875	34,891	35,937	37,016					
25	201,355	261,995	212,304	216,213	223,600	268,000	270,000	323,000	332,690	342,671					
26															
27	<b>2,212,646</b>	<b>2,634,473</b>	<b>2,513,211</b>	<b>2,507,344</b>	<b>2,497,576</b>	<b>2,693,754</b>	<b>2,764,455</b>	<b>2,925,924</b>	<b>3,008,799</b>	<b>3,093,826</b>					
28	1.85%	19.06%	-4.60%	-0.23%	-0.39%	7.85%	2.62%	5.84%	2.83%	2.83%					
29	<b>Revenues Available for Debt Service</b>														
30	<b>1,358,510</b>	<b>744,212</b>	<b>1,504,963</b>	<b>1,713,864</b>	<b>884,149</b>	<b>991,736</b>	<b>1,089,686</b>	<b>1,087,512</b>	<b>1,096,621</b>	<b>1,106,157</b>					
31															
32	<b>Parity Debt Service Obligations</b>														
33	0	0	0	0	0	0	0	0	0	0					
34	314,125	315,045	315,668	157,993	0	0	0	0	0	0					
35	0	0	0	396,656	465,625	586,980	626,855	667,480	666,720	667,330					
36	0	0	0	132,734	280,185	278,830	278,305	276,567	275,160	276,567					
37	314,125	315,045	315,668	687,383	745,810	865,810	905,160	944,047	941,880	943,897					
38															
39	<b>1,044,385</b>	<b>429,167</b>	<b>1,189,295</b>	<b>1,026,481</b>	<b>138,339</b>	<b>125,926</b>	<b>184,526</b>	<b>143,465</b>	<b>154,741</b>	<b>162,260</b>					
40															
41	4.32	2.36	4.77	2.49	1.19	1.15	1.20	1.15	1.16	1.17					
42															
43															
44	<b>3,085,986</b>	<b>3,154,342</b>	<b>2,891,008</b>	<b>2,567,674</b>	<b>2,579,413</b>	<b>2,378,173</b>	<b>2,432,377</b>	<b>2,442,275</b>	<b>2,460,111</b>	<b>2,382,029</b>					
45															

# Fund Balances

## Preliminary Pro-forma

### Amherst County Service Authority

Fiscal Year Ended December 31,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Undesignated Funds</b>										
301 Beginning Balance	740,181	740,181	741,871	741,871	741,871	753,610	753,610	807,815	817,713	835,548
302 Plus: Deposits from Operations	0	1,690	897,636	753,015	11,739	0	54,205	9,898	17,835	0
303 Plus: Interest Income	22,205	22,205	7,419	7,419	742	754	1,884	2,020	2,044	2,089
304 Plus: Deposits from Reimbursement	0	0	0	0	0	0	0	0	0	0
305 Less: Expenditures	0	0	(897,636)	(753,015)	0	0	0	0	0	0
306 Less: Transfers	(22,205)	(22,205)	(7,419)	(7,419)	(742)	(754)	(1,884)	(2,020)	(2,044)	(2,089)
307 Ending Balance(1)	740,181	741,871	741,871	741,871	753,610	753,610	807,815	817,713	835,548	835,548
308 (1) Includes reimbursement from bond proceeds										
309 Investment Rate:	<b>3.00%</b>	<b>3.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>
<b>Designated Funds</b>										
310 Beginning Balance	2,870,719	2,345,804	2,412,470	2,149,136	1,825,802	1,825,802	1,624,562	1,624,562	1,624,562	1,624,562
311 Plus: Deposits from Operations	66,666	66,666	66,666	66,666	0	0	0	0	0	0
312 Plus: Interest Income	86,122	70,374	24,125	21,491	1,826	1,826	4,061	4,061	4,061	4,061
313 Less: Expenditures	(591,581)	0	(330,000)	(390,000)	0	(201,240)	0	0	0	(78,081)
314 Less: Completion of Reservoir	0	0	0	0	0	0	0	0	0	0
315 Less: Transfers to Undesignated Funds	0	0	0	0	0	0	0	0	0	0
316 Less: Transfers to Operations	(86,122)	(70,374)	(24,125)	(21,491)	(1,826)	(1,826)	(4,061)	(4,061)	(4,061)	(4,061)
317 Ending Balance	2,345,804	2,412,470	2,149,136	1,825,802	1,825,802	1,624,562	1,624,562	1,624,562	1,624,562	1,546,481
318 Investment Rate:	<b>3.00%</b>	<b>3.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>
<b>Debt Service Reserve Fund</b>										
320 Beginning Balance	317,700	317,700	317,700	317,700	0	0	0	0	0	0
321 Plus: Interest Income	6,354	6,354	6,354	0	0	0	0	0	0	0
322 Less: Transfers	(6,354)	(6,354)	(6,354)	(317,700)	0	0	0	0	0	0
323 Ending Balance	317,700	317,700	317,700	0	0	0	0	0	0	0
324 Investment Rate:	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>1.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Operating Fund</b>										
328 Beginning Balance	0	0	0	0	0	0	0	0	0	0
329 Plus: Deposits from Operations	1,044,385	429,167	1,189,295	1,026,481	138,339	125,926	184,526	143,465	154,741	162,260
330 Plus: General Fund Transfers	0	0	0	0	0	0	0	0	0	0
331 Plus: Restricted Cash	0	0	0	0	0	0	0	0	0	0
332 Plus: Bond Funds	0	0	0	7,327,000	3,300,000	0	0	0	0	0
333 Less: Capital Expenditures	(1,294,000)	(72,522)	0	(7,327,000)	(3,300,000)	(200,000)	0	0	0	(100,000)
334 Less: Plant & Equipment in Service; Inv.; S/L Rese	(341,966)	(354,955)	(291,659)	(273,466)	(126,600)	(127,167)	(130,321)	(133,567)	(136,906)	(140,342)
335 Less: Capital Payment	0	0	0	0	0	0	0	0	0	0
336 Less: Transfers (to) from Reserves	591,581	(1,690)	(897,636)	(753,015)	(11,739)	201,240	(54,205)	(9,898)	(17,835)	78,081
337 Ending Balance	0	0	0	0	0	0	0	0	0	0
338 Investment Rate:	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>1.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

# Capital Improvement Budget

Preliminary Pro-forma

Amherst County Service Authority

Fiscal Year Ended December 31,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>201 Sources of Funds</b>										
202 Operating Cashflow	1,044,385	429,167	1,189,295	1,026,481	138,339	125,926	184,526	143,465	154,741	162,260
<b>203 Cash from Reserves</b>	<b>591,581</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>201,240</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,081</b>
204 Bond Proceeds	0	0	0	7,327,000	3,300,000	0	0	0	0	0
205 General Fund Transfer	0	0	0	0	0	0	0	0	0	0
206 Designated Cash	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
207 Subtotal Sources of Funds	1,635,966	429,167	1,189,295	8,353,481	3,438,339	327,167	184,526	143,465	154,741	240,342
208										
<b>209 Uses of Funds</b>										
210 Other Capital Expenditure	<b>1,294,000</b>	<b>72,522</b>	<b>0</b>	<b>7,327,000</b>	<b>3,300,000</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100,000</b>
211 Plant & Equipment in Service	258,300	267,703	206,429	187,300	107,100	110,167	113,321	116,567	119,906	123,342
214 Watershed Property/Rights Reserve	66,666	66,666	66,666	66,666	0	0	0	0	0	0
215 Inventory	17,000	20,586	18,564	19,500	19,500	17,000	17,000	17,000	17,000	17,000
216 Subtotal Uses of Funds	1,635,966	427,477	291,659	7,600,466	3,426,600	327,167	130,321	133,567	136,906	240,342
217 <b>Surplus to Reserves</b>	<b>0</b>	<b>1,690</b>	<b>897,636</b>	<b>753,015</b>	<b>11,739</b>	<b>0</b>	<b>54,205</b>	<b>9,898</b>	<b>17,835</b>	<b>0</b>
218										
<b>219 Long-term Capital Needs</b>										
223 Reservoir Mitigation	<b>914,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
224 Graham Creek	<b>380,000</b>	<b>72,522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
225 Lanum Filtration Plant Upgrade	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,327,000</b>	<b>3,300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
226 J.R. Sewer Line Restoration	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
227 Sewer Line Ext. to Previously Developed Areas	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100,000</b>
228										
229										
230 Subtotal Capital Needs	1,294,000	72,522	0	7,327,000	3,300,000	200,000	0	0	0	100,000
231										
<b>232 Capital Funding</b>										
233 Capital Needs (FY 2001-2007)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
234 Reimbursement	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
235 Reserves/Costs of Issuance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
236 <b>Approximate Debt Issued</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,327,000</b>	<b>3,300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
237 <b>Cash Used From Reserves</b>	<b>591,581</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>201,240</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,081</b>
238										
239										
240										
241										
242										

# Breakdown of Water Charges

## Amherst County Service Authority

### Preliminary Pro-forma

Fiscal Year Ended December 31,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
401										
402 Active Residential and Commercial Accounts	5,902	5,912	5,937	5,962	5,987	6,012	6,037	6,062	6,087	6,112
403 Additional Active Accounts (Net)	<u>10</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
404 Subtotal	5,912	5,937	5,962	5,987	6,012	6,037	6,062	6,087	6,112	6,137
404 CVTC Account	1	1	1	1	1	1	1	1	1	1
405 <b>Total Active Accounts</b>	<b>5,913</b>	<b>5,938</b>	<b>5,963</b>	<b>5,988</b>	<b>6,013</b>	<b>6,038</b>	<b>6,063</b>	<b>6,088</b>	<b>6,113</b>	<b>6,138</b>
406										
407 <b>Average Gallons/Day</b>										
408 Residential and Commercial Avg. Volume	165.4	172.6	164.5	179.7	160.0	160.0	160.0	160.0	160.0	160.0
409 CVTC Volume	124,000	111,000	105,450	103,165	97,535	90,708	84,358	78,453	72,962	67,854
410										
411 Residential and Commercial Volume	<b>-3.41%</b>	<b>4.33%</b>	<b>-4.68%</b>	<b>9.24%</b>	<b>-10.97%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
412 CVTC Volume	<b>0.00%</b>	<b>-10.48%</b>	<b>-5.00%</b>	<b>-2.17%</b>	<b>-5.46%</b>	<b>-7.00%</b>	<b>-7.00%</b>	<b>-7.00%</b>	<b>-7.00%</b>	<b>-7.00%</b>
413										
414 <b>Annual Volume</b>										
415 Residential and Commercial Volume	356,945,905	373,963,539	357,959,061	392,670,284	351,060,677	352,520,510	353,980,344	355,440,177	356,900,010	358,359,843
416 CVTC Volume	<u>45,260,000</u>	<u>40,515,000</u>	<u>38,489,250</u>	<u>37,655,334</u>	<u>35,600,454</u>	<u>33,108,422</u>	<u>30,790,833</u>	<u>28,635,474</u>	<u>26,630,991</u>	<u>24,766,822</u>
417 Total Volume	402,205,905	414,478,539	396,448,311	430,325,618	386,661,131	385,628,932	384,771,176	384,075,651	383,531,001	383,126,665
418										
419 <b>Billable Units (100hcf)</b>										
420 Residential and Commercial Volume	477,200	499,951	478,555	524,960	469,332	471,284	473,236	475,187	477,139	479,091
421 CVTC Volume	<u>60,508</u>	<u>54,164</u>	<u>51,456</u>	<u>50,341</u>	<u>47,594</u>	<u>44,263</u>	<u>41,164</u>	<u>38,283</u>	<u>35,603</u>	<u>33,111</u>
422 Total Billable Units	537,708	554,116	530,011	575,302	516,927	515,547	514,400	513,470	512,742	512,201
423										
424 <b>Projected Revenue</b>										
425 Residential and Commercial Revenue	1,245,493	1,369,866	1,421,308	1,664,999	1,497,171	1,819,157	1,935,534	2,048,058	2,118,497	2,189,444
426 CVTC Revenue	<u>157,926</u>	<u>148,411</u>	<u>152,825</u>	<u>159,666</u>	<u>151,825</u>	<u>170,854</u>	<u>168,362</u>	<u>164,999</u>	<u>158,077</u>	<u>151,316</u>
427 Billing	<u>549,909</u>	<u>605,676</u>	<u>644,004</u>	<u>646,704</u>	<u>649,404</u>	<u>652,104</u>	<u>654,804</u>	<u>657,504</u>	<u>660,204</u>	<u>662,904</u>
428 <b>Total Projected Revenue</b>	<b>1,953,328</b>	<b>2,123,953</b>	<b>2,218,137</b>	<b>2,471,369</b>	<b>2,298,400</b>	<b>2,642,114</b>	<b>2,758,700</b>	<b>2,870,560</b>	<b>2,936,778</b>	<b>3,003,665</b>
429										
430 <b>Billing Charge</b>	\$15.50	\$17.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
431 <b>Water Rate</b>	\$2.61	\$2.74	\$2.97	\$3.19	\$3.19	\$3.86	\$4.09	\$4.31	\$4.44	\$4.57
432										
433 <b>Average Monthly Residential Cost (4.9hcf/month)</b>	\$20.80	\$22.20	\$23.85	\$24.95	\$24.95	\$28.30	\$29.45	\$30.55	\$31.20	\$31.85
434										
435 <b>Rate Increase</b>	\$0.12	\$0.13	\$0.23	\$0.22	\$0.00	\$0.67	\$0.23	\$0.22	\$0.13	\$0.13
436 <b>% Increase (User Rate ONLY)</b>	4.85%	4.92%	8.39%	7.50%	0.00%	21.00%	6.00%	5.50%	3.00%	3.00%
437 <b>Increase in Average Monthly Residential</b>	<b>\$1.35</b>	<b>\$1.40</b>	<b>\$1.65</b>	<b>\$1.10</b>	<b>\$0.00</b>	<b>\$3.35</b>	<b>\$1.15</b>	<b>\$1.10</b>	<b>\$0.65</b>	<b>\$0.65</b>
438										
439 <b>Effective Months</b>	12	12	12	11	12	12	12	12	12	12
440										
441										



# Breakdown of Sewer Fees

## Amherst County Service Authority

### Preliminary Pro-forma

Page 5

Fiscal Year Ended December 31, 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

501																				
502	Active Residential and Commercial Accounts	889	899	909	919	929	939	949	959	969	979	989	999							
503	Additional Active Accounts (Net)	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>							
504	Subtotal	899	909	919	929	939	949	959	969	979	989	999								
504	CVTC Account	1	1	1	1	1	1	1	1	1	1	1								
505	<b>Total Accounts</b>	<b>900</b>	<b>910</b>	<b>920</b>	<b>930</b>	<b>940</b>	<b>950</b>	<b>960</b>	<b>970</b>	<b>980</b>	<b>990</b>	<b>990</b>								
506																				
507	<b>Average Gallons/Day</b>																			
508	Residential and Commercial Avg. Volume	257	259	189	202	291	198	198	198	198	198	198								
509	CVTC Volume	120,000	101,000	95,950	112,219	55,031	51,179	47,596	44,264	41,166	38,284									
510																				
511	Residential and Commercial Volume	-13.55%	0.76%	-27.14%	6.82%	44.32%	-31.92%	0.00%	0.00%	0.00%	0.00%	0.00%								
512	CVTC Volume	0.00%	-15.83%	-5.00%	16.96%	-50.96%	-7.00%	-7.00%	-7.00%	-7.00%	-7.00%	-7.00%								
513																				
514	<b>Annual Volume</b>																			
515	Residential and Commercial Volume	84,321,559	85,910,003	63,278,727	68,332,031	99,680,741	68,584,230	69,306,930	70,029,630	70,752,330	71,475,030									
516	CVTC Volume	43,800,000	36,865,000	35,021,750	40,959,780	20,086,235	18,680,199	17,372,585	16,156,504	15,025,549	13,973,760									
517	Total Volume	128,121,559	122,775,003	98,300,477	109,291,811	119,766,977	87,264,429	86,679,515	86,186,134	85,777,879	85,448,790									
518																				
519	<b>Billable Units (100 cu. ft.)</b>																			
520	Residential and Commercial Volume	112,729	114,853	84,597	91,353	133,263	91,690	92,656	93,623	94,589	95,555									
521	CVTC Volume	58,556	49,285	46,821	54,759	26,853	24,974	23,225	21,600	20,088	18,681									
522	Total Billable Units	171,286	164,138	131,418	146,112	160,116	116,664	115,882	115,222	114,676	114,236									
523																				
524	<b>Projected Revenue</b>																			
525	Residential and Commercial Revenue	388,916	420,362	338,389	390,534	573,031	476,789	510,536	543,947	565,640	588,618									
526	CVTC Revenue	202,019	180,382	187,282	234,095	115,469	129,862	127,972	125,494	120,124	115,078									
527	<b>Total Projected Revenue</b>	<b>590,935</b>	<b>600,744</b>	<b>525,671</b>	<b>624,629</b>	<b>688,500</b>	<b>606,651</b>	<b>638,508</b>	<b>669,440</b>	<b>685,764</b>	<b>703,696</b>									
528																				
528	<b>Sewer Rate</b>	<b>\$3.45</b>	<b>\$3.66</b>	<b>\$4.00</b>	<b>\$4.30</b>	<b>\$4.30</b>	<b>\$5.20</b>	<b>\$5.51</b>	<b>\$5.81</b>	<b>\$5.98</b>	<b>\$6.16</b>									
530																				
531	<b>Average Monthly Residential Cost (4.9hcf/month)</b>	<b>\$17.25</b>	<b>\$18.30</b>	<b>\$20.00</b>	<b>\$21.50</b>	<b>\$21.50</b>	<b>\$26.00</b>	<b>\$27.55</b>	<b>\$29.05</b>	<b>\$29.90</b>	<b>\$30.80</b>									
532																				
533	<b>Rate Increase</b>	<b>\$0.17</b>	<b>\$0.21</b>	<b>\$0.34</b>	<b>\$0.30</b>	<b>\$0.00</b>	<b>\$0.90</b>	<b>\$0.31</b>	<b>\$0.30</b>	<b>\$0.17</b>	<b>\$0.18</b>									
534	<b>% Increase (User Rate ONLY)</b>	<b>5.31%</b>	<b>6.14%</b>	<b>9.29%</b>	<b>7.50%</b>	<b>0.00%</b>	<b>21.00%</b>	<b>6.00%</b>	<b>5.50%</b>	<b>3.00%</b>	<b>3.00%</b>									
535	<b>Increase in Average Monthly Residential Cost</b>	<b>\$0.85</b>	<b>\$1.05</b>	<b>\$1.70</b>	<b>\$1.50</b>	<b>\$0.00</b>	<b>\$4.50</b>	<b>\$1.55</b>	<b>\$1.50</b>	<b>\$0.85</b>	<b>\$0.90</b>									
536																				
537	<b>Effective Months</b>	12	12	12	11	12	12	12	12	12	12									
538																				
539																				
540																				
541																				