



Agenda Item Cover Sheet

Agenda Item N^o: D-2

Meeting Date 4/21/2021

Consent Section
 Regular Section
 Public Hearing

Subject: Adopt a Rate Resolution to set the Public Utilities Fees and Charges for customers for potable water, wastewater, and reclaimed water services.			
Department Name: Water Resources			
Contact Person: George Cassady (BS)		Contact Phone: 813-209-3009	
Sign-Off Approvals:			
George Cassady	4/9/2021	Beth Schinella	4/9/2021
Assistant County Administrator	Date	Department Director	Date
Kevin Brickey	4/9/2021	Hank Ennis	4/9/2021
Management and Budget – Approved as to Financial Impact Accuracy	Date	County Attorney – Approved as to Legal Sufficiency	Date
Tom Fesler	4/9/2021		
Deputy or Chief County Administrator	Date		

Staff's Recommended Board Motion:
 Hold a public hearing to receive public comment and adopt a Rate Resolution to establish the Water Resources Department's Fees and Charges for customers receiving potable water, wastewater, and reclaimed water service to increase the rates for these services by 4% per year for four consecutive years. The estimated cost of advertising and noticing the public hearing is \$8,200 and will be funded from the Water Resources operating budget for FY 2021.

Financial Impact Statement:
 The estimated cost of advertising and noticing the public hearing is \$8,200 and will be funded from the Water Resources operating budget for FY2021.

Background:
 At the February 24th Board Workshop for the Water Resources Department, staff received direction to proceed with setting a public hearing to consider rate increases necessary to maintain our level of service, implement programs supported by our Board, and expand the necessary utility plant facilities to meet the current and projected water and wastewater demands of our customers. At the March 3, 2021 regular Board Meeting the Board of County Commissioners approved setting a Public Hearing for April 21, 2021 to consider the additional rate increases necessary to support the Water Resources Department's projected needs.

Staff is recommending extending the 4% additional rate adjustments, adopted in Section 6.2 of R20-047, applied to certain monthly user rates of the Enterprise System which shall continue through October 1, 2024 fiscal year.

The additional rate adjustments to monthly user rates within this resolution are considered necessary to meet the expenditure needs, fund capital programs needed to assure sustainability, promote the financial creditworthiness of the Enterprise Fund. This includes compliance with the rate covenants as delineated in the Bond Resolutions that support the Department's outstanding bond issues, and meet initiatives

established by the Board. Including the projected impact of the annual application of the Price Index, the estimated impact of the 4% annual rate adjustment for the upcoming FY2022 for a typical utility single-family residential customer's bill using 6,000 gallons per month of water and wastewater service is \$4.10 and will increase on average thereafter to approximately \$4.81 per month for the remainder of the three-year requested rate implementation period.

The County notified all customers who receive water, wastewater and/or reclaimed service through our monthly billing system and noticed the general public by publishing a legal notice in the newspaper. The Public Hearing is necessary to receive comments and adopt the Rate Resolution to adopt the Water Resources Department's Fees and Charges.

List Attachments: Rate Resolution and Sufficiency Report

RESOLUTION NO. _____

A RESOLUTION AMENDING RESOLUTION NO. R05-106 AS AMENDED BY RESOLUTION NO. R09-070, RESOLUTION NO. R14-034, RESOLUTION R19-106, AND RESOLUTION R20-047; AMENDING THE MANNER IN WHICH THE FEES AND CHARGES THAT THE COUNTY MAY ASSESS ITS CUSTOMERS FOR POTABLE WATER, WASTEWATER, AND RECLAIMED WATER SERVICES MAY BE AUTOMATICALLY INCREASED AND PROVIDING AN EFFECTIVE DATE.

UPON MOTION BY COMMISSIONER _____, SECONDED BY COMMISSIONER _____, THE FOLLOWING RESOLUTION WAS ADOPTED BY A VOTE OF _____ TO _____, COMMISSIONER(S) _____, _____, and _____, VOTING "NO".

WHEREAS, the County’s potable water, wastewater, and reclaimed water utility systems (collectively, the “Utility System”) include those whose operations are supported entirely by the revenues collected from the customers of those systems (collectively, the “Enterprise System”) and those whose operations are supported in part by the Unincorporated Area General Fund; and

WHEREAS, the Enterprise System is financed primarily through the issuance of revenue bonds including the County’s currently outstanding Utility Revenue Bonds, Series 2010C (Federally Taxable-Recovery Zone Economic Development Bonds-Direct Payment), the County’s outstanding Utility Revenue Bonds, Series 2016, and the County's outstanding Utility Refunding Revenue Bonds, Series 2019 (collectively, the “Revenue Bonds”); and

WHEREAS, the covenants made in conjunction with the issuance of the Revenue Bonds (the “Bond Covenants”) require the County, among other things, to collect revenues for the Enterprise System’s potable water, wastewater, and reclaimed water services (collectively, “Enterprise Services”) which are sufficient to operate and maintain the Enterprise System; to adopt and maintain a rate resolution establishing the rates, fees, and charges to be assessed for Enterprise Services; to repair, replace, improve, and expand Enterprise System facilities as necessary; to service Enterprise System debt; to make required deposits to reserve accounts; to secure an independent annual review of the sufficiency of the rate resolution to maintain compliance with the Bond Covenants; and to otherwise maintain the integrity of the Enterprise System financial accounts; and

WHEREAS, the Board of County Commissioners (the “Board”) adopted the current rate resolution on May 5, 2005 via County Resolution No. R05-106, which was subsequently amended by Resolution Nos. R09-070 on May 20, 2009, R14-034 on March 19, 2014, R19-106 on August 21, 2019, and R20-047 on June 17, 2020 with respect to the manner that the County may automatically adjust certain rates charged to its customers for potable water, wastewater, and reclaimed water services (the “Rate Resolution”); and

WHEREAS, revenue projections for the Enterprise System’s fiscal years ending 2021 through 2025 have been prepared by the County, and the independent consultant retained by the County to review those projections (the “Rate Consultant”) recommends and concurs with amending the Rate

Resolution to adjust how automatic rate indexing of certain rates charged to its customers for potable water, wastewater and reclaimed water services shall occur by adding a 4% annual automatic rate adjustment for four (4) years to coincide with the County’s fiscal year as proposed herein to fund expanding operating costs and additional capital programs required to meet the financial goals of the County and to maintain compliance with the Bond Covenants; and

WHEREAS, the County’s Public Utility Connections Regulations require that each rate structure adopted by the County for the Enterprise System be established at an advertised public hearing (the “Public Hearing”) via a formal resolution of the Board; and

WHEREAS, the County has notified all customers receiving Enterprise Services through the utility billing process of the date, time and place of the Public Hearing in accordance with Section 180.136 Florida Statutes; and

WHEREAS, the Board has concluded the Public Hearing on this date to consider amending the Rate Resolution and to receive public comments in that regard; and

WHEREAS, the Board finds that the Rate Resolution as hereby amended is adequate to meet the stated goals of the County and maintain compliance with the Bond Covenants.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF HILLSBOROUGH COUNTY, FLORIDA, ASSEMBLED THIS ____ DAY OF _____, 2021, THAT:

1. Section 6.2 to the Rate Resolution is hereby amended to read as provided in Exhibit A hereto, effective October 1, 2021.
2. The County Administrator shall implement the provisions and conditions of this resolution through the County’s Water Resources Department (the “Department”).

STATE OF FLORIDA)
COUNTY OF HILLSBOROUGH)

I, CINDY STUART, CLERK OF THE CIRCUIT COURT AND EX OFFICIO CLERK OF THE BOARD OF COUNTY COMMISSIONERS, DO HEREBY CERTIFY THAT THE ABOVE AND FOREGOING RESOLUTION IS A TRUE AND CORRECT COPY OF A RESOLUTION ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF HILLSBOROUGH COUNTY, FLORIDA, IN ITS PUBLIC HEARING OF _____, AS THE SAME APPEARS ON RECORD IN MINUTE BOOK _____ OF PUBLIC RECORD OF HILLSBOROUGH COUNTY, FLORIDA.

Witness, my hand and official seal this ____ day of _____, 2021.

CINDY STUART, CLERK

BY: _____ Deputy Clerk

EXHIBIT A

SECTION 6 AUTOMATIC RATE ADJUSTMENTS

6.2 ADDITIONAL RATE ADJUSTMENT. The Applicable Rates as adjusted annually by the Price Index shall be further adjusted automatically annually by 4.0% for each fiscal year beginning October 1, 2021 through October 1-, 2024 to provide additional funds to support expanding operating costs for additional services and additional capital programs to assure sustainability. Subsequent to October 1, 2025, no Additional Rate Adjustment will be recognized in the determination of the Final Rates to be billed for respective fiscal year. The annual application of the Additional Rate Adjustment shall be based on the following formula:

$$FR = IR * (I + ARA)$$

Where:

- FR = The Final Rates that are to be placed in effect for the current fiscal year through the application of the Price Index Factor and the Additional Rate Adjustment.
- IR = The Indexed Rates that are to be placed in effect for the current fiscal year through application of the Price Index Factor before the application of the Additional Rate Adjustment, if any.
- ARA = The Additional Rate Adjustment equal to 4% to be applied for each fiscal year beginning October 1, 2021 through October 1, 2024.



Hillsborough
County Florida

**SUFFICIENCY OF WATER AND
WASTEWATER RATES REPORT**

March 2021

WATER RESOURCES DEPARTMENT

**HILLSBOROUGH COUNTY, FLORIDA
WATER RESOURCES DEPARTMENT**

SUFFICIENCY OF WATER AND WASTEWATER RATES REPORT

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**HILLSBOROUGH COUNTY, FLORIDA
WATER RESOURCES DEPARTMENT**

SUFFICIENCY OF WATER AND WASTEWATER RATES REPORT

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**HILLSBOROUGH COUNTY, FLORIDA
WATER RESOURCES DEPARTMENT**

SUFFICIENCY OF WATER AND WASTEWATER RATES REPORT

LIST OF TABLES AND ATTACHMENTS

<u>Table No.</u>	<u>Description</u>
1	Summary of Historical Customer Statistics and Sales – Water System
2	Summary of Historical Customer Statistics and Sales – Wastewater System
3	Summary of Projected Customer Statistics and Sales – Water System
4	Summary of Projected Customer Statistics and Sales – Wastewater System
5	Summary of Capital Improvement Projects for the Forecast Period – Cash Basis
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7	Summary of Projected Operating Expenses for the Forecast Period – Escalation Factors
8	Comparison of Typical Monthly Residential Bills for Water Service
9	Comparison of Typical Monthly Residential Bills for Wastewater Service
10	Comparison of Typical Monthly Residential Bills for Combined Water and Wastewater Service
11	Comparison of Water and Wastewater Impact Fees for 5/8" Residential Service
12	Summary of Projected Debt Service Coverage
13	Summary of Projected Cash Balance and Fund Transfers

<u>Attachment</u>	<u>Description</u>
A	Rate Consultant "2022 Sufficiency of Water and Wastewater Rates Report"

**HILLSBOROUGH COUNTY, FLORIDA
WATER RESOURCES DEPARTMENT**

SUFFICIENCY OF WATER AND WASTEWATER RATES REPORT

EXECUTIVE SUMMARY

The Water Resources Department (the "Department") has completed its analysis of the Sufficiency of Water and Wastewater Rates for the Fiscal Year 2021 (the "Sufficiency Report") for consideration by the Board of County Commissioners (the "Board"), our customers and other interested citizens. The purpose of the analysis was to:

- Analyze the sufficiency of the existing rates for service as it relates to funding the identified revenue requirements or expenditure needs of the water and wastewater system (the "System");
- Identify any potential changes in rates that are considered necessary to meet the expenditure needs and promote the financial creditworthiness of the System, including compliance with the rate covenants as delineated in the Amended and Restated Utility System Bond Resolution No. R03-112, adopted by the Board on June 4, 2003, as amended from time to time and as particularly amended by Resolution No. R10-151 dated October 6, 2010, Resolution No. R16-065 dated June 2, 2016 and Resolution No. R19-129 dated October 16, 2019 (the "Bond Resolution");
- Support the review of the Fiscal Year 2021 year-to-date results and development of the Fiscal Year 2022 Budget; and
- Review the current rate resolution to codify any proposed changes in rates and fees.

The analysis of the rates and charges are based on a five (5) year forecast, which encompassed the current fiscal year 2021 and the subsequent four (4) Fiscal Years 2022 through 2025 (collectively referred to for the five-year period as the "Forecast Period"). All capitalized undefined terms reflected in this report have the same meaning as prescribed in the Bond Resolution, which authorized the issuance of the outstanding utility system revenue bonds.

The following is a summary of the observations, findings, and recommendations based on the results of the analysis, which follows this Executive Summary.

1. The rates for monthly water and wastewater service (referred to as the "Monthly User Charges") include the following components:
 - a. Customer Service Charge (per bill rendered);
 - b. Water and Wastewater Base Facility Charge (per respective equivalent residential connection ["ERC"] served per account) and when including the Customer Service Charge, equates to the minimum bill rendered to each account;

- c. Water Consumption Charge, which includes a water conservation pricing structure (per 1,000 gallons of metered water consumption);
 - d. Purchased Water Pass-Through Consumption Charge to pass-through any increase or decrease in the cost of purchased water to the customer (all potable water is purchased by the County; no water is produced from County Facilities – per 1,000 gallons of metered water consumption); and
 - e. Wastewater Consumption Charge, which includes a monthly maximum billing threshold for individually-metered residential accounts at 8,000 gallons (per 1,000 gallons of metered water consumption, which serves as the basis for billed wastewater flow; all domestic water used by commercial customer is billed the wastewater consumption charge).
2. The existing rates and rate structures for monthly water and wastewater service (i.e., the "Monthly User Rates") charged by the County were established historically through several approved rate resolutions by the Board as follows:
- a. On May 14, 2003, the Board adopted Rate Resolution No. R03-091, which adjusted the Monthly User Rates to promote a higher water conservation incentive to large users and to reward low-water users with a cost reduction.
 - b. On May 5, 2005, the Board adopted Resolution No. R05-106, which modified the application of the Purchased-Water Pass-Through Consumption Charge, which provides a pass-through recovery of all purchased water costs (the pass-through adjustment provision was initially adopted by the Board during Fiscal Year 2001).
 - c. On May 20, 2009, the Board adopted Resolution No. R09-070 with the primary purpose of such resolution being to modify the application of the annual price index rate adjustment uniformly for monthly water and wastewater service by the index adjustment effective June 1, 2010.
 - d. On March 19, 2014, the Board adopted Resolution No. R14-034 which set the accrued guaranteed revenue fees (AGRF) for both water and wastewater service to \$0.00 and adjusted the builder payment fees (part of the installment payment of the impact fees based on the capacity assessment unit process) to remove the rate component associated with the AGRF.
 - e. On August 21, 2019, the Board adopted Resolution No. R19-106, which i) adjusted the formula in which to apply the automatic rate indexing of certain water, wastewater and reclaimed rates charged to customers; ii) adjusted the timing of the automatic rate indexing to coincide with the County's fiscal year; iii) sunset the automatic rate indexing at September 30, 2021; and iv) implemented an annual automatic rate adjustment of 4% for the two (2) fiscal years effective October 1, 2019.
 - f. On June 17, 2020, the Board adopted Resolution No. R20-047, which continued the automatic rate indexing through September 30, 2025 and which also restated the imposition of the AGRF to new development.

The rate resolutions as described above are referred to collectively throughout this report as the "Rate Resolution". With the exception of changes in rates for the pass-through of purchased water costs and the price indexing to provide a mechanism to recover the estimated impacts of inflation and cost increases on certain components of the Cost of Operation and Maintenance, Resolution No. R19-106 approved the first adjustment to Monthly User Rates producing additional revenue since the Fiscal Year 2000^[1] (the restructuring of the water conservation usage blocks in 2003 was designed as a "revenue neutral" adjustment).

3. The County purchases all of the finished (treated) water from Tampa Bay Water and several other public utilities (municipalities) located in Hillsborough County. The majority of the finished water purchases (97.5%) are from the Tampa Bay Water (TBW). The water purchases are then retreated (primarily additional disinfection) and distributed to customers throughout the County. As previously noted, to recover the cost of purchase water the County charges customers the Purchased Water Pass-Through Consumption Charge. Effective October 1, 2020, the rate was increased from \$2.93 to \$3.02 per 1,000 gallons of metered water use. The previous charge of \$2.93 had been effect since October 1, 2011. While the majority of the purchased water expenses are funded by the Purchased Water Pass-Through Consumption Charge, a portion of the total expense is funded from pledged water impact fees collected by the County since it is for the repayment of expansion-related debt issued by TBW and is consistent with the fee application provisions as delineated in the Bond Resolution. Based on current projections of water demands / purchases, the contracted cost of treatment and assumed collection and use of water impact fees to repay allocable expansion debt, the Purchased Water Pass-Through Consumption Charge is projected to adequately recover the cost of water purchases for the Forecast Period and no increases to such rate is recommended at this time.
4. The County began applying the annual Price Index Adjustment beginning in the Fiscal Year 2010, even though the ability to index rates was provided for earlier in previous resolutions approved by the Board. The purpose of the index is to allow the System to provide a mechanism to recover the estimated effects of inflation on the operating expenses of the System, less any costs that may be subject to a pass-through adjustment as defined in the Rate Resolution (i.e., purchased water and purchased wastewater treatment costs, etc.). The application of the price index also contributes towards the System maintaining revenue margins and its strong investment credit rating (currently rated AAA by Fitch). The price index is applied to the "Applicable Rates" as delineated in the Rate Resolution, which includes the Monthly User Charges, reclaimed water rates (excluding Committed-Class connections), and bulk (wholesale) service charges; however, is exclusive of the Purchased Water Pass-Through Consumption Charge and the residential reclaimed Committed Class charges.

[1] During the Fiscal Year 1997, the Board established a Blue-Ribbon Committee to review the overall financial position of the System. The committee recommended and the Board adopted a multi-year rate phasing plan, which ended in the Fiscal Year 2000.

The following table is a summary of the historical price indices recognized in the adjustment of rates since the Fiscal Year 2010:

Effective Date of Price Index Adjustment	Percent Increase in Monthly Service Rates [1]
October 1, 2009	1.72%
June 1, 2010	0.37%
June 1, 2011	0.66%
June 1, 2012	1.29%
June 1, 2013	0.84%
June 1, 2014	0.72%
June 1, 2015	0.87%
June 1, 2016	0.71%
June 1, 2017	0.83%
June 1, 2018	1.04%
June 1, 2019	1.40%
October 1, 2019	0.74%
October 1, 2020	2.25%

[1] Prior to October 1, 2019, the Price Index was calculated pursuant to a formula as delineated in the Rate Resolution and generally approximates from 55% to 65% of the General Price Deflator Index published by the Florida Public Service Commission. Resolution No. R19-106, adopted by the Board on August 21, 2019 revised the Price Index formula to utilize the U.S. Bureau of Labor Statistics Water and Sewer Maintenance Index as well as adjust the timing of when the index adjustments were made effective to coincide with the beginning of the County's fiscal year. The October 1, 2019 stated increase represents the difference due to the change in the formula.

- a. With the adoption of Resolution No. R19-106, the referenced index contained in the Rate Resolution was changed from the Florida Public Service Commission ("FPSC") Price Index to the U.S. Bureau of Labor Statistics ("BLS") Water and Sewer Maintenance Index. The effective date has also been changed to coincide with the beginning of the County's fiscal year. Additionally, the measurement period to calculate the change in the index has been modified to reflect the January year-over-year change. The Resolution adopted the automatic Price Index for the Fiscal Years 2020 and 2021 only. To keep pace with the projected growth in operating and maintenance expenses (e.g., labor costs, etc.). Resolution R20-047 was adopted to continue the Price Index adjustments through September 30, 2025.
 - b. For informational purposes, on June 1, 2019 the automatic Price Index was applied in accordance with the formula in effect at that time and was calculated at 1.40%. Upon adoption of Resolution No. R19-106, the adjusted formula calculated the rate index at 2.14%. Effective October 1, 2019 the difference of 0.74% was applied to certain water, wastewater and reclaimed rates charged to customers to reflect the full application of the calculated index based on the revised index factor. The automatic Price Index effective October 1, 2020 was 2.25%.
5. Based on the forecast of the revenue requirements (expenditure needs) of the System, which includes the funding of the capital program, additional rate adjustments above the rates as contained in the Rate Resolution are required. Specifically, the forecast recognizes the need to adjust rates by a fixed amount equal to 4.0% per year through the Fiscal Year 2025. The primary reason for the additional increases is due to the need to fund a significant capital

improvement plan associated with ongoing renewals, replacements, and improvements, to provide the ability to finance capacity expansions and redundancy projects primarily in the South-Central portion of the utility service area, fund water and wastewater extensions of service to developed areas with failing on-site systems, and to initiate a low-pressure sewer system elimination program. It should be noted that the identification of the additional fixed rate adjustments mentioned above were identified by the Department in 2019 with only the first two years of the rate plan being adopted by the Board. Based on the current projection of the funding requirements from rates, the continuance of the previously identified rate implementation plan is still considered necessary to meet the expenditure needs of the System. The continuance of the rate implementation plan is also considered prudent by our Qualified Independent Consultant.

6. It is projected that the System may require additional rate increases above the annual price indexing and pass-through adjustments in subsequent years after the Forecast Period (i.e., after the implementation of the additional 4.0% rate adjustments). The Department recommends closely monitoring the need for additional rate adjustments and will provide formal recommendations closer to when the additional rate adjustments may be warranted based on the then costs of providing service and the fiscal position of the System. Based on the projected funding requirements of the System, the Department should have the flexibility to recommend phasing in the additional rate adjustments over a longer period of time to minimize customer impacts if necessary.
7. Based on the assumptions reflected in the Sufficiency Report, including the adopted changes to the Price Index and additional approved rate adjustments, the following table provides an indication of the projected rate changes and the associated residential customer bill impacts for a typical residential customer using 6,000 gallons of water and wastewater service a month through the end of the Forecast Period:

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Summary of Existing and Projected Rates – For the Forecast Period

Description	Fiscal Year Ending September 30,				
	Existing	Proposed			
	2021	2022	2023	2024	2025
<u>Monthly Residential Bill at 6,000 Gallons:</u>	\$85.04	\$89.14	\$93.61	\$98.40	\$103.51
Change in Bill – Amount	\$4.52	\$4.10	\$4.47	\$4.79	\$5.11
Change in Bill – Percent	5.61%	4.82%	5.01%	\$5.12%	5.19%
<u>Percent Rate Adjustments:</u>					
Effective Date	10/1/2020	10/1/2021	10/1/2022	10/1/2023	10/1/2024
Price Index [1][2]	2.25%	2.03%	2.28%	2.27%	2.26%
Additional Rate Adjustments [2]	4.00%	4.00%	4.00%	4.00%	4.00%
Estimated Purchased Water Pass-Through [3]	3.07%	---	---	---	---
<u>Existing and Adjusted Monthly Rates for Service:</u>					
Customer Service Charge (per Bill)	\$4.69	\$4.98	\$5.29	\$5.63	\$5.99
Water Charges:					
Base Facility Charge (per ERC)	\$9.76	\$10.36	\$11.02	\$11.72	\$12.46
Usage Charges (per 1,000 Gallons) [4]					
Block 1 (0-5,000 Gallons/ERC)	\$0.80	\$0.85	\$0.90	\$0.96	\$1.02
Block 2 (5,001-15,000 Gallons/ERC)	2.22	2.36	2.51	2.67	2.84
Block 3 (15,001-30,000 Gallons/ERC)	3.72	3.95	4.20	4.47	4.75
Block 4 (30,001 Gallons or More/ERC)	5.56	5.90	6.27	6.67	7.09
Water Pass-Through (per 1,000 Gallons) [3]	3.02	3.02	3.02	3.02	3.02
Wastewater Charges:					
Base Facility Charge (per ERC)	\$15.77	\$16.73	\$17.79	\$18.92	\$20.12
Usage Charges (per 1,000 Gallons)	5.08	5.39	5.73	6.09	6.48
Reclaimed Charges – Unmetered Service					
Residential Flat Charge (Committed-class)	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Reclaimed Charges – Metered Service					
Base Facility Charge (per Account)	\$4.64	\$4.73	\$4.84	\$4.95	\$5.06
Residential Usage (per 1,000 Gallons)					
Block 1 (0-5,000 Gallons)	\$0.29	\$0.30	\$0.31	\$0.32	\$0.33
Block 2 (5,000-15,000 Gallons)	0.48	0.49	0.50	0.51	0.52
Block 3 (Above 15,000 Gallons)	0.66	0.67	0.69	0.71	0.73
Commercial Usage (per 1,000 Gallons) [4]					
Block 1 (0-15,000 Gallons per ERC)	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
Block 2 (15,000-30,000 Gallons per ERC)	0.23	0.23	0.24	0.25	0.26
Block 3 (Above 30,000 Gallons per ERC)	0.61	0.62	0.63	0.64	0.65

ERC = Equivalent Residential Connection

- [1] Resolution R19-106, adopted by the Board on August 21, 2019 revised the formula of the Price Index adjustment and changed the effective date to applicable rates to October 1st of each given fiscal year. Resolution No. R20-047, adopted by the Board on June 17, 2020 continues the application of the Price Index through September 30, 2025.
- [2] The price index and additional rate adjustments identified are only applied to Applicable Rates and exclude revenues produced from the application of the Purchased Water Pass-Through Consumption Charge and the residential reclaimed Committed Class charges. The rate adjustments indicated for the Fiscal Year 2021 have already been implemented and are included in the bill comparison identified as "Existing"; such amounts are shown for comparative purposes.
- [3] Percent increases shown are only effective to the purchased water pass-through charges; such amounts are estimated and will be based on the actual costs incurred by the System and the then actual charges may be different (higher or lower) than the amounts shown.
- [4] The County charges an inclining block structure that increases with use per month. Additionally, the usage blocks or tier ranges increase with the number of associated ERCs served per customer account.

8. Assuming implementation of the identified price index and additional fixed rate adjustments as previously discussed, it is projected that the proposed rates for the Forecast Period for monthly service will:

- a. Meet the rate covenants as defined in Section 11.02 of the Bond Resolution and make all the necessary deposits to the various funds and accounts identified in the flow of funds requirements as delineated in Section 9 of such resolution for the Forecast Period.
 - b. Provide sufficient Net Revenues to meet the requirements associated with the issuance of additional parity bonds, which bonds are anticipated to be issued during the Forecast Period to fund a portion of the capital improvement plan, as defined in Section 11.15 of the Bond Resolution.
 - c. Provide sufficient revenues to finance the capital improvement program as currently identified by the Department for the Forecast Period, which includes the use of available proceeds from the issuance of the Utility Revenue Bonds, Series 2016 (the "Series 2016 Bonds") and the issuance of additional parity bonds.
 - d. Maintain the minimum operating reserves (working capital) as required by the Bond Resolution, and maintain on deposit in the Rate Stabilization Account a minimum fund balance of \$74 million based on the historic recommendations of the Debt Management Department and previous discussions with the credit rating agencies associated with the issuance of the Outstanding Bonds in order to provide increased liquidity to reduce financial risk and improve the overall credit rating, which results in lower overall borrowing costs.
9. The current rates for monthly service are competitive with the rates charged by other neighboring utilities for water and wastewater service. A summary of a comparison of the County's utility rates with other neighboring utilities at 6,000 gallons of monthly use, which represents the average (typical) monthly usage level for the average single-family residential customer, is shown on Table 10 at the end of this summary.
10. The Department currently charges Impact Fees (also referred to as capacity fees), to new customer growth, which requests or requires new capacity to meet the needs / demands of such customers. This fee has been applied for over twenty-five (25) years by the County and is a common mechanism of cost recovery used by local governments to fund expansion-related capital expenditures, including the payment of expansion-related debt service. At the request of the Department, the County's Rate Consultant evaluated the adequacy of the current impact fees and made recommendations for changes to more accurately recover the cost of necessary capital improvements required to serve new development, equitably recover the cost to provide service and to meet the stated financial goals of the County.

On June 17, 2020, the Board adopted Resolution No. R20-047 which i) set different fees for water and wastewater impact fees for the Northwest Service Area and the South / Central Service Area; and ii) increased the water and wastewater impact fees effective October 1, 2020 (Fiscal Year 2021). The current impacts in effect and assumed for the development of the financial forecast are shown below.

Impact Fees Effective October 1, 2020 (per ERC)

System	Water	Wastewater	Total
Northwest Service Area	\$1,863	\$2,951	\$4,814
South/Central Service Area	2,214	3,651	5,865

11. The Water and Wastewater Impact Fees adopted by the County for securing capacity by new development are competitive with the fees charged by other neighboring utilities. A comparison of the existing Impact Fees for the County and those presently charged by other neighboring utilities is shown on Table 11 at the end of this report.

12. The County's Rate Consultant was also requested to determine the estimated Accrued Guaranteed Revenue Fees ("AGRF") originally adopted in 1997 and suspended by the Board (i.e., the fee was set at \$0) in April 2014 pursuant to the adoption of Resolution No. R14-034 in order to minimize cost for and to promote new development. The effect of the suspension of the AGRF fees resulted in an estimated reduction in annual revenues of approximately \$6 million at that time, with revenue losses estimated to increase to approximately \$9 million associated with higher levels of growth now being experienced by the System. Recognizing i) the long-term capital needs of the System; ii) the need to limit future rate adjustments; and iii) that the County has issued debt and anticipates significant additional borrowings to finance expansion-related capital projects, which includes the repayment of interest which is not a cost component included in the impact fees, the Board adopted Resolution No. R20-047 on June 17, 2020 which reinstated the AGRF.

The table below summarizes the historical AGRF rates as compared to the reinstated AGRF rates effective October 1, 2020 (Fiscal Year 2021).

Summary of Water and Wastewater Accrued Guaranteed Revenue Fees (AGRF) – per ERC

	Water	Wastewater	Totals
Up to April 2014	\$1,005	\$940	\$1,945
Subsequent to April 2014	0	0	0
Effective October 1, 2020	\$833	\$989	1,822

13. The County's Rate Consultant has assisted in the preparation of and has reviewed the financial forecast and Monthly User Charge recommendations and supports the recommendations as identified in this report. A copy of the opinion letter is included in Attachment A at the end of the Sufficiency Report.

14. During the Fiscal Year 2020 (the most recently completed Fiscal Year) and estimated for the Fiscal Year 2021, the System provided service to the following accounts and equivalent residential customers ("ERC") and had the following billed water sales / wastewater flow.

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	<u>Fiscal Year 2020</u> <u>(Actual)</u>	<u>Fiscal Year 2021</u> <u>(Estimated) [1]</u>
<u>Water System:</u>		
Average Annual Accounts	185,454	190,547
Average Annual ERCs	254,459	260,968
Billed Sales (000s of Gallons)	23,889,130	22,335,594
Average Monthly Use per ERC (Gallons)	7,824	7,132
<u>Wastewater System:</u>		
Average Annual Accounts	167,455	171,804
Average Annual ERCs	268,320	274,705
Billed Flow (000s of Gallons)	16,946,224	16,535,271
Average Monthly Flow per ERC (Gallons)	5,263	5,016

[1] Amounts shown are based on four (4) months of actual billing data through January 31, 2021.

During the Fiscal Year 2020, the increase in Water System average use per customer may be attributable to greater residential use and reduced commercial use due to the effects of the COVID-19 Pandemic and the stay-at-home orders and reduced business operations. The estimated Fiscal Year 2021 billing statistics represents a decrease in billed water and wastewater flows when compared to the prior Fiscal Year 2020. The increase was predicated on four (4) months of actual billed water data and reflects more normalized water use and billed wastewater flows per customer based on a review of water use characteristics for the past six (6) fiscal years. For purposes of the financial forecast, water and wastewater account growth and average water use / billed wastewater flow per customer for the Forecast Period were further adjusted downward from Fiscal Year 2021 estimated levels to be more consistent with the most recent five- (5) year historical trend in growth and sales.

15. The net revenue requirements, which represents the annual expenditures and funding requirements which are recovered from Monthly User Charges, include the following components:
 - a. Operating and Maintenance Expenses; plus
 - b. Annual Payment of Bond Service Requirement and Subordinate Indebtedness payments; plus
 - c. Deposits to Renewal and Replacement Account; plus
 - d. Other Capital Funding Programmed on a Pay-As-You-Go ("Pay-Go") basis; plus
 - e. Funding of Working Capital / Reserves / Other Financial Requirements; less
 - f. Pledged Capacity [Impact] Fees applied for payment of i) the debt service component associated with contracted water purchases from TBW; and ii) the County Bond Service Requirement, all as delineated in the Bond Resolution; less
 - g. Other Revenues (not from Monthly User Charges) and investment income that is considered available to fund System operations.

16. Annual rate revenues from Monthly User Charges for the Fiscal Year 2020 are estimated to be approximately \$286 Million, which represent approximately 92% of total System revenues and cash contributions (e.g., Impact Fees). The Department is of the opinion that the rate revenues from Monthly User Charges, when recognizing the adjustments previously discussed, will be sufficient to meet the projected net revenue requirements of the System for the Fiscal Year 2021 and the subsequent Fiscal Year 2022 (the "Review Period").
17. Operating expenses presently account for approximately 69% of the gross revenue requirements of the System funded from System revenues. Absent the cost of purchased water, such costs generally increase due to inflation and System growth. For reference, the consumer price index has increased by approximately 18.6% since 2011. In order to offset the ongoing effects of inflation on the cost of operations, the rate study forecast recognizes the application of the Price Index Adjustment through Fiscal Year 2025 (as referenced in No. 4 above).

In the development of the financial forecast for the Fiscal Year 2021, the analysis considered actual Fiscal Year 2019 and 2020 results and fiscal year-to-date 2021 results. Based upon a review of year-to-date Fiscal Year 2021 actual operating expenses, it is estimated that the Department may spend approximately 93% of the operating budget. The preliminary Fiscal Year 2022 operating expense budget includes a 4% increase over the Fiscal Year 2021 adjusted budget which was relied upon in the development of the financial forecast reflected in this report. For the remainder of the Forecast Period, operating expenses are projected to increase approximately 4% annually.

18. As of October 1, 2020, the System has outstanding in the principal amount of \$314,505,000 in existing debt issued in accordance with the Bond Resolution; there is currently no Subordinated Indebtedness allocable to the System payable from System revenues.

For the Fiscal Year 2021, the existing annual Bond Service Requirement paid from System Pledged Revenues is approximately \$17.8 million. The payment of the annual Bond Service Requirement on currently Outstanding Bonds is approximately 5.7% of the projected total gross revenue requirements of the System for the Forecast Period.

19. The Department has identified the continuation of significant growth in South Hillsborough. As a result of this increased population growth and development, the County is proceeding with the construction of the "One Water Campus" during the Forecast Period to meet the needs for new water and wastewater capacity (facilities) to accommodate the increased growth. To meet the short-term and long-term projected demands, the County has developed a phased approach for the construction of the One Water Campus in the capital improvement program. Phase 1 of the project recognizes: i) the construction of a transmission main from the Lithia Water Treatment Plant to South County, which is assumed to be placed in service during Fiscal Year 2024 at a projected cost of \$89.3 million; ii) the construction of a water in-line booster pump station, which is assumed to be placed in service during Fiscal Year 2023 at a projected cost of \$13.6 million; iii) the expansion of the existing South County Regional Advanced Wastewater Treatment Plant ("AWWTP") using modular components that can be later relocated to the One Water Campus, which is assumed to be placed in service by the end of Fiscal Year 2024 at a projected cost of \$67.2 million; and iv) the construction of the Flow Diversion from Falkenburg AWWTP to Valrico AWWTP Projects which

includes pump stations and pipelines, which is assumed to be placed in service during the Fiscal Year 2023 at a cost of \$12 million. Phase 2 of the project recognizes i) the construction of a wastewater treatment and collection facility at a projected cost of \$313 million and is anticipated to be placed in service during Fiscal Year 2027 (outside of the Forecast Period); and ii) the construction of a potable water treatment and distribution facility at a projected cost of \$260 million that is also anticipated to be placed in service during Fiscal Year 2027 (outside of the Forecast Period).

As discussed in the capital improvement spending plan (reference No. 20 below) and based on information provided by the County's Municipal Financial Advisor, it is anticipated that additional parity bonds will be issued to fund the construction of these new expansion-related facilities. It is estimated that parity bonds in the amount of \$167.3 million will be issued in Fiscal Year 2021 and \$459 million in Fiscal Year 2023 to provide funds for the construction of these projects by the assumed in-service dates. It is also anticipated in the capital financing plan that internally generated funds will be used to finance a portion of the new facility construction to limit the amount of additional parity bonds to be issued.

The principal amount of the then Outstanding Bonds projected at the end of the Forecast Period is considered manageable when recognizing the significant amount of net utility plant investment that is needed to meet increased service area needs, accounting for approximately 38.6% of the projected net utility plant assumed to be in service by the Fiscal Year 2025.

In March of 2021, the County issued approximately \$58.23 million of Wastewater Impact Fee Assessment Bonds, Series 2021 ("2021 IFAU Bonds") to fund the construction of the South County WWTP Modular Expansion and to fund a portion of the flow diversion project from Falkenburg AWWTP to the Valrico AWWTF both of which are considered to be 100% expansion-related. The Impact Fee Assessments specifically pledged for the repayment of the 2021 IFAU Bonds will not be included as a financial resource to the Department since they are specifically restricted for future debt repayment. Additionally, the 2021 IFAU Bonds are not considered a debt to the System which will improve the overall fiscal position of the System but are a debt accounted for in the General fund of the County.

20. Pursuant to the Fiscal Year 2020 unaudited financial results, the System currently has a gross capital investment in utility plant and facilities of \$2,598,734,000^[2] reported as of September 30, 2020 of which approximately \$2.6 billion is classified as depreciable property. The reinvestment in depreciable capital assets will require continued upgrade, replacement, and renewal which are expected by the Department to increase over time as the System ages and the utility plant reaches its service lives. The Department continues to update its Asset Management Program to maximize the utilization of its existing capital investment for the ultimate benefit of the ratepayers and to identify overall asset condition and the criticality of any future asset expenditures to provide continued and reliable utility service. In 2015, the County's Consulting Engineers performed an evaluation to identify the capital reinvestment needs for the next twenty (20) years. Based on the findings of the evaluation, the Consulting Engineers recommended targeting an annual minimum capital

[2] Amount shown includes land and construction-work-in-progress, which reflects expenditures to date for capital improvements under construction associated with depreciable fixed assets, which are considered as non-depreciable assets.

reinvestment rate of approximately \$57.4 million a year which does not include the ongoing replacement of General Plant (represents vehicles, equipment, and other assets with short service lives). The minimum capital reinvestment rate water established reflecting 2015 dollars and is now estimated to be \$68.5 million based on today's dollars, which the County is expected to meet based on the current capital improvement spending plan (reference No. 21 below). Funding for capital reinvestment from rate revenues assumes annual transfers to the Renewal and Replacement Account at a minimum of 5% of Gross Revenues per the Bond Resolution and additional deposits to the General Revenue Capital Expense Account of approximately \$68 million a year or approximately 100% of the recommended capital reinvestment rate. The annual capital re-investment transfers from System revenues, which recognizes the implementation of the additional fixed rate adjustments as previously discussed (referred to as "Pay-Go" funding) during the Forecast Period averages \$84Million or 115% of the recommended "inflation adjusted" reinvestment rate (which is considered reasonable when assuming the application of a 3.0% construction cost inflation rate for the Forecast Period, which is representative of the most recent average 20-year construction cost index as published by the *Engineering News Record*). This level of capital funding from rate revenues is considered as a reasonable and prudent capital reinvestment rate by the County's Qualified Rate Consultant, especially when considering the amount of capital needs required by the System over the next five to ten years by the Department.

21. The Department has identified a comprehensive Capital Improvement Plan with a need to fund an estimated \$1.29 billion in capital improvements through the Fiscal Year 2025. As described in (reference No. 18 above) a principal component of the capital improvement program is to accommodate the significant growth in South-Central Hillsborough County. To meet short-term and long-term projected demands and as previously mentioned, the Department plans to proceed with the development of the One Water Campus. Phase 1 is planned to occur during the Forecast Period and includes: i) water facility improvements associated with the construction of a new water transmission main from the Lithia Water Treatment Plant to South County, the construction of a water in-line booster pump station, and the expansion of the South County Potable Repump Station for a total of \$107 million; and ii) wastewater facility improvements for the expansion of the existing South County Regional AWWTP using modular components that can be later relocated to the One Water Campus, Flow Diversion from Falkenburg AWWTP to Valrico AWWTP Project including pump stations and pipelines, and miscellaneous wastewater improvements to compliment the expansion of facilities to South County totaling \$134 million. It is anticipated that funding mechanisms will include the issuance of wastewater impact fee assessment bonds, the issuance of additional parity bonds, reserves and securing grant awards from SWFWMD. Construction of Phase 2 of the One Water Campus project is also estimated to begin in Fiscal Year 2023 and includes the construction of a new wastewater reclamation facility and a new potable water treatment facility currently estimated at a total of \$573 million. It is anticipated that additional parity bonds will be issued to fund to majority of the cost of these new facilities.

The balance of the capital improvements identified for the Forecast Period are primarily for the continued renewals, replacements, betterments, upgrades to existing facilities in both the South-Central and Northwest Service Areas, acquisition of franchise utilities, service area expansion, extensions of service associated with a septic-to-sewer program and the

elimination of on-site private water wells, the upgrade of wastewater collection associated with the low pressure sewer system elimination program, and certain other expansion / replacement-related projects.

- a. The Department has designated funding for the Low-Pressure Sewer System ("LPSS") initiative. The LPSS Project will upgrade 300 homes annually to vacuum sewer systems with an approximate cost of \$7.5 million annually with construction recognized to begin in Fiscal Year 2022.
- b. Additionally, the Department has designated funding for the conversion of 500 homes annually from on-site disposal systems (septic tanks) to the County regional wastewater system. Construction is recognized to begin in Fiscal Year 2022 and cost approximately \$13.5 million annually.
- c. The Department is contributing to the Consolidated and Hardened Maintenance East, South and West Facilities Service Units. This project includes the construction upgrades to facilities for the Public Works, Water Resources and Fleet Services Departments to replace existing facilities which are nearing the end of their useful lives and will provide efficient and secure locations for pre- and post- disaster response. The project is currently under construction and the Department's remaining portion of the construction costs are approximately \$22 million.
- d. The Department also plans to construct a new Maintenance Facility to provide workspace for utility maintenance staff who maintain Water Resources assets at the Northwest Regional Water Reclamation Facility and the surrounding northwest service area. The cost of this facility is estimated to be \$21 million.

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A summary of the capital improvement program reflected in the financial forecast for the Forecast Period is summarized as follows:

Description	Fiscal Year Ending September 30, [1]					Total
	2021	2022	2023	2024	2025	
Capital Program (\$000s):						
Wastewater Treatment	\$49,856	\$47,771	\$55,042	\$145,579	\$132,235	\$430,483
Wastewater Collection	27,079	41,472	28,947	27,341	28,134	152,973
Water Treatment	9,851	9,395	66,718	92,497	77,095	255,556
Water Distribution	42,903	38,633	57,635	36,080	24,704	199,955
Reclaimed Water	5,347	952	952	952	952	9,155
Franchise Systems Acquisition and Service Extension	---	24,970	24,420	11,310	3,300	64,000
Septic to Sewer	2,869	13,069	13,357	13,663	13,992	56,950
Low Pressure Sanitary Sewer Program (LPSS)	2,000	7,214	7,373	7,542	7,723	31,582
Other [2]	17,961	12,611	7,709	9,844	9,844	57,969
Departmental Capital [3]	15,405	6,641	3,453	3,488	3,522	32,509
Total Capital Program	\$173,271	\$202,729	\$265,606	\$348,296	\$301,501	\$1,291,402

[1] Amounts shown derived from Table 5 at the end of this report and is based on the Fiscal Year 2021 capital cash funding budget and includes i) an allowance for Departmental capital expenditures (e.g., new vehicles, equipment, etc.), which is funded from rates (operations); and ii) capital projects that are accounted for in other funds, which includes contributions from the System for its share of the project costs (project benefits several County Departments). Amounts shown include capital expenditures approved and funded in prior years that are currently ongoing from a project implementation basis (e.g., construction-work-in-progress). Additionally, amounts shown do not include any capital expenditures associated with water supply and treatment projects, which are the sole responsibility of Tampa Bay Water.

[2] The capital expenditures designated as Other are primarily comprised of: i) the remaining construction of the Consolidate and Hardened Maintenance Facilities Project in the amount of \$22M; ii) the construction of a new Maintenance Facility in the Northwest Service Area in the amount of \$20.5M; and iii) the construction of a new Operations Building at the Northwest Regional Reclamation Facility ("NWRWRF") in the amount of \$11.2M.

[3] Amounts shown reflect expenditures for general capital that supports Department operations as a component of the Operating Budget and include but not limited to, a general renewal and replacement allowance for minor projects and vehicle replacement, customer service facilities and other general projects or general plant assets (not included as a component of the expenditures recognized in the CIP).

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22. The capital funding program recognized in the financial forecast for the five-fiscal year period and included in the rate sufficiency evaluation is summarized below:

Description	Fiscal Year Ending September 30, [1]					Total
	2021	2022	2023	2024	2025	
Capital Funding Program (\$000s):						
Renewal & Replacement Account	\$33,250	\$30,490	\$20,212	\$18,529	\$22,011	\$124,492
General Revenue Capital Expense Acct.	68,653	93,761	94,011	68,532	66,890	391,847
Existing Bond Proceeds	5,176	2,788	---	---	---	7,964
Additional Bond Proceeds	27,282	42,053	95,560	202,740	168,615	536,250
Impact Fees [2]	3,000	---	12,620	30,119	26,608	72,347
Wastewater IFAU Bonds [3]	11,864	24,555	24,836	6,423	---	67,678
Other Available Sources [4]	8,642	2,440	14,913	18,465	13,855	58,315
Annual Operations (Rates) [5]	15,405	6,641	3,453	3,488	3,522	32,509
Total Capital Funding Sources	\$173,272	\$202,728	\$265,605	\$348,296	\$301,501	\$1,291,402

- [1] Amounts shown include available unencumbered funds and funds anticipated to be derived from System operations during the Forecast Period.
- [2] The majority of the Water and Wastewater Impact Fees are considered as Pledged Impact Fees and are used to fund: i) the Debt Service Component of the Cost of Contracted Water from Tampa Bay Water (water-only impact fees); and ii) the expansion component of annual Bond Service Requirement. Use of impact fees reflects amounts currently on deposit in the fund from prior periods and amounts not considered as Pledged Impact Fees (refers only to a limited amount of Water-related Impact Fees) that are assumed to be received during the Forecast Period. The Impact Fees shown represent amounts on deposit in the fund and additional fees to be realized above what is considered as being a pledged fee, if any.
- [3] In March 2021, the County issued approximately \$58.23 million of Impact Fee Assessment Unit ("IFAU") Bonds (which also included a premium that increased the amount of funds for capital project funding) to finance the One Water Campus – South County WWTP Modular Capacity Expansion Project and a portion of the flow diversion project from Falkenburg AWWTP to the Valrico AWWTP. The payment of the 2021 IFAU Bonds are secured solely from a pledge of certain IFAU assessments resulting from the IFAU program and not from System Net Revenues; such assessments are not included in the financial forecast presented in this report since the respective IFAU assessments are specifically pledged to the payment of the 2021 IFAU Bonds, which are considered as a debt of the County's General Fund and not considered as a System debt.
- [4] Amounts shown include miscellaneous funding sources such as grants and other contributions.
- [5] Amounts shown reflect expenditures identified in the Department water and wastewater budget and are funded annually from System Operations (rates).

As can be seen above, additional indebtedness is anticipated to be required to fund the projected capital needs of the System, which recognizes the assumption of the continued implementation of the price index adjustments and the additional fixed rate adjustments as disclosed in this report.

23. The County established and funded, at the time of the adoption of the Bond Resolution, a Rate Stabilization Account. Based on prior recommendations of the Debt Management Department and previous discussions with the credit rating agencies, the County internally targets an account balance of \$74 million for the Rate Stabilization Account to provide increased liquidity to reduce financial risk and improve the overall credit rating, which results in lower overall borrowing costs. The ending unaudited account balance in Fiscal Year 2020 exceeded the funding reserve target balance by approximately \$23.5 million and therefore the financial forecast assumes a transfer of approximately \$23.5 million to the General Revenue Capital Expense Account to provide future funding for the capital needs of the System and to maintain a projected ending Rate Stabilization Account cash balance of \$74,000,000 for the Forecast Period. It is assumed that the County would not deposit any additional funds into the Rate Stabilization Account from Gross Revenues, nor would it withdraw any additional funds from the account to be included as Gross Revenues, for the remainder of the Forecast Period.

24. The forecast identifies Impact Fee collections of approximately \$22.5 million annually, which includes interest income on Impact Fee fund balances and also earned through the impact fee assessment program (i.e., a fee installment payment process), comprising approximately \$10.0 million in "up-front" cash payments and approximately \$12.5 million in annual impact fee assessment receipts (net of the 4.0% statutory discount and payment of billing expenses for the IFAU program). The Water Impact Fees anticipated to be received by the Department during the Forecast Period are projected to be pledged towards: i) the payment of the Debt Service Component of the Cost of Contracted Water Supply (i.e., Tampa Bay Water) for this cost component of the fee; and ii) the annual Bond Service Requirement on the Bonds for the County for the other cost components of the fee, all as provided in the Bond Resolution. The forecast does recognize that the majority of projected Water Impact Fees received are assumed as being Pledged Impact Fees during the Forecast Period. The forecast also recognizes that certain Water Impact Fees collected in Fiscal Year 2021 and Fiscal Year 2022 are not considered as Pledged Impact Fees and will be available to fund future expansion-related projects in the future. Due to the anticipation of issuing additional parity bonds to fund a Water Transmission Main from Lithia Water Treatment Plant to South County in the Fiscal Year 2021, which are currently considered to be 100% expansion-related, most of the projected water impact fees to be received will be considered as being pledged to the payment of the Debt Service Component of the Cost of Contracted Water Supply (i.e., TBW debt) and County Bond Service Requirement associated with the County-issued Bonds allocated to the Water System.

The Wastewater Impact Fees anticipated to be received by the Department during the Forecast Period are projected to be pledged entirely towards the payment of the annual Bond Service Requirement on the Bonds of the County as provided in the Bond Resolution. None of Wastewater Impact Fees received for the benefit of the System is anticipated by the Department to be used to directly fund expansion-related wastewater capital expenditures.

The County has established an Impact Fee (Capacity) Assessment Unit program (IFAU) that allows Impact Fees to be paid on an installment basis whereby the developer agreed to have the installment payment placed on the ad valorem tax bill as a non-ad valorem assessment pursuant to Florida Statutes, Chapter 197, which would be paid in future installments from the owners of the then-developed property. In many instances the election of entering the IFAU program occurs prior to when the impact fee is legally due (i.e., at issuance of building permit) which provides a benefit to the County. The County has issued in the principal amount \$101,110,000 in Capacity (Impact Fee) Assessment Special Assessment Revenue Bonds, Series 2006 dated April 11, 2006 (referred to as "2006 IFAU Bonds") and issued in the principal amount of approximately \$58,230,000 in Capacity (Impact Fee) Assessment Special Assessment Revenue Bonds, Series 2021 (referred to as "2021 IFAU Bonds"); of which the proceeds were or are being used to fund expansion-related capital projects. The Impact Fee assessments that are specifically pledged for the repayment of the 2006 IFAU Bonds and the 2021 IFAU Bonds are not included as a financial resource to the Department since they are specifically restricted for future debt repayment.

It should also be noted that on February 3, 2021 the County adopted Ordinance No. 21-4, eliminating the option for property owners to pay a portion of the water and wastewater impact fees over time in the form of a non-ad valorem assessment. Previously created existing IFAUs will continue until all non-ad valorem assessments have been paid in full.

This action results in a significant increase of "up-front" cash payments for the collection of water and wastewater impact fees, which has also been reflected in the financial forecast.

25. The County adopted the Accrued Guaranteed Revenue Fee (AGRF) in 1997 to assist in the funding of the interest component of the capital improvements and the operating and maintaining facilities, both of which are related to unused capacity in the County's potable water and wastewater systems. Pursuant to the adoption of Resolution No. R14-034 dated March 19, 2014, the County set the AGRF rate to \$0.00. The County has re-instated the application of the AGRF charge pursuant to the adoption of Resolution No. R20-047 on June 17, 2020 which became effective on October 1, 2020. The Water AGRF was established at \$833 and the Wastewater AGRF was established at \$989 per ERC. The Forecast recognizes the additional revenues anticipated to be earned associated with the imposition of the AGRF fee on new development. It is anticipated that all previously permitted development will be grandfathered in at the previous rate (\$0.00) and that the full potential of the increased revenues will be phased-in as new development is permitted. Based on the estimated new customer forecast, the projected revenues from the re-instatement of the AGRF fee are expected to range from approximately \$881,000 million in Fiscal Year 2021 to \$2.9 million in Fiscal Year 2025 (which is significantly less than the amount of AGRF revenues received prior to the Fiscal Year 2014).

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**HILLSBOROUGH COUNTY, FLORIDA
WATER RESOURCES DEPARTMENT**

SUFFICIENCY OF WATER AND WASTEWATER RATES REPORT

INTRODUCTION

The Water Resources Department (the "Department") has completed the Sufficiency of Water and Wastewater Rates analysis for the Fiscal Year 2021 (the "Sufficiency Report") for consideration by the Board of County Commissioners (the "Board") of Hillsborough County (the "County"), our customers and other interested citizens. The purpose of the analysis was to: i) evaluate the sufficiency of the existing rates for service as it relates to funding the identified revenue requirements or expenditure needs of the water and wastewater system (the "System"); ii) identify any potential changes in rates (both structure or level) that are considered necessary to meet the expenditure needs and promote the financial creditworthiness of the System, including compliance with the rate covenants as delineated in the Amended and Restated Utility System Bond Resolution No. R03-112, adopted by the Board on June 4, 2003, as amended from time to time and as particularly amended by Resolution No. R10-151 dated October 6, 2010, Resolution No. R16-065 dated June 2, 2016 and Resolution No. R19-129 dated October 16, 2019 (the "Bond Resolution"); iii) in conjunction with the Qualified Independent Consultant, evaluate estimated Fiscal Year 2021 results and in support Fiscal Year 2022 projections as required by Section 11.03 of the Bond Resolution (the two fiscal years being referred to as the "Review Period"); iv) identify future trends and the ability of the rate revenues to fund the projected revenue requirements through the Fiscal Year 2025 (collectively with the Review Period, the five year period being referred to as the "Forecast Period"); and v) review the current rate resolution to codify any proposed changes in rates and fees. A five-year projection period was selected in order to provide the County management information regarding rate adjustments that may be required in the near future as part of the development of an acceptable cost recovery strategy and to assist the Department in the development of capital funding analyses and financial projections associated with the issuance of any additional utility indebtedness related to the funding of the System's capital improvement program as may be needed.

The County has established and accounts for the System as a utility enterprise fund (the "Utility Fund"). In general, the Utility Fund must have revenues equal to the costs of the services provided by the System and the County must establish Monthly User Charges or rates sufficient to cover the cost of operating, maintaining, repairing, and financing of the System. According to the Governmental Accounting Standards Board

"Enterprise Funds should be used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges."

Pursuant to Bond Resolution, the County has authorized the issuance of several series of bonds, which are currently outstanding and are secured by the Pledged Revenues of the System (the

"Outstanding Bonds"). The following is a summary of the estimated amount of the Outstanding Bonds as of October 1, 2020 (Fiscal Year 2021).

Outstanding Bonds	Principal Amount as of October 1, 2020
Utility Revenue Bonds, Series 2010C (Federally Taxable-Recovery Zone Economic Development Bonds-Direct Payment) (the "Series 2010C Bonds")	\$21,700,000
Utility Revenue Bonds, Series 2016 (the "Series 2016 Bonds")	204,600,000
Utility Refunding Revenue Bonds, Series 2019 (the "Series 2019 Bonds")	<u>88,205,000</u>
Total Outstanding Bonds	<u><u>\$314,505,000</u></u>

The pledge for repayment of the Outstanding Bonds is derived from the revenues and certain Impact Fees of the System (neither the credit nor the taxing power of the County is pledged for the debt repayment of the Outstanding Bonds). The Bond Resolution, which is a contract between the Utility Fund and the Bond Holders or lenders, includes a rate covenant requiring, among other things, that the County's governing body must set rates sufficient to meet certain financial criteria. The Bond Resolution also requires the County to maintain the System in good condition and operate it efficiently. The rate covenant as defined in Section 11.02 of the Bond Resolution specifically requires the County to maintain rates and fees that will always provide Gross Revenues and Pledged Capacity Fees sufficient to pay one hundred percent (100%) of the Required Deposits delineated in the Bond Resolution and at least one hundred twenty percent (120%) of the annual Bond Service Requirement on all bonds then outstanding issued pursuant to the Bond Resolution (considered as the minimum coverage requirement). Other required payments include the maintenance of certain funds established by the Bond Resolution, including an annual contribution of at least five percent (5%) of previous year Gross Revenues into a Renewal and Replacement Account for the replacement, upgrade, and betterment of utility assets. This requirement is established as a minimum funding level that is intended to help ensure that the System is maintained in good condition.

In addition to the rate covenant and as previously mentioned, the Department is required to annually review the rates for service. In accordance with Section 11.03 of the Bond Resolution, the Department must:

"...at least annually the Issuer [County] will retain a Qualified Independent Consultant to review and make written recommendations to the Director of the Department [Water Resources Department] with respect to changes in the System's rate structure which such consultant deems necessary or appropriate to ensure continuing compliance with the rate covenant set forth in Section 11.02 of this Resolution."

In order to comply with the Bond Resolution and to evaluate the ability of the System Revenues to meet the expenditure needs of the System, the Department has prepared this report of the rates required to provide service, which was also reviewed by Raftelis Financial Consultants, Inc. ("Raftelis"), the County's Qualified Independent Consultant (the "Rate Consultant"). The remainder of this Sufficiency Report includes a discussion of the customer projections and capacity needs of the System, a summary of the capital improvement program and the anticipated financial

resources anticipated to fund the program, and a discussion of the ability of the System to fund the Cost of Operation and Maintenance, which includes the Cost of Contracted Water Supply (collectively, the "Operating Expenses"), and make the necessary transfers for debt repayment and capital funding needs. All undefined capitalized terms included in this report will have the same meaning as defined in the Bond Resolution.

RATE STUDY PURPOSE

The study provides a review of the Monthly User Charges, including the underlying structure and cost recovery practices, to meet the overall financial objectives of the System. The last review of the sufficiency of the Monthly User Rates was conducted during the Fiscal Year 2020. This year's focus included the following:

- To evaluate the overall sufficiency of the System revenues for the Review Period recognizing the need to meet the anticipated capital improvement program of the System;
- To evaluate the cost recovery for the System in total; and
- To determine if utility rates and the underlying structure will produce sufficient revenues to meet rate covenant requirements delineated in the Bond Resolution, financial obligations and continue to allow the System to meet its overall financial targets and business goals initially established in the Fiscal Year 1996 during the "Blue Ribbon" Committee deliberations, and which was presented to the credit rating agencies.

MONTHLY USER CHARGES RATE REVIEW PROCESS

The various components of costs associated with the operations, maintenance, and financing of the System renewals, replacements, and capital improvements are generally considered the revenue requirements of a publicly-owned and operated utility system. The development of the net revenue requirements is a critical component of the rate study process since rates should be designed to recover the full cost of providing utility service. The determination of revenue requirements was made in a manner generally consistent with the methods employed for other publicly-owned utilities utilizing revenue bond financing to meet their capital needs. This method of defining revenue requirements focuses primarily on the water and wastewater utilities' cash expenditure needs including allowances for proper levels of renewals and replacements and cash reserves. This approach is also consistent with governmental and enterprise fund budgeting requirements and practices. With respect to this study, the determination of the water and wastewater rates for the System has been developed using a style of rate making known as the cash flow approach. Under this approach, the rates for service permitted for the System include the summation of the following revenue requirements or expenditure components (generally on a cash-needs basis and supports the County's budget process and is consistent with the flow of funds and covenant requirements delineated in the Bond Resolution):

1. Operation and maintenance expenses; plus
2. Payment of the annual Bond Service Requirement and Subordinate Indebtedness payments; plus

3. Deposits to Renewal and Replacement Account; plus
4. Other Capital Funding on a pay-as-you-go basis from operations; plus
5. Any Payment-in-lieu-of Tax charges to the General Fund; plus
6. Funding of deposits to or for Working Capital / Reserves / Other Financial Requirements;
less
7. Pledged Capacity (Impact) Fees for payment of expansion-related debt service component associated with water purchases from Tampa Bay Water ("TBW") and the County Bonds;
less
8. Other Revenues (not from Monthly User Rates) and investment income that is considered available to fund System operations.

When rates are functioning properly, the total charges or rates imposed by a utility to its customers should at least equal the above referenced items (i.e., the "net revenue requirements").

The development of the financial forecast included in this report was for a five- (5) fiscal year period. The Forecast Period for the study included an estimate of the Fiscal Year 2021 and the projected four fiscal years ending September 30, 2025. A five-year projection period was selected in order to provide information regarding rate adjustments that may be required in the near future as part of the development of an acceptable cost recovery strategy and to assist the utility in the development of capital funding analyses and financial projections, including the need to evaluate the need to issue any additional utility indebtedness related to the County's System capital improvement program. Although a five-year forecast of System operations was prepared, the evaluation of the sufficiency of the Monthly User Fees and the recommendations in this report was for the Review Period.

EXISTING RATES AND CHARGES FOR SERVICE

The sales revenues derived from the monthly rates or user charges, Impact Fees, and other operating revenues, all as reflected on Table 6 at the end of this Sufficiency Report associated with the projected operating results for the System, were developed based on rates and charges that were placed into effect on of October 1, 2020. Such rates and charges were approved by the Board pursuant to the adoption of Resolution No. R03-91 by the Board on May 14, 2003, which was amended by Resolution No. R05-106 on May 5, 2005, Resolution No. R09-070 on May 20, 2009, Resolution No. R14-034 on March 19, 2014 and by Resolution No. R19-106 on August 21, 2019 and have been subsequently adjusted annually for the application of certain expense pass-through and price index adjustments with the most recent adjustment occurring on October 1, 2019 (collectively, the "Rate Resolution"). The resolution adopted by the Board on August 21, 2019 approved certain fixed rate adjustments and changes to automatic Price Index and the Pass-Through adjustments (discussed below).

Prior to the adoption of Resolution No. R19-106 in August 2019, rate structures have been in place for approximately 16 years. Since 2003 and as mentioned above, the Board has adopted certain amendments to the Rate Resolution to reflect minor administrative revisions / clarifications and to

recognize: i) adjustments in the calculation basis for the Purchased Water Pass-Through Consumption Charge and the automatic Price Index and Pass-Through adjustments; and ii) to reflect minor rate adjustments as a result of "turning on" the automatic price index adjustment beginning in Fiscal Year 2009 as recommended by the Department and its Rate Consultant. Resolution No. 19-106 also approved, among other things, the: i) sunset of the automatic rate indexing at September 30, 2021; and ii) application of an additional annual automatic fixed rate adjustment of 4% for two (2) fiscal years beginning October 1, 2019. Most recently, the Board adopted Resolution No. R20-047 on June 17, 2020 which continued the automatic rate indexing through September 30, 2025 (the "2020 Rate Resolution") and adjusted the impact fees and re-instated the Accrued Guaranteed Revenue Fee ("AGRF") charged to new development as discussed later in this report. The user rates for monthly service (referred to as the "Monthly User Charges") include the following components:

1. Customer Service Charge (per bill rendered);
2. Water and Wastewater Base Facility Charge (per respective ERC served per account) and when including the Customer Service Charge, equates to the minimum bill rendered to each account;
3. Water Consumption Charge (per 1,000 gallons of metered water use), which includes a water conservation pricing structure;
4. Purchased Water Pass-Through Consumption Charge (per 1,000 gallons of metered water use) to pass-through any increase or decrease in the total cost of purchased water to the customer (note all potable water is purchased, no water is produced from County Facilities); and
5. Wastewater Consumption Charge (per 1,000 gallons of metered water use, which serves as the basis for wastewater demand), which includes a monthly maximum billing threshold for individually-metered residential accounts at 8,000 gallons.

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A summary of the current water and wastewater Monthly User Charges as established pursuant to the Rate Resolution is summarized below:

	Monthly User Charges [1]
Customer Service Charge (per Bill Rendered)	\$4.69
Water Service Rates:	
Base Facility Charge (per ERC)	\$9.76
Usage Charges (per 1,000 Gallons):	
Block 1 – 0 to 5,000 Gallons	\$0.80
Block 2 – 5,001 to 15,000 Gallons	2.22
Block 3 – 15,001 to 30,000 Gallons	3.72
Block 4 – Above 30,000 Gallons	5.56
Pass-Through Consumption Charge [2]	\$3.02
Wastewater Service Rates:	
Base Facility Charge (per ERC)	\$15.77
Usage Charges (per 1,000 Gallons) [3]	5.08

[1] Amounts shown were effective October 1, 2020 and reflect the current rates in effect for service as contained in the Rate Resolution.

[2] Reflects pass-through of all purchased water costs (primarily Tampa Bay Water) based on formula contained in Rate Resolution; amount shown billed uniformly for all water consumption, regardless of consumption block (is added to the usage charges) and reflects the charge currently in effect (being billed) for the Fiscal Year 2021.

[3] Wastewater usage charge billed based on metered water use; individually metered single-family residential service usage charge capped at 8,000 gallons per month and each living unit served within a master-metered residential complex is capped at 5,600 gallons per unit per month.

In addition to the monthly rates for water and wastewater service, the County currently charges System 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 Impact 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 is from new customers or development.

At the request of the Department, the County's Rate Consultant was requested to evaluate the adequacy of the current impact fees and make recommendations for changes to more accurately recover the cost of necessary capital improvements required to serve new development, equitably recover the cost to provide service and to meet the stated financial goals of the County. On December 13, 2019, the County's Rate Consultant issued the Fiscal Year 2020 Water and Wastewater Impact Fee and AGRF Study for consideration of the Department and the Board. At the recommendation of the Department and County's Rate Consultant, the Board adopted the 2020 Rate Resolution which; i) set separate fees for water and wastewater impact fees for the Northwest Service Area and the South / Central Service Area; and ii) increases water and wastewater impact fees from then current levels.

The table below summarizes the water and wastewater impact fees that are currently in effect associated with the adoption of the 2020 Rate Resolution on June 17, 2020.

Impact Fees Effective October 1, 2020 (per ERC)			
<u>System</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Impact Fees:			
Northwest Service Area	\$1,863	\$2,951	\$4,814
South/Central Service Area	2,214	3,651	5,865

As previously discussed, in addition to the Impact Fees the County previously charged new customers or development, an Accrued Guaranteed Revenue Fee or "AGRF", which represents i) the estimated interest cost associated with financing the expansion facilities and ii) the fixed cost of operating and maintaining the facilities for the benefit of new growth, both of which are related to unused capacity in the County's potable water and wastewater systems. The purpose of this fee is to recover the cost of holding the capital investment until such time that an applicant requests and pays for capacity. In April 2014, the Board approved a motion to suspend charging the AGRF fee to incentivize development. The Board most recently adopted 2020 Rate Resolution which reinstated the application of the AGRF to new development. The following table summarizes the historical AGRF rates as compared to the reinstated AGRF rates effective October 1, 2020.

Summary of Water and Wastewater Accrued Guaranteed Revenue Fees (AGRF) – per ERC			
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Up to April 2014	\$1,005	\$940	\$1,945
Subsequent to April 2014	0	0	0
Effective October 1, 2020	\$833	\$989	1,822

The Rate Resolution also contains a number of additional fees and rates applied to customers of the System. Such fees are for: i) a particular service (e.g., reclaimed water); ii) a charge for a customer requested service or customer action (e.g., utility turn-on, late payment fee, etc.); iii) a deposit to ensure payment; or iv) another service need (e.g., reimbursement for line extension). Such fees are customary in the utility industry and have not been summarized in this report since no proposed changes in the amount of such rates is being requested by the Department at this time and the amount of revenue earned by the utility from these fees accounts for less than 2% of the total Gross Revenue of the System.

CUSTOMER ACCOUNTS AND SALES FORECAST

This section of the report summarizes the recent trends in water and wastewater customers, water purchases and wastewater treatment, and associated sales and usage characteristics of the System. The historical period reflected in this report covers the Fiscal Years 2016 through 2020 (the "Historical Period"). Table 1 at the end of this report reflects the historical active customers or accounts (terms used synonymously) and the corresponding equivalent residential connections 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 shown on Table 2 at the end of this report. Tables 3 and 4 also

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 served due to continued development located within the service area but a general declining / stabilizing trend in average water sales per account over the past several years as a result of increased water use awareness by such customers, which is being offset due the prior effects of the negative economy due in part to the pandemic that is now in a more robust condition (e.g., reduced vacancies, increased water use due to construction use, etc.). As mentioned, Table 1 at the end of this report summarizes the historical accounts served and the corresponding equivalent residential connections ("ERC") provided water service, billed water sales, and average ERC usage statistics for the Water System. 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 and is used to evaluate the size and capacity needs of a utility system. The County still has a significant amount of development and additional vacant property located within the Urban Service Area within the unincorporated County, which constitutes the System service area. As mentioned, Table 3 provides projected Water System statistics for the Forecast Period.

The historical and projected customer accounts and ERCs for the Water System are summarized as follows:

Historical and Projected ERCs and Sales Statistics – Water System [1]				
<u>Fiscal Year Ended September 30, (Historical)</u>	<u>Average Annual Accounts Served [2]</u>	<u>Average Annual ERCs Served [2]</u>	<u>Water Sales (000s Gallons)</u>	<u>Average Monthly Use per ERC (Gallons)</u>
2016	162,788	222,814	18,741,224	7,009
2017	167,589	229,496	20,294,946	7,369
2018	170,995	235,002	20,329,849	7,209
2019	178,517	245,492	21,103,004	7,164
2020 [3]	185,454	254,459	23,889,130	7,824
Average Annual Historical Growth Rate	<u>3.31%</u>	<u>3.38%</u>	<u>6.26%</u>	<u>2.79%</u>
<u>Fiscal Year Ending September 30, (Projected)</u>	<u>Average Annual Accounts Served [2]</u>	<u>Average Annual ERCs Served [2]</u>	<u>Water Sales (000s Gallons)</u>	<u>Average Monthly Use per ERC (Gallons)</u>
2021 [4]	190,547	260,968	22,335,594	7,132
2022 [5]	195,899	267,687	22,893,708	7,127
2023	200,749	273,831	23,400,339	7,121
2024	204,806	278,847	23,810,605	7,116
2025	208,357	283,290	24,170,639	7,110
Average Annual Projected Growth Rate [6]	<u>2.36%</u>	<u>2.17%</u>	<u>0.23%</u>	<u>-1.89%</u>

[1] Amounts derived from Tables 1 and 3 at the end of this report; amounts shown include all customer classes with exception to fire flow customers. It should be noted that the average use per single-family residential customer, the largest customer class of the System, averaged approximately 7,441 gallons per month of water use per average account served during the last five years ended Fiscal Year 2020.

[2] Reflects average annual statistics; ERC means Equivalent Residential Connection and represents an average daily potable water flow of 300 gallons per day (gpd) as defined in Resolution No. R05-106 adopted by the County on May 5, 2005, as amended and supplemented from time to time (i.e., the Rate Resolution). Average annual water accounts exclude fire protection service customers.

[3] The increase in Water System average use per customer may be attributable to greater residential use and reduced commercial use due to the effects of the COVID-19 Pandemic and the stay-at-home orders and reduced business operations. [4] Amounts shown are based on four (4) months of actual information.

[5] The forecast assumes the acquisition of the last two (2) remaining franchise utility systems. The Sunset Plaza Utilities, Inc. system serves approximately 39 commercial water accounts equating to 89.5 ERCs. The Windemere Utility Co., system serves approximately 1,020 residential water accounts equating to 1,020 ERCs.

[6] Reflects average annual compound growth rate from Fiscal Year 2020 through Fiscal Year 2025.

The Water System customer base consists primarily of single-family residential customers. As shown in the following table, this class accounted for over 96% of the total estimated accounts served by the Water System during the estimated Fiscal Year 2020. The number of ERCs served by the Water System for the same period was approximately 37% greater than the accounts served based on the information shown on the summary below.

Annual Average Water Accounts and ERCs – Estimated Fiscal Year 2021				
	<u>Average Annual No. of Accounts</u>	<u>Percent to Total</u>	<u>Equivalent Residential Connections [1]</u>	<u>Percent to Total</u>
Residential Single-Family	184,694	96.57%	184,694	70.77%
Residential Master-Metered	920	0.48%	40,390	15.48%
Commercial	4,933	2.58%	35,884	13.75%
Subtotal	<u>190,547</u>	<u>99.63%</u>	<u>260,968</u>	<u>100.00%</u>
Fire Line	<u>710</u>	<u>0.37%</u>	<u>N/A</u>	<u>N/A</u>
Total	<u>191,257</u>	<u>100.00%</u>	<u>262,068</u>	<u>100.00%</u>

[1] ERC is defined as Equivalent Residential Connection and represents an average daily potable water flow of 300 gallons per day (gpd) as defined in the Rate Resolution.

As summarized on the table above, the Water System provides service to approximately 261,000 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 equivalent customer base (overall size of utility) served.

It is expected that the County will continue to grow and increase the water and wastewater customer base of the System during the Forecast Period. The development of the Water System customer forecast for the projected period reflected in this report was based on: i) discussions with Utility Planning staff responsible for new development within the System service area; ii) a review of recent historical trends in securing capacity assessment units, which represent Impact Fees for development that will be assessed to the properties (an indicator for future growth, and which generally precede the connection to the System by a period ranging from six months to two years); iii) the level of actual accounts being served through January 2021; vi) incremental growth related to the acquisition of franchise utilities (e.g., Windemere and Sunset Plaza utility franchises) and extension of service within the County to developed but unserved areas (e.g., the Palm River area); and vii) the overall historical trends in customer, ERC and water sales growth. It was assumed that the average annual customers served (active services) for the Water System would increase at an average compound rate of growth of approximately 2.36% per year. This rate of growth is in line with the recent historical trends due to an observed rebound in residential and commercial development. The increase in accounts during the Fiscal Years 2016 through 2020 is considered more representative of recent trends associated with an improving economy. The impact of the COVID-19 pandemic on growth is unknown and although growth has been on the rise, the customer projections for the Forecast Period assume a more conservative but positive forecast (a slowing of the economy to more normal conditions during the Forecast Period). Although customer growth is expected to be favorable during the Forecast Period, the first four (4) months

of Fiscal Year 2021 indicates a slowing down of new connections to the System when compared to previous fiscal years. The customer and water use projections does assume a declining rate of growth (incremental ERC connections), primarily in the South-Central service area, during the Forecast Period as the service area continues to mature in terms of development. Thus, the Department is of the opinion that the forecast in water customers and use is reasonable, conservative, and attainable, however growth will continuously be monitored by the Department. The water customer statistical projections shown on Table 3 served as the basis for the projection of revenues derived from monthly water user charges for the Forecast Period reflected in the report.

As previously mentioned, the County has adopted a water conservation rate structure to promote the efficient use of potable water by the customers of the System. The application of a water conservation rate was first introduced in 1993 as a result of the Water Use Caution Area Rules adopted by the Southwest Florida Water Management District, which required the imposition of water conserving rate structure. There are currently four water usage blocks that are priced at an increasing rate to promote water conservation and the County has maintained both the conservation pricing structure and incentive in its consumption rates for over twenty (20) years. Since the imposition of the water conservation rates over 20 years ago, the average water use per residential customer has reduced from an average of 10,000 gallons per month to approximately 7,200 gallons per month as of the Fiscal Year 2019. During the Fiscal Year 2020, residential customer usage increased to approximately 8,200 gallons per month, however this could be due to the impact of the COVID-19 Pandemic as stay-at-home orders were enacted and business operations were reduced and increased irrigation due to the establishment of landscaping for new development due to the level of new construction being experienced by the County (total account growth during Fiscal Year 2020 was almost 4.0% which is a high growth rate for the service area).

The following table provides a summary of the dispersion of billed water flows by water usage block to all applicable customers as estimated for the Fiscal Year 2021:

Estimated Fiscal Year 2021 Water Consumption per Block (000s of Gallons)					
	<u>Monthly Consumption Range per ERC</u>	<u>Residential Billed Consumption [1]</u>	<u>Commercial Billed Consumption</u>	<u>Total Billed Consumption</u>	<u>% of Total Consumption</u>
Block 1	0 – 5	10,036,978	1,549,672	11,586,650	51.88%
Block 2	5 – 15	6,964,789	824,700	7,789,489	34.87%
Block 3	15 – 30	2,083,501	135,383	2,218,884	9.93%
Block 4	> 30	<u>666,678</u>	<u>73,892</u>	<u>740,570</u>	<u>3.32%</u>
Totals		<u>19,751,946</u>	<u>2,583,647</u>	<u>22,335,593</u>	<u>100.00%</u>

[1] Amounts shown include single-family and master-metered residential water consumption.

As can be seen above and estimated for the Fiscal Year 2021, the amount of water consumption in the first block accounted for approximately 52% of the total billed water consumption (primarily representative of indoor or essential use). Moreover, the total consumption for the first two usage blocks represented approximately 87% of the total billed water consumption, which provides an indication that the conservation pricing appears to be effective and that the amount of water consumption in the last consumption block (considered as excess water sales use) is not material at approximately 3% percent of the total metered potable water billed. As such, the Department

does not believe that a change in the structure of the water use pricing is necessary for implementation in Fiscal Year 2022.

Wastewater System

The Wastewater System has experienced an increase in customers and billed wastewater flow (sales) over the past several years, which is generally consistent with the trends experienced by the Water System. The growth is attributable to continued development / growth within the County's service area. For billing purposes, wastewater charges are determined from the quantity of monthly metered water sales since wastewater flows are not metered at the customer level. While all metered water flows are billed as wastewater flows for the commercial customers, the residential customers receive the benefit of a billing cap or limit equal to 8,000 gallons (per ERC) per month. This assumes, unlike commercial, that not all residential water use is returned to the wastewater collection system for treatment (e.g., landscape irrigation, car washing, etc.). As a result, billed wastewater flows are less variable than water flows that include outdoor use, which is affected by weather and/or other factors / use. Billed wastewater flows generally tend to track more closely to the growth in customer accounts and to a lesser degree the amount of overall water use. Table 2 at the end of this report summarizes the historical accounts and ERCs provided wastewater service, billed wastewater flow (sales), and average ERC usage statistics for the Wastewater System. Table 4 also provides the projected wastewater statistics for the Forecast Period.

The historical and projected customer statistics for the Wastewater System are summarized below:

Historical and Projected ERCs and Sales Statistics – Wastewater System [1]				
Fiscal Year Ended September 30, (Historical)	Average Annual Wastewater Accounts [2]	Average Annual ERCs [2]	Billed Wastewater Flow (000s Gallons)	Average Monthly Billed Wastewater Flow per ERC (Gallons)
2016	149,706	238,875	14,513,578	5,063
2017	153,316	245,146	15,108,054	5,136
2018	156,733	251,175	15,363,303	5,097
2019	162,118	260,275	15,883,678	5,086
2020	167,455	268,320	16,946,224	5,263
Average Annual Historical Growth Rate	<u>2.84%</u>	<u>2.95%</u>	<u>3.95%</u>	<u>0.97%</u>
Fiscal Year Ending September 30, (Projected)	Average Annual Wastewater Accounts	Average Annual ERCs [2]	Billed Wastewater Flow (000s Gallons)	Average Monthly Billed Wastewater Flow per ERC (Gallons)
2021 [3]	171,804	274,705	16,535,271	5,016
2022 [4] [5]	176,686	281,654	16,946,236	5,014
2023 [4] [5]	181,390	288,326	17,339,521	5,012
2024 [5]	185,360	293,730	17,657,412	5,010
2025 [5]	188,893	298,528	17,938,645	5,008
Average Annual Projected Growth Rate [6]	<u>2.44%</u>	<u>2.16%</u>	<u>1.14%</u>	<u>-0.99%</u>

[1] Amounts derived from Tables 2 and 4 at end of report.

[2] Reflects average annual statistics; ERC is defined as Equivalent Residential Connection and represents an average daily wastewater flow of 200 gpd as defined in the Rate Resolution.

[3] Amounts shown based on four (4) months of actual information.

[4] The forecast assumes the acquisition of the last two (2) remaining franchise utility systems. The Sunset Plaza Utilities, Inc. system serves approximately 35 commercial wastewater accounts equating to 76 ERCs. The Windemere Utility Co., system serves approximately 974 residential wastewater accounts equating to 974 ERCs.

[5] The forecast also assumes the incremental growth from 500 homes that are annually converted as part of the Septic to Sewer Program.

[6] Reflects average annual compound growth rate from Fiscal Year 2020 through Fiscal Year 2025.

The Wastewater System customer base also consists primarily of single-family residential customers. As shown in the following table, this class accounted for approximately 97% of the total estimated accounts served by the Wastewater System estimated for the Fiscal Year 2021. The number of ERCs served by the Wastewater System was approximately 60% greater than the accounts served based on the information as shown below.

Annual Average Wastewater Accounts and ERCs – Estimated Fiscal Year 2021				
	<u>Average Annual No. of Accounts</u>	<u>Percent to Total</u>	<u>Equivalent Residential Connections [1]</u>	<u>Percent to Total</u>
Residential Single-Family	167,406	97.44%	167,406	60.94%
Residential Master-metered	626	0.36%	58,235	21.20%
Commercial	<u>3,772</u>	<u>2.20%</u>	<u>49,064</u>	<u>17.86%</u>
Total	<u>171,804</u>	<u>100.00%</u>	<u>274,705</u>	<u>100.00%</u>

[1] Reflects average annual statistics; ERC means Equivalent Residential Connection and represents an average daily wastewater flow of 200 gallons per day (gpd) as defined in the Rate Resolution.

As summarized on the table above, the Wastewater System provides service to approximately 275,000 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 equivalent customer base served.

The Wastewater System has incurred a historical growth rate in the average number of ERCs served of approximately 2.84% per year since the Fiscal Year 2016, which is slightly lower but similar to the historical growth rate recently experienced for the Water System (most new water accounts receive wastewater service). This growth is due to both the infill of existing developments where service was available, as well as the continued addition of new development within the utility service area (the urban service area). The forecast of Wastewater System ERCs and billed wastewater flow (sales) was based on recent historical trends, discussions with Department planning staff associated with the permitting of new development, the Water System customer account and ERC forecast presented earlier, and the assumption that growth will continue at recent historical trends during the Forecast Period. The customer and billed wastewater flow projections does assume a declining rate of growth (incremental ERC connections), primarily in the South-Central service area, during the Forecast Period as the service area continues to mature in terms of development. Thus, the Department is of the opinion that the forecast in wastewater customers and use is reasonable, conservative, and attainable, however growth will continuously be monitored by the Department. The wastewater customer projections shown on Table 4 served as the basis for the projection of revenues derived from monthly wastewater user charges for the Forecast Period reflected in the report.

Customers Served (Bills Rendered)

As previously discussed, the County charges customers a monthly billing charge associated with the cost of rendering the bill and providing ongoing account services to the customer. While most

of the customers receive both water and wastewater service from the County some customers may only receive one type of utility service. As a result, the County provides service to a greater number of total customers than is independently reported for the respective water and wastewater systems. In order to project the associated service charge revenues a forecast of the total number of customers receiving both water and wastewater service, as well as customers that receive water-only and wastewater-only service was prepared.

The historical and projected information for the total bills rendered by service is shown on Tables 1 through 4 at the end of this report and summarized as follows:

Historical and Projected Customers Served – Combined Utility Systems [1]

Fiscal Year Ended September 30, (Historical)	Average Annual Customers Served [2]			
	Water Only	Water and Wastewater	Wastewater Only	Total Customers
2016	25,197	137,591	12,115	174,903
2017	26,542	141,044	12,272	179,858
2018	26,541	144,454	12,279	183,274
2019	28,780	149,737	12,381	190,898
2020	30,512	154,942	12,513	197,967
Average Annual Historical Growth Rate	<u>4.90%</u>	<u>3.01%</u>	<u>0.81%</u>	<u>3.15%</u>

Fiscal Year Ending September 30, (Projected)	Average Annual Customers Served [2]			
	Water Only	Water and Wastewater	Wastewater Only	Total Customers
2021	31,046	159,501	12,303	202,850
2022 [3] [4]	31,589	164,310	12,376	208,275
2023 [3] [4]	32,142	168,607	12,783	213,532
2024 [4]	32,704	175,102	13,258	218,064
2025 [4]	33,276	175,081	13,812	222,169
Average Annual Projected Growth Rate [5]	<u>1.75%</u>	<u>2.47%</u>	<u>2.00%</u>	<u>2.33%</u>

[1] Amounts derived from Tables 1 through 4 at end of report.

[2] Reflects total average customers served during the year (bills rendered), regardless of service type (water-only, wastewater-only, or combined water and wastewater service).

[3] Average customer statistics include the incremental customer additions associated with the forecasted acquisition of the Sunset Plaza Utilities, Inc. and the Windemere Utility Co. systems in Fiscal Year 2022 and connecting to the County System during the Fiscal Year 2022.

[4] The forecast also assumes the incremental growth from 500 homes that are annually converted as part of the Septic to Sewer Program which are assumed to not receive any utility service from the System at this time (served by private wells).

[5] Reflects average annual compound growth rate from Fiscal Year 2020 through Fiscal Year 2025.

The financial forecast assumes Wastewater System account growth at approximately 93.6% of the projected Water System account growth for the Forecast Period. Although the specific utility service areas are different and the County does provide service to water-only and wastewater-only customers, it should be noted that most of the water customers added to the System are associated with property development (not due to extensions of service to existing developed areas or acquisition of utility systems) and are expected to receive wastewater service. The average number of customers receiving both water and wastewater service as estimated for the Fiscal Year 2021 approximated 78.7% of the total number of customers served. The total number of customers served (billed) is consistent with the ERC growth rate discussed in regard to the Water and Wastewater Systems.

Water Purchase Requirements

The County purchases all its potable water needs from several water service providers. As can be seen in the following table, water purchases from TBW accounted for approximately 97.5% of the total water purchased requirements for the estimated Fiscal Year 2021:

Water Purchases – Estimated Fiscal Year 2021		
Water Provider:	Water Purchases (000s of Gallons)	Percent of Total Water Purchases
Tampa Bay Water	24,328,507	97.49%
City of Tampa [1]	590,460	2.37%
City of Plant City [2]	35,274	0.14%
City of Oldsmar [3]	29	0.00%
City of Temple Terrace [3]	1,701	0.01%
Total Water Purchased	<u>24,955,971</u>	<u>100.00%</u>

[1] The County purchases water from the City of Tampa to provide service primarily to the Seaboard Service Area, which was acquired by the County from Florida Water Services Corporation during the Fiscal Year 2004.

[2] The County purchases water from the City of Plant City to provide service to County retail customers in an area referred to as Oak Utilities.

[3] The County purchases water from the Cities of Oldsmar and Temple Terrace for service to unincorporated areas, which are contiguous to the respective Cities' municipal boundaries and cannot be directly served by the County through water purchases from Tampa Bay Water.

The forecast of water production requirements was based on the forecast of water sales shown on Table 3, adjusted for non-revenue water to recognize water that may not be billed due to line flushing, leaks, metered internal water use (e.g., Department use at wastewater lift stations), and other factors. Once the forecast of the total water usage needs was identified, such amounts were subsequently allocated among the various potable water service providers based on the anticipated water ERC growth assumed for each area served by the water providers. The projected water purchases for the various water providers for the Forecast Period is summarized below:

	Water Purchases (000s of Gallons) [1]				
	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Tampa Bay Water	24,328,507	24,946,193	25,506,297	25,958,672	26,354,861
City of Tampa	590,460	596,365	602,329	608,352	614,436
City of Plant City	35,274	35,274	35,274	35,274	35,274
City of Oldsmar	29	29	29	29	29
City of Temple Terrace	1,701	1,701	1,701	1,701	1,701
Total Water Purchases	<u>24,955,971</u>	<u>25,579,562</u>	<u>26,145,630</u>	<u>26,604,028</u>	<u>27,006,301</u>

[1] Amounts shown based on water sales forecast adjusted for a "non-revenue water factor" of 10.5% of total water purchased (represents historical average of non-revenue water relationships).

Wastewater Treatment Requirements

As of the end of Fiscal Year 2020, the Department owned and operated 5 separate wastewater treatment plants with a combined wastewater treatment capacity of 65.7 million gallons per day

("MGD") expressed on an annual average daily flow basis. A summary of the current wastewater treatment plant capacity by specific facility and service area location is summarized as follows:

Current Permitted Wastewater Treatment Plant Capacity (MGD) [1]		
<u>Treatment Facility</u>	<u>Northwest Service Area</u>	<u>South-Central Service Area</u>
Northwest Regional WRF [2]	30.0	---
Van Dyke WWTP	1.7	---
Falkenburg Road AWWTF	---	12.0
South County Regional AWWTF	---	10.0
Valrico AWWTF	---	12.0
Total Wastewater Capacity	<u>31.7</u>	<u>34.0</u>

AWWTF = Advanced Wastewater Treatment Facility
WRF = Wastewater Reclamation Facility
WWTP = Wastewater Treatment Plant

[1] The permitted capacity for the Northwest Wastewater Treatment Plant is in terms of a 3-month maximum daily flow basis; all other facilities are permitted on an average annual daily flow basis with the Florida Department of Environmental Protection.

As shown above, the Wastewater System has two distinct service areas, for which treatment capacity has been constructed by the Department. Additionally, in order to add interim capacity on a temporary basis in the Northwest Service Area, if required (e.g., expansion of a facility or maintenance outage), the Department also has wastewater interconnection with the City of Tampa such that flows could be diverted to the City's wastewater treatment facilities. The County treats approximately 98% of all wastewater flows through the County's existing wastewater treatment facilities. The remainder of wastewater treatment is purchased from other public utilities for small portions of the County's service area that are located close to the jurisdictional boundaries of the cities of Tampa, Plant City and Temple Terrace, respectively, which are more economically served on a wholesale service basis. The forecast of wastewater treatment requirements was based on the forecast of ERCs for the Wastewater System, the recent trends in flow growth and treatment requirements experienced by the individual wastewater service areas, and other factors.

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The following table provides a summary of the projected wastewater treatment requirements assumed for the Forecast Period:

Projected Wastewater Treatment Requirements for the Forecast Period	
Fiscal Year	Wastewater Treated (MGD-ADF) [1]
2021 [2]	46.06
2022	47.23
2023	48.34
2024	49.25
2025	50.05

MGD-ADF = Million Gallons per Day, Average Daily Flow

[1] Reflects total Wastewater System estimated treatment requirements during Forecast Period and includes wholesale wastewater purchases from other treatment providers; reference Table 4 at end of report for summary.

[2] Wastewater treatment for Fiscal Year 2021 is estimated; includes an allowance for wastewater treatment services from other public utilities.

CAPITAL IMPROVEMENT PROGRAM – SOURCES AND USES OF FUNDS

A significant component of the evaluation of the sufficiency of rates deals with the funding of the capital improvements of the System. The County has an adopted five-year capital improvement plan ("CIP") as part of the budgetary process, which reflects both expansion-related projects and expenditures associated with the renewal, replacement, betterment, and upgrade of existing facilities for the Water and Wastewater Systems. In addition, the Department has certain projects underway (under design or currently classified as construction-work-in-progress) that were approved in prior years (funding has been designated), which are anticipated to be completed during the Forecast Period. The following provides a summary of the capital plan by utility plant type by Fiscal Year presented on an "annual cash funded-basis" representing when project expenditures are anticipated to be incurred by the Department.

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Description	Fiscal Year Ending September 30, [1]					Total
	2021	2022	2023	2024	2025	
Capital Program (\$000s):						
Wastewater Treatment	\$49,856	\$47,771	\$55,042	\$145,579	\$132,235	\$430,483
Wastewater Collection	27,079	41,472	28,947	27,341	28,134	152,973
Water Treatment	9,851	9,395	66,718	92,497	77,095	255,556
Water Distribution	42,903	38,633	57,635	36,080	24,704	199,955
Reclaimed Water	5,347	952	952	952	952	9,155
Franchise Systems Acquisition and Service Extension	---	24,970	24,420	11,310	3,300	64,000
Septic to Sewer	2,869	13,069	13,357	13,663	13,992	56,950
Low Pressure Sanitary Sewer Program (LPSS)	2,000	7,214	7,373	7,542	7,723	31,582
Other [2]	17,961	12,611	7,709	9,844	9,844	57,969
Departmental Capital [3]	15,405	6,641	3,453	3,488	3,522	32,509
Total Capital Program	\$173,271	\$202,729	\$265,606	\$348,296	\$301,501	\$1,291,402

[1] Amounts shown derived from Table 5 at the end of this report and is based on the Fiscal Year 2021 capital cash funding budget and includes i) an allowance for Departmental capital expenditures (e.g., new vehicles, equipment, etc.), which is funded from rates; and ii) capital projects that are accounted for in other funds, which includes contributions from the System for its share of the project costs (project benefits several County Departments). Amounts shown include capital expenditures approved and funded in prior years that are currently ongoing from a project implementation basis (e.g., construction-work-in-progress). Additionally, amounts shown do not include any capital expenditures associated with water supply and treatment projects, which are the sole responsibility of Tampa Bay Water.

[2] The capital expenditures designated as Other are primarily comprised of: i) the remaining construction of the Consolidate and Hardened Maintenance Facilities Project in the amount of \$22M; ii) the construction of a new Maintenance Facility in the Northwest Service Area in the amount of \$20.5M; and iii) the construction of a new Operations Building at the Northwest Regional Reclamation Facility ("NWRWRF") in the amount of \$11.2M.

[3] Amounts shown reflect expenditures for general capital that supports Department operations as a component of the Operating Budget and include but not limited to, a general renewal and replacement allowance for minor projects and vehicle replacement, customer service facilities and other general projects or general plant assets (not included as a component of the expenditures recognized in the CIP).

As can be seen from the prior table, the projected cost of capital improvements identified for the Forecast Period totals approximately \$1.29 billion. This total capital expenditure requirement is anticipated by the Department to be funded from remaining bond proceeds associated with the Series 2016 Bonds, new additional parity bonds anticipated by the Department to be issued for the construction of new facilities, additional wastewater impact fee assessment unit bonds, available unrestricted cash reserves, additional funds from ongoing operations produced from ongoing utility operating revenues (rates), and unpledged and available impact fees. The forecast of the cost of capital improvements was based on estimates made by the Department's planning engineers and outside Consulting Engineers and is based in 2021 dollars. Table 5 at the end of this report summarizes the projects and improvements identified by the Department. The County is anticipating significant growth in the South-Central County service area based on current development activity and requests for new permitted capacity and has identified the need to ultimately construct the One Water Campus in the south-central portion Hillsborough County. Phase 1 of the One Water Campus is included in the Forecast Period and consists of the construction of a transmission water main from the Lithia Water Treatment Plant to South County, the construction of a water in-line booster pump station, the expansion of the South County Regional AWWTP using modular components to increase the plant capacity to 16.0 MGD that can be later relocated to the One Water Campus (in Phase 2) and the Flow Diversion from Falkenburg AWWTP to Valrico AWWTP Project including pump stations and pipelines. Phase 2 of the One Water Campus is planned to begin on or about the Fiscal Year 2023 (and is to include a new wastewater reclamation facility and a new potable water treatment facility. It has been recognized

that the need for advance the timing of the additional plant capacity additions represent a change in the overall capital improvement plan when compared to recent prior financial forecasts and will be funded by additional bonds and ultimately through the receipt of impact fees and increased net revenues derived from System growth (i.e., the utilization of the anticipated capacity additions).

To provide additional information, the following table provides a summary of the top ten (10) capital projects by expenditure amount recognized in the financial plan:

Top Ten (10) Capital Projects by Expenditure Amount

Description	Fiscal Year Ending September 30, [1]					Total
	2021	2022	2023	2024	2025	
Capital Funding Program (\$000s):						
One Water Campus – Wastewater Treatment and Collection [2]	\$---	\$---	\$8,524	\$113,827	\$117,306	\$239,657
One Water Campus – Potable Water Treatment and Distribution [3]	---	---	57,486	90,948	72,046	220,480
One Water Campus – TM from Lithia to South County/Ag-Mart	17,923	13,671	40,301	17,405	---	89,300
One Water Campus – South County WWTP Modular Capacity Expansion	11,417	24,555	24,836	6,423	---	67,231
Septic to Sewer Program [4]	2,870	13,069	13,357	13,664	13,992	56,952
Van Dyke Flow Diversion (Pump Station and Pipeline)	199	1,750	5,250	17,500	10,500	35,199
Town & Country Service Area Purchase [5]	---	---	21,450	8,250	3,300	33,000
LPSS to Sewer Connection [6]	2,000	7,214	7,372	7,542	7,723	31,851
Consolidated and Hardened Maintenance Facilities [7]	15,394	6,598	----	---	---	21,992
Maintenance Facility (NW Service Area)	---	---	2,050	9,225	9,225	20,500
Sub-Total	\$49,803	\$66,857	\$180,626	\$284,784	\$234,092	\$816,162
Recurring Capital RR&I – Master Projects [7]	45,203	49,926	50,182	52,565	54,767	252,643
Total Capital Expenditures	\$95,006	\$116,783	\$230,808	\$337,349	\$288,859	\$1,068,805

[1] Amounts shown derived from Table 5 at the end of this report.

[2] This project consists of the design and construction of a new Regional Water Reclamation Facility in the South County Service Area to provide additional wastewater treatment capacity. The new facility is needed to meet increasing wastewater demands due to continuing population growth in the South County Area and will ensure the utility system continues to provide an acceptable level of service to customers. The project also includes installation of various wastewater collection system force mains, pump stations, and reclaimed water mains connecting the new facility to the existing utility infrastructure system.

[3] This project consists of the design and construction of a new Potable Water Treatment Facility in the South County Service Area to provide increased potable water service pressures and additional flow. The new facility is needed to meet increasing potable water demands due to continuing population growth in the South County Area and will ensure the utility system continues to provide an acceptable level of service to customers. The project also includes a potable water transmission main to connect the new facility to the existing water distribution system.

[4] The Septic to Sewer Program is a Department initiative to convert 500 homes annually from septic to County sewer. Project costs in Fiscal Year 2021 are grant funded and is for design. Construction is to begin in Fiscal Year 2022.

[5] This project consists of the purchase of the Town & Country Service Area including the existing water distribution utility infrastructure from the existing utility provider. Additionally, the project will consist of design and construction of appropriate connections to the County's existing utility system. The Town & Country area receives potable water service from the City of Tampa and wastewater service from the County. This will align the service areas so that the County would serve both potable water and wastewater. The service area is generally defined by Dale Mabry Hwy as the eastern boundary, Waters Ave as the northern boundary, Tampa International Airport and Tampa Bay join to form the southern boundary, and Sheldon Rd as the western boundary.

[6] The Low-Pressure Sewer System (LPSS) Project is a Department initiative to upgrade 300 homes to vacuum sewer systems per year. Project costs in Fiscal Year 2021 are grant funded and is for design. Construction of the collection system conversions is assumed to begin in Fiscal Year 2022.

[7] Represents the Utility System's portion of the Government Facilities Program to design and construct new consolidated and hardened maintenance facilities for Public Works, Water Resources and Fleet Service. The new facilities will also provide efficient and secure facilities for pre- and post-disaster response

[8] Master Projects are defined as general replacement projects that are performed annually for the total service area but are not to a specific project. The amounts shown represent the consolidated total of twelve (12) individual master projects.

The top ten (10) capital projects identified above currently account for approximately 83% of the total CIP. The capital funding requirements are presented on a "cash basis" (i.e., when expenditures

are anticipated to be incurred by the Department) as opposed to an "appropriations-basis" (i.e., when funds are assigned to procure contracts). Based on the need to fully appropriate funds for the capital plan, the recently adopted rate, impact fee and AGRF fee adjustments coupled with the adopted changes to the price index and the anticipation of issuing additional parity bonds and wastewater impact fee assessment bonds, the County should have sufficient resources to appropriate funds for all of the capital projects identified.

The following table provides a summary of the estimated funding plan for the identified cash basis CIP:

Description	Fiscal Year Ending September 30, [1]					Total
	2021	2022	2023	2024	2025	
Capital Funding Program (\$000s)						
Renewal & Replacement Account	\$33,250	\$30,490	\$20,212	\$18,529	\$22,011	\$124,492
General Revenue Capital Expense Acct.	68,653	93,761	94,011	68,532	66,890	391,847
Existing Bond Proceeds	5,176	2,788	---	---	---	7,964
Additional Bond Proceeds	27,282	42,053	95,560	202,740	168,615	536,250
Impact Fees [2]	3,000	---	12,620	30,119	26,608	72,347
Wastewater IFAU Bonds [3]	11,864	24,555	24,836	6,423	---	67,678
Other Available Sources [4]	8,642	2,440	14,913	18,465	13,855	58,315
Annual Operations (Rates) [5]	15,405	6,641	3,453	3,488	3,522	32,509
Total Capital Funding Sources	\$173,272	\$202,728	\$265,605	\$348,296	\$301,501	\$1,291,402

- [1] Amounts shown include available unencumbered funds and funds anticipated to be derived from System operations during the Forecast Period.
- [2] The majority of the Water and Wastewater Impact Fees are considered as Pledged Impact Fees and are used to fund: i) the Debt Service Component of the Cost of Contracted Water from Tampa Bay Water (water-only impact fees); and ii) the expansion component of annual Bond Service Requirement. Use of impact fees reflects amounts currently on deposit in the fund from prior periods and amounts not considered as Pledged Impact Fees (refers only to a limited amount of Water-related Impact Fees) that are assumed to be received during the Forecast Period. The Impact Fees shown represent amounts on deposit in the fund and additional fees to be realized above what is considered as being a pledged fee, if any.
- [3] In March 2021, the County issued approximately \$58.23 million of Impact Fee Assessment Unit (IFAU) Bonds (which also included a premium that increased the amount of funds for capital project funding) to fund the One Water Campus – South County WWTP Modular Capacity Expansion Project and a portion of the flow diversion project from Falkenburg AWWTP to the Valrico AWWTP. The payment of the 2021 IFAU Bonds are secured solely from a pledge of certain IFAU assessments resulting from the IFAU program and not from System Net Revenues; such assessments are not included in the financial forecast presented in this report since the respective IFAU assessments are specifically pledged to the payment of the 2021 IFAU Bonds, which are considered as a debt of the County's General Fund and not considered as a System debt.
- [4] Amounts shown include miscellaneous funding sources such as grants and other contributions.
- [5] Amounts shown reflect expenditures identified in the Department water and wastewater budget and are funded annually from System Operations (rates).

In the development of the capital funding plan, the following major assumptions and fund priorities were recognized:

1. To the extent available, all cash reserves allocable to fund capital expenditures (e.g., Renewal and Replacement Account) were considered as the first priority for funding projects in lieu of the use of external funding.
2. All water and wastewater Impact Fees estimated to be received during the Forecast Period that were determined to be Pledged Capacity (Impact) Fees were used for paying i) the Debt Service Component of the Cost of Contracted Water Supply (Water Impact Fees only) and ii) the expansion-related component of the annual Bond Service Requirement; any remaining fees that were not considered as Pledged Capacity Fees were used to fund future expansion-related capital projects that were not debt financed.

3. For each year of the Forecast Period, a transfer from operations to the Renewal and Replacement Account was recognized. The transfer was based on the sum of i) five percent (5%) of the previous Fiscal Year's Gross Revenues as defined in the Bond Resolution, which averaged approximately \$16,000,000 annually for the Forecast Period; ii) a deposit during each year of the Forecast Period for the installment payments being received by the County associated with the sale of water capacity to Tampa Bay Water as part of the governance initiative during the Fiscal Year 1998 in the annual amount of \$1,238,468 (such deposits are anticipated to end in Fiscal Year 2029); and iii) the proceeds from the sale of any surplus equipment or plant, which occurs on an annual basis, which for purposes of the financial forecast none were assumed. Any available funds in the Renewal and Replacement Account were used to fund the replacement of utility system assets that are anticipated by the Department to reach their annual service lives.
4. The minimum working capital reserve was assumed at 45 days^[3] of Operating Expenses: for the purposes of developing the financial forecast and recognizing general rating criteria associated with strong financial credits, a minimum operating reserve balance of 150 days of operating expenses was recognized and was essentially met for the Forecast Period assuming the implementation of the recommended index and rate adjustments. The majority of all available funds after the payment of the required transfers as delineated in the Bond Resolution derived from the operation of the System were assumed to be transferred to the General Revenue Capital Expense Account, which was established by the Department in addition to the minimum transfer to the Renewal and Replacement Account for the funding of both expansion-related and R&R-related capital project expenditures. The General Revenue Capital Expense Account is an internal account of the Department and is considered as a sub-account of the General Purpose Account established by the Bond Resolution.
5. The capital improvement plan includes the construction of Phase 1 of the One Water Campus wastewater facility improvements including the expansion of the existing South County Regional Advanced Wastewater Treatment Plant ("AWWTP") using modular components that can be later relocated to the One Water Campus (in Phase 2), which is assumed to be placed in service by the end of Fiscal Year 2024 at a projected cost of \$67.2 million and the construction of Flow Diversion from Falkenburg AWWTP to Valrico AWWTP Project including pump stations and pipelines, which is assumed to be placed in service during Fiscal Year 2023 at a cost of \$12 million. The majority of these projects will be funded from the issuance of the 2021 IFAU Bonds in the amount of approximately \$58,230,000 issued with a premium of approximately \$11,594,147 to fund a Construction Account deposit of approximately \$67,678,331. The remaining costs of the wastewater flow diversion pump stations and pipelines is assumed to be funded with the issuance of additional parity bonds.
6. The construction of Phase 1 of the One Water Campus water facility improvements including the construction of a transmission main from the Lithia Water Treatment Plant to South County, which is assumed to be placed in service by the end of Fiscal Year 2024 at a projected cost of \$89.3 million, the construction of a water in-line booster pump station,

[3] Department policy target set equal to 45 days of operating expenses; Bond Resolution requires a reserve at least equal to the greater of: i) subsequent budgeted monthly operating expenses; or ii) 30 days in accordance with the flow of funds requirements.

which is assumed to be placed in service by Fiscal Year 2023 at a projected cost of \$13.6 million and the expansion of the South County Potable Repump Station, which is assumed to be placed in service in Fiscal Year 2022 at a cost of \$4.4 million are also included in the capital improvement plan. It is anticipated that these projects will be funded with a combination of grants and the issuance of additional parity bonds.

7. The County's capital improvement plan includes the design and construction of three (3) new consolidated and hardened maintenance facilities for Public Works, Water Resources and Fleet Services to replace existing facilities that are near the end of their useful service lives and will provide efficient and secure facilities for pre- and post-disaster response. Department staff has determined that its remaining share of the cost of these new facilities is approximately \$22 million.
8. The Department has designated funding for the Septic to Sewer and Low-Pressure Sewer System ("LPSS") initiatives to connect certain customers to the County's regional wastewater system; this will be a multi-year phased program. The LPSS Project has been assumed by the Department to provide for the upgrade of 300 homes to vacuum sewer systems with an approximate cost of \$8 million annually. Construction is recognized to begin in Fiscal Year 2022.
9. The Department has designated funding for the conversion of 500 homes annually from on-site disposal systems (septic tanks) to the County regional wastewater system. Construction is recognized to begin in Fiscal Year 2022 and cost approximately \$13 million annually.
10. The Department also plans to construct a new Maintenance Facility to provide workspace for utility maintenance staff who maintain Water Resources assets at the Northwest Regional Water Reclamation Facility and the surrounding northwest service area. The cost of this facility is estimated to be \$21 million.
11. Anticipating the issuance of additional parity bonds to fund the Phase 1 water facility improvements discussed above, the following represents the projected Bond Service Requirement recognized for the Forecast Period (presented on a cash basis which reflects when payments are made to Bond Holders which is consistent with the determination of rate covenant compliance).

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Projected Annual Bond Service Requirement – for the Forecast Period (\$000s)

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Outstanding Debt (\$000s)					
Series 2010C Bonds [1]	\$731	\$731	\$731	\$731	\$731
Series 2016 Bonds	9,983	9,981	9,981	9,982	9,979
Series 2019 Bonds	7,131	7,131	7,133	7,134	7,133
Additional Parity Debt (\$000s)					
Series 2021 Bonds	---	6,406	5,913	8,668	8,671
Series 2023 Bonds	---	---	---	18,699	17,260
Sub-Total	\$17,845	\$24,249	\$23,758	\$45,214	\$43,774
Less Interest Income on Debt Service and Reserve Accounts [2]	(27)	(35)	(59)	(86)	(91)
Total Annual Bond Service Requirement	\$17,818	\$24,214	\$23,699	\$45,128	\$43,683

[1] Bonds are Build America Bonds and amounts shown are net of assumed Federal Direct Payments (offset to interest expense on the respective Bonds).

[2] Pursuant to the Bond Resolution, any interest income on the debt-related accounts is considered as a direct deposit to the Debt Service Account and serve to reduce the payment of the annual Bond Service Requirement from System rates.

REVENUE REQUIREMENTS – MONTHLY USER CHARGES

General

The various components of cost associated with operating and maintaining a utility system, as well as the cost of financing the renewal and replacement of facilities and capital improvements for upgrades and expansion, are generally referred to as the utility revenue requirements. The sum of these cost components, after adjusting for other income and miscellaneous utility revenues, represents the net revenue requirements; the level of expenditures and utility funding needs that must be recovered from rates. The forecast of the revenue requirements of the System encompassed the five-fiscal year period ending September 30, 2025 (previously defined as the "Forecast Period"). The revenue requirements for the Fiscal Year 2021 were based on the approved budget and subsequently adjusted for reported year-to-date results. The Fiscal Year 2022 was based on the projected Fiscal Year 2021 budget as prepared by the Department, which was adjusted for any known or anticipated events (e.g., personnel additions). The estimated Fiscal Year 2021 and preliminary Fiscal Year 2022 results served as the baseline for the financial projections for the remainder of the Forecast Period. The projected revenue requirements can be classified into the following generalized expenditure components:

- **Operating Expenditures** – These expenditures include the cost of utilities labor, materials, supplies, and other items necessary for the operation and maintenance of the water and wastewater system. These costs also include indirect allocated costs from other supporting departments for administration and customer service.
- **Bond Service** – Bond service includes the payment of principal and interest on the System's current and any future debt obligations from the net operating revenues of the water and wastewater system.

- Capital Funding from Rates (Pay-Go) – Includes capital expenditures funded annually from the operations (rates) of the System, which is in addition to capital expenditures funded from external sources such as bonds, grants, Impact Fees, and other sources. This would include deposits to the Renewal and Replacement Account and the General Revenue Capital Expense Account.
- Other Revenue Requirements – This component of need includes, in general, any other expenditures funded annually from rates, including the funding of deposits to working capital and rate stabilization reserves, funding of any Subordinated Indebtedness or loans, and other transfers to other accounts established by the County that may require funding from the System revenues.

Significant Forecast Assumptions

As part of the report, existing conditions and potential liabilities were considered to ensure that implementation of the Sufficiency Report recommendations would meet the financial requirements of the System, comply with the rate covenants as defined in the Bond Resolution, fully support the financing of the projected capital improvement program, and promote the conservation of water resources. The development of the financial projections for the Forecast Period included the following primary assumptions:

1. Projected revenues from current Monthly User Charges for the System have been based on:
 - i) the schedule of rates and charges currently in effect, which are contained in Rate Resolution, including: i) the annual application of the Purchased Water Pass-Through Consumption Charge, the change in the application of the annual Price Index adjustment through Fiscal Year 2025 and additional 4.0% rate adjustments for the Fiscal Years 2022 through 2025; and ii) the forecast of water and wastewater customers and sales (water use and billed wastewater flow) for the respective utility systems as previously discussed and presented on Tables 3 and 4. The forecast in water and wastewater ERCs, water sales, corresponding wastewater billed flow, and customers billed was based on i) recent historical trends, including the amount of water used and wastewater flow billed per ERC; ii) customer bill frequency information for the Fiscal Years 2016 through 2020 (flows incurred (and billed) per consumption block by customer class) and the overall billed water sales and wastewater flow for the Fiscal Years 2016 through the current year-to-date 2021; iii) recent projections prepared by the Department as discussed previously; and iv) other factors.

The County purchases all its treated water from Tampa Bay Water and several other municipalities located in Hillsborough County. The majority of water purchases or 98% of total purchases are from Tampa Bay Water. The water purchases are then retreated (primarily additional disinfection) and distributed to customers throughout the County. As previously noted, to recover the cost of purchase water the County charges customers the Purchased Water Pass-Through Consumption Charge, which is currently \$3.02 per 1,000 gallons of metered water use. While the majority of the purchased water expenses are funded by the Purchased Water Pass-Through Consumption Charge, a portion of the total expense is funded from pledged water impact fees collected by the County since it is for the repayment of the Debt Service Component of the Cost of Contracted Water Supply (i.e., expansion-related debt) issued by Tampa Bay Water. Based on current projections of water demands /

purchases, the contracted cost of treatment and assumed collection and use of water impact fees to repay allocable Debt Service Component, the Purchased Water Pass-Through Consumption Charge is projected to adequately recover the cost of water purchases for the Forecast Period and no increases to such rate is recommended at this time.

2. Based on the assumptions reflected in this report, including the recently adopted changes to the Price Index and additional rate adjustments, the following table provides an indication of the projected rate changes and the associated residential customer bill impacts for a typical customer using 6,000 gallons a month:

Summary of Existing and Projected Rates – For the Forecast Period					
Description	Fiscal Year Ending September 30,				
	Existing	Projected			
	2021	2022	2023	2024	2025
<u>Monthly Residential Bill at 6,000 Gallons:</u>					
Change in Bill – Amount	\$85.04	\$89.14	\$93.61	\$98.40	\$103.51
Change in Bill – Percent	5.61%	4.82%	5.01%	5.12%	5.19%
<u>Percent Rate Adjustments:</u>					
Effective Date	10/1/2020	10/1/2021	10/1/2022	10/1/2023	10/1/2024
Estimated Price Index [1][2]	2.25%	2.03%	2.28%	2.27%	2.26%
Additional Rate Adjustments [2]	4.00%	4.00%	4.00%	4.00%	4.00%
Estimated Purchased Water Pass-Through Consumption Charge [3]	3.07%	---	---	---	---
<u>Existing and Adjusted Monthly Rates for Service:</u>					
Customer Service Charge (per Bill)	\$4.69	\$4.98	\$5.29	\$5.63	\$5.99
Water Charges:					
Base Facility Charge (per ERC)	\$9.76	\$10.36	\$11.02	\$11.72	\$12.46
Usage Charges (per 1,000 Gallons) [4]					
Block 1 (0-5,000 Gallons/ERC)	\$0.80	\$0.85	\$0.90	\$0.96	\$1.02
Block 2 (5,001-15,000 Gallons/ERC)	2.22	2.36	2.51	2.67	2.84
Block 3 (15,001-30,000 Gallons/ERC)	3.72	3.95	4.20	4.47	4.75
Block 4 (30,001 Gallons or More/ERC)	5.56	5.90	6.27	6.67	7.09
Purchased Water Pass-Through Consumption Charge (per 1,000 Gallons) [3]	\$3.02	\$3.02	\$3.02	\$3.02	\$3.02
Wastewater Charges:					
Base Facility Charge (per ERC)	\$15.77	\$16.73	\$17.79	\$18.92	\$20.12
Usage Charges (per 1,000 Gallons)	5.08	5.39	5.73	6.09	6.48

Table continued on following page.

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Summary of Existing and Projected Rates – For the Forecast Period (cont'd.)

Description	Fiscal Year Ending September 30,				
	Existing	Projected			
	2021	2022	2023	2024	2025
Reclaimed Charges – Unmetered Service					
Residential Flat Charge (Committed-Class)	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Reclaimed Charges – Metered Service					
Base Facility Chare (Per Account)	\$4.64	\$4.73	\$4.84	\$4.95	\$5.06
Residential Usage (per 1,000 Gallons)					
Block 1 (0-5,000 Gallons)	\$0.29	\$0.30	\$0.31	\$0.32	\$0.33
Block 2 (5,000-15,000 Gallons)	0.48	0.49	0.50	0.51	0.52
Block 3 (Above 15,000 Gallons)	0.66	0.67	0.69	0.71	0.73
Commercial Usage (per 1,000 Gallons) [4]					
Block 1 (0-15,000 Gallons per ERC)	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
Block 2 (15,000-30,000 Gallons per ERC)	0.23	0.23	0.24	0.25	0.26
Block 3 (Above 30,000 Gallons per ERC)	0.61	0.62	0.63	0.64	0.65

ERC = Equivalent Residential Connection

- [1] Resolution R19-106, adopted by the Board on August 21, 2019 revised the formula of the Price Index Adjustment and changed the effective date to applicable rates to October 1st of each given fiscal year. Resolution No. R20-047, adopted by the Board on June 17, 2020 continues the application of the Price Index through September 30, 2025.
- [2] The price index and additional rate adjustments identified are only applied to Applicable Rates and exclude revenues produced from the application of the Purchased Water Pass-Through Consumption Charge and the residential reclaimed flat (Committed-Class) rate charges.
- [3] Percent increases shown are only effective to the purchased water pass-through consumption charges.
- [4] The County charges an inclining block structure that increases with use per month. Additionally, the usage blocks or tier ranges increase with the number of associated ERCs served per customer account.

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 the financial forecast presented in this report, other operating revenues were based on: i) a review of historical amounts received from such charges as reported by the County, with an emphasis on the Fiscal Year 2020 unaudited operating results and current Fiscal Year-to-date 2021 actual operating results; ii) the estimated other operating revenues as budgeted for the Fiscal Year 2021; and iii) the forecast of customer growth for the System. 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 generally remain constant during the Forecast Period. Furthermore, no additional revenues associated with any change in miscellaneous services fees or addition of new fees was recognized in the financial forecast presented in this report.
4. As previously discussed, in June 2020 the Board approved a motion to reinstitute the AGRF fees to new development to become effective on October 1, 2020. It is anticipated that all previously permitted development will be grandfathered in at the previous rate (\$0.00) and that the full potential of the increased revenues will be phased-in as new development is permitted. Based on the estimated new customer forecast, the projected revenues from the re-instatement of the AGRF fee are expected to range from approximately \$881,000 in Fiscal Year 2021 to \$2.9 million in Fiscal Year 2025 (which is significantly less than the amount of AGRF revenues received prior to the Fiscal Year 2014).

5. The projected Operating Expenses were based on the approved Fiscal Year 2021 budget as adjusted for year-to-date results and known or anticipated changes subsequent to the adoption of the approved budgets. Also taken into consideration were projections and assumptions being prepared in support of the preliminary Fiscal Year 2022 budget. The Operating Expenses were escalated above the Fiscal Years 2021 estimates for the remainder of the Forecast Period based on a variety of escalation factors to estimate the operating costs and allowances for System growth in customers served, finished water purchased, and wastewater treated. The 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 2021; ii) historical trends in certain categories of costs such as electricity, fuel oil, certain chemicals as published by the Bureau of Labor Statistics; iii) estimates and forecast parameters prepared by the County's Budget Department; and iv) recent historical trends regarding the change in expenses. A summary of the escalation factors is summarized on Table 7 at the end of this report.

6. Although an Operating Expense for financial reporting purposes, depreciation and amortization expenses have not been recognized since they are a non-cash expense; however, the financial forecast does recognize dedicated transfers from operations to fund capital improvements, which are estimated to be approximately equal to the annual depreciation expense.

7. The projected cost of Tampa Bay Water purchases is based on i) the estimated Unitary Rate as projected by Tampa Bay Water, which is identified in the Fiscal Year 2021 Annual Budget as adopted by Tampa Bay Water and the preliminary Fiscal Year 2021 Annual Budget as prepared by Tampa Bay Water; ii) the estimated water purchase requirements based on the water sales forecast summarized on Table 3 and a non-revenue water allowance equal to 10.5% of total purchased water requirements. The annual amortization of Credits associated with the purchase of County's water supply in 1999 by Tampa Bay Water (both the principal and interest components of the payment made by TBW) has been recognized as a deposit to the Renewal and Replacement Account in accordance with the provisions of the Bond Resolution regarding the deposit of funds associated with the sale of System assets.

The following is a summary of the Tampa Bay Water purchased water expenses reflected in the financial forecast:

Tampa Bay Water Purchases Summary – for the Forecast Period			
Fiscal Year	Unitary Rate Estimated per TBW (\$/1,000 Gallons) [1]	Water Purchases Gallons (000s)	Annual Cost of Tampa Bay Water Purchases
2021	\$2.6142	24,238,507	\$66,020,707
2022	2.6164	24,946,193	68,214,836
2023	2.6542	25,506,297	70,871,538
2024	2.6798	25,958,672	73,379,320
2025	2.6989	26,354,861	76,059,901

[1] Calculated unitary rate for Forecast Period based on Tampa Bay Water estimates as contained in Fiscal Year 2021 Budget for the agency.

In addition to the cost of purchased water from Tampa Bay Water, the System also purchases water from other local governments, primarily to serve utilities that were acquired by the County and are not interconnected to the County's regional potable water system (i.e., not serviced from Tampa Bay Water). The projected cost of these purchases was based on the current rates in effect by the various water suppliers, discussions with the local governments with respect to anticipated rate adjustments, and projections of growth based on recent historical trends within the specific areas that these supplemental water purchases are attributable to. The following is a summary of the total estimated purchased water costs from those entities other than Tampa Bay Water for the Forecast Period.

**Purchased Water from Water Suppliers
Other than Tampa Bay Water [1]**

Fiscal Year	Water Purchases Gallons (000s)	Estimated Expenditure Amount
2021	627,464	\$2,682,141
2022	633,369	2,998,554
2023	639,333	3,351,211
2024	645,356	3,744,947
2025	651,440	4,184,751

[1] Amounts shown reflect the cumulative purchases from the Cities of Tampa, Temple Terrace, Oldsmar, and Plant City.

8. The Department also purchases wastewater treatment service from other local governments, primarily to serve utilities that have been acquired by the County, which were not interconnected to the County's regional Wastewater System. For the Forecast Period, the projected cost of these purchases was based on the current rates in effect by the various wastewater suppliers, discussions with the local governments with respect to anticipated rate adjustments, and projections of growth within the specific areas that these supplemental wastewater treatment services are attributable to.

The following is a summary of the total estimated purchased wastewater treatment costs from those entities for the Forecast Period.

Purchased Wastewater Treatment Services [1]

Fiscal Year	Wastewater Purchases (000s)	Estimated Expenditure Amount
2021	457,105	\$3,585,639
2022	461,114	3,720,244
2023	465,163	3,861,258
2024	469,252	4,008,053
2025	473,382	4,161,005

[1] Amounts shown reflect the cumulative purchases from the Cities of Tampa, Temple Terrace, and Plant City.

9. As previously discussed, the deposits to the Renewal and Replacement Account were based on the provisions of the Bond Resolution, which requires a deposit equal to five percent (5%) of the previous year's Gross Revenue. Based on this funding requirement, the resulting annual deposit from System revenues is projected to average approximately \$16,000,000

during the Forecast Period. It should be noted that this transfer is considered by the Department to be a minimum capital re-investment funding requirement from operations (pay-as-you-go financing) for the purpose of financing renewals and replacements to the existing capital infrastructure of the System, including land, or any unusual, unanticipated or extraordinary maintenance or repairs of the System.

Additionally, the System receives annual payments of \$1,238,468 (principal and interest) for the installment sale of certain Water System utility plant assets (capacity) to Tampa Bay Water as part of the governance initiative in 1999; such installment payments will discontinue after Fiscal Year 2029. Since this was an asset sale by the County to Tampa Bay Water and in accordance with the provisions of the Bond Resolution when the transaction first occurred, such amounts are being deposited into the Renewal and Replacement Account and are not considered as revenue of the System.

10. In addition to the minimum deposit to the Renewal and Replacement Account as required by the Bond Resolution, additional deposits to fund ongoing capital expenditures (primarily associated with renewals, replacements, betterments, and upgrades) from operations has been recognized for the financial forecast. As of September 30, 2020, the County reports that the net investment in gross utility plant (exclusive of land but including construction-work-in-progress) is approximately \$2.6 billion. The reinvestment in capital assets will require continued upgrade, replacement, and renewals, which are expected by the Department to increase over time as the System ages and assets reach their useful service life and need replacement or upgrade. The Department continues to update its Asset Management Program to maximize the capital investment use to the ultimate benefit of the ratepayers and to identify overall asset condition and the criticality of any future asset expenditures to provide continued and reliable utility service. In 2015, the County's Consulting Engineers performed an evaluation to identify the capital reinvestment needs for the next twenty (20) years. Based on the findings of the evaluation, the Consulting Engineers recommended a target annual capital reinvestment rate of approximately \$57.4 million expressed in 2015 dollars; expressed in today's dollars the targeted annual capital reinvestment rate for Fiscal Year 2021 was estimated to be \$68.5 million (which will continue to increase due to the application of future inflationary adjustments to the cost of construction to approximately \$80 million by the end of the Forecast Period). Funding for capital reinvestment from rate revenues is considered critical to long-term rate sustainability and assumes annual transfers to the Renewal and Replacement Account and the General Revenue Capital Expense Account assuming the implementation of the approved price index and rate adjustments as presented in this report. The annual transfer from System revenues (referred to as Pay-Go) during the Forecast Period is approximately \$84.0 Million and should meet the capital funding objectives of the Department and as identified by its Consulting Engineers. This level of capital funding from rate revenues is considered as a favorable capital reinvestment rate but will need to be monitored over time as service and regulatory conditions and capital re-investment needs change.
11. The aggregate principal amount of Bonds issued in accordance with the provisions of the Bond Resolution that are estimated to be outstanding as of October 1, 2020 (the "Outstanding Bonds") is \$314,505,000 as shown below:

Outstanding Bonds	Principal Amount as of October 1, 2020
Utility Revenue Bonds, Series 2010C (Federally Taxable-Recovery Zone Economic Development Bonds-Direct Payment) (the "Series 2010C Bonds")	\$21,700,000
Utility Revenue Bonds, Series 2016 (the "Series 2016 Bonds")	204,600,000
Utility Refunding Revenue Bonds, Series 2019 (the "Series 2019 Bonds")	<u>88,205,000</u>
Total Outstanding Bonds	<u>\$314,505,000</u>

The annual Bond Service Requirement associated with the System's Outstanding Bonds were based on the actual debt service repayment requirements for such outstanding issues and are presented on a "gross" basis (i.e., not net of interest earnings on any Debt Service-related funds or accounts or the payment of Federal Direct Payments). Furthermore, for the determination of the revenue requirements the amount shown is based on the monthly funding requirements to the Debt Service Account (to fund the principal and interest payments) from Pledged Revenues as required by the Bond Resolution (essentially an accrual basis) as opposed to when the Bond Service Requirement is actually paid.

The principal amount of the Series 2010C Bonds was issued as Federally Taxable - Recovery Zone Economic Development Bonds in accordance with the American Recovery and Reinvestment Act. As part of the provisions for the issuance of such bonds, the County will receive a Federal Direct Payment from the Federal Government to offset a portion of the interest expense, which reduces the annual debt service liability of the System. The Federal Direct Payment is equal to 45% of the annual interest payments for the Series 2010C Bonds. Such direct payments have been assumed to be received annually during the Forecast Period by the County consistent with the interest payment dates for such bonds and are considered as an offset to the interest expense payment to be funded annually from operations as provided in the Bond Resolution.

The Federal Budget Control Act of 2011 (the "BCA") required cuts to federal programs to reduce spending. These cuts are referred to as the "sequester." The first such cuts were ordered January 2, 2013 for Fiscal Year 2013. As a result, the subsidy payments to issuers of "direct-pay" bonds were cut by 8.7% for the Fiscal Year 2013. Additionally, Congress may enact other cuts of an equal or larger amount or take other action to postpone or change the provisions of the BCA. For Fiscal Year 2021 the reduction in the Federal Direct Payments were 5.7%. For the remainder of the financial forecast and based on discussions with industry professionals, a 5.7% reduction in the total estimated Federal Direct Payments anticipated to be received was assumed during the Forecast Period. This resulted in an annual reduction to the subsidy payments of approximately \$32,600 during the Forecast Period.

12. The Financial Forecast recognizes that the County will issue tax-exempt Bonds on parity with the Outstanding Bonds for the primary purpose of financing certain capital improvement projects identified by the County. Specifically, it was assumed that the County would issue Utility Revenue Bonds, Series 2021 (the "Series 2021 Bonds") to finance capital improvements to the System. The assumptions provided by the County's Municipal Financial Advisor associated with the issuance of the Series 2021 Bonds include: i) the total par amount of the bonds issued at \$142,345,000 issued with a premium of \$26,314,660 to fund

a Construction Account deposit of \$167,360,349; ii) an assumed average annual coupon rate of 4.0%; iii) a bond repayment term of thirty-years; iv) no funding requirement of a debt service Reserve Account for the Series 2021 Bonds; v) a debt repayment schedule assuming, after the first two (2) years structured as an interest-only payment, a level Bond Service Requirement for the Series 2021 Bonds of approximately \$8.6 million per year; and vi) the payment of issuance expenses associated with the Series 2021 Bonds funded from the proceeds of such bonds. It is assumed that the Series 2021 Bonds would be issued on or about July 1, 2021. The Financial Forecast also recognizes that the County will issue additional tax-exempt Bonds on parity with the Outstanding Bonds and the Series 2021 Bonds for the primary purpose of financing certain capital improvement projects identified by the County. Specifically, it was assumed that the County would issue Utility Revenue Bonds, Series 2023 (the "Series 2023 Bonds") to finance capital improvements to the System. The assumptions provided by the County's Municipal Financial Advisor associated with the issuance of the Series 2023 Bonds include: i) the total par amount of the bonds issued at \$417,490,000 issued with a premium of \$44,271,338 to fund a Construction Account deposit of \$459,007,643; ii) an assumed average annual coupon rate of 4.0%; iii) a bond repayment term of thirty-years; iv) no funding requirement of a debt service Reserve Account for the Series 2023 Bonds; v) a debt repayment schedule assuming, after the first three (3) years structured as an interest-only payment, a level Bond Service Requirement for the Series 2023 Bonds of approximately \$25.8 million per year; and vi) the payment of issuance expenses associated with the Series 2023 Bonds funded from the proceeds of such bonds. It is assumed that the Series 2023 Bonds would be issued on or about July 1, 2023.

13. In addition to the issuance of supplemental parity bonds, the financial forecast also reflects the issuance of Wastewater Impact Fee Assessment Unit Bonds, Series 2021 (the "2021 IFAU Bonds"). The 2021 IFAU Bonds were issued in March of 2021 in the amount of approximately \$58.23 million to fund the construction of the South County WWTP Modular Expansion and to fund a portion of the flow diversion project from Falkenburg AWWTP to the Valrico AWWTF both of which are considered to be 100% expansion-related. The respective wastewater impact fee assessments that were historically recognized as a pledged Capacity Fee that are to be used to pay the existing wastewater expansion-related component of the Bond Service Requirement will now be specifically pledged for the repayment of the 2021 IFAU Bonds, thus reducing the need to issue additional parity (wastewater) bonds. The respective IFAU assessments will no longer be included as a financial resource to the Department since they are now specifically restricted for future debt repayment of the 2021 IFAU Bonds. Additionally, the 2021 IFAU Bonds are not considered a debt to the System but are reported as a general government liability which will improve the overall fiscal position and financial metrics of the System which will be favorable since it is anticipated that additional bonds may need to be issued beyond the Forecast Period to further finance the construction of additional facilities for the One Water Campus and for other projects that may be identified by the County in the future.
14. As previously discussed, it is assumed that additional parity bonds will need to be issued to fund new water and wastewater system facilities. The following is a summary of the projected annual Bond Service Requirement to be made from System Pledged Revenues (net of Federal Direct Subsidy Payments associated with the Series 2010 Bonds) during the Forecast Period for both the Outstanding Bonds and the Additional Parity Bonds:

Projected Annual Bond Service Requirement – for the Forecast Period

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Annual Debt Service Payments: [1]					
<u>Outstanding Bonds (\$000s):</u>					
Series 2010C Bonds [2]	\$731	\$731	\$731	\$731	\$731
Series 2016 Bonds	9,983	9,981	9,981	9,981	9,980
Series 2019 Bonds	7,131	7,131	7,133	7,135	7,133
<u>Additional Parity Bonds (\$000s):</u>					
Series 2021 Bonds	1,068	6,324	6,372	8,669	8,671
Series 2023 Bonds	---	---	3,116	18,459	17,260
Total Annual Debt Service Payments	\$18,913	\$24,167	\$27,333	\$44,975	\$43,775
Reconciliation Adjustments [3]	(1,095)	47	(3,634)	153	(92)
Total Annual Bond Service Requirement	\$17,818	\$24,214	\$23,699	\$45,128	\$43,683

[1] Amounts shown derived from the debt repayment schedule for each respective issue and represent the payment based on when deposits to Debt Service Account are required to be made from System revenues (rates) pursuant to Bond Resolution (flow of funds) and reflects the debt service payments recognized for the determination of the Revenue Requirements to be funded from rates. Amounts shown do not reflect any adjustment for interest earnings on Bond Service-related accounts, which is defined in the Bond Resolution for the determination of the Bond Service Requirement. Amounts rounded for calculation purposes.

[2] Amounts shown are net of assumed Federal Direct Payments.

[3] Adjustments to reflect Bond Service Requirement, which is based on when payments are made on the Bonds and include i) adjustments for the recognition of interest earnings on Bond Service-related funds, which is recognized as a credit to the determination of the Bond Service Requirement and ii) timing differences between when Debt Service Account deposits are made and when payments are made on the Bonds to Bond Holders.

15. The Impact Fees assumed to be received by the Department during the Forecast Period include: i) upfront payments at time of development; and ii) installment payments received through the Impact Fee Assessment Unit ("IFAU") program have been recognized in the development of the financial forecast. As previously discussed, the County has issued in the principal amount \$101,110,000 in Capacity (Impact Fee) Assessment Special Assessment Revenue Bonds, Series 2006 dated April 11, 2006 (previously referred to as "2006 IFAU Bonds") and issued in the principal amount of approximately \$58,230,000 in Capacity (Impact Fee) Assessment Special Assessment Revenue Bonds, Series 2021 in March of 2021 (referred to as "2021 IFAU Bonds") which are a debt of the County's General Fund and not the Utility Enterprise Fund; the proceeds, which were used to fund expansion-related System capital projects. The payment of the 2006 IFAU Bonds and the 2021 IFAU Bonds are secured from a pledge of certain IFAU assessments resulting from the IFAU program; such assessments are not included in the financial forecast presented in this report since the respective IFAU assessments are specifically pledged to the 2006 IFAU Bonds and the 2021 IFAU Bonds.

The majority of the Water Impact Fees assumed to be received during the Forecast Period by the Department are considered as being Pledged Water Capacity (Impact) Fees as defined in the Bond Resolution and will be applied toward: i) the payment of the Debt Service Component of the Cost of Contracted Water Supply (i.e., purchases from Tampa Bay Water representing 60% of the total water fees received) and ii) the payment of expansion-related portion of the annual Bond Service Requirement allocable to the Water System (39% of the

water fees received). The forecast does recognize that 1% of the Water Impact Fees received will not be considered as Pledged Impact Fees and will be available to fund future expansion-related capital projects during the Forecast Period. With respect to the anticipated Wastewater System Impact Fees projected to be received by the Department during the Forecast Period, all of the anticipated fees were considered as being Pledged Wastewater Capacity (Impact) Fees as defined in the Bond Resolution and will be applied entirely towards the payment of the expansion-related portion of the annual Bond Service Requirement allocable to the Wastewater System. None of Wastewater Impact Fees received for the benefit of the System is anticipated by the Department to be available to directly fund expansion-related wastewater capital expenditures. The following is a summary of the Impact Fees assumed to be received by the Department for the Forecast Period:

Amount and Disposition of Pledged Capacity (Impact) Fees				
Fiscal Year	Water Fees [1]		Wastewater Fees [2]	
	Debt Service Component of the Contracted Cost of Water Supply	County Allocable Expansion-Related Bonds	County Allocable Expansion-Related Bonds	Total Pledged Capacity (Impact) Fees to Bond Service Requirement
	2021 [3]	\$6,703,868	\$3,929,025	\$11,253,140
2022	8,487,826	5,339,446	9,148,885	14,488,331
2023	8,547,506	3,873,796	9,362,936	15,236,732
2024	8,466,196	5,817,921	9,391,393	15,209,314
2025	8,249,521	5,669,023	9,172,383	14,841,406

[1] The majority of the projected Water Impact Fees projected to be received during each fiscal year are assumed as being Pledged Impact Fees during the Forecast Period. The following is a summary of the estimated Water Impact Fees not considered as Pledged Capacity Fees during the Forecast Period.

Fiscal Year Ending September 30,				
2021	2022	2023	2024	2025
\$647,383	\$454,785	\$---	\$---	\$---

Note: Reduction in non-pledged water capacity fees is due to recognition of the Series 2021 Bonds being issued, which was considered as being 100% expansion-related.

- [2] All the projected Wastewater Impact Fees projected to be received during each fiscal year are assumed as being Pledged Impact Fees during the Forecast Period. Amounts shown include interest earnings on Impact Fee cash balances and the interest component of the IFAU special assessments that are not specifically pledged towards the repayment of outstanding IFAU Bonds.
- [3] Amounts estimated based on five (5) months of actual receipts during the Fiscal Year 2021.

16. The County established and funded, at the time of the adoption of the Bond Resolution, a Rate Stabilization Account. As of September 30, 2020, the cash balance in the Rate Stabilization Account was approximately \$97.5 million. Based on historical recommendations of the Debt Management Department and previous discussions with the credit rating agencies, the County internally targeted an account balance of \$74 million for the Rate Stabilization Account to provide increased liquidity to reduce financial risk and improve the overall credit rating, which results in lower overall borrowing costs. The ending unaudited account balance in Fiscal Year 2020 exceeded the target balance by approximately \$23.5 million and therefore the financial forecast assumes a transfer of approximately \$23.5 million to the General Revenue Capital Expense Account to provide future funding for the capital needs of the System and to maintain a projected ending Rate Stabilization Account cash balance of \$74.0 million for the Forecast Period. It is assumed that the County would not deposit any additional funds into the Rate Stabilization Account from Gross Revenues

nor would it withdraw any additional funds from the account to be included as Gross Revenues for the remainder of the Forecast Period.

17. Investment income on funds and accounts created by the Bond Resolution or internally by the County has been estimated utilizing average annual interest rates ranging from 1.00% and 1.40% during the Forecast Period. The interest rates have been applied to estimate balances within the funds and accounts created in conformance to the Bond Resolution and as internally created by the County. It is assumed that any interest earnings on the Impact Fee Accounts or Construction Accounts established with the issuance of Bonds issued pursuant the Bond Resolution, including any Additional Parity Bonds will be restricted to the respective funds for their designated use and not available for the payment of the Operating Expenses or the annual Bond Service Requirement consistent with the provisions of the Bond Resolution. Table 13 provides a summary of the transfers in and out of each fund / account and corresponding ending cash balances for each fund / account maintained by the Department on behalf of the System.

Sufficiency of Rates

As previously discussed and assuming the implementation of the approved price index and additional rate adjustments and the assumptions regarding the revenue requirements to be funded from System rates as delineated above, both the Department and the Rate Consultant are of the opinion that rate revenues will be sufficient to meet the projected net revenue requirements of the System for the Fiscal Year 2021 budget year and the Subsequent Fiscal Year 2022 (the "Review Period") and be in compliance with the rate covenant as delineated in the Bond Resolution. It must be noted that the financial forecast does not recognize the capital expenditures associated with the continued construction of the One Water Campus and the implementation of a septic-to-sewer program to promote the environmental stewardship and regionalization of the service area which are anticipated to be financed beyond the Forecast Period for the purposes of this financial forecast. These capital projects may be significant and could have a material effect on the financial position of the System. This may indicate the need for additional rate adjustments in future periods coupled with the projected need (outside of the Forecast Period) to issue additional parity bonds for the construction of the One Water Campus regional wastewater and water treatment plants. The Department recommends closely monitoring the need for additional rate adjustments and will provide formal recommendations closer to when that additional rate adjustments may be implemented.

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As shown in Table 6 at the end of this Sufficiency Report and as summarized below, the projected revenues after application of the identified rate adjustments are anticipated to be sufficient to meet the expenditure needs of the System.

Summary of Sufficiency of Rate Revenues (\$000s) – for the Forecast Period					
	Fiscal Year Ending September 30, [1]				
	Estimated	Projected			
	2021	2022	2023	2024	2025
Total Revenue Requirements:					
Operating Expenses [2]	\$214,293	\$221,237	\$230,549	\$240,595	\$250,959
Existing Debt Service Payments	17,844	17,843	17,845	17,847	17,843
Additional Debt Service Payments	1,068	6,324	9,489	27,128	25,931
Deposit to R&R Account	14,643	14,717	15,720	16,883	18,070
Departmental Capital	15,405	6,641	3,453	3,488	3,522
Deposit to Capital Expend. Acct. [3]	50,273	62,144	75,328	69,575	82,776
Deposit to/(Use) of Reserves	(3,357)	---	---	---	---
Total Gross Revenue Requirements	\$310,169	\$328,906	\$352,384	\$375,516	\$399,101
Less Pledged Impact Fees to Pay Debt [4]	(15,182)	(14,488)	(15,237)	(15,209)	(14,841)
Less Other Revenues [5]	(8,673)	(8,879)	(9,260)	(9,873)	(10,450)
Net Revenue Requirements	\$286,314	\$305,539	\$327,887	\$350,434	\$373,810
Total Charges for Services [6]	286,314	\$305,539	\$327,887	\$350,434	\$373,810
Net Revenue Available/(Deficiency) [7]	\$---	\$---	\$---	\$---	\$---

[1] Amounts derived from Table 6.

[2] Amounts shown reflect the operating expenses net of Pledged Water Capacity Fees associated with the payment of the Debt Service Component of the Cost of Contracted Water Supply associated with water purchases from TBW.

[3] Deposits to the General Revenue Capital Expense Account are made after all other required deposits as defined in the Bond Resolution are made (separately identified for additional pay-as-you-go capital funding).

[4] Reflects Pledged Impact Fees used to pay the Bond Service Requirement associated with expansion-related debt service for the Outstanding and Additional Parity Bonds of the System as required by the Bond Resolution.

[5] Includes projected investment income, water line maintenance fees, planning service fees and other miscellaneous service charges and revenues.

[6] Amounts shown include additional revenues associated with: i) identified fixed annual rate increases as previously discussed associated with the phase-in of an increase in capital re-investment and to provide funds for the payment of the Bond Service Requirement associated with the Additional Bonds; ii) the implementation of the Purchased Water Pass-Through Consumption Charge, if any; and iii) the application of the annual Price Index Adjustment.

[7] Amounts shown available for additional capital funding, deposits to the Rate Stabilization Account, or for any other purpose of the System.

Customer Impact Analysis and Comparisons with Other Neighboring Utilities

For informational purposes, Tables 8 through 10 provide a comparison of the current rates of the County to neighboring or comparable Florida utilities at a variety of usage levels. It should be noted that when making a comparison of the rates charged by other utilities for water and wastewater service, several factors have an effect on the level of rates charged, including: i) operation of multiple water / wastewater plants as opposed to single-plant systems; ii) source of water supply and level of treatment required before the distribution of water to the ultimate customer; iii) level of wastewater treatment and effluent disposal methods of wastewater service; iv) plant capacity utilization, and assistance in the funding of such plant capacity by federal grants, connection fees, etc.; v) density of the customer base served as well as the type of customer

served^[4]; vi) general fund and administrative fee transfer made by municipal and county systems, which may account for differences in the level of rates charged; vii) bond covenants and funding requirements of the rates; and viii) level of capital improvements required to meet service area needs, including the construction of growth-related assets in anticipation of service area expansion. As can be seen below, the County rates for the typical (average) single-family residential customer using 6,000 gallons of utility service are comparable with the rates charged by other major utilities in the central and southern portions of western Florida:

Monthly Combined Residential Water and Wastewater Service [1]	
	<u>6,000 Gallons (Average)</u>
Hillsborough County:	
Existing Rates Effective October 1, 2020	\$85.04
Anticipated Rates Effective October 1, 2021	89.14
Utilities Surveyed:	
City of Bradenton	\$78.30
Charlotte County [2]	128.36
City of Clearwater [2]	119.73
Collier County [2]	112.10
City of Fort Myers	139.67
City of Lakeland [2]	76.74
Lee County	87.76
Manatee County [2]	75.85
City of New Port Richey [3]	80.41
City of North Port [2]	119.99
City of Oldsmar	94.99
Pasco County [2][3]	79.00
Pinellas County [2][3]	89.84
City of Plant City	71.71
Polk County [2]	101.11
Sarasota County [2]	102.21
City of St. Petersburg [3]	111.07
City of Tampa [3]	64.95
City of Temple Terrace	84.26
Utility Survey Average	\$95.69

[1] Amounts shown derived from Table 10 at the end of this report.

[2] Utility is currently involved in a rate review or is planning a change in rates over the next twelve months.

[3] Reflects utilities that purchase water from the Tampa Bay Water.

As previously discussed, the County imposes Water and Wastewater System Impact Fees to new customers or development requesting water and wastewater capacity from the System to recover the incremental capital (i.e., treatment capacity and backbone transmission/ collection) costs allocable to new customers. Application of Water and Wastewater System Impact Fees is commonly used by Florida utilities to minimize the financial burden and incremental cost of growth upon existing customers of the System. This concept is commonly referred to in the

[4] Certain utilities may have higher usage requirements resulting in lower cost per unit relationships (rates), which is a common situation for utilities with high commercial or industrialized customer bases or a very affluent customer base.

industry as having "Growth Pay for Growth" and is generally considered equitable to both existing and future customers of the System. Table 11 at the end of this Sufficiency Report provides a comparison of the County's current Impact Fees and those charged by other public utilities located in central- and southwest Florida. 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, the current Water and Wastewater System Impact Fees are comparable (lower) to the fees charged by the other surveyed utilities in the comparison:

	Impact Fees – Rate per ERC		
	<u>Water</u>	<u>Wastewater [1]</u>	<u>Combined</u>
Northwest Service Area	\$1,863	\$2,951	\$4,814
South/Central Service Area	2,214	3,651	5,865
Neighboring Utility Average [2]	\$2,003	\$2,539	\$4,541

[1] It should be noted that the System provides advanced wastewater treatment with respect to treating waste which a minority of the other surveyed utilities may provide; such treatment standards result in higher treatment-related capital expenditures and higher impact fees for the County.

[2] Based on utility survey shown on Table 11.

It should be noted that a number of factors could affect the level of charges collected by other utilities including, but not limited to, level of treatment required for service, asset age, density of customer base, level of service adopted by local government, amount of grant (contributions) funds received, and other factors. No in-depth analysis has been performed to determine the affect these factors could have on the fees charged by other utilities or to determine the methods used in the development of the water and wastewater fees imposed by others, nor has any analysis been made to determine whether 100% of the cost of new facilities is recovered from the other utilities' charges, or some percentage less than 100% with the balance recovered through the user charges. It should be noted that for the wastewater system, the County provides advanced wastewater treatment for the processing of waste (higher removal of nitrogen and phosphorus) which requires a higher level of service and capital cost. The majority of the utilities included on the survey do not provide this higher service standard which would result in a cost difference between the County and the surveyed utilities.

BOND RESOLUTION COMPLIANCE

A significant financial parameter of the System is associated with the ability to maintain compliance with the Bond Covenants as set forth in Section 11.02 in the Bond Resolution. The Bond Resolution was adopted by the County and authorized the issuance of the Bonds currently outstanding on behalf of the System. The Bond Resolution contains, among other things, certain covenants that must be satisfied in order to provide assurances to Bond Holders that the debt payments will be made. Generally, these covenants are in the form of; i) certain debt service coverage ratios, which are applicable to the level of rates charged and the revenue margins achieved; ii) priority of the disposition of revenues through the System funds/ accounts (i.e., "Flow of Funds"); and iii) certain requirements associated with the provision of service (e.g., provision of no free service). The following provides a discussion of the ability of the System to meet the bond covenant requirements as defined by the Bond Resolution.

Debt Service Coverage

The Bond Resolution includes a provision requiring the County to establish and maintain rates that will always provide the following in each Fiscal Year:

- i. Gross Revenues and Pledged Available Capacity (Impact) Fees must fund at least 100% of the Required Deposits identified in the Bond Resolution including deposits to the Operation and Maintenance Account to pay Operating Expenses, Debt Service Account, and Renewal and Replacement Account (Referred to as Test 1);

and

- ii. Net Revenues and Pledged Available Capacity (Impact) Fees must fund at least 120% of the Bond Service Requirement under the Bond Resolution (Referred to as Test 2);

and

- iii. Net Revenues must fund at least 100% of the Bond Service Requirement (Referred to as Test 3).

The Bond Resolution established these minimum debt coverage requirements for the protection of the holders of the Bonds. Table 12 at the end of this report summarizes the ability of the System Pledged and Net Revenues to meet the rate covenant provisions of the Bond Resolution for the Forecast Period. Based on the assumptions recognized and the results of the financial forecast, it is expected that funds generated from System operations during the Forecast Period, which includes increased revenues associated with the application of the recommended rate adjustments, will provide sufficient resources to meet the rate covenants as contained in the Bond Resolution as shown on Table 12 at the end of this report and summarized below:

Projected Rate Covenant Compliance - for the Forecast Period					
Rate Covenant Tests	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Test 1 – Calculated [1]	126%	126%	131%	124%	128%
Test 1 – Minimum Required	100%	100%	100%	100%	100%
Test 2 – Calculated [1]	538%	445%	514%	299%	339%
Test 2 – Minimum Required	120%	120%	120%	120%	120%
Test 3 – Calculated [1][2]	453%	385%	450%	265%	330%
Test 3 – Minimum Required	100%	100%	100%	100%	100%

[1] Represents the various rate covenant requirements as defined in Section 11.02 of the Bond Resolution.

[2] Represents a rate covenant test based on Net Revenues only.

Overall and with the adoption of the fixed annual 4% rate adjustments in Fiscal Years 2020 and 2021 coupled with the modifications to the annual price index adjustment, the financial forecast adequately demonstrates that the System should maintain a favorable fiscal position for the Forecast Period and have sufficient revenues to issue the additional parity bonds recognized for the capital financing plan.

OTHER FINANCIAL CONSIDERATIONS AND PERFORMANCE

An evaluation of the financial position of the System was performed as part of the development of the financial forecast and overall review of the System revenue sufficiency. This evaluation includes the development of certain ratios and the review of financial performance indicators to evaluate the financial strength of the System. The analysis includes a series of charts and figures prepared to provide a visual representation of the financial and statistical trends in the selected financial ratios or benchmarks over the Forecast Period. The following provides a brief description of financial ratios evaluated by the Department on behalf of the System.

Figure 1 – Available Working Capital and Cash Balances

An important component of the evaluation of the System is the resulting liquidity / ending cash position of the utility (this is a key financial metric for the credit rating agencies). The projected cash flows (deposits and withdrawals) affecting the System liquidity by specific account is shown in detail on Table 13 at the end of this report. Below is a summary of the ending cash balances by specific fund for the Forecast Period.

	Estimated Ending Cash Balances by Fund – (\$000s) [1]				
	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Revenue/Operating Account	\$107,407	\$107,407	\$107,407	\$107,407	\$107,407
Renewal and Replacement Account	22,836	8,451	5,347	5,090	2,574
General Revenue Capital Expense Account [4]	61,285	29,668	10,985	12,028	27,914
Debt Service Account [2]	1,067	985	4,562	4,322	4,322
Reserve Account [3]	2,170	2,170	2,170	2,170	2,170
Rate Stabilization Account	74,000	74,000	74,000	74,000	74,000
Other Miscellaneous Accounts	11,317	11,317	11,317	11,317	11,317
Customer Deposits	16,894	16,894	16,894	16,894	16,894
Impact Fee Accounts [5]	85,540	85,995	73,375	43,254	16,648
Construction Account [6]	142,866	98,025	461,472	258,733	90,117
Total Ending Cash Balances	\$525,382	\$434,912	\$767,528	\$535,215	\$353,326

[1] Amounts shown derived from Table 13.

[2] The Debt Service Account earnings reflect only those earnings on funds deposited on account for the next Interest Payment Date and the Principal Maturity Date associated with the Bond Service Requirement for the Outstanding Bonds.

[3] Represents the debt service Reserve Account for the Series 2010C Bonds.

[4] Reflects funds on deposit within the General Revenue Capital Expense Account and is made after payment of all required transfers and is generally used by the Department for a designated System purpose such as the funding of capital improvements or as additional working capital.

[5] For purposes of this analysis, assumed earnings on the Impact Fee Accounts are restricted to such accounts and are considered as a component of the Pledged Impact Fee determination.

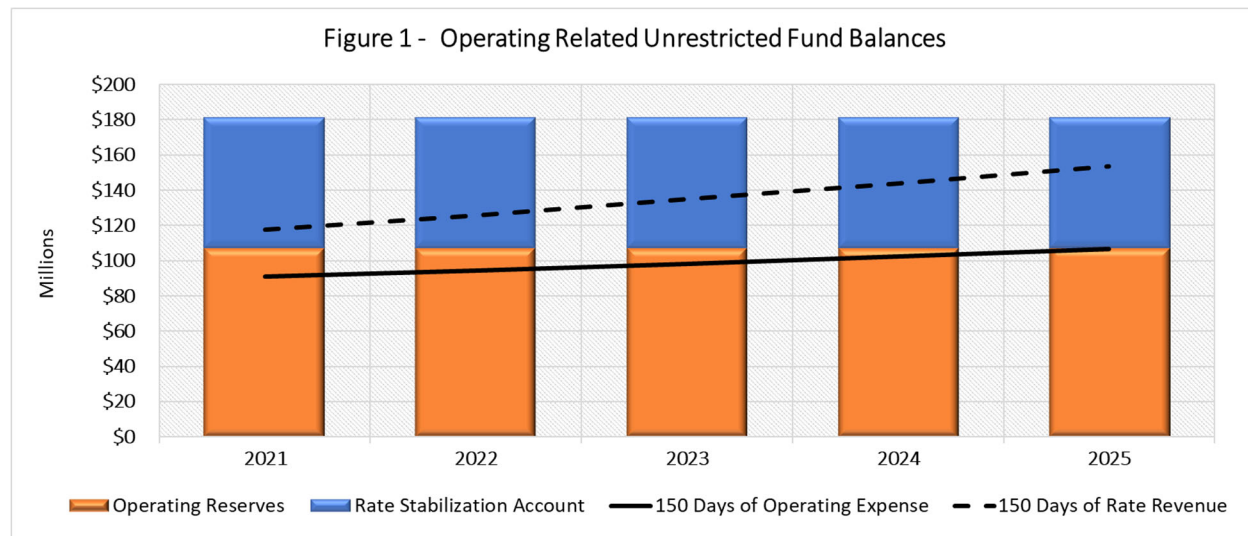
[6] Represents bond proceeds deposited into the respective Construction Account for capital project funding; assumes unused proceeds deposited to the Construction Funds from the issuance of the Series 2016 Bonds as well as additional proceeds associated with the issuance of the Additional Parity Bonds (i.e., the Series 2021 Bonds and the Series 2023 Bonds) during the Forecast Period.

As can be seen above the ending cash balance for the utility funds declines during the Forecast Period reflecting the significant level of capital funding identified during the Forecast Period.

Working capital represents the cash that is considered unrestricted by purpose and would exclude restricted funds for the payment of the Bond Service Requirement, expansion-related capital expenditure funding (Impact Fees), customer service liability (deposits), and for capital re-investment (Renewal and Replacement Account). Working capital may be considered available to

fund operations and maintenance expenses, outstanding current liabilities, and other requirements of the System. The availability of working capital reduces the financial risk to a utility due to unforeseen issues as a loss in revenue due to a force majeure event (e.g., hurricane or storm event), effects of regulatory actions, or changes in market conditions such as a downturn in the economy.

Below is a graphical representation of the unrestricted cash (working capital) and ending balance projected for the Forecast Period:

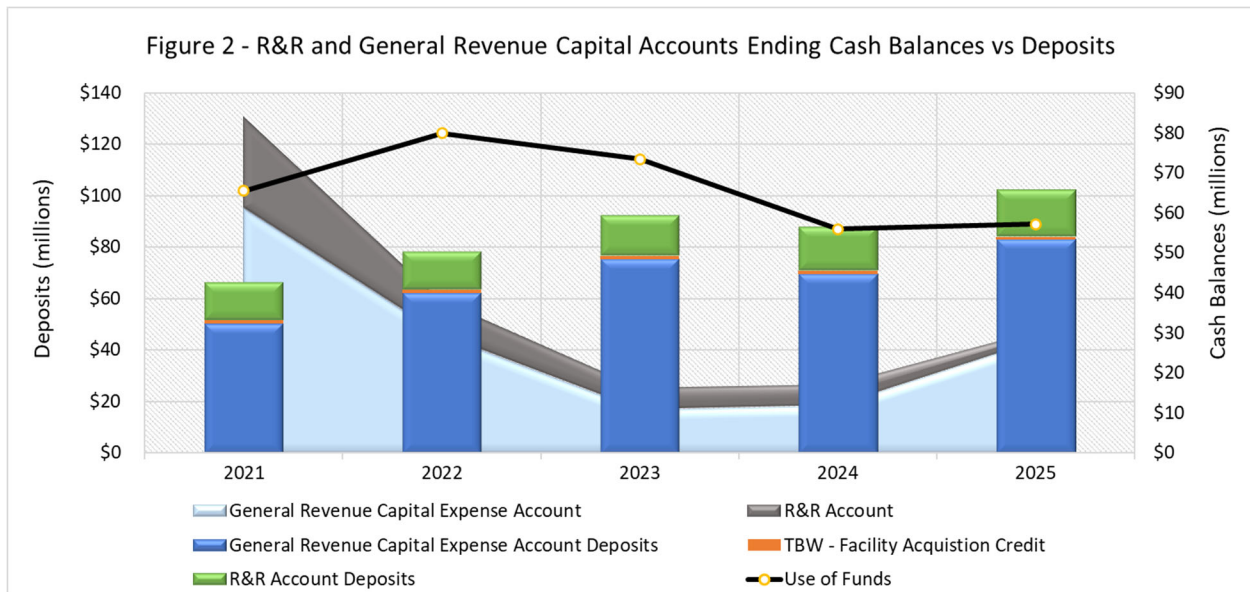


As can be seen above the recommended rate adjustments serve to maintain the minimum targeted ending cash balance throughout the Forecast Period, which was set at 150 days of operating expenses for the purposes of this evaluation; the estimated higher ending balances shown above are more indicative of a highly-rated utility by the credit rating agencies and will serve to reduce the future cost of borrowing due to the higher credit rating. Any unrestricted funds above the minimum target level would be available for any System purpose, including increased capital project funding that may periodically occur, and also serves as a hedge in case of any extraordinary event that may occur (e.g., significant storm event, continuation of the COVID-19 pandemic, etc.) that would affect operations or rate revenue collectability.

Figure 2 – Capital-related Account Balances

The Department annually funds the Renewal and Replacement Account and designates additional funds above such required deposit into the General Purpose (Capital Expenditure) Account for ongoing capital needs. The cash funding of the capital improvements over time improves the long-term equity position of the System and stabilize rates over the long-term (through the avoidance of additional debt). This stabilization is evident in the rate comparison presented earlier in this report; the County rates have remained consistent with the average rate charged by other utilities in the neighboring area for many years even though the County generally provides a higher level of treatment standards. The Department and the Rate Consultant recognize that capital funding from rates ("Pay-Go") should be an annual funding requirement even though capital spending can fluctuate from year to year. A significant amount of the capital projects for the Forecast Period and over time will be for asset renewals, replacements, betterments, and upgrades as opposed to utility plant expansions. It should be noted that as of the end of Fiscal Year 2020, the System had gross

depreciable assets including construction-work-in-process, recorded at an original cost^[5], of approximately \$2.6 billion. Assuming an average service life for all depreciable assets of 50 years (i.e., a 2% re-investment rate at original cost of installation of the assets), the annual accrual would be approximately \$52 million; the current annual depreciation expense reported in the 2020 Annual Financial Report was approximately \$116 million. As can be seen below, the annual deposits from operations to fund capital investment projects forecasted to be \$84 million annually, which approximates 72.3% of reported depreciation expense and 3.27% of gross depreciable assets. This annual capital funding allowance from rates will allow the System to limit the -issuance of bonds to fund capital and is viewed favorably by the credit rating agencies; however, this minimum funding level must be maintained subsequent to the Forecast Period in order to provide for a sustainable capital re-investment and rate implementation plan.



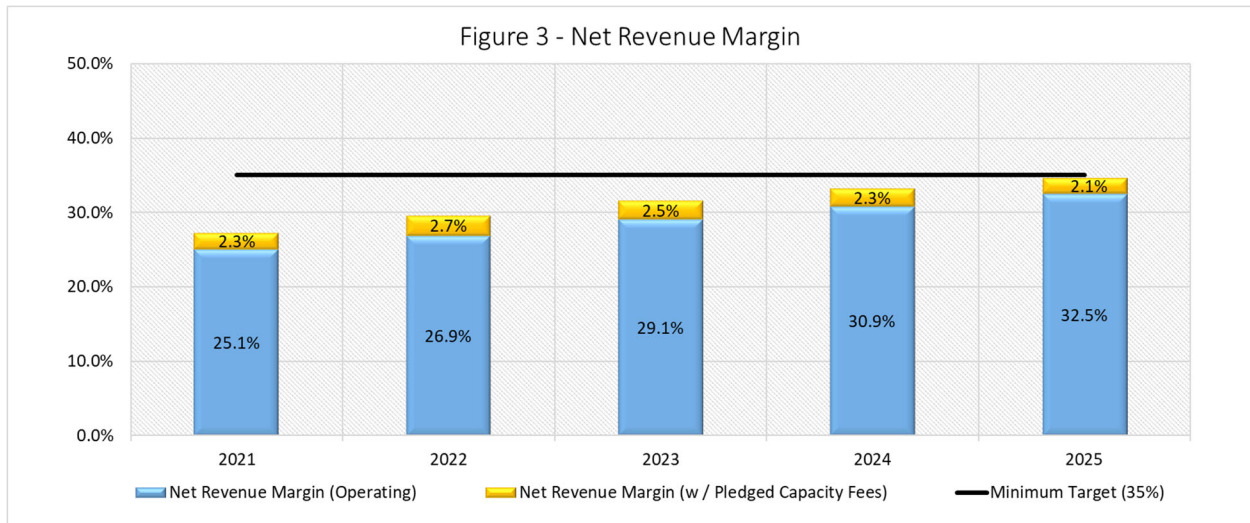
The capital expenditures reflect the anticipated year of funding for projects. The Department plans to use existing funds in the respective capital accounts to fund the capital plan for the ongoing asset replacement component of the capital financing plan and issue debt for the expansion component of the capital financing plan to provide a better match of future growth to the purpose of the capital needs for the Forecast Period and to continually reinvest funds annually in the System from operations to reduce the overall long-term debt burden on the System for the Forecast Period.

Figure 3 – Projected Net Revenue Margin Ratio

The Net Revenue Margin Ratio (also referred to as the Operating Margin) is a measure of a utility system's ability to annually meet its Operating Expenses and indicates the net contribution margin estimated to be earned by the System. The contribution margin can be considered as what may be available for reinvestment in the capital infrastructure of the System (by payment of debt service or through pay-as-you-go capital funding) and for the maintenance of liquidity for System emergencies and ongoing reserve (credit) levels. A declining net revenue margin indicates a

[5] Assets are recorded at original installed cost when placed into service and do not represent include any adjustment for current replacement value of the assets, which is anticipated by the Department to be greater.

reduction in net available funds after payment of Operating Expenses for such purposes. Generally, it is recommended that the Net Revenue Ratio target of approximately 42% be maintained (reflects Fitch Ratings 2020 median); however, since the County purchases all of its finished water supply from other local governments and the debt payments for such purchases is considered as a component of operating expenses for financial reporting and budgetary purposes, a lower ratio was considered at 35% to promote the System's financial health over the long-term. As can be seen below, the net revenue margin is within the targeted range by the end of Forecast Period.



The Net Revenue Margin shown above indicates a positive trend in the margin which is viewed as being favorable by the Department. The ratio identifies the net income or contribution margin after the payment of operating expenses from revenues assumed for the payment of the annual Bond Service Requirement. As discussed later in this section, the System currently has a manageable debt to net plant balance. As referenced on Figure 5, the debt per ERC served increases to \$3,000 per ERC by the end of the Forecast Period and the debt to net plant ratio as shown on Figure 6 also increases to an average of 33.6% over the Forecast Period. The increases are due to the issuance of debt to fund needed expansion-related capital investments. It is anticipated that once the primary expansion projects are completed and growth continues to improve the capacity utilization of the expanded plant facilities, the Net Revenue ratio will continue to improve. However, it is recognized that additional capital investment may be needed during the Forecast Period and the Department will closely monitor the net revenue margin and projected capital needs over the near and long-term in order to ensure adequate reinvestment to the capital infrastructure is maintained to have a proper balance in debt / equity financing of future capital improvements and additions.

Figure 4 – Projected Revenue Liquidity Ratio

This figure presents the amount of total available unrestricted fund balances in relation to total System revenues during the Forecast Period. The unrestricted fund balances include operating reserves and the general revenue capital expense account. The maintenance of a strong liquidity ratio reduces the overall financial risk of the System. The purpose of this ratio is to determine if a utility is maintaining a level of reserves commensurate with the corresponding revenue stream of the system. Although it is projected that the amount of unrestricted fund balances is anticipated to decline during the Forecast Period associated with the capital needs of the System, the projected

liquidity ratio, which averages approximately 63% during the Forecast Period, is assumed by the Department to be sufficient during the Forecast Period (greater than an estimated minimum target ratio of 60%).

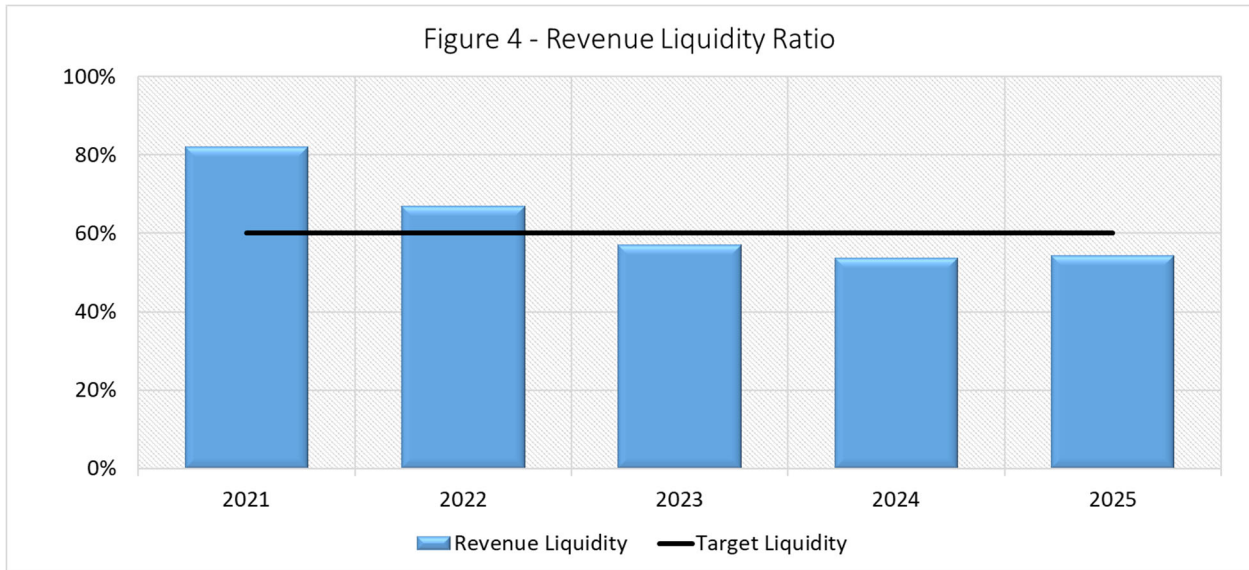
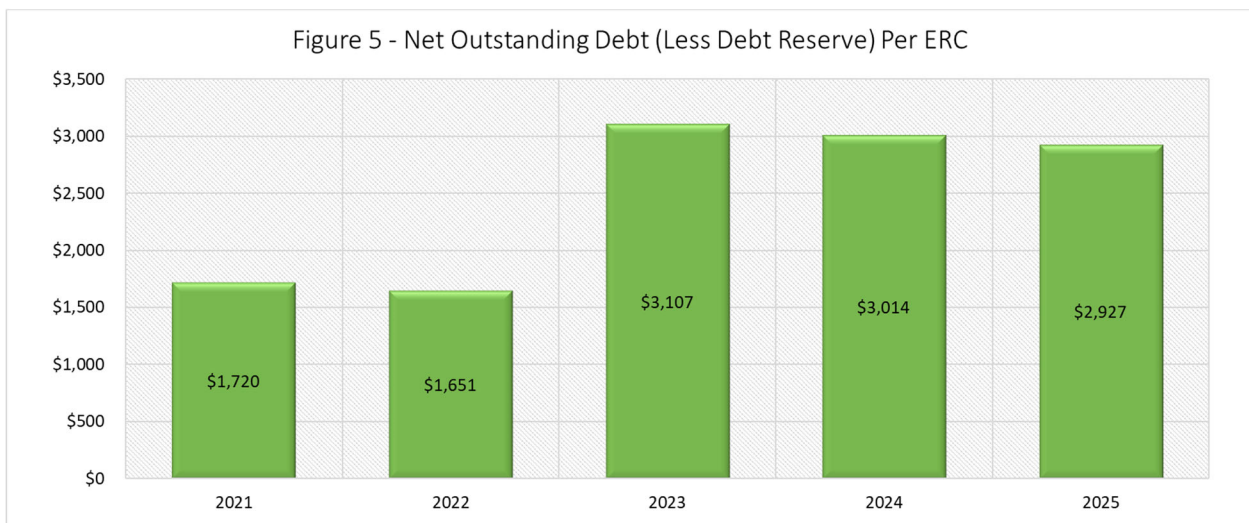


Figure 5 – Principal Amount of Outstanding Indebtedness per Equivalent Residential Connection (ERC)

The ratio of the amount of debt outstanding per ERC measures the amount of financial risk a utility has undertaken relative to the customers served. The higher the net ERC debt burden, generally the greater the stress on rates for service and the greater reliance on impact fees or other external sources of funds to meet System operating needs. It is also an indication of the amount of potential "leveraging" capability a utility may have relative to funding future capital needs. Figure 5 shown below illustrates for the projected Forecast Period, the amount of outstanding principal senior lien indebtedness in relation to the amount of projected water system ERCs.



As can be seen above, the amount of debt per ERC is expected to increase during the Forecast Period associated with the issuance of the Additional Parity Bonds identified to fund the System capital improvement program. The projected amount of the debt per ERC is considered significantly less than historical levels experienced by the County (in 1996 the debt per ERC was over \$4,500 per ERC (which does not assume any inflationary adjustment knowing the cost of capital construction is much higher today than in 1996). The low debt per ERC was an element of financial strength reported by FITCH in the 2018 credit report and rating upgrade to AAA, which has been maintained by the County since the upgrade was awarded. Department staff will continue to evaluate and prioritize capital funding with the level of indebtedness in mind in order to maintain a manageable level of indebtedness, while still providing for future leveraging capability to the extent changes in the capital program due to increased regulations, changes in service area characteristics, or other factors result in the need to issue additional parity bonds or subordinate debt above what is contemplated during the Forecast Period.

Figure 6 – Debt Outstanding to Net Plant Investment (Debt) Ratio

This figure illustrates the amount of debt issued to fund the net plant investment in service to meet the potable water and wastewater demands of the System service area. This ratio presents the net equity of the utility (in terms of plant investment) and provides an indication of the reliance on debt to fund existing assets as well as the flexibility in terms of funding future capital assets and overall rate stability. Generally, the higher the ratio, the greater the need to have a larger portion of the rate revenues being dedicated to principal retirement. The Department has identified a maximum target for this ratio since it links to debt financing at a particular time and provides information to the extent additional capital projects need to be funded from additional bond proceeds in the future. As can be seen below, the Debt Ratio is projected to increase during the Forecast Period but is well below the maximum debt outstanding target level during the Forecast Period. The Department considers the ratio to be favorable with respect to funding System infrastructure (especially since the County is issuing approximately \$626.4 million in Additional Parity Bonds during the Forecast Period which is significant) and illustrates the capital financing flexibility of the System but also understands the need to monitor future debt issues after the water and wastewater plant expansion for the South County service area (also supports the reason for the additional rate adjustments to promote a continued capital reinvestment rate).

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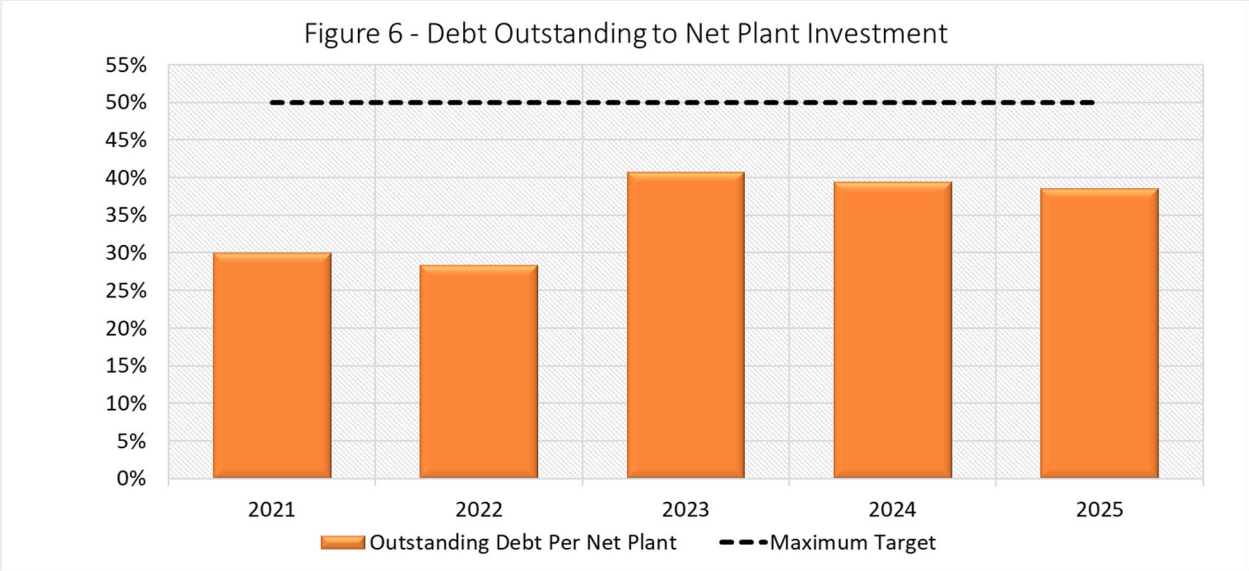
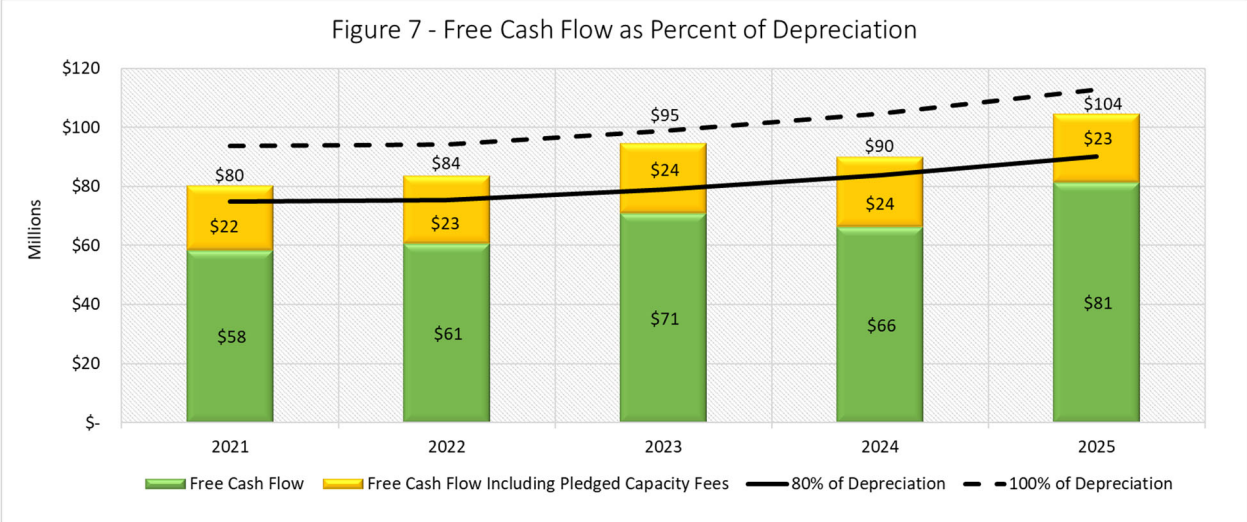


Figure 7 – Net Free Cash to Depreciation

This figure illustrates the amount of funds available for equity capital funding or for other System purposes after the payment of Operating Expenses and the Bond Service Requirement. The free cash is derived from System operating revenues and Pledged Impact Fees used to pay for the expansion-related component of the Bond Service Requirement as required by the Bond Resolution. This is a key ratio of the credit rating agencies since it is an indicator of annual cash flows available for capital reinvestment. The ability to fund ongoing capital reinvestment was also an indicator of financial strength relied upon by FITCH in their 2018 Credit Report and rating upgrade. As can be seen on the following graph, the availability of funds for capital reinvestment approximates about 93% of the total depreciation expense (when including Pledged Impact Fees, approximately 72% before the recognition of the Pledged Impact Fees) of the System with an increasing trend in contribution, which is considered favorable. It should be noted that the funding for capital reinvestment solely from rates is consistent with the inflation-adjusted target as recommended by the County's Consulting Engineers which is also considered as being favorable. The reason of the decline in the ratio in Fiscal Year 2024 is due to the issuance of the Additional Bonds and the corresponding payment of the Bond Service Requirement, which reduces the immediate Fiscal Year cash flow and correspondingly the available funds for capital re-investment.

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RATE OBSERVATIONS AND RECOMMENDATIONS

The following is a summary of the Department's rate observations and Rate Consultant recommendations:

1. In order to maintain the creditworthiness and financial position of the System, it is recommended that the County continue with implementation of the adopted Purchased Water Pass-Through Consumption Charge and the adopted Price Index Adjustment currently in effect through September 30, 2025 in order to:
 - a. Maintain targeted unrestricted working cash (fund balance) reserves within the System;
 - b. Fund increased Operating Expenses associated with general inflation, energy increases and the residual effects on the cost of doing business (chemicals, repairs, travel, etc.) and increases in labor due to System growth and overall complexity in the operation of the System;
 - c. Provide dedicated annual transfers to fund capital expenditures for the renewal, replacement, betterment, and upgrade of System assets in order to limit the amount of debt financing and long-term costs to the System, which will promote rate stability; and
 - d. Maintain the creditworthiness of the System and meet necessary rate covenant requirements of the Bond Resolution.

2. In order to recover the increasing cost of operations and maintenance and maintain margins for ongoing capital reinvestment, it is recommended that the automatic Price Index be re-evaluated prior to the sunset of the adjustment application in September 30, 2025 as it is considered critical by the Rate Consultant to allow the System to maintain a strong fiscal position and limit financial risk for the long-term.

3. It is recommended that the County adopt the fixed rate increases of 4.0% per year to be implemented through the Fiscal Year 2025 to provide additional funds to support expanding

operating costs for additional services and additional capital programs to assure sustainability. The Rate Consultant recommends these increases to be implemented to provide the basis to issue the Additional Parity Bonds and maintain a strong fiscal position, considered as a key to long-term rate sustainability.

4. Based on the amount of investment in utility infrastructure and the amount of capital re-investment needed for the System coupled with the projected need for new expansion-related facilities outside of the Forecast Period, it is recommended that the Department closely monitor the sufficiency of rates annually by staff as part of the annual budget process to determine the need for additional rate adjustments and provide formal recommendations closer to when that additional rate adjustments may be implemented. This will allow the Department to maintain a strong fiscal position, meets its capital re-investment objectives, and promote rate stability over time.
5. This rate sufficiency study has demonstrated that the current and proposed rates and fees achieve compliance with the Rate Covenant as delineated in the Bond Resolution and meet the anticipated funding requirements of the System for the Review Period.

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**HILLSBOROUGH COUNTY, FLORIDA
WATER RESOURCES DEPARTMENT**

SUFFICIENCY OF WATER AND WASTEWATER RATES REPORT

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Attachment	Description
A	Rate Consultant "2022 Sufficiency of Water and Wastewater Rates Report"

Table 1

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Historical Customer Statistics and Sales - Water System [1]

Line No.	Description	2016 [2]	2017	2018	2019	2020
Individually Metered Residential						
1	Average Annual Accounts	157,335	162,072	165,470	172,867	179,694
2	Average Annual ERCs [3]	157,335	162,072	165,470	172,867	179,694
3	Billed Potable Water Sales (000's)	13,149,276	14,584,332	14,465,832	15,105,265	17,621,963
4	Average Monthly Use per Account (gal.)	6,965	7,499	7,285	7,282	8,172
5	Average Monthly Use per ERC (gal.)	6,965	7,499	7,285	7,282	8,172
Master Metered Residential						
6	Average Annual Accounts	857	862	868	887	897
7	Average Annual Units	70,230	71,668	73,232	76,250	78,780
8	Average Annual ERCs [3]	35,115	35,834	36,616	38,125	39,390
9	Billed Potable Water Sales (000's)	3,200,470	3,244,113	3,359,660	3,450,453	3,748,353
10	Average Monthly Use per Account (gal.)	311,209	313,623	322,548	324,169	348,230
11	Average Monthly Use per Unit (gal.)	3,798	3,772	3,823	3,771	3,965
12	Average Monthly Use per ERC (gal.)	7,595	7,544	7,646	7,542	7,930
Commercial						
13	Average Annual Accounts	4,596	4,652	4,657	4,763	4,863
14	Average Annual ERCs [3]	30,364	31,590	32,916	34,500	35,375
15	Billed Potable Water Sales (000's)	2,391,478	2,466,501	2,504,357	2,547,286	2,518,814
16	Average Monthly Use per Account (gal.)	43,362	44,184	44,813	44,567	43,163
17	Average Monthly Use per ERC (gal.)	6,563	6,507	6,340	6,153	5,934
Total System						
18	Average Annual Accounts	162,788	167,586	170,995	178,517	185,454
19	Average Annual ERCs	222,814	229,496	235,002	245,492	254,459
20	Billed Potable Water Sales (000's)	18,741,224	20,294,946	20,329,849	21,103,004	23,889,130
21	Average Monthly Use per Account (gal.)	9,594	10,092	9,908	9,851	10,735
22	Average Monthly Use per ERC (gal.)	7,009	7,369	7,209	7,164	7,824
Water Purchased (000's):						
23	Tampa Bay Water	20,142,760	21,806,490	22,261,110	23,708,980	25,939,170
24	All Other Public Systems [4]	489,265	567,679	564,032	620,990	618,488
25	Total Water Purchased	20,632,025	22,374,169	22,825,142	24,329,970	26,557,658
26	Non-revenue Water (000's)	1,890,801	2,079,223	2,495,293	3,226,966	2,668,528
27	Percent of Water Purchased	9.16%	9.29%	10.93%	13.26%	10.05%
28	Average Monthly Finished Water per ERC (gal.)	7,716	8,124	8,094	8,259	8,697
Average Water Accounts						
29	Receiving Water and Wastewater Service	137,591	141,044	144,454	149,737	154,942
30	Water-only Service Accounts [5]	25,197	26,542	26,541	28,780	30,512
31	Total Average Water Accounts	162,788	167,586	170,995	178,517	185,454

Footnotes:

- [1] Amounts based on detailed customer statistical information as provided by the Water Resources Department; commercial class does not include fire flow customers. The average fireline customers (which are not billed for any flow that may be metered for fire service) for each fiscal year is summarized below:

	2016	2017	2018	2019	2020
Fire Flow Average Accounts	694	729	747	772	690

- [2] During the Fiscal Year 2015, the County acquired five (5) individual franchised water utility systems from: i) Pluris Holdings, LLC systems representing approximately 2,517 water ERC's; and ii) Hillsborough Water Works, Inc. systems representing approximately 125 water ERC's. The County acquired the franchise systems mid-year and therefore recognized growth in the average customer accounts from the acquisitions are presented in the Fiscal Years 2015 and 2016. For assumed growth in water customer accounts for the Fiscal Year 2021 please reference Table 3.

- [3] Reflects total equivalent residential connections (ERCs) served and calculated based on reported monthly base charge revenues by the County.

- [4] Amounts shown reflect water service provided by other public utilities for service to certain isolated portions of the County's water service area. Amounts summarized as follows:

	2016	2017	2018	2019	2020
City of Tampa	470,614	550,332	513,531	593,080	586,938
City of Plant City	15,019	14,465	25,477	24,000	29,395
City of Oldsmar	27	27	29	22	29
City of Temple Terrace	3,605	2,855	24,995	3,888	2,126
Total Purchases - Other Public Systems	489,265	567,679	564,032	620,990	618,488

- [5] Amounts shown do not include Fire Service accounts (reference footnote 1 above for these water-only accounts).

Table 2

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Historical Customer Statistics and Sales - Wastewater System [1]

Line No.	Description	Fiscal Year Ended September 30,				
		2016 [2]	2017	2018	2019	2020
Individually Metered Residential						
1	Average Annual Accounts	145,587	149,148	152,523	157,830	163,131
2	Average Annual ERCs [3]	145,587	149,148	152,523	157,830	163,131
3	Billed Wastewater Flow (000's)	8,734,320	9,203,722	9,299,831	9,730,273	10,759,305
4	Average Monthly Billed Flow per Account (gal.)	4,999	5,142	5,081	5,138	5,496
5	Average Monthly Billed Flow per ERC (gal.)	4,999	5,142	5,081	5,138	5,496
Master Metered Residential						
6	Average Annual Accounts	590	596	599	619	612
7	Average Annual Units	73,288	74,783	76,333	79,361	81,293
8	Average Annual ERCs [3]	51,302	52,348	53,433	55,553	56,905
9	Billed Wastewater Flow (000's)	3,258,620	3,289,756	3,387,599	3,459,428	3,647,370
10	Average Monthly Billed Flow per Account (gal.)	460,257	459,977	471,285	465,728	496,646
11	Average Monthly Billed Flow per Unit (gal.)	3,705	3,666	3,698	3,633	3,739
12	Average Monthly Billed Flow per ERC (gal.)	5,293	5,237	5,283	5,189	5,341
Commercial						
13	Average Annual Accounts	3,529	3,572	3,611	3,669	3,712
14	Average Annual ERCs [3]	41,986	43,650	45,219	46,892	48,284
15	Billed Wastewater Flow (000's)	2,520,638	2,614,576	2,675,873	2,693,977	2,539,549
16	Average Monthly Billed Flow per Account (gal.)	59,522	60,997	61,753	61,188	57,012
17	Average Monthly Billed Flow per ERC (gal.)	5,003	4,992	4,931	4,788	4,383
Total System						
18	Average Annual Accounts	149,706	153,316	156,733	162,118	167,455
19	Average Annual ERCs [3]	238,875	245,146	251,175	260,275	268,320
20	Billed Wastewater Flow (000's)	14,513,578	15,108,054	15,363,303	15,883,678	16,946,224
21	Average Monthly Billed Flow per Account (gal.)	8,079	8,212	8,169	8,165	8,433
22	Average Monthly Billed Flow per ERC (gal.)	5,063	5,136	5,097	5,086	5,263
Wastewater Treated (000's):						
23	County Facilities	14,290,515	15,110,042	15,316,134	15,370,636	15,714,274
24	Purchased Wastewater Service [4]	300,343	230,057	254,080	331,546	453,383
25	Total Wastewater Treated	14,590,858	15,340,099	15,570,214	15,702,182	16,167,657
26	Average Annual Daily Flow (mgd)	40	42	43	43	44
27	Annual Wastewater Treated Per ERC (gal.)	5,090	5,215	5,166	5,027	5,021
Average Retail Wastewater Accounts						
28	Receiving Water and Wastewater Service	137,591	141,044	144,454	149,737	154,942
29	Wastewater-only Service Accounts	12,115	12,272	12,279	12,381	12,513
30	Total Average Retail Wastewater Accounts	149,706	153,316	156,733	162,118	167,455

Footnotes:

- [1] Amounts based on detailed customer statistical information as provided by the Water Resources Department.
- [2] During the Fiscal Year 2015, the County acquired two (2) individual franchised wastewater utility systems from Pluris Holdings, LLC systems representing approximately 2,358 wastewater ERC's. The County acquired the franchise systems mid-year and therefore recognized growth in the average customer accounts from the acquisitions are presented in the Fiscal Years 2015 and 2016. For assumed growth in water customer accounts for the Fiscal Year 2021, reference Table 4.
- [3] Reflects total equivalent residential connections (ERCs) served and calculated based on reported monthly base charge revenues by the County. Amounts do not include Bulk Wastewater Service.

Amounts shown reflect wastewater service provided by certain service providers (local governments) for certain isolated portions of the County's wastewater service area. Purchased wastewater by provider is summarized as follows:

	Fiscal Year Ended September 30,				
	2016	2017	2018	2019	2020
City of Tampa	275,754	207,637	219,598	294,716	398,474
City of Plant City (a)	15,018	14,465	25,477	24,000	30,783
City of Temple Terrace (b)	9,571	7,955	9,005	12,830	24,126
Total Purchases - Other Public Systems	300,343	230,057	254,080	331,546	453,383

(a) Reflects purchases for wastewater service to a remote County system referred to as Oak Utilities (approximately 200 residential accounts).

(b) Reflects purchase for wastewater service near the perimeter of the respective City's service area where the County does not have sewer collection lines (incidental service).

Table 3

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Customer Statistics and Sales - Water System

Line No.	Description	Historical [1]	Fiscal Year Ending September 30,					
		2020	2021	2022	2023	2024	2025	
	Individually Metered Residential [2]							
1	Normal Growth [3]	6,827	5,000	4,750	4,250	4,000	3,500	
2	Incremental Growth [4]	-	-	510	510	-	-	
3	Average Annual Accounts	179,694	184,694	189,954	194,714	198,714	202,214	
4	Average Annual ERCs [5]	179,694	184,694	189,954	194,714	198,714	202,214	
5	Billed Potable Water Sales (000's)	17,621,963	16,068,378	16,503,204	16,893,387	17,216,581	17,495,555	
6	Average Monthly Use per ERC (gal.)	8,172	7,250	7,240	7,230	7,220	7,210	
	Master Metered Residential [2]							
7	Normal Unit Growth [3]	2,530	2,000	1,900	1,750	1,450	1,375	
8	Incremental Growth [4]	-	-	-	-	-	-	
9	Average Annual Accounts	897	920	942	962	979	995	
10	Average Annual Units	78,780	80,780	82,680	84,430	85,880	87,255	
11	Average Annual ERCs [5]	39,390	40,390	41,340	42,215	42,940	43,628	
12	Billed Potable Water Sales (000's)	3,748,353	3,683,568	3,770,208	3,850,008	3,916,128	3,978,828	
13	Average Monthly Use per Unit (gal.)	3,965	3,800	3,800	3,800	3,800	3,800	
14	Average Monthly Use per ERC (gal.)	7,930	7,600	7,600	7,600	7,600	7,600	
	Commercial [2]							
15	Normal Growth [3]	100	70	50	50	40	35	
16	Incremental Growth [4]	-	-	20	20	-	-	
17	Average Annual Accounts	4,863	4,933	5,003	5,073	5,113	5,148	
18	Average Annual ERCs [5]	35,375	35,884	36,393	36,902	37,193	37,448	
19	Billed Potable Water Sales (000's)	2,518,814	2,583,648	2,620,296	2,656,944	2,677,896	2,696,256	
20	Average Monthly Use per ERC (gal.)	5,934	6,000	6,000	6,000	6,000	6,000	
	Total System							
21	Account Growth	6,937	5,093	5,352	4,850	4,057	3,551	
22	ERC Growth	8,967	6,509	6,719	6,144	5,016	4,443	
23	Average Annual Accounts	185,454	190,547	195,899	200,749	204,806	208,357	
24	Total Equivalent Residential Connections [5]	254,459	260,968	267,687	273,831	278,847	283,290	
25	Billed Potable Water Sales (000's)	23,889,130	22,335,594	22,893,708	23,400,339	23,810,605	24,170,639	
26	Average Monthly Use per Account (gal.)	10,735	9,768	9,739	9,714	9,688	9,667	
27	Average Monthly Use per ERC (gal.)	7,824	7,132	7,127	7,121	7,116	7,110	
	Water Purchased (000's)							
28	Tampa Bay Water	25,939,170	24,328,507	24,946,193	25,506,297	25,958,672	26,354,861	
29	All Other Public Systems [6]	618,488	627,464	633,369	639,333	645,356	651,440	
30	Total Water Purchased	26,557,658	24,955,971	25,579,562	26,145,630	26,604,028	27,006,301	
31	Non-revenue Water (000's)	2,668,528	2,620,377	2,685,854	2,745,291	2,793,423	2,835,662	
32	Percent of Water Purchased	10.05%	10.50%	10.50%	10.50%	10.50%	10.50%	
33	Average Monthly Use per Account (gal.)	11,934	10,914	10,881	10,853	10,825	10,801	
34	Average Monthly Use per ERC (gal.)	8,697	7,969	7,963	7,957	7,951	7,944	
	Average Water Accounts							
35	Receiving Water and Wastewater Service	154,942	159,501	164,310	168,607	172,102	175,081	
36	Water-only Accounts [6]	30,512	31,046	31,589	32,142	32,704	33,276	
37	Total Average Water Accounts	185,454	190,547	195,899	200,749	204,806	208,357	

Footnotes:

- [1] Amounts shown derived from Table 1.
- [2] Amounts reflect the customer forecast used in the development of projected rate revenues; commercial class does not include fire flow customers. The average projected fireline customers (which are not billed for any flow that may be metered for fire service) for each fiscal year is summarized below:

	Historical [1]	Fiscal Year Ending September 30,				
	2020	2021	2022	2023	2024	2025
Normal Growth	(82)	20	15	15	13	12
Incremental Growth		-	-	-	-	-
Average Fire Flow Accounts	690	710	725	740	753	765

- [3] Growth assumptions are based on historical trends.

Table 3

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Customer Statistics and Sales - Water System

Footnotes Continued

- [4] The forecast assumes the acquisition of the last two (2) remaining franchise utility systems in Hillsborough County in Fiscal Year 2022. The Sunset Plaza Utilities, Inc. system serves approximately 39 commercial water accounts equating to 89.5 ERCs. The Windemere Utility Co., system serves approximately 1,020 residential water accounts equating to 1,020 ERCs. The forecast assumes a mid-year acquisition and therefore recognizes growth in the average customer accounts in Fiscal Years 2022 and 2023.
- [5] Reflects total equivalent residential connections (ERCs) served and calculated based on reported monthly base charge revenues by the County.
- [6] Amounts shown reflect purchased water from other public utilities to service certain isolated portions of the County's water service area. Amounts summarized as follows:

	Historical [1]		Fiscal Year Ending September 30,			
	2020	2021	2022	2023	2024	2025
City of Tampa						
Percent Growth	-1.04%	0.60%	1.00%	1.00%	1.00%	1.00%
Purchased Water	586,938	590,460	596,365	602,329	608,352	614,436
City of Plant City						
Percent Growth	22.48%	20.00%	0.00%	0.00%	0.00%	0.00%
Purchased Water	29,395	35,274	35,274	35,274	35,274	35,274
City of Oldsmar						
Percent Growth	31.82%	0.00%	0.00%	0.00%	0.00%	0.00%
Purchased Water	29	29	29	29	29	29
City of Temple Terrace						
Percent Growth	-45.32%	-20.00%	0.00%	0.00%	0.00%	0.00%
Purchased Water	2,126	1,701	1,701	1,701	1,701	1,701
Total Purchases - Other Public Systems	<u>618,488</u>	<u>627,464</u>	<u>633,369</u>	<u>639,333</u>	<u>645,356</u>	<u>651,440</u>

- [6] Amounts shown do not include Fire Service accounts (reference footnote 2 above for these water-only accounts).

Table 4

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Customer Statistics and Sales - Wastewater System

Line No.	Description	Historical [1]	Fiscal Year Ending September 30,				
		2020	2021	2022	2023	2024	2025
Individually Metered Residential [2]							
1	Normal Growth [3]	5,301	4,275	4,061	3,634	3,420	2,993
2	Incremental Growth [4]		-	739	989	500	500
3	Average Annual Accounts	163,131	167,406	172,206	176,829	180,749	184,242
4	Average Annual ERCs [5]	163,131	167,406	172,206	176,829	180,749	184,242
5	Billed Wastewater Flow (000's)	10,759,305	10,315,558	10,601,001	10,874,984	11,105,219	11,308,774
6	Average Monthly Billed Flow per ERC (gal.)	5,496	5,135	5,130	5,125	5,120	5,115
Master Metered Residential [2]							
7	Normal Unit Growth [3]	1,932	1,900	1,805	1,663	1,378	1,306
8	Incremental Growth [4]		-	-	-	-	-
9	Average Annual Accounts	612	626	640	653	663	673
10	Average Annual Units	81,293	83,193	84,998	86,661	88,039	89,345
11	Average Annual ERCs [5]	56,905	58,235	59,499	60,663	61,627	62,542
12	Billed Wastewater Flow (000's)	3,647,370	3,643,853	3,722,912	3,795,752	3,856,108	3,913,311
13	Average Monthly Billed Flow per Unit (gal.)	3,739	3,650	3,650	3,650	3,650	3,650
14	Average Monthly Billed Flow per ERC (gal.)	5,341	5,214	5,214	5,214	5,214	5,214
Commercial [2]							
15	Normal Growth [3]	43	60	50	50	40	30
16	Incremental Growth [4]		-	18	18	-	-
17	Average Annual Accounts	3,712	3,772	3,840	3,908	3,948	3,978
18	Average Annual ERCs [5]	48,284	49,064	49,949	50,834	51,354	51,744
19	Billed Wastewater Flow (000's)	2,539,549	2,575,860	2,622,323	2,668,785	2,696,085	2,716,560
20	Average Monthly Billed Flow per ERC (gal.)	4,383	4,375	4,375	4,375	4,375	4,375
Total System							
21	Account Growth	5,337	4,349	4,882	4,704	3,970	3,533
22	ERC Growth	8,045	6,385	6,949	6,672	5,404	4,798
23	Average Annual Accounts	167,455	171,804	176,686	181,390	185,360	188,893
24	Total Equivalent Residential Connections [5]	268,320	274,705	281,654	288,326	293,730	298,528
25	Billed Wastewater Flow (000's)	16,946,224	16,535,271	16,946,236	17,339,521	17,657,412	17,938,645
26	Average Monthly Billed Flow per Account (gal.)	8,433	8,020	7,993	7,966	7,938	7,914
27	Average Monthly Billed Flow per ERC (gal.)	5,263	5,016	5,014	5,012	5,010	5,008
Wastewater Treated							
28	County Facilities (000's of Gallons)	15,714,274	16,354,841	16,776,111	17,180,389	17,507,024	17,796,532
29	Purchased Wastewater Service (000's) [6]	453,383	457,105	461,114	465,163	469,252	473,382
30	Total Wastewater Treated	16,167,657	16,811,946	17,237,225	17,645,551	17,976,276	18,269,914
31	Average Annual Daily Flow	44.29	46.06	47.23	48.34	49.25	50.05
32	Average Monthly Treated Flow per Account (gal.)	8,046	8,155	8,130	8,107	8,082	8,060
33	Average Monthly Treated Flow per ERC (gal.)	5,021	5,100	5,100	5,100	5,100	5,100
Average Retail Wastewater Accounts							
34	Receiving Water and Wastewater Service	154,942	159,501	164,310	168,607	172,102	175,081
35	Wastewater-only Accounts	12,513	12,303	12,376	12,783	13,258	13,812
36	Total Average Retail Wastewater Accounts	167,455	171,804	176,686	181,390	185,360	188,893

Footnotes:

- [1] Amounts shown derived from Table 2.
- [2] Amounts reflect the customer forecast used in the development of projected rate revenues.
- [3] Growth assumptions are based on historical trends.
- [4] The forecast assumes the acquisition of the last two (2) remaining franchise utility systems in Hillsborough County in Fiscal Year 2022. The Sunset Plaza Utilities, Inc. system serves approximately 35 commercial water accounts equating to 76.0 ERCs. The Windemere Utility Co., system serves approximately 970 residential water accounts equating to 974 ERCs. The forecast assumes a mid-year acquisition and therefore recognizes growth in the average customer accounts in Fiscal Years 2022 and 2023. Additionally, in Fiscal Year 2022, the forecast assumes the implementation of the Septic to Sewer BOCC initiative to connect approximately 500 single-family residential properties currently utilizing septic systems annually.

Footnotes Continued on Page 2 of 2.

Table 4

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Customer Statistics and Sales - Wastewater System

Footnotes Continued

- [5] Reflects total equivalent residential connections (ERCs) served and calculated based on reported monthly base charge revenues by the County.
- [6] Amounts shown reflect wastewater service provided by City of Tampa, Plant City, and Temple Terrace for certain isolated portions of the County's wastewater service area. Amounts summarized as follows:

	Historical [1]		Fiscal Year Ending September 30,			
	2020	2021	2022	2023	2024	2025
City of Tampa (a)						
Percent Growth	35.21%	0.60%	1.00%	1.00%	1.00%	1.00%
Purchased Wastewater Service	398,474	400,865	404,873	408,922	413,011	417,142
City of Plant City (b)						
Percent Growth	28.26%	20.00%	0.00%	0.00%	0.00%	0.00%
Purchased Wastewater Service	30,783	36,940	36,940	36,940	36,940	36,940
City of Temple Terrace (c)						
Percent Growth	88.04%	-20.00%	0.00%	0.00%	0.00%	0.00%
Purchased Wastewater Service	24,126	19,301	19,301	19,301	19,301	19,301
Total Purchases - Other Public Systems	453,383	457,105	461,114	465,163	469,252	473,382

- (a) Reduction in Tampa purchases due to discontinuance of temporary treatment service required during construction of expansion of Falkenburg Road AWWTP.
- (b) Reflects purchases for wastewater service to a remote County system referred to as Oak Utilities (approximately 200 residential accounts).
- (c) Reflects purchase for wastewater service near the perimeter of the respective City's service area where the County does not have sewer collection lines (incidental service).

Table 5

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Capital Improvement Projects for the Forecast Period - Cash Flow Basis [1]

Line No	CIP Ref. No.	Project Description	Type	Fiscal Year Ending September 30,					Total Period
				2021	2022	2023	2024	2025	
Departmental Capital [2]									
1		Water	D	\$ 2,744,600	\$ 1,183,252	\$ 615,205	\$ 621,357	\$ 627,571	\$ 5,791,985
2		Wastewater	D	6,672,602	2,876,693	1,495,671	1,510,627	1,525,734	14,081,327
3		Customer Service	D	4,938,133	2,128,929	1,106,888	1,117,957	1,129,136	10,421,043
4		Reclaimed	D	1,049,392	452,414	235,222	237,574	239,950	2,214,552
5		Total Departmental Capital		\$ 15,404,727	\$ 6,641,288	\$ 3,452,986	\$ 3,487,515	\$ 3,522,391	\$ 32,508,907
Wastewater System									
6	C10138	Countywide Wastewater Pump Stations R&R (Master Project) *	WWC	\$ 6,245,926	\$ 6,245,926	\$ 6,245,926	\$ 6,245,926	\$ 6,245,926	\$ 31,229,632
7	C10143	South County WWTP Expansion Project	WWT	4,491,269	-	-	-	-	4,491,269
8	C10171	Countywide WW Collection & Transmission System R&R (Master Project) *	WWC	9,722,893	11,343,375	12,963,857	14,584,340	16,204,822	64,819,287
9	C10239	Northwest RWRP Collection Improvements	WWT	10,862,332	5,848,948	-	-	-	16,711,280
10	C10243	19th Avenue Wastewater Force Main	WWC	107	-	-	-	-	107
11	C10275	Falkenburg AWWP Mechanical Bar Screens Replacements	WWT	1,466,086	-	-	-	-	1,466,086
12	C10276	River Oaks Diversion Force Main (RO To NWRWRF) & Pump Station	WWC	189,607	-	-	-	-	189,607
13	C10280	Flow Diversion From Falkenburg (Pump Stations & Piping)	WWC	1,760,591	8,777,291	1,027,485	-	-	11,565,367
14	C10288	Van Dyke Generator Replacement	WWT	4,366,535	-	-	-	-	4,366,535
15	C10289	Falkenburg Install De-Watering Equipment	WWT	189,665	-	-	-	-	189,665
16	C10290	Valrico Solar Power Installation	WWT	2,246,665	962,857	-	-	-	3,209,522
17	C10291	Valrico Equalization Basin	WWT	727,745	9,460,691	4,366,473	-	-	14,554,909
18	C10292	Woodberry Super Station Rehabilitation	WWC	452,200	3,843,703	226,100	-	-	4,522,004
19	C10293	Falkenburg Structural Rehabilitation	WWT	6,036,093	-	-	-	-	6,036,093
20	C10294	Advanced Water Treatment Demonstration Program	WWT	847,085	564,723	4,235,423	-	-	5,647,230
21	C10295	South County Regional AWWTP Odor Control	WWT	578,027	-	-	-	-	578,027
22	C10298	One Water Campus - South County WWTP Modular Capacity Expansion	WWT	11,416,588	24,554,858	24,836,174	6,423,379	-	67,231,000
23	C10300	Van Dyke Flow Diversion (Pump Station & Pipeline)	WWT	199,349	1,750,000	5,250,000	17,500,000	10,500,000	35,199,349
24	C10301	One Water Campus - Wastewater Treatment & Collection	WWT	-	-	8,524,480	113,826,880	117,305,620	239,656,980
25	C10302	Franchise Acquisition and Connection (NW Service Area)	F	-	4,985,000	1,485,000	1,530,000	-	8,000,000
26	C10303	Operations Building (NWRWRF)	O	560,000	2,520,000	2,520,000	-	-	5,600,000
27	C10304	Maintenance Facility (NW Service Area)	O	-	-	1,025,000	4,612,500	4,612,500	10,250,000
28	C10745	Regional Wastewater Treatment Plant R&R (Master Project) *	WWT	3,429,056	3,429,056	3,429,056	3,429,056	3,429,056	17,145,281
29	C10768	Low Pressure Sewer System (LPSS) (Master Project) *	WWC	1,268,790	826,573	826,573	826,573	-	3,748,510
30	C31945	Utility Relocation (MP) *	WWC	5,683,748	5,683,748	5,683,748	5,683,748	5,683,748	28,418,740
31	C31978	Public Utilities SCADA Network & Support (Master Project) *	WWC	346,735	2,947,247	173,367	-	-	3,467,349
32	C46266	Stormwater Utility Allocation	WWC	162,556	69,667	-	-	-	232,223
33	C69635	Transportation Utility Allocation	WWC	1,245,987	533,994	-	-	-	1,779,981
34	C77824	ERP System Enhancements Capital Project	O	413,545	177,233	-	-	-	590,778
35	C77832	Consolidated & Hardened Maintenance Facilities	O	7,697,656	3,298,995	-	-	-	10,996,651
36	NewS1	Town & Country Service Area Purchase	F	-	-	10,725,000	4,125,000	1,650,000	16,500,000
37	NewS3	Falkenburg Equalization Tank(s)	WWT	-	540,000	1,980,000	1,980,000	-	4,500,000
38	NewS4	LPSS SCADA System Replacement	WWC	-	1,200,000	1,800,000	-	-	3,000,000
39	NewS5	Palm River Service Area Purchase	F	-	7,500,000	-	-	-	7,500,000
40	NewS6	Valrico Effluent Piping Simplification	WWT	-	-	-	-	500,000	500,000
41	NewS7	Valrico AWWTP Disinfection System	WWT	-	-	-	-	500,000	500,000
42	NewS11	Purchase of Land for One Water Campus	WWT	3,000,000	-	-	-	-	3,000,000
43	NewS13	LPSS to Sewer Connection	LPSS	2,000,000	7,214,100	7,372,800	7,542,300	7,723,200	31,852,400
44	NewS14	Valrico Aeration Improvements	WWT	-	660,000	2,420,000	2,420,000	-	5,500,000
45	NewS15	Septic to Sewer Program	SS	2,869,561	13,069,000	13,356,500	13,663,500	13,991,500	56,950,061
46		Total Wastewater System Capital Improvement Projects		\$ 90,476,398	\$ 128,006,987	\$ 120,472,963	\$ 204,393,203	\$ 188,346,372	\$ 731,695,923
Reclaimed Water System									
47	C10217	19Th Avenue Reclaimed Water Transmission Main	RW	\$ 367,832	\$ -	\$ -	\$ -	\$ -	\$ 367,832
48	C10238	Northwest Hillsborough Aquifer Recharge Program (NHARP)	WT	1,467,939.60	163,104.40	-	-	-	1,631,044.00
49	C10242	Waterset Sports Complex Reclaimed Water PS/Storage Tank	RW	3,576,188.00	-	-	-	-	3,576,188.00
50	C10259	South Hillsborough Aquifer Recharge Program (SHARP)	WT	6,347,820.40	6,161,119.80	6,161,119.80	-	-	18,670,060.00
51	C10795	Reclaimed Water PS & Remote Telemetry Monitoring (Master Project) *	RW	645,035.73	645,035.73	645,035.73	645,035.73	645,035.73	3,225,178.64
52	C19017	Reclaimed Water Trans. Main Extensions - New & Existing Customers (MP) *	RW	756,936.33	307,223.38	307,223.38	307,223.38	307,223.38	1,985,829.87
53		Total Reclaimed System Capital Improvement Projects		\$ 13,161,752	\$ 7,276,483	\$ 7,113,379	\$ 952,259	\$ 952,259	\$ 29,456,133
Water System									
54	C10302w	Franchise Acquisition and Connection (NW Service Area)	F	\$ -	\$ 4,985,000	\$ 1,485,000	\$ 1,530,000	\$ -	\$ 8,000,000
55	C10303w	Operations Building (NWRWRF)	O	560,000	2,520,000	2,520,000	-	-	5,600,000
56	C10304w	Maintenance Facility (NW Service Area)	O	-	-	1,025,000	4,612,500	4,612,500	10,250,000
57	C30116	Potable Water Treatment Plant R&R (Master Project) *	WT	2,035,439	2,021,120	2,021,120	1,548,587	1,548,587	9,174,853
58	C31945w	Utility Relocation (MP) *	WD	5,683,748	5,683,748	5,683,748	5,683,748	5,683,748	28,418,740
59	C31977	Countywide Potable Water T&D System R&R (Master Project) *	WD	8,450,916	9,859,402	11,267,888	12,676,374	14,084,860	56,339,442
60	C31978w	Public Utilities SCADA Network & Support (Master Project) *	WD	315,214	315,214	315,214	315,214	315,214	1,576,068
61	C31979	Countywide Non-Urgent Facility R&R (Master Project) *	O	618,794	618,794	618,794	618,794	618,794	3,093,972
62	C31982	19Th Ave. Water Transmission Main (I-75 To Us 41)	WD	107	-	-	-	-	107
63	C32001	South County Potable Repump Station Expansion (Includes Tank & Pumps)	WD	2,882,100	1,233,432	-	-	-	4,115,532
64	C32011	One Water Campus - Potable Water In-Line Booster Station	WD	6,240,325	7,265,588	66,873	-	-	13,572,786
65	C32012	One Water Campus - Potable Water Treatment & Distribution	WT	-	-	57,486,000	90,948,000	72,046,000	220,480,000
66	C32013	One Water Campus - TM from Lithia to South County/Ag-Mart	WD	17,922,510	13,671,830	40,301,090	17,404,570	-	89,300,000
67	C46266w	Stormwater Utility Allocation	WD	162,556	69,667	-	-	-	232,223
68	C69635w	Transportation Utility Allocation	WD	1,245,987	533,994	-	-	-	1,779,981
69	C77825w	ERP System Enhancements	O	413,545	177,233	-	-	-	590,778
70	C77832w	Consolidated & Hardened Maintenance Facilities	O	7,697,656	3,298,995	-	-	-	10,996,651
71	NewW1	TOC Removal System at Lake Park (result from the pilot)	WT	-	-	-	-	3,500,000	3,500,000
72	NewW2	Town & Country Service Area Purchase	F	-	-	10,725,000	4,125,000	1,650,000	16,500,000
73	NewW3	Turbine Power to Fawn Ridge WTP	WT	-	1,050,000	1,050,000	-	-	2,100,000

Table 5

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Capital Improvement Projects for the Forecast Period - Cash Flow Basis [1]

Line No	CIP Ref. No.	Project Description	Type	Fiscal Year Ending September 30,					Total Period
				2021	2022	2023	2024	2025	
74	NewW4	Palm River Service Area Purchase	F	-	7,500,000	-	-	-	7,500,000
75	NewW5	US 41 (Riverview to Big Bend) AC WM Replacement	WD	-	-	-	-	4,620,000	4,620,000
76		Total Water System Capital Improvement Projects		\$ 54,228,896	\$ 60,804,018	\$ 134,565,727	\$ 139,462,788	\$ 108,679,704	\$ 497,741,133
77		Total System Capital Improvement Projects		\$ 173,271,773	\$ 202,728,776	\$ 265,605,056	\$ 348,295,764	\$ 301,500,726	\$ 1,291,402,095
		(*) Denotes Master Project							
Total System Capital Improvements by Project Type									
78		Wastewater Treatment	WWT	\$ 49,856,496	\$ 47,771,133	\$ 55,041,605	\$ 145,579,316	\$ 132,234,676	\$ 430,483,226
79		Wastewater Collection and Transmission	WWC	27,079,141	41,471,525	28,947,058	27,340,587	28,134,496	152,972,807
80		Water Treatment	WT	9,851,199	9,395,344	66,718,240	92,496,587	77,094,587	255,555,957
81		Water Transmission, Storage, and Distribution	WD	42,903,462	38,632,875	57,634,813	36,079,906	24,703,822	199,954,878
82		Reclaimed Water	RW	5,345,992	952,259	952,259	952,259	952,259	9,155,029
83		Franchise Systems Acquisition / Service Extension	F	-	24,970,000	24,420,000	11,310,000	3,300,000	64,000,000
84		Septic to Sewer	SS	2,869,561	13,069,000	13,356,500	13,663,500	13,991,500	56,950,061
85		Low Pressure Sanitary Sewer	LPSS	2,000,000	7,214,100	7,372,800	7,542,300	7,723,200	31,852,400
86		General Projects (Administration / Customer Service / Other)	O	17,961,195	12,611,252	7,708,794	9,843,794	9,843,794	57,968,830
87		Departmental Capital	D	15,404,727	6,641,288	3,452,986	3,487,515	3,522,391	32,508,907
88		Total System Capital Improvements by Project Type		\$ 173,271,773	\$ 202,728,776	\$ 265,605,056	\$ 348,295,764	\$ 301,500,726	\$ 1,291,402,095
Total System Capital Improvements by Funding Source									
89		WW IFAU Bonds Series 2021		\$ 11,863,919	\$ 24,554,858	\$ 24,836,174	\$ 6,423,379	\$ -	\$ 67,678,331
90		Grant		3,772,725	2,441,000	14,912,000	18,464,500	13,855,000	53,445,225
91		Water Impact Fee Fund		-	-	11,757,354	18,601,187	14,735,245	45,093,786
92		Wastewater Impact Fee Fund		3,000,000	-	862,668	11,519,151	11,871,195	27,253,013
93		R&R Fund		33,250,230	30,489,978	20,211,965	18,528,647	22,011,430	124,492,250
94		General Revenue Capital Projects		68,652,585	93,760,974	94,011,030	68,531,773	66,890,285	391,846,647
95		Existing Debt Proceeds - Series 2016 Bonds		5,176,499	2,787,346	-	-	-	7,963,845
96		BOCC - BP Oil Spill Proceeds (Water) Prj Fd		4,869,561	-	-	-	-	4,869,561
97		Water Rate Revenues		2,744,600	1,183,252	615,205	621,357	627,571	5,791,985
98		Wastewater Rate Revenues		6,672,602	2,876,693	1,495,671	1,510,627	1,525,734	14,081,327
99		Reclaimed Rate Revenues		1,049,392	452,414	235,222	237,574	239,950	2,214,552
100		Customer Service Rate Revenues		4,938,133	2,128,929	1,106,888	1,117,957	1,129,136	10,421,043
101		Proposed Series 2021 Bonds - Non- Expansion		-	1,750,000	5,250,000	17,500,000	10,500,000	35,000,000
102		Proposed Series 2021 Bonds		27,281,526	40,303,331	45,925,421	18,850,070	-	132,360,349
104		Proposed Series 2023 Bonds		-	-	42,335,459	157,164,543	148,890,180	348,390,181
		New Funding Source - 3 Non- Expansion		-	-	-	-	-	-
		New Funding Source - 3 Expansion		-	-	-	-	-	-
		New Funding Source - 4 Non- Expansion		-	-	-	-	-	-
		New Funding Source - 4 Expansion		-	-	-	-	-	-
		New Funding Source - 5 Non- Expansion		-	-	-	-	-	-
		New Funding Source - 5 Expansion		-	-	-	-	-	-
105		Total System Capital Improvements by Funding Source		\$ 173,271,773	\$ 202,728,776	\$ 265,605,056	\$ 348,295,764	\$ 301,500,726	\$ 1,291,402,095

Footnotes:

- [1] Amounts show reflect the projected capital needs associated with the adopted Capital Improvement Plan provided by the Department. Amounts shown do not reflect the capitalized labor cost of County engineering staff responsible for project management.
- [2] The Departmental capital outlay expenditures, which are included as a component of the County's Operating Budget and reflect recurring expenditures for assets with a short duration or life (e.g., vehicles), and are funded from ongoing utility operations (e.g. water and wastewater rate revenues).

Table 6

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Revenue Requirements and Revenue Sufficiency for the Forecast Period

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2021	2022	2023	2024	2025
Combined System Operating Expenses						
1	Salaries and Wages	\$ 49,060,106	\$ 50,531,908	\$ 52,047,856	\$ 53,609,291	\$ 55,217,563
2	Other Employee Benefits	9,299,780	9,578,533	9,865,723	10,161,678	10,466,405
3	Health Insurance	14,279,462	15,279,026	16,348,558	17,492,957	18,717,464
4	OPEB	1,716,317	1,759,352	1,805,233	1,853,220	1,903,407
5	Professional Services	13,505,177	13,898,814	14,306,944	14,728,356	15,163,576
6	Other Contracted Services	3,368,652	3,436,163	3,511,873	3,592,748	3,679,065
7	Trash, Garbage & Sludge Removal	5,944,441	6,171,094	6,412,305	6,646,638	6,884,944
8	Travel and Per Diem	565,369	579,141	594,298	610,413	627,536
9	Communications	984,555	1,004,246	1,027,664	1,058,067	1,084,845
10	Freight and Postage	1,086,338	1,135,360	1,186,370	1,236,202	1,286,328
11	Electricity	8,492,603	8,904,614	9,321,878	9,717,266	10,107,985
12	Insurance	2,571,951	2,700,244	2,834,962	2,976,426	3,124,975
13	Repair and Maintenance	18,941,431	19,493,008	20,090,890	20,736,508	21,433,239
14	Fleet Services	1,621,207	1,697,962	1,778,762	1,863,661	1,952,866
15	Equipment Rental	418,404	426,772	436,161	446,193	456,901
16	Office Supplies	2,214,388	2,258,676	2,308,982	2,365,235	2,422,644
17	Administrative	9,732,317	9,932,237	10,155,858	10,393,912	10,647,461
18	Bad Debt	364,850	310,743	331,779	352,945	374,835
19	Bulk Water Purchases	68,702,410	71,213,919	74,223,008	77,124,921	80,244,880
20	Bulk Wastewater Purchases	3,585,639	3,720,244	3,861,258	4,008,053	4,161,005
21	Chemicals	3,413,896	3,634,366	3,862,139	4,086,321	4,314,025
22	Training and Memberships	794,178	810,213	828,845	851,740	872,950
23	Equipment	126,801	129,337	132,182	135,223	138,468
24	Miscellaneous Expenses	207,056	211,222	215,892	220,877	226,195
25	Allowance for Additional Water Pumping - Lithia Line	-	-	-	100,000	206,000
26	Incremental O&M - Water Distribution	-	167,566	172,417	344,580	354,787
27	Incremental O&M - Wastewater Collection	-	167,566	172,417	344,580	354,787
28	Incremental O&M - Customer Svc. / Field Svc. / Call Center	-	-	-	78,589	80,839
29	Incremental O&M - Meter Reading	-	-	75,255	77,461	153,896
30	Contingency	-	572,043	1,187,447	1,847,016	2,555,096
31	Total Combined System Operating Expenses	\$ 220,997,327	\$ 229,724,371	\$ 239,096,956	\$ 249,061,078	\$ 259,208,966
Adjustments to Bulk Water Purchases						
32	Pledged Capacity Fees [1]	\$ (6,703,868)	\$ (8,487,826)	\$ (8,547,506)	\$ (8,466,196)	\$ (8,249,521)
33	Total Adjustments to Bulk Water Purchases	\$ (6,703,868)	\$ (8,487,826)	\$ (8,547,506)	\$ (8,466,196)	\$ (8,249,521)
34	Adjusted Combined System Operating Expenses	\$ 214,293,459	\$ 221,236,545	\$ 230,549,450	\$ 240,594,882	\$ 250,959,445
Debt Service Requirement						
35	Existing Debt [2]	\$ 17,844,267	\$ 17,843,059	\$ 17,844,934	\$ 17,847,226	\$ 17,843,184
36	Proposed Debt [3]	1,067,652	6,323,785	9,488,787	27,127,634	25,931,183
37	Total Debt Service Requirement	\$ 18,911,919	\$ 24,166,844	\$ 27,333,721	\$ 44,974,860	\$ 43,774,367
Other Revenue Requirements						
38	Transfer to Renewal and Replacement Account [4]	\$ 14,643,048	\$ 14,716,567	\$ 15,719,653	\$ 16,883,095	\$ 18,069,885
39	Capital Funded from Rates	15,404,727	6,641,288	3,452,986	3,487,515	3,522,391
40	Transfer to General Revenue Capital Expenditure Acct.	50,272,716	50,058,744	51,629,395	52,587,361	57,758,906
41	Total Other Revenue Requirements	\$ 80,320,491	\$ 71,416,599	\$ 70,802,034	\$ 72,957,971	\$ 79,351,182
42	Gross Revenue Requirements	\$ 313,525,869	\$ 316,819,988	\$ 328,685,205	\$ 358,527,714	\$ 374,084,994

Footnotes on Page 2 of 2.

Table 6

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Revenue Requirements and Revenue Sufficiency for the Forecast Period

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2021	2022	2023	2024	2025
	Less Income and Funds from Other Sources					
43	Other Operating Revenues [5]	\$ 5,514,076	\$ 5,864,349	\$ 6,358,764	\$ 6,844,175	\$ 7,092,850
44	Interest Income	3,158,851	3,012,890	2,901,017	3,027,950	3,358,026
45	Impact Fees Pledged for Debt Service [1]	15,182,165	14,488,331	15,236,732	15,209,314	14,841,406
46	Total Income and Funds from Other Sources	\$ 23,855,092	\$ 23,365,570	\$ 24,496,513	\$ 25,081,439	\$ 25,292,282
47	Total Net Revenue Requirements	\$ 289,670,777	\$ 293,454,418	\$ 304,188,692	\$ 333,446,274	\$ 348,792,712
48	Total Existing Rate Revenue [6]	\$ 286,314,063	\$ 297,232,274	\$ 309,358,200	\$ 320,479,718	\$ 331,179,826
	Recognized Rate Adjustments					
49	Water Rate Adjustments	0.00%	4.00%	4.00%	4.00%	4.00%
50	Wastewater Rate Adjustments	0.00%	4.00%	4.00%	4.00%	4.00%
51	Reclaim Rate Adjustment	0.00%	4.00%	4.00%	4.00%	4.00%
52	Customer Service Rate Adjustment	0.00%	4.00%	4.00%	4.00%	4.00%
53	Months Rate Increase In Effect	11	11	11	11	11
54	Amount of Increase	\$ -	\$ 8,306,963	\$ 9,043,215	\$ 9,796,807	\$ 10,585,115
	Rate Revenue from Recognized Rate Adjustments:					
55	Existing Rate Revenue with Indexing	\$ 286,314,063	\$ 297,232,274	\$ 309,358,200	\$ 320,479,718	\$ 331,179,826
56	Rate Revenue from Current Period Rate Adjustment	-	8,306,963	9,043,215	9,796,807	10,585,115
57	Cumulative Prior Year Rate Adjustment Revenue	-	-	9,485,890	20,157,497	32,045,082
58	Total Applicable Rate Revenue	\$ 286,314,063	\$ 305,539,237	\$ 327,887,305	\$ 350,434,022	\$ 373,810,023
	Revenue Surplus / (Deficiency) Recognizing Rate Adjustments					
59	Amount	\$ (3,356,714)	\$ 12,084,819	\$ 23,698,613	\$ 16,987,748	\$ 25,017,311
60	Percent of Rate Revenue	-1.17%	4.07%	7.43%	4.99%	6.89%
	Allocation of Revenue Surplus / (Deficiency)					
61	Current Period Revenue Surplus / (Deficiency)	\$ (3,356,714)	\$ 12,084,819	\$ 23,698,613	\$ 16,987,748	\$ 25,017,311
	First Priority - Operating Reserves (#40100, #40102)					
62	Ending Cash Balance before Allocation of Revenue Surplus / (Def.)	\$ 110,764,042	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328
63	Minimum Target Reserve Balance at 150 Days	90,820,819	94,407,276	98,259,023	102,353,868	106,524,233
64	Deposit to Operating Reserves	\$ -	\$ -	\$ -	\$ -	\$ -
65	Transfer from Operating Reserves	\$ 3,356,714	\$ -	\$ -	\$ -	\$ -
	Second Priority - General Revenue Capital Projects (#40105)					
66	Remaining Surplus - Transfer to General Revenue Capital Proj.	\$ -	\$ 12,084,819	\$ 23,698,613	\$ 16,987,748	\$ 25,017,311
67	Remaining (Deficiency) - Transfer from General Revenue Cap. Proj.	\$ -	\$ -	\$ -	\$ -	\$ -

Footnotes:

- [1] The majority of the Water and Wastewater Impact Fees are considered as Pledged Capacity (Impact) Fees and are used to fund: i) the Debt Service Component of the Cost of Contracted Water from Tampa Bay Water (water only impact fees); and ii) the expansion component of the annual Bond Service Requirement. Use of impact fees reflects amounts currently on deposit in the fund from prior periods and amounts not considered as Pledged Impact Fees (refer only to a limited amount of Impact Fees).
- [2] Amounts shown are net of any capitalized interest and Federal Direct Payments. The Federal Direct Payments represent a subsidy from the Federal government as part of the Build America Bond program equal to i) 45% of the interest expense to the outstanding Series 2010C Bonds; and iii) adjustments for the current effect of sequestration. In December of 2019, the Series 2010B Bonds were advanced refunded with the tax-exempt Series 2019 Bonds. Beginning in FY 2021 and for the remaining of the Forecast Period, the annual Federal Direct Payments anticipated to be received associated with payment of the interest expense to the Series 2010C Bonds is approximately \$538,000.
- [3] Amounts represent the anticipated issuance of the Series 2021 Bonds and the Series 2023 Bonds to fund new facilities to meet significant growth projections by the County.
- [4] Represents minimum required deposit to the Renewal and Replacement Account in accordance with the funding provisions delineated in the Bond Resolution.
- [5] Amounts shown include other operating revenues derived from miscellaneous customer service charges including, but not limited to building permits, settlements, planning services processing fees, parking fees, bad check fees, etc.
- [6] Amounts shown are based on existing rates currently in effect as referenced in the Rate Resolution and include annual increases for the Purchased Water Pass-Through and the price index adjustment.

Table 7

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Operating Expenses for the Forecast Period - Escalation Factors

Line No.	Escalators	Reference	Escalation Factor			
			2022	2023	2024	2025
<u>General:</u>						
1	Constant	Constant	1.0000	1.0000	1.0000	1.0000
2	General Inflation - CBO Feb 2021 - CPI	Inflation	1.0200	1.0220	1.0230	1.0240
3	General Inflation - CBO Feb 2021 - GDP	GDP	1.0190	1.0200	1.0210	1.0210
4	Labor	Labor	1.0300	1.0300	1.0300	1.0300
5	Medical Insurance	MedIns	1.0700	1.0700	1.0700	1.0700
6	Professional Services	ProfSvc	1.0300	1.0300	1.0300	1.0300
7	Fuel and Oil	Fuel	1.0500	1.0500	1.0500	1.0500
8	Marginal Escalator	Marginal	1.0100	1.0100	1.0100	1.0100
9	Eliminate	Eliminate	0.0000	0.0000	0.0000	0.0000
10	Chemical Expense	Chemical	1.0400	1.0400	1.0400	1.0400
11	Repairs and Maintenance	Repair	1.0300	1.0315	1.0330	1.0345
12	Insurance	Insurance	1.0500	1.0500	1.0500	1.0500
13	Electrical Expense	Electric	1.0250	1.0250	1.0250	1.0250
14	Solid Waste Disposal & Collection Service	SWDisp	1.0122	1.0386	1.0089	1.0526
<u>Personnel Additions Adjusted:</u>						
15	Monthly Auto and Cell Phone Stipend	GenLaborInf	1.0200	1.0233	1.0297	1.0253
16	Personnel-Related Supplies	IncPerSup	1.0200	1.0233	1.0297	1.0253
<u>Customer and Flow Adjusted:</u>						
17	Customer Growth - Water	WaterCust	1.0273	1.0242	1.0198	1.0170
18	Customer Growth - Sewer	SewerCust	1.0276	1.0259	1.0214	1.0187
19	Customer Growth - Total System	TotalCust	1.0272	1.0247	1.0205	1.0178
20	Customer Growth - Total System + Inflation	TotalCustInf	1.0472	1.0467	1.0435	1.0418
21	Delta Water Growth	Delta-W	1.0221	0.8843	0.8199	0.8604
22	Flow Growth+Inflation-Water	FlowW	1.0449	1.0441	1.0406	1.0393
23	Flow Growth+Inflation-Sewer	FlowS	1.0452	1.0456	1.0418	1.0405
24	Treated Water Flows + Chemical	W-Chemical	1.0654	1.0625	1.0579	1.0555
25	Treated Sewer Flows + Chemical	S-Chemical	1.0657	1.0641	1.0591	1.0567
26	Treated Water Flows + Electric	W-Electric	1.0500	1.0472	1.0427	1.0403
<u>Rate Revenue Adjusted:</u>						
27	Rate Revenue - Water	WaterRev	1.0436	1.0532	1.0496	1.0482
28	Rate Revenue - Sewer	SewerRev	1.0804	1.0814	1.0768	1.0744
29	Rate Revenue - Total System	TotalRev	1.0622	1.0677	1.0638	1.0620
<u>Other Factors:</u>						
30	RRF Electric Purchases - Central WTP	RRF-W-Elec	1.0244	1.0217	1.0172	1.0149
31	Treated Sewer Flows + Electric	S-Electric	1.0503	1.0487	1.0439	1.0415
32	RRF Electric Purchases - Falkenburg WWTP	RRF-S-Elec	1.0247	1.0231	1.0184	1.0161
33	Capital Outlay	CapOutlay	0.4311	0.5199	1.0100	1.0100
34	Customer Billing Postage	Postage	1.0472	1.0467	1.0435	1.0418

Table 8

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

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	5,000 Gallons	6,000 Gallons	7,000 Gallons [2]	10,000 Gallons	15,000 Gallons	20,000 Gallons
Hillsborough County									
1	Current Rates - Effective 10/1/2020 [3] [4]	\$14.45	\$22.09	\$33.55	\$38.79	\$44.03	\$59.75	\$85.95	\$119.65
Other Florida Utilities:									
2	City of Bradenton	\$15.66	\$20.58	\$30.94	\$34.89	\$38.84	\$50.69	\$70.44	\$90.19
3	Charlotte County [3]	25.40	36.34	52.75	59.03	65.31	84.15	123.75	168.80
4	City of Clearwater [3]	24.09	24.09	43.61	53.37	63.13	94.96	156.51	218.06
5	Collier County [3]	24.09	30.59	40.34	45.25	50.16	64.89	97.49	130.09
6	City of Fort Myers [3]	8.89	18.47	32.84	42.42	52.00	80.74	147.79	214.84
6	City of Lakeland	10.40	14.98	21.85	24.14	26.43	34.83	50.93	69.48
7	Lee County	12.59	19.13	28.94	32.21	36.30	48.57	71.48	99.29
8	Manatee County [3]	9.45	14.01	20.85	23.13	25.98	34.53	48.78	82.98
9	City of New Port Richey [4]	11.29	18.83	30.14	34.83	39.52	53.59	84.79	127.84
10	City of North Port [3]	20.30	28.96	44.11	50.60	57.09	81.82	136.54	211.14
11	City of Oldsmar [3]	13.79	19.94	38.39	44.54	50.69	69.14	110.39	163.89
11	Pasco County [4]	9.99	13.95	19.89	23.03	26.17	35.59	67.09	109.59
12	Pinellas County [3] [4]	6.80	17.06	32.45	37.58	42.71	58.10	83.75	109.40
13	City of Plant City	7.79	11.45	16.94	19.36	21.78	29.04	41.14	57.79
14	Polk County [3]	10.43	15.01	23.16	26.09	29.02	37.81	65.46	93.11
15	Sarasota County [3]	17.32	22.36	30.58	33.76	36.94	51.14	89.49	142.28
16	City of St. Petersburg [4]	13.18	22.70	36.98	42.22	48.19	70.42	111.07	164.77
17	City of Tampa [4]	3.00	8.91	18.40	21.85	25.29	36.28	65.16	95.11
18	City of Temple Terrace	6.73	11.11	17.68	19.87	22.06	31.41	49.31	67.21
19	Other Florida Utilities' Average Cost	\$13.22	\$19.39	\$30.57	\$35.17	\$39.87	\$55.14	\$87.97	\$127.15

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect January 2021 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside 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 imposed by each listed utility.
- [2] Represents the estimated median use for the County's individually metered residential class; the average monthly water use for this class approximates 6,000 gallons.
- [3] 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.
- [4] Reflects utilities that receive water from Tampa Bay Water.

Table 9

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

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	5,000 Gallons	6,000 Gallons	7,000 Gallons [2]	10,000 Gallons	15,000 Gallons	20,000 Gallons
Hillsborough County									
1	Current Rates - Effective 10/1/2020 [3]	\$15.77	\$25.93	\$41.17	\$46.25	\$51.33	\$56.41	\$56.41	\$56.41
Other Florida Utilities:									
2	City of Bradenton	\$23.13	\$27.33	\$38.75	\$43.41	\$48.07	\$62.05	\$85.35	\$108.65
3	Charlotte County [3]	37.77	48.29	64.07	69.33	74.59	90.37	90.37	90.37
4	City of Clearwater [3]	33.18	33.18	55.30	66.36	77.42	110.60	165.90	221.20
5	Collier County [3]	36.25	46.45	61.75	66.85	71.95	87.25	112.75	112.75
6	City of Fort Myers [3]	15.35	42.65	83.60	97.25	110.90	151.85	220.10	288.35
7	City of Lakeland [3]	19.51	28.25	41.36	45.73	50.10	63.21	71.95	71.95
8	Lee County	20.45	32.15	49.70	55.55	61.40	73.10	73.10	73.10
9	Manatee County [3]	22.54	32.60	47.69	52.72	57.75	72.84	72.84	72.84
10	City of New Port Richey	14.14	24.62	40.34	45.58	50.82	66.54	92.74	92.74
11	City of North Port [3]	30.09	43.19	62.84	69.39	75.94	95.59	108.69	108.69
12	City of Oldsmar	14.35	21.57	43.23	50.45	57.67	79.33	115.43	151.53
13	Pasco County [3]	19.67	31.77	49.92	55.97	62.02	80.17	80.17	80.17
14	Pinellas County [3]	16.38	28.34	46.28	52.26	58.24	76.18	76.18	76.18
15	City of Plant City	17.07	28.83	46.47	52.35	58.23	75.87	105.27	105.27
16	Polk County [3]	36.14	49.10	68.54	75.02	81.50	81.50	81.50	81.50
17	Sarasota County [3]	17.69	34.61	59.99	68.45	76.91	102.29	102.29	102.29
18	City of St. Petersburg	20.85	36.85	60.85	68.85	76.85	100.85	140.85	180.85
19	City of Tampa	3.00	16.37	36.42	43.11	49.79	69.84	103.27	136.69
20	City of Temple Terrace	3.67	23.91	54.27	64.39	74.51	104.87	155.47	206.07
21	Other Florida Utilities' Average Cost	\$21.12	\$33.16	\$53.23	\$60.16	\$67.09	\$86.54	\$108.12	\$124.27

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect January 2021 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside 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 imposed by each listed utility.
- [2] Represents the estimated median use for the County's individually metered residential class; the average monthly water use for this class approximates 6,000 gallons.
- [3] 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 10

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

COMPARISON OF TYPICAL MONTHLY RESIDENTIAL BILLS FOR COMBINED

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter							
		0 Gallons	2,000 Gallons	5,000 Gallons	6,000 Gallons	7,000 Gallons [2]	10,000 Gallons	15,000 Gallons	20,000 Gallons
Hillsborough County									
1	Current Rates - Effective 10/1/2020 [3]	\$30.22	\$48.02	\$74.72	\$85.04	\$95.36	\$116.16	\$142.36	\$176.06
Other Florida Utilities:									
2	City of Bradenton	\$38.79	\$47.91	\$69.69	\$78.30	\$86.91	\$112.74	\$155.79	\$198.84
3	Charlotte County [3]	63.17	84.63	116.82	128.36	139.90	174.52	214.12	259.17
4	City of Clearwater [3]	57.27	57.27	98.91	119.73	140.55	205.56	322.41	439.26
5	Collier County [3]	60.34	77.04	102.09	112.10	122.11	152.14	210.24	242.84
6	City of Fort Myers [3]	24.24	61.12	116.44	139.67	162.90	232.59	367.89	503.19
7	City of Lakeland	29.91	43.23	63.21	69.87	76.53	98.04	122.88	141.43
8	Lee County	33.04	51.28	78.64	87.76	97.70	121.67	144.58	172.39
9	Manatee County [3]	31.99	46.61	68.54	75.85	83.73	107.37	121.62	155.82
10	City of New Port Richey [4]	25.43	43.45	70.48	80.41	90.34	120.13	177.53	220.58
11	City of North Port [3]	50.39	72.15	106.95	119.99	133.03	177.41	245.23	319.83
12	City of Oldsmar [3]	28.14	41.51	81.62	94.99	108.36	148.47	225.82	315.42
13	Pasco County [4]	29.66	45.72	69.81	79.00	88.19	115.76	147.26	189.76
14	Pinellas County [3] [4]	23.18	45.40	78.73	89.84	100.95	134.28	159.93	185.58
15	City of Plant City	24.86	40.28	63.41	71.71	80.01	104.91	146.41	163.06
16	Polk County [3]	46.57	64.11	91.70	101.11	110.52	119.31	146.96	174.61
17	Sarasota County [3]	35.01	56.97	90.57	102.21	113.85	153.43	191.78	244.57
18	City of St. Petersburg [4]	34.03	59.55	97.83	111.07	125.04	171.27	251.92	345.62
19	City of Tampa [4]	6.00	25.28	54.82	64.95	75.09	106.13	168.43	231.80
20	City of Temple Terrace	10.40	35.02	71.95	84.26	96.57	136.28	204.78	273.28
21	Other Florida Utilities' Average Cost	\$34.34	\$52.55	\$83.80	\$95.33	\$106.96	\$141.68	\$196.08	\$251.42

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect January 2021 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside 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 imposed by each listed utility.
- [2] Represents the estimated median use for the County's individually metered residential class; the average monthly water use for this class approximates 6,000 gallons.
- [3] 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.
- [4] Reflects utilities that receive water from Tampa Bay Water.

Table 11

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

COMPARISON OF WATER AND WASTEWATER IMPACT FEES - 5/8" RESIDENTIAL SERVICE (1 ERC) [1]

Line No.	Description	Water Impact Fee	Wastewater Impact Fee	Combined Fee
Hillsborough County				
1	Northwest Service Area - Effective 10/1/2020	\$1,863	\$2,951	\$4,814
2	South / Central Service Area - Effective 10/1/2020	\$2,214	\$3,651	\$5,865
Other Florida Utilities:				
3	Charlotte County	2,407	2,251	4,658
4	City of Clearwater	480	900	1,380
5	Collier County	3,382	3,314	6,696
6	Lee County	2,440	2,660	5,100
7	Manatee County	1,738	3,175	4,913
8	City of North Port	1,872	2,213	4,085
9	Pasco County	1,561	2,730	4,291
10	Pinellas County	352	2,060	2,412
11	Polk County	2,844	4,195	7,039
12	Sarasota County	2,950	3,190	6,140
13	City of Tampa [2]	N/A	1,237	N/A
14	Other Florida Utilities' Average Cost	\$2,003	\$2,539	\$4,541

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect January 2021 and are exclusive of taxes or franchise fees, if any, and reflect charged for inside 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 imposed by each listed utility.
- [2] The City of Tampa charges varying sewer impact fees to seven different geographic areas (districts). For purposes of this comparison and based on talks with City staff, the amount shown for the sewer impact fee reflects the Central Zone (District Code S27), which is anticipated to receive the majority of future growth within the City and generally is a lower sewer impact fee compared to the other districts within the City.

Table 12

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Operating Results and Bond Service Coverage

Line No.	Description	Fiscal Year Ending September 30,				
		2021	2022	2023	2024	2025
Gross Revenues						
Charges for Services						
Revenues from Monthly User Charges [1]						
1	Water Sales	\$ 136,925,391	\$ 143,164,365	\$ 151,201,212	\$ 159,093,768	\$ 167,149,423
2	Wastewater Sales	135,312,747	147,136,079	160,177,769	173,503,151	187,439,510
3	Customer Billing Charges	11,359,600	12,389,017	13,511,375	14,672,814	15,888,964
4	Reclaimed Water Sales	2,716,325	2,849,776	2,996,949	3,164,289	3,332,126
5	Total Revenues from Monthly User Charges	\$ 286,314,063	\$ 305,539,237	\$ 327,887,305	\$ 350,434,022	\$ 373,810,023
Other Operating Revenues						
6	Accrued Guaranteed Revenue Fees [2]	\$ 880,876	\$ 1,516,336	\$ 2,056,734	\$ 2,635,097	\$ 2,942,809
7	Line Maintenance Fee	2,252,871	2,252,871	2,252,871	2,252,871	2,252,871
8	Line Extension Fees	83,145	84,192	78,599	70,900	66,005
9	Meter Installation Charges	524,676	536,295	474,251	388,850	334,551
10	Industrial Pretreatment	98,000	98,000	98,000	98,000	98,000
11	Other Miscellaneous Revenues [3]	749,025	749,148	749,286	749,434	749,592
12	Total Other Operating Revenues	\$ 4,588,593	\$ 5,236,842	\$ 5,709,741	\$ 6,195,152	\$ 6,443,827
13	Total Charges for Services	\$ 290,902,656	\$ 310,776,079	\$ 333,597,046	\$ 356,629,174	\$ 380,253,850
14	Investment Income [4]	\$ 3,131,814	\$ 2,977,729	\$ 2,841,694	\$ 2,941,998	\$ 3,267,141
15	Other Receipts / Non-Impact Fee Assessments	\$ 925,483	\$ 627,507	\$ 649,023	\$ 649,023	\$ 649,023
Transfers (To) / From Rate Stabilization Account						
16	Gross Revenues [5]	\$ 294,959,953	\$ 314,381,315	\$ 337,087,763	\$ 360,220,195	\$ 384,170,014
17	Pledged Capacity Fees [6]	\$ 15,182,165	\$ 14,488,331	\$ 15,236,732	\$ 15,209,314	\$ 14,841,406
18	Gross Revenues and Pledged Capacity Fees	\$ 310,142,118	\$ 328,869,646	\$ 352,324,495	\$ 375,429,509	\$ 399,011,420
Cost of Operation and Maintenance [7]						
19	Employee Services	\$ 70,590,744	\$ 73,270,936	\$ 76,070,373	\$ 79,000,887	\$ 82,063,147
20	Purchased Water [8]	68,702,410	71,213,919	74,223,008	77,124,921	80,244,880
21	Other Contractual Services	37,295,254	38,279,508	39,408,861	40,574,392	41,783,834
22	Fleet Services	1,621,207	1,697,962	1,778,762	1,863,661	1,952,866
23	Repairs & Maintenance	18,941,431	19,493,008	20,090,890	20,736,508	21,433,239
24	Utilities	10,563,496	11,044,220	11,535,912	12,011,535	12,479,158
25	Supplies	5,755,085	6,022,379	6,303,303	6,586,779	6,875,137
26	Other Operating Expenses	3,762,780	3,917,380	4,081,313	4,253,909	4,435,608
27	Incremental O&M	3,764,920	4,213,015	4,417,086	5,061,470	5,386,001
28	Contingency	-	572,043	1,187,447	1,847,016	2,555,096
29	Subtotal	\$ 220,997,327	\$ 229,724,371	\$ 239,096,956	\$ 249,061,078	\$ 259,208,966
30	Less Contracted Water Supply Capacity Fees [8]	(6,703,868)	(8,487,826)	(8,547,506)	(8,466,196)	(8,249,521)
31	Total Cost of Operation and Maintenance	\$ 214,293,459	\$ 221,236,545	\$ 230,549,450	\$ 240,594,882	\$ 250,959,445
32	Pledged Revenues [9]	\$ 95,848,659	\$ 107,633,101	\$ 121,775,045	\$ 134,834,627	\$ 148,051,975
33	Bond Service Requirement [10]		3.66%	4.23%	3.91%	4.05%
Senior Lien Debt Service - Cash Basis						
34	Series 2010C Bonds, Taxable RZEDB	\$ 1,269,450	\$ 1,269,450	\$ 1,269,450	\$ 1,269,450	\$ 1,269,450
35	Series 2016 Bonds	9,983,100	9,980,850	9,980,600	9,981,850	9,979,100
36	Utility Refunding Revenue Bonds, Series 2019	7,130,700	7,131,200	7,132,950	7,135,450	7,133,200
37	Proposed Debt - Series 2021 Bonds	-	6,405,913	5,913,150	8,668,150	8,670,500
38	Proposed Debt - Series 2023 Bonds	-	-	-	18,698,821	17,260,450
Less Federal Direct Subsidy Payment - Applicable to the Series 2010B Bonds & Series 2010C Bonds						
39		(538,691)	(538,691)	(538,691)	(538,691)	(538,691)
40	Less Interest Income on Debt Service & Reserve Account	(27,037)	(35,161)	(59,323)	(85,952)	(90,885)
41	Total Bond Service Requirement	\$ 17,817,522	\$24,213,561	\$23,698,136	\$45,129,078	\$43,683,124
Rate Covenant Test 1 [11]:						
42	Gross Revenues and Pledged Capacity Fees	\$ 310,142,118	\$ 328,869,646	\$ 352,324,495	\$ 375,429,509	\$ 399,011,420
Required Deposits						
43	Cost of Operation and Maintenance	214,293,459	221,236,545	230,549,450	240,594,882	250,959,445
44	Renewal and Replacement Account Requirement	14,643,048	14,716,567	15,719,653	16,883,095	18,069,885
45	Bond Service Requirement [10]	17,817,522	24,213,561	23,698,136	45,129,078	43,683,124
46		\$ 246,754,029	\$ 260,166,673	\$ 269,967,238	\$ 302,607,056	\$ 312,712,454
47	Coverage Ratio - Calculated	1.26	1.26	1.31	1.24	1.28
48	Coverage Ratio - Required	1.00	1.00	1.00	1.00	1.00

Table 12

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Operating Results and Bond Service Coverage

Line No.	Description	Fiscal Year Ending September 30, [1]				
		2021	2022	2023	2024	2025
AND						
49	Rate Covenant Test 2 [11]: Net Revenues plus Pledged Capacity Fees	\$ 95,848,659	\$ 107,633,101	\$ 121,775,045	\$ 134,834,627	\$ 148,051,975
50	Bond Service Requirement [10]	\$ 17,817,522	\$ 24,213,561	\$ 23,698,136	\$ 45,129,078	\$ 43,683,124
51	Coverage Ratio - Calculated	5.38	4.45	5.14	2.99	3.39
52	Coverage Ratio - Required	1.20	1.20	1.20	1.20	1.20
AND						
53	Rate Covenant Test 3 [11]: Net Revenues	\$ 80,666,494	\$ 93,144,770	\$ 106,538,313	\$ 119,625,313	\$ 133,210,569
54	Bond Service Requirement [10]	\$ 17,817,522	\$ 24,213,561	\$ 23,698,136	\$ 45,129,078	\$ 43,683,124
55	Coverage Ratio - Calculated	4.53	3.85	4.50	2.65	3.05
56	Coverage Ratio - Required	1.00	1.00	1.00	1.00	1.00
57	Net Revenues after Payment of Bond Service Requirement	\$ 62,848,972	\$ 68,931,209	\$ 82,840,177	\$ 74,496,235	\$ 89,527,445
58	Other Required Transfers [12]: Renewal & Replacement Account Requirement Debt Service Reserve Account [13]	14,643,048 -	14,716,567 -	15,719,653 -	16,883,095 -	18,069,885 -
59	Total Other Required Transfers	\$ 14,643,048	\$ 14,716,567	\$ 15,719,653	\$ 16,883,095	\$ 18,069,885
60	Excess of Net Revenues above Required Transfers [14]	\$ 48,205,924	\$ 54,214,642	\$ 67,120,524	\$ 57,613,140	\$ 71,457,560

Footnotes:

- [1] Amounts shown include additional revenues associated with i) the application of an annually recurring automatic inflation based rate adjustment assumed to be effective October 1st of each Fiscal Year; or any anticipated Purchased Water Pass-Through Consumption Charges associated with any increase or decrease in the cost of purchased water from Tampa Bay Water and other service providers. Amounts shown include additional rate adjustments, if any, over and above the price index and pass-through adjustments which are assumed to be implemented by the County during the Forecast Period. The follow is a summary of the assumed rate adjustments for utility service:

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Price Index Adjustments - Effective October 1 (a)	2.25%	2.03%	2.28%	2.27%	2.26%
Additional Rate Adjustments - Effective October 1 (b)	0.00%	4.00%	4.00%	4.00%	4.00%
Applicable Revenues (c)	\$ 217,491,569	\$ 234,860,483	\$ 255,676,365	\$ 276,982,458	\$ 299,270,077
Purchased Water Adjustments (d)	0.00%	0.00%	0.00%	0.00%	0.00%
Purchased Water Revenues (d)	\$ 67,285,978	\$ 69,138,998	\$ 70,669,024	\$ 71,908,028	\$ 72,995,330
Flat Rate Reclaimed Revenues (e)	\$ 1,536,516	\$ 1,539,756	\$ 1,541,916	\$ 1,543,536	\$ 1,544,616
Total Revenues from Monthly User Charges	\$ 286,314,063	\$ 305,539,237	\$ 327,887,305	\$ 350,434,022	\$ 373,810,023
Annualized Effective Rate Increase (f)	1.71%	4.70%	4.97%	5.03%	5.08%

- (a) Increases shown reflected the anticipated adopted automatic Price Index adjustments to applicable revenues (reference note (c) below). Such rate increases are assumed effective every October 1st of respective Fiscal Year.
- (b) Increases shown reflect additional rate adjustments to applicable revenues (reference note (c) below) to maintain operating margins target and a minimum all-in debt coverage from Net Revenues equ or about 2.0x for the Forecast Period. Such rate increases have not been adopted by the Board and should be re-evaluated closer to when such adjustments may be required. It is assumed that such rate increases would become effective at the outset of the respective Fiscal Year on October 1st.
- (c) Applicable revenues reflect water, wastewater and certain reclaimed rate revenues which may be adjusted by the Price Index and adopted 4% rate adjustments for Fiscal Year 2020 and 2021 as defined in the Rate Resolution. Such revenues exclude charges for service associated with the Purchased Water Pass-Through Charge and the Flat Rate Reclaimed Water charge. Amounts shown reflect projected revenues assuming application of the identified rate adjustments noted above.
- (d) The Purchased Water Pass-Through Charge was adjusted to \$3.02 per 1,000 gallons of metered water service effective October 1, 2020 and adjusted annually during the Forecast Period as shown below.

	Fiscal Year Ending September 30,				
	Existing 2021	2022	Projected 2023	2024	2025
Purchased Water Pass-Through (000s)	\$3.02	\$3.02	\$3.02	\$3.02	\$3.02
Percentage Change	0.00%	0.00%	0.00%	0.00%	0.00%

- (e) The existing Flat Rate reclaimed water monthly rates are assumed to remain unadjusted during the Forecast Period.
- (f) Reflects the estimated effective annual increase to total System rate revenues from the application of the Price Index, Purchased Water Pass-Through and Additional Rate Adjustments.

Table 12

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Operating Results and Bond Service Coverage

Footnotes Continued

- [2] Amounts reflect revenues derived from fees charged to new development which represent the recovery of certain costs to carry and maintain plant investment on behalf of such customers prior to receiving Such revenues are considered as a Revenue of the System and are in addition to the collection of Capacity Fees from new development. Such fees were discontinued as of April 2014. On June 17, 2020, the adopted Resolution No. R20-046, which reinstated the Accrued Guaranteed Revenue Fees (AGRF). Effective October 1, 2020, the fees were set at \$833 for potable water and \$989 for wastewater.
- [3] Amounts shown includes various charges and other operating revenues including, but not limited to, building permits, planning services processing fees, parking fees, bad check fees, etc.
- [4] Amounts shown include interest earning on unrestricted funds as defined in the Bond Resolution, and do not include earning on the Capacity Fees or the Construction Accounts since such earnings are reserved to such funds. Amounts shown do not include investment earnings on the Debt Service Account or Reserve Account since earnings serve to reduce the amount of the Bond Service Requirement funded from Revenues of the System as provided in the Bond Resolution. Amounts shown determined as follows:

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Total Interest Income (a)	\$ 3,691,193	\$ 3,604,203	\$ 3,478,354	\$ 3,457,032	\$ 3,588,152
Adjustments to Investment Income:					
Less Capacity Fees and Equivalents (b)	(532,342)	(591,313)	(577,337)	(429,082)	(230,126)
Less Construction Account Income	-	-	-	-	-
Less Interest on Debt Service and Reserve Accounts	(27,037)	(35,161)	(59,323)	(85,952)	(90,885)
Less Other Restricted Income	-	-	-	-	-
Net Investment Income Recognized	<u>\$ 3,131,814</u>	<u>\$ 2,977,729</u>	<u>\$ 2,841,694</u>	<u>\$ 2,941,998</u>	<u>\$ 3,267,141</u>

(a) Amounts shown reflect projections of total interest earnings on fund balances for the Forecast Period. For a complete listing of projected interest income by fund please reference Table 13. Additionally, amounts shown interest payments received on an installment basis associated with non-bonded Impact Fee Assessment Unit (IFAU) which are included as a component in the determination of Pledged Capacity Fees (reference note 6 below).

(b) Interest income earned from balances held in Capacity Fee Accounts are included as a component in the determination of Pledged Capacity Fees (reference note 6 below). Capacity fee equivalents included interest revenue on impact fee assessment units (essentially an installment-based collection of impact fees that is assessed to property owners which is elected prior by the owner [developer] as part of the overall development process.

- [5] Amounts shown were not adjusted for any transfers to or from the Rate Stabilization Account as disclosed in the Report for purposes of determining compliance with the Rate Covenant of the Bond Resolution.
- [6] Amounts shown reflect Capacity Fees and interest income earned on such funds adjusted by the estimated aggregate project expansion percentage for the Outstanding Bonds, at that time, to recognize the amount of fees collected which are pledged to the Debt Service Component of the Cost of Contracted Water Supply and the aggregate Bond Service Requirement attributable to Expansion Facilities. For the Historical Period, all Capacity Fees received by the System were either i) pledged to the Debt Service Component of the Cost of Contracted Water Supply with fund being transferred to the O&M Account; ii) pledged to the Bond Service Requirement with funds being transferred to the Debt Service Account; iii) pledged to the Debt Service Account but are to be deposited into the General Purpose Account because they cannot be transferred in the current period due to the receipts being higher than the amount available to be deposited in the Debt Service Account; and iv) pledged with the balance remaining on deposit into their respective Pledged Capacity Fee Account.

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Determination of Pledged Water Capacity Fees					
Total Water System Capacity Fees Received / Realized					
Full Payment of Fee	\$ 2,042,388	\$ 4,856,571	\$ 4,836,996	\$ 4,848,066	\$ 4,681,449
Payment of Fee at Builder Payment	260,412	-	-	-	-
Assessments (Principal and Interest)	8,445,134	8,834,173	9,006,969	9,006,969	9,006,969
Water System Allocable Interest Earnings on Capacity Fees Fund Balances	532,342	591,313	577,337	429,082	230,126
Total Water System Capacity Fees Received / Realized (a)	<u>\$ 11,280,276</u>	<u>\$ 14,282,057</u>	<u>\$ 14,421,302</u>	<u>\$ 14,284,117</u>	<u>\$ 13,918,544</u>
Less Contracted Water Supply ("CWS") Capacity Fees (b)	<u>(6,703,868)</u>	<u>(8,487,826)</u>	<u>(8,547,506)</u>	<u>(8,466,196)</u>	<u>(8,249,521)</u>
Net Water System Capacity Fees Available to Pledge	<u>\$ (6,703,868)</u>	<u>\$ (8,487,826)</u>	<u>\$ (8,547,506)</u>	<u>\$ (8,466,196)</u>	<u>\$ (8,249,521)</u>
Bond Service Requirement	\$ 17,817,522	\$ 24,213,561	\$ 23,698,136	\$ 45,129,078	\$ 43,683,124
Percent Allocable to Water System	23.90%	23.90%	30.07%	30.07%	30.07%
Allocable Bond Service Requirement	\$ 4,258,868	\$ 5,787,694	\$ 7,126,195	\$ 13,570,630	\$ 13,135,821
Water Expansion Project Percentage (c)	92.26%	92.26%	92.52%	92.52%	92.52%
Water Expansion-Related Debt Service	\$ 3,929,025	\$ 5,339,446	\$ 6,593,344	\$ 12,555,905	\$ 12,153,608
Beginning Water Capacity Fee Carryforward Amount	\$ -	\$ -	\$ -	\$ 719,548	\$ 7,457,532
Bond Year Expansion-Related Debt Service Plus Carryforward	<u>\$ 3,929,025</u>	<u>\$ 5,339,446</u>	<u>\$ 6,593,344</u>	<u>\$ 13,275,453</u>	<u>\$ 19,611,140</u>
Water Capacity Fees Recognized as Pledged	3,929,025	5,339,446	5,873,796	5,817,921	5,669,023
Ending Water Capacity Fee Carryforward Amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,548</u>	<u>\$ 7,457,532</u>	<u>\$ 13,942,117</u>
Pledged Water Capacity Fee Account					
Beginning Pledged Water Capacity Fees	\$ 11,802,217	\$ 11,472,374	\$ 11,024,126	\$ 9,771,727	\$ 2,019,018
Current Year Deposit into CWS Capacity Fee Account	6,703,868	8,487,826	8,547,506	8,466,196	8,249,521
Current Year Deposit into Pledged Water Capacity Fee Account	3,929,025	5,339,446	5,873,796	5,817,921	5,669,023
Total Pledged Water Capacity Fees Available	<u>\$ 22,435,110</u>	<u>\$ 25,299,646</u>	<u>\$ 25,445,428</u>	<u>\$ 24,055,844</u>	<u>\$ 15,937,562</u>
Use of Pledged Water Capacity Fees					
Deposit to O&M Account for Debt Service Component of CWS	\$ 6,703,868	\$ 8,487,826	\$ 8,547,506	\$ 8,466,196	\$ 8,249,521
Deposit into the Debt Service Account	4,258,868	5,787,694	7,126,195	13,570,630	7,688,041
Deposit into the Debt Service Reserve Account	-	-	-	-	-
Total Use of Pledged Water Capacity Fees	<u>\$ 10,962,736</u>	<u>\$ 14,275,520</u>	<u>\$ 15,673,701</u>	<u>\$ 22,036,826</u>	<u>\$ 15,937,562</u>
Ending Pledged Water Capacity Fees	<u>\$ 11,472,374</u>	<u>\$ 11,024,126</u>	<u>\$ 9,771,727</u>	<u>\$ 2,019,018</u>	<u>\$ -</u>

Footnotes Continued to Page 4 of 5.

Table 12

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Operating Results and Bond Service Coverage

Footnotes Continued

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Summary of Water Capacity Fee Account					
Total Water Capacity Fees Received	\$ 11,280,276	\$ 14,282,057	\$ 14,421,302	\$ 14,284,117	\$ 13,918,544
Uses:					
Contracted Water Supply	(6,703,868)	(8,487,826)	(8,547,506)	(8,466,196)	(8,249,521)
Current Year Deposit into Pledged Water Capacity Fee Account	(3,929,025)	(5,339,446)	(5,873,796)	(5,817,921)	(5,669,023)
Remain on Deposit in Water Capacity Fee Account	<u>\$ 647,383</u>	<u>\$ 454,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Determination of Pledged Wastewater Capacity Fees					
Total Wastewater System Capacity Fees Received / Realized (a)					
Full Payment of Fee	\$ 1,017,737	\$ 6,879,240	\$ 6,723,496	\$ 6,801,018	\$ 6,719,845
Payment of Fee at Builder Payment	518,665	-	-	-	-
Assessments (Principal and Interest)	9,386,233	1,922,680	2,266,266	2,266,266	2,266,266
Wastewater System Allocable Interest Earnings on Capacity Fees Fund Balances	330,505	346,965	373,174	324,109	186,272
Net Wastewater System Capacity Fees Available to Pledge	<u>\$ 11,253,140</u>	<u>\$ 9,148,885</u>	<u>\$ 9,362,936</u>	<u>\$ 9,391,393</u>	<u>\$ 9,172,383</u>
Bond Service Requirement	\$ 17,817,522	\$ 24,213,561	\$ 23,698,136	\$ 45,129,078	\$ 43,683,124
Percent Allocable to Wastewater System	76.10%	76.10%	69.93%	69.93%	69.93%
Allocable Bond Service Requirement	\$ 13,558,654	\$ 18,425,867	\$ 16,571,940	\$ 31,558,448	\$ 30,547,302
Wastewater Expansion Project Percentage (c)	35.28%	35.28%	64.42%	64.42%	64.42%
Wastewater Expansion-Related Debt Service	\$ 4,784,060	\$ 6,501,417	\$ 10,675,751	\$ 20,330,157	\$ 19,678,770
Beginning Wastewater Capacity Fee Carryforward Amount	\$ 114,217,857	\$ 107,748,777	\$ 105,101,309	\$ 106,414,124	\$ 117,352,888
Bond Year Expansion-Related Debt Service Plus Carryforward	\$ 119,001,917	\$ 114,250,194	\$ 115,777,060	\$ 126,744,281	\$ 137,031,658
Wastewater Capacity Fees Recognized as Pledged	11,253,140	9,148,885	9,362,936	9,391,393	9,172,383
Ending Wastewater Capacity Fee Carryforward Amount	<u>\$ 107,748,777</u>	<u>\$ 105,101,309</u>	<u>\$ 106,414,124</u>	<u>\$ 117,352,888</u>	<u>\$ 127,859,275</u>
Pledged Wastewater Capacity Fee Account					
Beginning Pledged Wastewater Capacity Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Current Year Deposit into Pledged Wastewater Capacity Fee Account	11,253,140	9,148,885	9,362,936	9,391,393	9,172,383
Total Pledged Wastewater Capacity Fees Available	<u>\$ 11,253,140</u>	<u>\$ 9,148,885</u>	<u>\$ 9,362,936</u>	<u>\$ 9,391,393</u>	<u>\$ 9,172,383</u>
Use of Pledged Wastewater Capacity Fees					
Deposit into the Debt Service Account	\$ 11,253,140	\$ 9,148,885	\$ 9,362,936	\$ 9,391,393	\$ 9,172,383
Deposit into the Debt Service Reserve Account	-	-	-	-	-
Deposit into the General Purpose Account for Capacity or Expansion	-	-	-	-	-
Total Use of Pledged Wastewater Capacity Fees	<u>\$ 11,253,140</u>	<u>\$ 9,148,885</u>	<u>\$ 9,362,936</u>	<u>\$ 9,391,393</u>	<u>\$ 9,172,383</u>
Ending Pledged Wastewater Capacity Fees Account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Summary of Wastewater Capacity Fees					
Total Wastewater Capacity Fees Received	\$ 11,253,140	\$ 9,148,885	\$ 9,362,936	\$ 9,391,393	\$ 9,172,383
Uses:					
Current Year Deposit into Pledged Wastewater Capacity Fee	(11,253,140)	(9,148,885)	(9,362,936)	(9,391,393)	(9,172,383)
Remain on Deposit in Wastewater Capacity Fee Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water and Wastewater Summary					
Capacity Fee Accounts					
Sources:					
Total Current Year Capacity Fee Collections	\$ 22,533,416	\$ 23,430,942	\$ 23,784,238	\$ 23,675,510	\$ 23,090,927
Uses:					
Current Year Deposit to Pledged Capacity Fee Accounts	21,886,033	22,976,157	23,784,238	23,675,510	23,090,927
Surplus / (Deficiency) of Current Year Capacity Fees (Remains in Capacity Fee Account)	<u>\$ 647,383</u>	<u>\$ 454,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged Capacity Fee Accounts					
Beginning Balance of Pledged Capacity Fee Accounts	\$ 11,802,217	\$ 11,472,374	\$ 11,024,126	\$ 9,771,727	\$ 2,019,018
Sources:					
Current Year Deposit from Capacity Fee Accounts	21,886,033	22,976,157	23,784,238	23,675,510	23,090,927
Uses:					
Deposit to O&M Account for Debt Service Component of CWS	\$ 6,703,868	\$ 8,487,826	\$ 8,547,506	\$ 8,466,196	\$ 8,249,521
Deposit into the Debt Service Account	15,512,008	14,936,579	16,489,131	22,962,023	16,860,424
Deposit into the Debt Service Reserve Account	-	-	-	-	-
Deposit into the General Purpose Account	-	-	-	-	-
Total Uses	<u>\$ 22,215,876</u>	<u>\$ 23,424,405</u>	<u>\$ 25,036,637</u>	<u>\$ 31,428,219</u>	<u>\$ 25,109,945</u>

Footnotes Continued to Page 4 of 4.

Table 12

**Hillsborough County - Water Resources Department
Fiscal Year 2021 Revenue Sufficiency Study**

Water and Wastewater System

Summary of Projected Operating Results and Bond Service Coverage

Footnotes Continued

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Current Year Pledged Capacity Fee Surplus / (Deficiency)	\$ (329,843)	\$ (448,248)	\$ (1,252,399)	\$ (7,752,709)	\$ (2,019,018)
Ending Balance of Pledged Capacity Fee Accounts	\$ 11,472,374	\$ 11,024,126	\$ 9,771,727	\$ 2,019,018	\$ -

(a) Capacity Fee amounts include i) investment earning on cash deposits in the Capacity Fee Funds; and ii) interest received on capacity (impact) fee assessment units (essentially an installment-based collection of capacity that is assessed to property owners which is elected prior by the owner [developer]) as part of the overall development process.

(b) The pledge of Water System Capacity Fees for the payment of the Debt Service Component of the Cost of Contracted Water Supply associated with Tampa Bay Water (TBW) was determined as follows:

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Beginning Contracted Water Supply Water Capacity Fee Carryforward Amount	\$ 28,728,228	\$ 29,353,532	\$ 28,255,695	\$ 27,260,715	\$ 26,346,129
County Allocable Expansion Related TBW Debt Service	7,329,172	7,389,989	7,552,526	7,551,610	7,341,632
Less: Water Capacity Fees Collected Allocable to TBW Payment	6,703,868	8,487,826	8,547,506	8,466,196	8,249,521
Ending Contracted Water Supply Water Capacity Fee Carryforward Amount	\$ 29,353,532	\$ 28,255,695	\$ 27,260,715	\$ 26,346,129	\$ 25,438,240

(c) Expansion percentages calculated based on a review of the expansion related improvements financed by the issuance of the outstanding bonds for the respective period shown.

[7] Amounts shown are derived from Table 6 and do not include depreciation or amortization expenses which are not considered a Cost of Operation and Maintenance Expense of the System as defined in the Bond Resolution.

[8] Included as a component of the Water System Capacity Fees is the cost of expansion-related water production and conveyance facilities of Tampa Bay Water. Amounts shown reflect apportionment of such estimated amounts collected applied toward the payment of the Debt Service Component of the Cost of Contractual Water Supply which is considered as a Cost of Operational Maintenance. Reference is made to footnote 6 identifying the Pledged Capacity Fee determination. Additionally, the use of the Capacity Fees applied to the payment of the Debt Service Component of the Cost of Contractual Water is reflected in the determination of the annual Purchased Water Pass-Through Consumption Charge. The determination of the net purchased water costs were estimated as follows:

	Fiscal Year Ending September 30,				
	2021	2022	2023	2024	2025
Total Cost of Purchased Water	\$ 68,702,410	\$ 71,213,919	\$ 74,223,008	\$ 77,124,921	\$ 80,244,880
Less Pledged Capacity Fees toward Debt Service Component of Cost of Contractual Water	(6,703,868)	(8,487,826)	(8,547,506)	(8,466,196)	(8,249,521)
Net Cost of Purchased Water	\$ 61,998,542	\$ 62,726,093	\$ 65,675,502	\$ 68,658,725	\$ 71,995,359

[9] As defined in the Bond Resolution, Pledged Revenues include Net Revenues and Pledged Capacity Fees.

[10] As defined in the Bond Resolution, the Bond Service Requirement does not include any capitalized interest from Bond Proceeds, if any, that have been deposited into the Debt Service Account or any interest earned from the investment of funds on deposit in the Debt Service Account and the Reserve Account.

[11] The Bond Resolution contains a Rate Covenant that requires that the County will maintain and collect Revenues that will always provide for the following:

Test 1 - Gross Revenues, together with Pledged Capacity Fees at least equal to 100% of the Required Deposits; and

Test 2 - Net Revenues, together with Pledged Capacity Fees; at least equal to 120% of the Bond Service Requirement; and

Test 3 - Net Revenues at least equal to 100% of the Bond Service Requirement.

[12] Reflects other required transfers which are recognized in the rate covenant requirements of the Bond Resolution, payments which are subordinated to the payment of the Bond Service Requirement.

[13] No deposit to the Reserve Account was recognized since the fund was considered fully funded during the Forecast Period by i) proceeds from the issuance of Outstanding and additional parity Bonds or ii) secured by a debt service reserve credit facility during such period.

[14] Amount shown does not include Pledged Capacity Fees.

Table 13
Fiscal Year 2021 Revenue Sufficiency Study

Water and Wastewater System

Summary of Projected Cash Balances and Fund Transfers

Line No.	Restrictions	Fiscal Year Ending September 30,					
		2021	2022	2023	2024	2025	
1	Ending Cash Balance						
2	Operating Reserves (#40100, #40102)	Unrestricted	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328
3	Customer Deposits (#710)	Unrestricted	16,893,532	16,893,532	16,893,532	16,893,532	16,893,532
4	Renewal & Replacement Account (#40104)	Unrestricted	22,835,817	8,450,873	5,347,030	5,089,946	2,536,869
5	General Purpose Account (Capital Expenditure) (#40105)	Unrestricted	61,285,389	29,667,978	10,984,956	12,028,292	27,914,224
6	Water Impact Fee Account (#40103w, #40118w)	Restricted	53,824,017	54,278,802	42,521,448	23,920,261	9,185,016
7	Wastewater Impact Fee Account (#40103ww, #40118ww)	Restricted	31,715,723	31,715,723	30,853,055	19,333,904	7,462,709
8	Debt Service Reserve Account(#40129, #40130, #40131)	Unrestricted	2,169,999	2,169,999	2,169,999	2,169,999	2,169,999
9	Debt Service Account (#40101, #40127, #40128)	Unrestricted	1,067,360	985,482	4,561,744	4,321,574	4,321,932
10	RWIU Asmt., Project Fund & Infrastructure Asmt. (#40116, #40117, #40119)	Unrestricted	11,281,609	11,281,609	11,281,609	11,281,609	11,281,609
11	Rate Stabilization Account (#40115)	Unrestricted	74,000,000	74,000,000	74,000,000	74,000,000	74,000,000
12	Construction Account - Series 2016 Bonds (#40156)	Restricted	2,787,346	-	-	-	-
13	Construction Account - Proposed Series 2021 Bonds	Restricted	140,078,823	98,025,492	46,850,070	10,500,000	-
14	Construction Account - Proposed Series 2023 Bonds	Restricted	-	-	414,622,184	248,232,642	90,117,462
15	Other Misc. Funds (#40107, #40110, #40154, #40157, #40159, #40160, #40161, #40164)	Restricted	35,437	35,437	35,437	35,437	35,437
16	Total Ending Cash Balance		\$ 525,382,379	\$ 434,912,255	\$ 767,528,392	\$ 535,214,523	\$ 353,326,117
17	Unrestricted Cash		\$ 296,941,033	\$ 250,856,801	\$ 232,646,197	\$ 233,192,279	\$ 246,525,493
18	Restricted Cash		\$ 228,441,346	\$ 184,055,454	\$ 534,882,195	\$ 302,022,244	\$ 106,800,624
	Operating Reserves (#40100, #40102)						
19	Beginning Balance		\$ 155,764,042	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328
20	Transfers In - System Operations		-	-	-	-	-
21	Total Funds Available		155,764,042	107,407,328	107,407,328	107,407,328	107,407,328
22	Transfers Out - General Purpose Account (Capital Expenditure) (#40105)		45,000,000	-	-	-	-
23	Total Transfers Out		45,000,000	-	-	-	-
24	Ending Balance Before Other Adjustments		110,764,042	107,407,328	107,407,328	107,407,328	107,407,328
25	Transfer In Year End Surplus / (Transfer Out Year End Deficiency)		(3,356,714)	-	-	-	-
26	Interest Rate		1.00%	1.10%	1.20%	1.30%	1.40%
27	Interest Income on Fund Balance	Unrestricted	1,315,857	1,181,481	1,288,888	1,396,295	1,503,703
28	Interest Income to Fund Revenue Requirements		(1,315,857)	(1,181,481)	(1,288,888)	(1,396,295)	(1,503,703)
29	Ending Balance		\$ 107,407,328	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328	\$ 107,407,328
	Customer Deposits (#710)						
30	Beginning Balance		16,893,532	16,893,532	16,893,532	16,893,532	16,893,532
31	Transfers In - Additional Deposit Receipts		-	-	-	-	-
32	Total Funds Available		16,893,532	16,893,532	16,893,532	16,893,532	16,893,532
33	Transfers Out - Payments to Customers / Application to Final Bills		-	-	-	-	-
34	Total Transfers Out		-	-	-	-	-
35	Interest Rate		1.00%	1.10%	1.20%	1.30%	1.40%
36	Interest Income on Fund Balance	Unrestricted	168,935	185,829	202,722	219,616	236,509
37	Interest Income to Fund Revenue Requirements		(168,935)	(185,829)	(202,722)	(219,616)	(236,509)
38	Ending Balance		\$ 16,893,532	\$ 16,893,532	\$ 16,893,532	\$ 16,893,532	\$ 16,893,532
	Renewal & Replacement Account (#40104)						
39	Beginning Balance		\$ 40,054,531	\$ 22,835,817	\$ 8,450,873	\$ 5,347,030	\$ 5,089,946
40	Transfers In - Required Deposit		14,643,048	14,716,567	15,719,653	16,883,095	18,069,885
41	Transfers In - TBW Purchase Discounts for Asset Sales Due to Governance (Ends FY 2029)		1,238,468	1,238,468	1,238,468	1,238,468	1,238,468
42	Transfers In - Sale of County Assets		150,000	150,000	150,000	150,000	150,000
44	Total Funds Available		56,086,047	38,940,852	25,558,994	23,618,593	24,548,299
45	Transfers Out - CIP		33,250,230	30,489,978	20,211,965	18,528,647	22,011,430
46	Transfers Out - Capital Improvement Fund		-	-	-	-	-
47	Total Transfers Out		33,250,230	30,489,978	20,211,965	18,528,647	22,011,430
48	Interest Rate		1.00%	1.10%	1.20%	1.30%	1.40%
49	Interest Income on Fund Balance	Unrestricted	314,452	172,077	82,787	67,840	53,388
50	Interest Income to Fund Revenue Requirements		(314,452)	(172,077)	(82,787)	(67,840)	(53,388)

Table 13
Fiscal Year 2021 Revenue Sufficiency Study

Water and Wastewater System

Summary of Projected Cash Balances and Fund Transfers

Line No.	Restrictions Rev. Req.	Fiscal Year Ending September 30,				
		2021	2022	2023	2024	2025
51	Ending Balance	\$ 22,835,817	\$ 8,450,873	\$ 5,347,030	\$ 5,089,946	\$ 2,536,869
General Purpose Account (Capital Expenditure) (#40105)						
52	Beginning Balance	\$ 11,173,315	\$ 61,285,389	\$ 29,667,978	\$ 10,984,956	\$ 12,028,292
53	Transfers In - Operating Reserves	45,000,000	-	-	-	-
54	Transfers In - Rate Stabilization Account	23,491,943	-	-	-	-
55	Transfers In - Operations	50,272,716	50,058,744	51,629,395	52,587,361	57,758,906
57	Total Funds Available	129,937,974	111,344,133	81,297,373	63,572,317	69,787,198
58	Transfers Out - CIP	68,652,585	93,760,974	94,011,030	68,531,773	66,890,285
59	Total Transfers Out	68,652,585	93,760,974	94,011,030	68,531,773	66,890,285
60	Ending Balance Before Other Adjustments	61,285,389	17,583,159	(12,713,657)	(4,959,456)	2,896,913
61	Transfer In Year End Surplus / (Transfer Out Year End Deficiency)	-	12,084,819	23,698,613	16,987,748	25,017,311
62	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
63	Interest Income on Fund Balance	362,294	500,244	243,918	149,586	279,598
64	Interest Income to Fund Revenue Requirements	(362,294)	(500,244)	(243,918)	(149,586)	(279,598)
65	Ending Balance	\$ 61,285,389	\$ 29,667,978	\$ 10,984,956	\$ 12,028,292	\$ 27,914,224
Water Impact Fee Account (#40103w, #40118w)						
66	Beginning Balance	\$ 53,176,634	\$ 53,824,017	\$ 54,278,802	\$ 42,521,448	\$ 23,920,261
67	Transfers In - Water Impact Fees & Assessments	10,747,934	13,690,744	13,843,965	13,855,035	13,688,418
68	Total Funds Available	63,924,568	67,514,761	68,122,767	56,376,483	37,608,679
69	Transfer Out - CIP	-	-	11,757,354	18,601,187	14,735,245
70	Transfer Out - Application of Capacity Fees to TBW Charges (debt component)	6,703,868	8,487,826	8,547,506	8,466,196	8,249,521
71	Transfer Out - Pledged (Payments) to Debt Repayment (Transfer to Fund 40100,40102)	3,929,025	5,339,446	5,873,796	5,817,921	5,669,023
72	Transfer Out - Pledged Water Impact Fee Account	-	-	-	-	-
73	Total Transfers Out	10,632,893	13,827,272	26,178,656	32,885,304	28,653,789
74	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
75	Interest Income on Fund Balance	532,342	591,313	577,337	429,082	230,126
76	Interest Income to Fund Revenue Requirements	-	-	-	-	-
77	Ending Balance	\$ 53,824,017	\$ 54,278,802	\$ 42,521,448	\$ 23,920,261	\$ 9,185,016
Wastewater Impact Fee Account (#40103ww, #40118ww)						
78	Beginning Balance	\$ 34,715,723	\$ 31,715,723	\$ 31,715,723	\$ 30,853,055	\$ 19,333,904
79	Transfers In - Wastewater Impact Fees & Assessments	10,922,635	8,801,920	8,989,762	9,067,284	8,986,111
80	Total Funds Available	45,638,358	40,517,643	40,705,485	39,920,339	28,320,015
81	Transfers Out - CIP	3,000,000	-	862,668	11,519,151	11,871,195
82	Pledged (Payments) to Debt Repayment (Transfer to Fund 40100,40102)	11,253,140	9,148,885	9,362,936	9,391,393	9,172,383
83	Transfers Out	-	-	-	-	-
84	Total Transfers Out	14,253,140	9,148,885	10,225,604	20,910,544	21,043,578
85	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
86	Interest Income on Fund Balance	330,505	346,965	373,174	324,109	186,272
87	Interest Income to Fund Revenue Requirements	-	-	-	-	-
88	Ending Balance	\$ 31,715,723	\$ 31,715,723	\$ 30,853,055	\$ 19,333,904	\$ 7,462,709

Table 13
Fiscal Year 2021 Revenue Sufficiency Study

Water and Wastewater System

Summary of Projected Cash Balances and Fund Transfers

Line No.	Restrictions Rev. Req.	Fiscal Year Ending September 30,				
		2021	2022	2023	2024	2025
Debt Service Reserve Account((#40129, #40130, #40131)						
89	Beginning Balance	\$ 2,169,999	\$ 2,169,999	\$ 2,169,999	\$ 2,169,999	\$ 2,169,999
90	Transfers In - Rate Revenues	-	-	-	-	-
91	Transfers In - Proposed Series 2021 Bonds	-	-	-	-	-
93	Total Funds Available	2,169,999	2,169,999	2,169,999	2,169,999	2,169,999
94	Transfers Out - General Revenue Capital Expenditure Account (#40105)	-	-	-	-	-
95	Transfers Out -	-	-	-	-	-
96	Total Transfers Out	-	-	-	-	-
97	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
98	Interest Income on Fund Balance	21,700	23,870	26,040	28,210	30,380
99	Interest Income to Fund Revenue Requirements	(21,700)	(23,870)	(26,040)	(28,210)	(30,380)
100	Ending Balance	\$ 2,169,999	\$ 2,169,999	\$ 2,169,999	\$ 2,169,999	\$ 2,169,999
Debt Service Account (#40101, #40127, #40128)						
101	Beginning Balance	\$ (0)	\$ 1,067,360	\$ 985,482	\$ 4,561,744	\$ 4,321,574
102	Transfers In - Rate Revenues	18,911,919	24,166,844	27,333,721	44,974,860	43,774,367
103	Transfers In - BAB's & RZEDB's Subsidy	538,691	538,691	538,691	538,691	538,691
104	Total Funds Available	19,450,610	25,772,895	28,857,894	50,075,295	48,634,632
105	Transfers Out - Existing Debt Service - Senior	18,383,250	18,381,500	18,383,000	18,386,750	18,381,750
106	Transfers Out - Proposed Debt Service - Senior	-	6,405,913	5,913,150	27,366,971	25,930,950
107	Transfers Out - Revenue Fund	-	-	-	-	-
108	Total Transfers Out	18,383,250	24,787,413	24,296,150	45,753,721	44,312,700
109	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
110	Interest Income on Fund Balance	5,337	11,291	33,283	57,742	60,505
111	Interest Income to Fund Revenue Requirements	(5,337)	(11,291)	(33,283)	(57,742)	(60,505)
112	Ending Balance	\$ 1,067,360	\$ 985,482	\$ 4,561,744	\$ 4,321,574	\$ 4,321,932
RWIU Asmt., Project Fund & Infrastructure Asmt. (#40116, #40117, #40119)						
113	Beginning Balance	\$ 11,281,609	\$ 11,281,609	\$ 11,281,609	\$ 11,281,609	\$ 11,281,609
114	Transfers In - Operating Account	-	-	-	-	-
115	Total Funds Available	11,281,609	11,281,609	11,281,609	11,281,609	11,281,609
116	Transfers Out - Operating Account	-	-	-	-	-
117	Total Transfers Out	-	-	-	-	-
118	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
119	Interest Income on Fund Balance	112,816	124,098	135,379	146,661	157,943
120	Interest Income to Fund Revenue Requirements	(112,816)	(124,098)	(135,379)	(146,661)	(157,943)
121	Ending Balance	\$ 11,281,609	\$ 11,281,609	\$ 11,281,609	\$ 11,281,609	\$ 11,281,609
Rate Stabilization Account (#40115)						
122	Beginning Balance	\$ 97,491,943	\$ 74,000,000	\$ 74,000,000	\$ 74,000,000	\$ 74,000,000
123	Transfers In - Rate Revenues	-	-	-	-	-
124	Total Funds Available	97,491,943	74,000,000	74,000,000	74,000,000	74,000,000
125	Transfers Out - Reclassification of Funds to General Revenue Capital Expenditure Account	23,491,943	-	-	-	-
126	Total Transfers Out	23,491,943	-	-	-	-
127	Interest Rate	1.00%	1.10%	1.20%	1.30%	1.40%
128	Interest Income on Fund Balance	857,460	814,000	888,000	962,000	1,036,000
129	Interest Income to Fund Revenue Requirements	(857,460)	(814,000)	(888,000)	(962,000)	(1,036,000)
130	Ending Balance	\$ 74,000,000	\$ 74,000,000	\$ 74,000,000	\$ 74,000,000	\$ 74,000,000
Construction Account - Series 2016 Bonds (#40156)						
140	Beginning Balance	\$ 7,963,845	\$ 2,787,346	\$ -	\$ -	\$ -
141	Transfers In	-	-	-	-	-
142	Total Funds Available	\$ 7,963,845	\$ 2,787,346	-	-	-
143	Transfers Out - CIP	\$ 5,176,499	\$ 2,787,346	-	-	-
144	Total Transfers Out	\$ 5,176,499	\$ 2,787,346	-	-	-

Table 13
Fiscal Year 2021 Revenue Sufficiency Study

Water and Wastewater System

Summary of Projected Cash Balances and Fund Transfers

Line No.	Restrictions	Fiscal Year Ending September 30,				
		2021	2022	2023	2024	2025
145	Interest Rate	\$ -	\$ -	0.00%	0.00%	0.00%
146	Interest Income on Fund Balance	\$ -	\$ -	-	-	-
147	Interest Income to Fund Revenue Requirements	\$ -	\$ -	-	-	-
148	Ending Balance	<u>\$ 2,787,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Construction Account - Proposed Series 2021 Bonds						
149	Beginning Balance	\$ -	\$ 140,078,823	\$ 98,025,492	\$ 46,850,070	\$ 10,500,000
150	Transfers In - Proceeds from Proposed Series 2021 Bonds	167,360,349	-	-	-	-
151	Total Funds Available	<u>167,360,349</u>	<u>140,078,823</u>	<u>98,025,492</u>	<u>46,850,070</u>	<u>10,500,000</u>
152	Transfers Out - CIP	27,281,526	42,053,331	51,175,421	36,350,070	10,500,000
153	Total Transfers Out	<u>27,281,526</u>	<u>42,053,331</u>	<u>51,175,421</u>	<u>36,350,070</u>	<u>10,500,000</u>
154	Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%
155	Interest Income on Fund Balance	-	-	-	-	-
156	Interest Income to Fund Revenue Requirements	-	-	-	-	-
157	Ending Balance	<u>\$ 140,078,823</u>	<u>\$ 98,025,492</u>	<u>\$ 46,850,070</u>	<u>\$ 10,500,000</u>	<u>\$ 0</u>
Construction Account - Proposed Series 2023 Bonds						
158	Beginning Balance	\$ -	\$ -	\$ -	\$ 414,622,184	\$ 248,232,642
159	Transfers In - Proceeds from Proposed Series 2023 Bonds	-	-	459,007,643	-	-
160	Total Funds Available	<u>-</u>	<u>-</u>	<u>459,007,643</u>	<u>414,622,184</u>	<u>248,232,642</u>
161	Transfers Out - CIP	-	-	44,385,459	166,389,543	158,115,180
162	Total Transfers Out	<u>-</u>	<u>-</u>	<u>44,385,459</u>	<u>166,389,543</u>	<u>158,115,180</u>
163	Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%

ATTACHMENT A

RATE CONSULTANT

**"2022 SUFFICIENCY OF WATER
AND WASTEWATER RATES
REPORT"**



March 31, 2021

Ms. Beth Schinella
Director of Water Resources
Hillsborough County – Water Resources Dept.
925 E. Twiggs Street
Tampa, FL 33602

Subject: **2022 Sufficiency of Water and Wastewater Rates Report**

Dear Ms. Schinella:

Raftelis Financial Consultants, Inc. ("Raftelis") has reviewed the rate revenue and financial projections for the Hillsborough County (the "County") water and wastewater enterprise system (the "System") as prepared by the Water Resources Department staff. The primary purpose of our review of the rate revenue and financial projections was to: i) comment on the adequacy of the existing rates and fees as reflected in Resolution No. R19-106 adopted by the Board of County Commissioners (the "Board") on October 1, 2019 and Resolution No. R20-047 adopted by the Board on June 17, 2020 (collectively, the "Rate Resolution"), in meeting the projected financial requirements of the System as estimated by Water Resources Department management; and ii) determine whether the existing rates and fees would allow the System to be in compliance with the Rate Covenant set forth in Section 11.02 of the Amended and Restated Utility System Bond Resolution No. R03-112, adopted on June 4, 2003, as amended from time to time and as particularly amended by Resolution No. R10-151 dated October 6, 2010, Resolution No. R16-065 dated June 2, 2016 and Resolution No. R19-129 dated October 16, 2019 (the "Bond Resolution"), which authorized the issuance of the Outstanding Bonds^[1]. All capitalized undefined terms reflected in this report have the same meaning as prescribed in the Bond Resolution, which authorized the issuance of the outstanding utility system revenue bonds.

In order to provide the opinion of rate sufficiency and compliance, Raftelis reviewed the financial projections prepared by Water Resource Department staff. The financial projections prepared by the Water Resources Department staff included the Fiscal Year 2021 (the current budget year) through the Fiscal Year 2025 (collectively, the "Forecast Period") and in support of the financial forecast, our review considered each year of the Forecast Period and our opinion in accordance with the Bond Resolution. The Fiscal Years 2021 and 2022 are referred to as the "Review Period", which represent the most current year in the financial forecast. The review of the Water Resources Department financial forecast for the Forecast Period conducted by Raftelis included the following analytical procedures:

[1] As of October 1, 2020, the Outstanding Bonds included: i) the Utility Revenue Bonds, Series 2010C (Federally Taxable-Recovery Zone Economic Development Bonds-Direct Payment) in the estimated principal amount of \$21,700,000; ii) the Utility Revenue Bonds, Series 2016 in the estimated principal amount of \$204,600,000; and iii) the Utility Refunding Revenue Bonds, Series 2019, in the estimated amount of \$88,205,000; collectively for all Bonds in the estimated principal amount outstanding of \$314,505,000.

1. Review of the customer and sales (water usage and billed wastewater flow) statistics for the Forecast Period as provided by Water Resources Department staff and comparison of such estimates to recent historical trends;
2. Review of the projected rate revenues to be collected by the System based on the application of the existing rates and fees, as may be adjusted for annual automatic rate adjustments, all as provided in the Rate Resolution, to the projected customer billing statistics;
3. Review of customer billing records and "revenue proof reports" of the System as prepared by Water Resources Department staff for the Fiscal Years 2019 and 2020 and four (4) months of Fiscal Year 2021;
4. Review of year-to-date Fiscal Year 2021 operating expenses, estimates of such expenses for the current Fiscal Year and a comparison of such expenses to the 2021 Budget and Fiscal Year 2020 actual results as provided by the Water Resources Department;
5. Review of the System operating expenses projected for the remainder of the Forecast Period consisting of the Fiscal Years 2022 through 2025;
6. Review of the existing annual Bond Service Requirement of the System for the Forecast Period as well as projections of future parity and / or subordinate debt requirements, if any, that may be identified in order to fund the capital improvement program of the System;
7. Review of estimated escalation factors used to project operating expenses for the Forecast Period and the reasonableness of such factors, including a review of recent trends in certain inflationary indexes and projections made by others;
8. Examination of the Forecast Period projected cost of water purchases from Tampa Bay Water ("TBW") and other municipally-owned utility systems, including the effects on how the County's water rates should be adjusted during the Forecast Period relative to the pass-through provisions of such water purchases as provided in the Rate Resolution;
9. Reviewed the estimate of the price index rate adjustment calculation recognized during the Forecast Period relative to the current formula codified in the Rate Resolution to the projected revenues of the System;
10. Review of the estimated Impact (Capacity) Fees anticipated to be collected during the Forecast Period, including the effects of the elimination of the impact fees assessment program and the issuance of the Wastewater Impact Fee Assessment Special Assessment Revenue Bonds, Series 2021 in the principal amount of approximately \$58.230 million.
11. Determination of the amount of Impact Fees being considered as a Pledged Impact (Capacity) Fees in accordance with the provisions of the Bond Resolution and the application of such Pledged Impact (Capacity) Fees for the payment of the Debt Service Component on

the Cost of Contracted Water Supply and for the payment of the expansion-related Bond Service Requirement;

12. Review of the deposit requirements pursuant to the disposition of Pledged Revenues (flow of funds) as delineated in the Bond Resolution, including deposits as may be required to the Operations and Maintenance Account, Debt Service Account, Renewal and Replacement Account, Rate Stabilization Account, as well as the deposits to the General Revenue Capital Expense Account, which is considered as a sub-account of the General Purpose Account as also delineated in the Bond Resolution;
13. Review of other revenues accruing to the benefit of the System during the Review Period, including interest earnings and miscellaneous operating revenues such as meter installation fees; potential revenues from the application of the Accrued Guaranteed Revenue Fees ("AGRF"), which was set by the Board at a zero rate in April 2014 and reinstated effective October 1, 2020; and the collection of Impact (Capacity) Fees and the subsequent pledge of Impact (Capacity) Fees for the payment of the Debt Service Component of the Cost of Contracted Water Supply and for deposit into the Debt Service Account as provided by the Bond Resolution for the payment of the expansion-related Bond Service Requirement;
14. Review of the capital projects appropriations and anticipated expenditure year forecast as developed by the Department and the estimated funding sources to finance the disbursement of funds for such capital expenditures and evaluated the funding sources for such projects, including a comparison of such expenditures to available fund balances in each account established by the Water Resources Department;
15. Review of the overall cash flow of the System and the resulting fiscal position and compliance with the Rate Covenant as delineated in the Bond Resolution, which reflected a series of financial ratios used by credit rating agencies and the County in the review of the overall financial position of the System; and
16. Performance of analytical procedures to validate certain components of the Water Resources Department financial forecast results to determine general calculation accuracy.

The review performed by Raftelis included such procedures as we considered necessary to evaluate the reasonableness of the financial forecast for the Review Period and the Forecast Period based on the assumptions and data provided by or developed with the Water Resources Department to Raftelis, especially as it related to the ability of the existing and anticipated rates to meet the projected revenue requirements of the System.

The financial forecast for the Forecast Period is summarized on Table 6 of the Sufficiency of Water and Wastewater Rates Report dated March 2021 ("Sufficiency Report") and the ability of the System revenue to comply with the Rate Covenant defined in the Bond Resolution is summarized on Table 12 of the Sufficiency Report. Based on our review of the assumptions and analyses

incorporated in the financial forecast for the Forecast Period, the following significant observations were noted:

1. The water use per equivalent residential connection ("ERC") has been in steady decline from the Fiscal Year 2006 through the Fiscal Year 2015, with notable rebounds in water demands reported for the Fiscal Years 2016 through Fiscal Year 2018. However, such average billed water use per ERC declined in Fiscal Year 2019 by 0.62%. During the Fiscal Year 2020, the average monthly residential customer water use increased by 9.2% to approximately 8,200 gallons per month when compared to the average use in the prior fiscal year. The increase could be due to: i) the impact of the COVID-19 Pandemic as stay-at-home orders were enacted and business operations were reduced; and ii) increased irrigation due to the establishment of landscaping for new development. Based on the results of the first four (4) months of Fiscal Year 2021, water use per ERC appears to be trending to historical levels and the average water use per customer reflected in the financial forecast was adjusted to be consistent with the most recent five- (5) year historical trend which was considered to be reflective of more normalized use. Overall, the long-term declining trend in water use is due, in part, to increased water use restrictions imposed by the Southwest Florida Water Management District ("SWFWMD"), increased awareness in water conservation by the System customers, the effects of weather on use, housing development, and other factors such as changed demographics experienced in the region. It should be noted that other public utilities in the region and the State are experiencing the same trends in water use demands and it is the opinion of Raftelis that the continued reduction in water use demands over the long-term will continue due to the factors and influences briefly mentioned above. The net effect of this decline is to reduce rate revenue contribution margins from existing customers which puts an additional financial burden on the System. It should be noted that the decline in water sales may allow the County the ability to possibly defer capital expansions due to declines in customer demands. The County continuously monitors the availability of both water and wastewater capacity recognizing the changing landscape of the customer needs and configuration with their ultimate objective to not over-build capacity to provide service.
2. Customer growth in the average number of accounts and ERCs served has continued to be strong since the significant downturn in the economy (i.e., the great recession) as reported for the Fiscal Years 2015 through 2020. These trends are expected to continue by the Department based on the permitted and planned development scheduled for the System utility service area. The overall forecast in accounts / ERCs for the Forecast Period reflects the continuation of a stable economic position for the region as discussed with the Department and the change in accounts / ERCs will continue but at a lower rate over time as development occurs. The anticipated growth of the System will continue to have a direct positive impact on the growth in future sales revenues and funds received from the application of the Impact Fees and the AGRF fees.
3. The Department's unaudited financial operating results for the Fiscal Year 2020 reported the following:

- a. Increase in the water, wastewater, and customer service revenues (included as a component and represents the majority of the Charges for Services) of approximately \$29.5 million or 11.7% when compared to Fiscal Year 2019 reported amounts. Relative to this increase, the following was observed:
 - i. The net change in the average annual customers served increased by 4.2% when compared to the prior year, which represents a net increase in average annual accounts served for the year of over 7,000 accounts. Water sales increased 13.2% and wastewater sales also increased 6.7% when compared to the prior fiscal year. Sales growth is expected with customer growth however usage per ERC was higher which supports Observation 1 above. During the Fiscal Year 2020, the Purchased Water Pass-through Consumption Charge remained constant, however application of the Price Index rate adjustments (1.40% effective June 1, 2019 and 0.74% effective October 1, 2019) coupled with an additional 4.0% fixed rate adjustment also effective October 1, 2019, contributed to the increase in the water, wastewater and customer service revenues and contributed to the maintenance of System net revenue margins^[2] for the Fiscal Year.
 - b. Net operating margins (income before payment of the Bond Service Requirement and the funding of capital reinvestment primarily for infrastructure renewals, replacements, and betterments) realized by the System were approximately \$99.3 Million in 2020, whereas the Fiscal Year 2019 reported net operating margins of approximately \$78.5 Million, which represents an increase in margins from the prior Fiscal Year and supports the reasoning for the continued annual application of the Purchased Water Pass-through, the Price Index adjustments and the adopted rate adjustments. These measures will help to maintain such margins, which is critical to the financial position of the System and the funding of capital reinvestment from operations.
 - c. For the Fiscal Year 2020, the County reported the addition of approximately \$303 Million in depreciable capital assets and an ending balance of construction-work-in-progress of approximately \$84 Million. The gross (undepreciated) utility-plant-in-service was reported to be \$2.6 Billion as of September 30, 2020, which represents a significant infrastructure investment by the County.
4. Based on the capital improvement plan as developed by the Department for the five fiscal years ending 2025, it is anticipated that the County will need to issue additional parity bonds during the Forecast Period to meet the increased demands associated with growth, and which will affect the financial position of the System especially from a capital reinvestment standpoint. Recognizing, among other things, the current liquidity position of the System and the ability to cash fund the immediate needs of the capital plan, the County's utility system is a very strong credit with Fitch rating at "AAA", Moody's at "Aaa" and S&P at "AA+".

[2] Net Revenue Margin defined as Net Revenues (Gross Revenues less operating expenses without depreciation expense) divided by Gross Revenues and measures the percentage amount of the funds available for debt and capital funding from operations.

These credit ratings speak highly of the Water Resources Department and County management and the overall financial position of the System and will allow for the issuance of any additional bonds at the lowest cost of borrowing, which is always critical to the development of the ongoing capital funding plan. The maintenance of this strong credit rating is recommended to be continued to maintain the ability to attract capital and promote the long-term sustainability in rates.

5. Operating expenses have outpaced inflation over the recent historical period which has been typical of utility industry trends both locally and nationally. In the past five (5) years, operating expenses, excluding depreciation, have increased by approximately \$38 Million or 22.9%. The application of the price index allowance provided an increase in rates of approximately 4.8%. The majority of the difference between the price indexing and the increase in operating expenses is attributed to increased growth in ERC served for the benefit of the System (increased personnel, higher variable costs such as water purchases from TBW, and increased repair and maintenance costs due to the aging utility infrastructure) which will be funded in part by the additional customers being served. It is expected by the Department that the increased trend in operating expenses will continue outpacing increased revenues from growth for the review period.

It is expected by the Department that current operating expenses for Fiscal Year 2021 may be 3.1% greater than Fiscal Year 2020 actual results and the Fiscal Year 2022 preliminary budget is 4.0% greater than the adopted Fiscal Year 2021 budget. These increases are due to a variety of factors, including increases in salaries to retain personnel coupled with increases in staffing to meet service area needs and to manage the capital program identified for the System, increased costs of purchased water from TBW, increased inflation, higher prices for contractual services and construction due to limited resources resulting from the current robust economy, the need to maintain revenue margins and other factors that are uncontrollable to the County such as the COVID-19 pandemic. At the current pace of growth in expenses resulting from growth and other system needs, the application of only the Price Index to adjust System rate revenues is not anticipated to be sufficient to maintain current net revenue margins during the Forecast Period.

6. The County's Consulting Engineers performed a utility plant evaluation during 2015 associated with the funding of existing asset replacements, renewals, and upgrades, which may result due to such utility plant reaching its average service life from an economic and service sustainable standpoint. The evaluation identified the need to reinvest approximately \$57.4 million a year (estimated at \$68.5 million to reflect today's dollars) from ongoing operations in capital renewals, replacements, and rehabilitation to existing utility infrastructure over the next twenty (20) years. We consider the establishment of a programmed deposit based on depreciable utility plant in service to be a prudent management objective and is also considered a best management practice of the industry. Based on current forecasts and the need for ongoing capital reinvestment, it is expected that the County will

require additional rate adjustments above the estimated Price Index adjustments in the coming years in order to meet this level of recurring capital investment from rate revenues.

7. Based on the financial projections of the Utility System revenue requirements and the projections of rate revenues derived from system growth and the application of a price index and approved fixed rate adjustments as delineated in the Rate Resolution, additional rate adjustments are considered necessary to fully fund such requirements and maintain a strong fiscal position of the Utility. The financial forecast indicates the need of the continuance of the application of the fixed rate adjustments through Fiscal Year 2025 (which was initially presented to the Board in Fiscal Year 2019).

Based on the observations discussed above, which included the rates as presented in Resolution No. R19-106 and Resolution No. R20-047 as recently adopted by the Board, the analytical procedures conducted by Raftelis with respect to the review of the financial forecast, and discussions with Water Resources Department staff, nothing came to our attention that caused us to believe that the County would not meet the minimum compliance requirement of the Rate Covenant defined in the Bond Resolution for the Review Period (i.e., the Fiscal Years 2021 and 2022). The Rate Covenant provisions include the maintenance of adequate debt service coverage ratios and the making of required deposits to funds established by the Bond Resolution (e.g., Renewal and Replacement Account). Additionally, Raftelis did not identify the need to change the System's rate structure (monthly user charges) in order to ensure continuing minimum compliance with the Rate Covenant as set forth in Section 11.02 of the Bond Resolution for these respective fiscal years.

Based on our review of the analyses and assumptions, coupled with the need to issue additional parity debt to fund recently identified expansions to water and wastewater infrastructure subsequent to the review period, the County will require additional rate adjustments above the estimated Price Index adjustments in the coming years to assure that the Rate Covenant and corresponding financial performance target objectives are met and provide adequate capital reinvestment to promote rate sustainability in the future. Recognizing the increase in future expenditure needs and to limit economic impacts to customers, implementing a rate phasing plan beginning in Fiscal Year 2022 is prudent and will promote the ability to meet the Rate Covenants as defined in the Bond Resolution. To the extent rates are not adjusted, the ability to additional parity debt is support of financing of the identified capital plan will be doubtful. Additionally, to the extent that the System i) continues to experience a long-term reduction in water use due to changes in customer usage characteristics, ongoing water restrictions imposed by SWFWMD, or due to ongoing conservation measures enacted by its customers; ii) identifies the need to increase the level of capital re-investment beyond the amount reflected in the current capital budget and as identified by the County's Consulting Engineers; iii) is impacted by increased regulations on the cost of operations (e.g., increased wastewater treatment or changes in effluent disposal requirements); or iv) is affected by any future downturn in economic conditions, which may impact the estimated System growth assumed for the financial forecast, the need for further additional rate

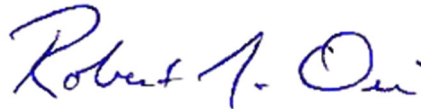
Ms. Beth Schinella
Hillsborough County
March 31, 2021
Page 8

adjustments in addition to the adjustments reflected in the financial forecast may be needed to meet the Rate Covenants and maintain a favorable financial position for the System.

This letter relates only to matters specific to compliance to the Bond Resolution and does not extend to any financial statements of the County. We appreciate the opportunity to perform this financial review of the System and to provide this letter to the Water Resources Department regarding the ability of the System revenues to comply with the Rate Covenants defined in the Bond Resolution and to meet the overall financial needs of the System.

Very truly yours,

Raftelis Financial Consultants, Inc.




Robert J. Ori
Executive Vice President



Thierry A. Boveri, CGFM
Senior Manager



Dianne S. Holloway
Senior Consultant



**Public Hearing
to Adopt a Rate Resolution
Water Resources Department**

**Hillsborough
County** Florida

April 21, 2021



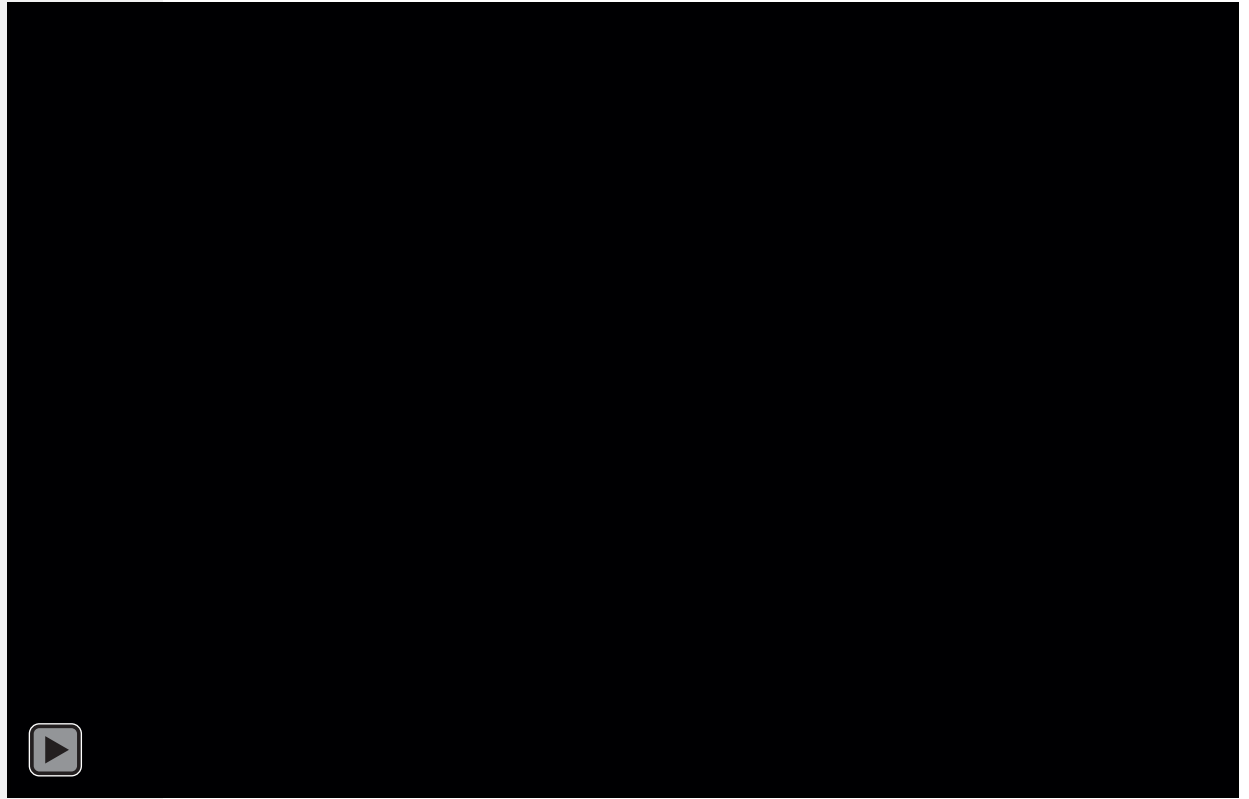
Department Core Services and Mission

- Reliably and efficiently provide safe drinking water, collect and treat wastewater, and return reclaimed water for reuse.
- Protect public health and safety, ensure environmental protection and stewardship
- We operate in a fiscally responsible manner and endeavor to deliver services at a competitive rate.
- We plan, we sustain, and we improve.





Drivers for Utility Sustainability

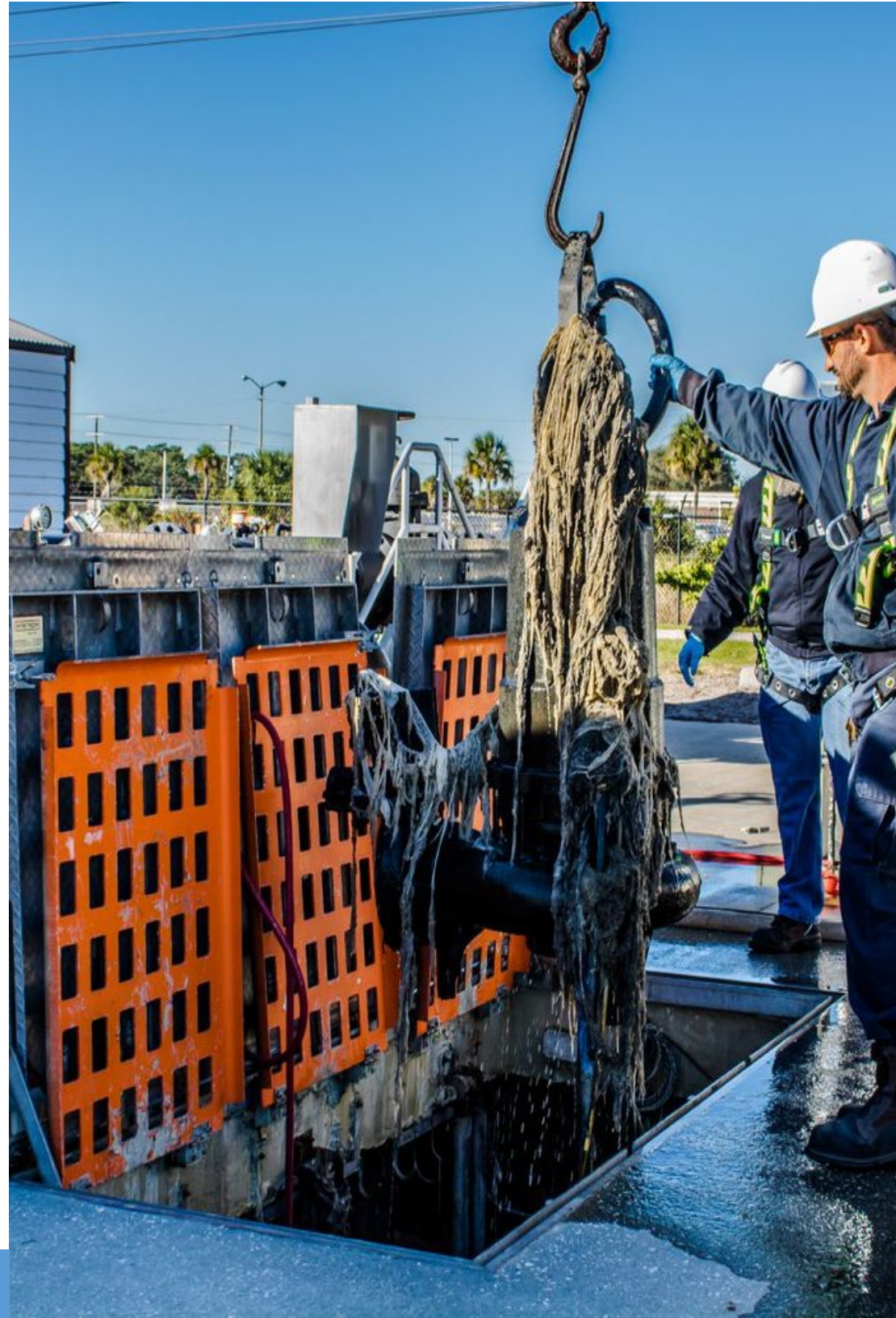


- Operations and Maintenance dependability
- Preservation of assets
- Efficiency of operation, cost effective approach
- Ensure capacity availability for current and future customers
- Leverage technology to improve core service delivery
- Protect public health and safety

Operations and
Maintenance
dependability



•••••
**Preservation of
assets**



Efficiency of
Operations,
cost effective
approach



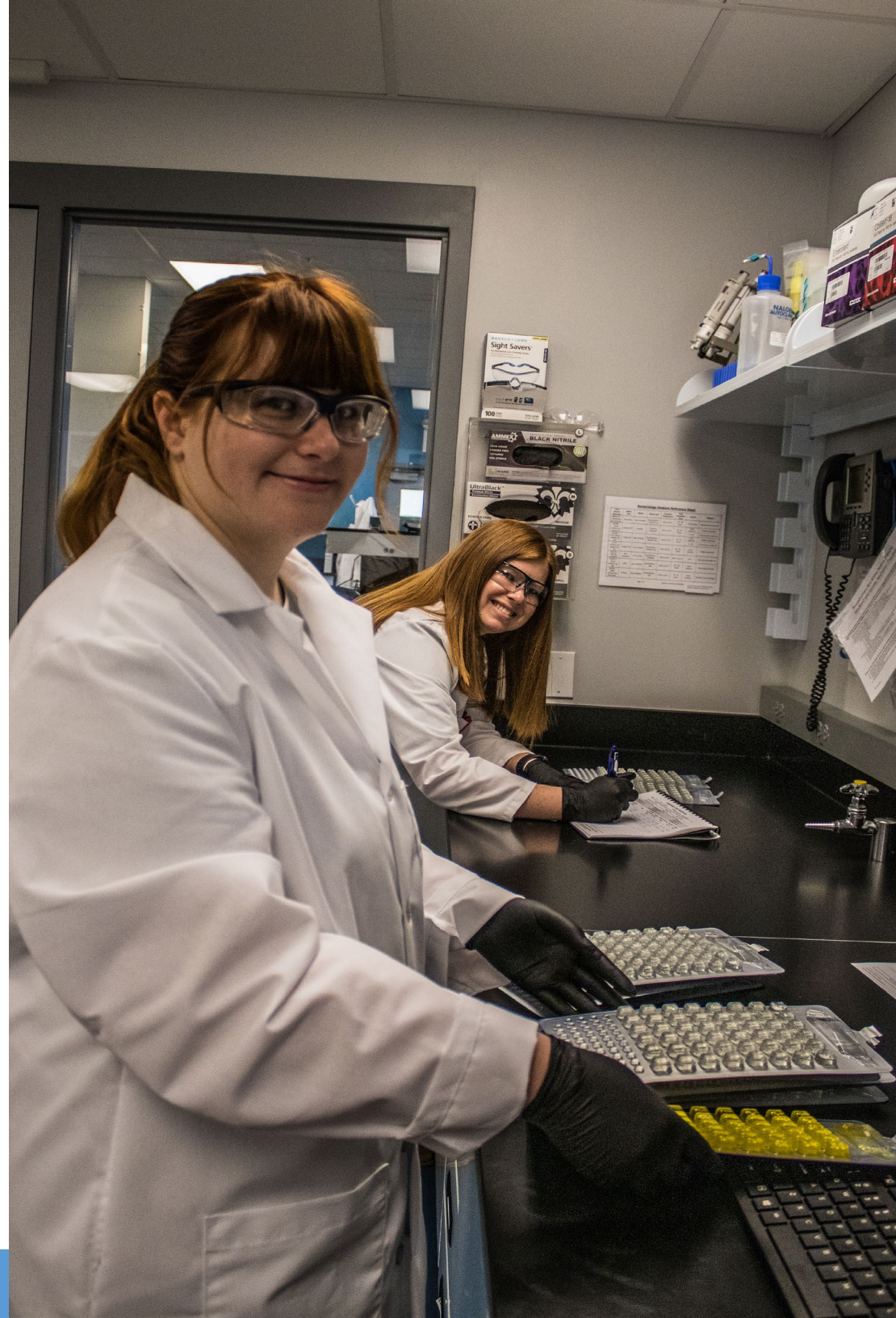
Ensure
capacity
availability
for
current
and future
customers



Leverage
technology
to improve
core service
delivery



Protect
public
health and
safety

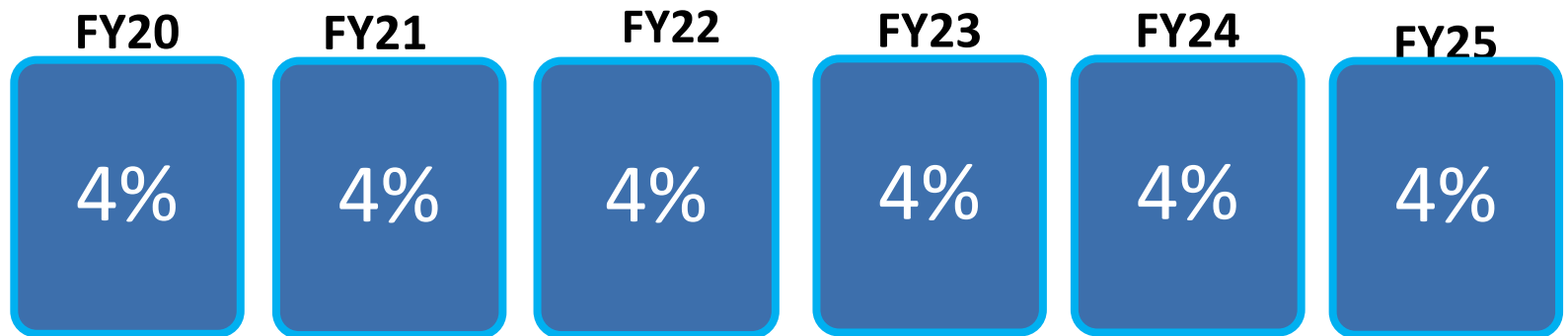









Priority Funding Needs

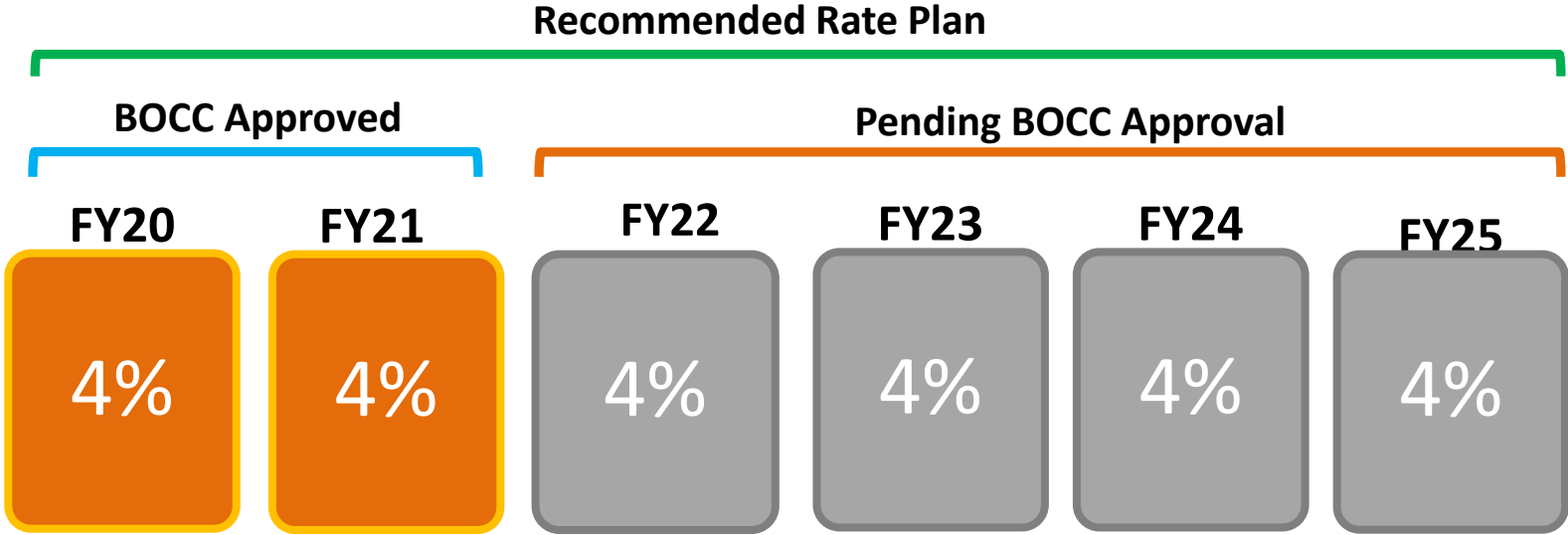
- Operating and Maintenance Expenses
 - Add approximately 6000 new customers each year since 2015
 - Cost increases for daily operation over 2% per year
 - Largest member of Tampa Bay Water
- Repair and Replacement of Assets
 - Total capital assets over \$1.2 billion
 - R&R program requires \$60 million per year, currently less than \$40 available
- New Water and Wastewater Plants
 - Capacity in South service area is at a critical place
 - 23,000 new customers expected within the next 5 years
- Septic to Sewer Program
 - 26,000 septic tanks across the entire service area, Northwest and S/C
 - Initial program will begin with 500 homes per year, \$10 million annually
- Low Pressure Sewer System Conversion
 - Approximately 1500 LPSS tanks in Ruskin and Wimauma
 - Program 300 per year for 5 years, estimated cost is \$5 million per year

Recommended Rate Plan Presented on August 21, 2019




-  Operating and Maintenance Increasing Cost
-  Renewal & Replacement (R&R)
-  New Water and Wastewater Treatment Facilities
-  Septic to Sewer
-  Replacement of LPSS (low pressure sewer system)

Board Approved 2 years of Recommended Rate Plan

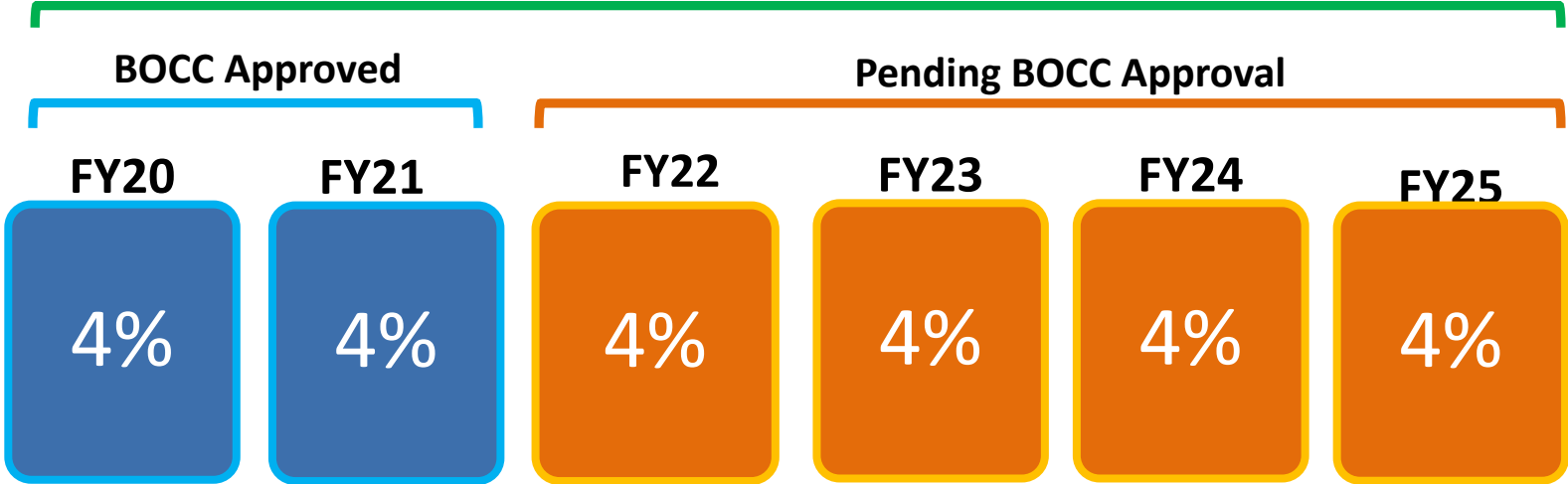


Provided for:


 Operating and Maintenance Increasing Cost

Recommended Rate Plan




Recommended Rate Plan February 2021



Provided for:

-  Operating and Maintenance Increasing Cost

Will Provide for:

-  Renewal & Replacement (R&R)
-  Funds Water and Wastewater Treatment Facilities for Phase 2
-  Septic to Sewer Program
-  LPSS (Low Pressure Sewer System) Conversion

Recommended Rate Plan – Single-Family Residential Bill at 6,000 gallons

Operating Expenses

Capital Needs

Existing Bill

Price Index

Additional
4% Rate
Increase

Renewals
Replacements
Improvements

New
Facilities &
Acquisitions

Septic to
Sewer

LPSS

Recommended
FY2022 Rate
Plan

= \$85.04
Per Month
as of FY2021

+ \$1.37
Per Month

+ \$0.64
Per Month

+ \$0.59
Per Month

+ \$1.38
Per Month

+ \$0.07
Per Month

+ \$0.04
Per Month

= \$89.14
Per Month
as of FY2022

To Fund Increased Expenses

To Sustain
Capital
Reinvestment

To Fund
Capacity,
Improvements
& Acquisitions

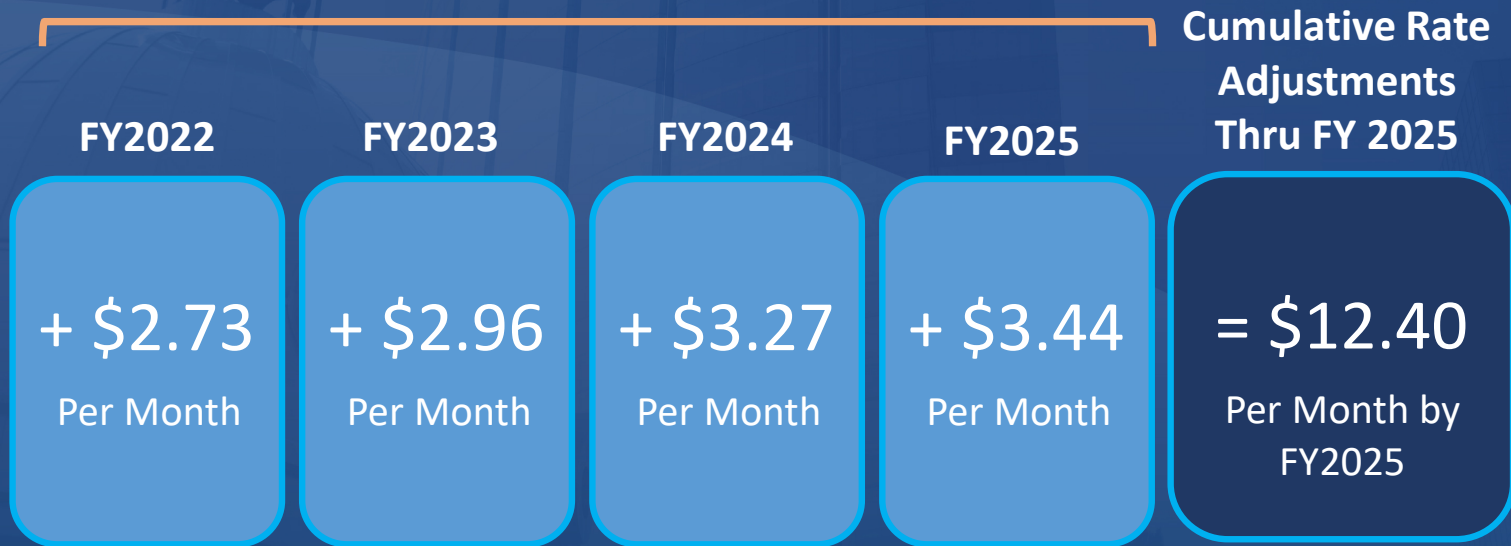
To Fund Groundwater
Protection & Environmental
Benefit



Hillsborough
County Florida

Recommended Rate Plan – Single-Family Residential Bill at 6,000 gallons

Annual 4% Rate Adjustments



Typical Water and Wastewater Residential Bill At 6,000 Gallons



Hillsborough County Florida



WRD Rate Resolution Public Hearing