

# Lake Havasu City, Arizona

## *Financial Feasibility Report of the Wastewater System*

### Final Report

July 2009



July 30, 2009

Ms. Gayle Whittle  
Finance Director  
Lake Havasu City  
2330 McCulloch Blvd., North  
Lake Havasu City, Arizona 86403

Dear Ms. Whittle:

On behalf of Red Oak Consulting (Red Oak), I am pleased to submit this *Financial Feasibility Report of the Wastewater System* for Lake Havasu City, Arizona (the City). This report is an update of previously issued feasibility reports<sup>1</sup> and was prepared for the purpose of verifying that revenues of the Wastewater System are sufficient to support a \$463.0 million capital improvement program with a current estimate of \$424.7 million (the Project)<sup>2</sup>. The attached report contains projected cash flow statements and debt service coverage calculations for the City's Wastewater System proposed 2009 Project finance applications (Series 2009 and 2009A Loans) to the Water Infrastructure Finance Authority of Arizona (WIFA). WIFA is a State agency which provides low-interest rate (subsidized) loans to Arizona cities, towns and other governmental and tribal entities.

This letter is a summary of our analyses and review of the operating, capital and financial records of the Wastewater System and should be viewed in conjunction with the attached Summary of Significant Assumptions and related appendices. We have projected cash flow results and calculated debt service coverage for the City's fiscal year (FY) 2008-09 through FY 2014-15. The City's fiscal year end is June 30. Actual results for FY 2002-03 through FY 2007-08 as provided by the City, are also presented.

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<sup>1</sup> The most recent report was also issued by Red Oak Consulting, a division of Malcolm Pirnie, Inc. in July 2008.

<sup>2</sup> This amount represents the estimated inflation adjusted total Project costs; through June 30, 2008 \$208.7 million had been expended, excluding \$1.4 million non-Project capital expenditures.

Projected revenues reflect user charges (rates) as adopted by the City and effective April 1, 2009<sup>3</sup>. In Resolution No. 08-2340, City Council adopted rates for three fiscal years: FY 2009-10, FY 2010-11 and FY 2011-12. In subsequent years, additional increases to these rates are projected to be needed to maintain a 1.20 times (x) debt service coverage ratio (on the estimated annual debt service) for all loans and to maintain appropriate cash reserves; however, no action has been taken by City Council to adopt increases in user charges starting in FY 2012-13 which are expected to be effective April 1, 2012. A user charge formula which is expected to be applied annually by City staff to adjust rates to meet the cash flow requirements of the Wastewater System and the related WIFA loan covenants has been adopted by City Council<sup>4</sup>.

Expenditures, as projected in the attached schedules, are based on the City's FY 2009-10 budget for the Wastewater System as adjusted for future increases due to both inflation and additional operation and maintenance (O&M) expenses associated with the projected capital improvement program (CIP) expenditures.

The accompanying Schedule A – Projection of Cash Flow and Debt Service Coverage and Summary of Significant Assumptions reflect the City's actual results for FY 2002-03 through FY 2007-08. There are differences in the FY 2002-03 through FY 2007-08 results as reported in this document and the City's Comprehensive Annual Financial Report. These differences are the results of cash versus accrual basis accounting and other reporting differences.

The attached cash flow projections include an anticipated City contribution of \$5.0 million per year through FY 2012-13. Beginning in FY 2013-14, the City contribution is anticipated to decrease to \$3.0 million per year as the portion of the City contribution (\$2.0 million) transferred annually from the Irrigation and Drainage District (IDD) will not be made and remain within the IDD.

References to specific projected amounts of debt, typical residential bills and other aspects of the financial plan summarized in the transmittal letter, the Summary of Significant Assumptions and supporting Appendices (excluding Appendix B) reflect the creation and use of the Rate Stabilization Fund<sup>5</sup> as an inclusion in net revenues available to meet annual debt service coverage requirements of senior lien wastewater revenue obligations (Senior Lien Obligations) and junior lien wastewater revenue / tax-secured obligations (Junior Lien Obligations).

The cash flow projections and debt service coverage calculations are not intended to present overall financial position, results of operations, and/or cash flows for the periods indicated, in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants.

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<sup>3</sup> Resolution No. 08-2340.

<sup>4</sup> Resolution No. 02-1665.

<sup>5</sup> Per Resolution No. 07-2160, the Rate Stabilization Fund was funded in June 2007 with an initial \$5,000,000 transfer from the Revenue Fund ending cash balance. The Rate Stabilization Fund is used to meet annual Senior Lien and Junior Lien Obligations debt service coverage requirements starting in FY 2007-08.



Our major conclusions are:

1. Loan and other debt obligations were in the past and are expected to be in the future, necessary to fund, in part, the FY 2002-03 through FY 2011-12 projected capital improvements – the estimated \$424.7 million Project. Project loan obligations are projected to total \$385.3 million throughout the study period, or 91% of the Project (89% of the total capital expenditures over the same period). The balance of the funding requirement is projected to be generated through user charges, city contributions, treatment capacity fee revenues, and, to a much lesser extent, other Wastewater System revenues.
2. To support the CIP, the City Council has previously adopted a user charge formula and, by Resolution No. 08-2340, has adopted specific user charges (rates) for service for FY 2009-10 through FY 2011-12. These rates are projected to produce revenue sufficient to meet debt service coverage and cash reserve requirements. However, future increases to user charges are expected to be required to support the debt service associated with loan obligations in FY 2012-13 and the City Council has not adopted specific rates for these years. The City Council has adopted a user charge formula that is expected to be used each year (beginning April 1, 2012) to determine specific rates for service that generate revenues that are adequate to meet projected debt service coverage and cash reserve requirements.
3. Based on the projected CIP, increases in O&M expenses, and associated financing requirements (e.g., debt service coverage and reserve requirements), increases in user charges are estimated to range from 0% to under 12% per year for six years, beginning with FY 2009-10 (this increase was effective April 1, 2009 and is referenced as the FY 2009-10 increase). These increases assume the Project will be funded almost entirely through loan obligations or bonds (approximately 91%) and to a much lesser extent (approximately 9%), by user charge revenues, city contributions, treatment capacity fee revenues and other Wastewater System revenues.



4. Debt service coverage ratios have been calculated for the period FY 2002-03 through FY 2014-15 (see Schedule A). Rates for FY 2002-03 through FY 2007-08 produced, and projected rates for FY 2008-09 through FY 2014-15 are expected to produce revenue (along with other revenues of the Wastewater System) sufficient to pay an amount (after the payment of O&M expenses) at least equal to 1.20x the estimated annual debt service requirements on all Senior Lien Obligations and Junior Lien Obligations. Rates and other cash inflows for these same years generated and are expected to generate cash reserves equal to at least 20% of annual cash O&M expenses (excluding restricted loan proceeds issued for Project CIP in any given fiscal year above projected cash CIP requirement)<sup>6</sup>.
  
5. The conditions outlined in Resolution No. 02-1692, as amended, have been reviewed and applied relating to both the currently outstanding Project debt through July 1, 2009 and debt expected to be issued through FY 2014-15. The projected cash flow of the Wastewater System has been adjusted as required by the resolution as it relates to the Conditions for Issuance of Parity Obligations<sup>7</sup> (herein referred to as the “Additional Bonds Test”). These adjustments and the resulting adjusted cash flows are described and illustrated in Appendix B for projected Series 2009A debt issue. Based on these adjustments, the actual rates for FY 2008-09 and projected rates for FY 2009-10, along with other revenues of the Wastewater System (excluding the Rate Stabilization Fund), are expected to produce revenue sufficient to pay an amount (after payment of O&M expenses) at least equal to 1.20x the estimated maximum annual debt service requirements on all Senior Lien Obligations, and generate cash reserves equal to at least 20% of annual cash O&M expenses (excluding restricted loan proceeds issued for Project CIP in any given fiscal year above the projected cash CIP requirement)<sup>8</sup>. The City does not anticipate additional debt to fund Project capital expenditures beyond the Series 2009A Loan and therefore the Additional Bonds Test contains information related solely to this debt issue; the Test is not applied for the balance of the study period.

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<sup>6</sup> Resolution No. 02-1700, Section 1(c) and Resolution No. 02-1692, Section 2.05.

<sup>7</sup> Resolution No. 02-1700, Section 1 (c) and Resolution No. 02-1692, Section 3.02(6).

<sup>8</sup> Resolution No. 02-1692, Section 2.05.



The accompanying cash flow projections and debt service coverage calculations are presented on the basis described in the Summary of Significant Assumptions, and the assumptions provide a reasonable basis for the cash flow projections and debt service coverage calculations. Furthermore, during the course of our review and analysis, and the preparation of this report, nothing has come to our attention which would cause us to believe that the assumptions are unreasonable. Nevertheless, there will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

During the course of this project, the City, the City's consulting engineers, AMEC Earth & Environmental, Inc. (projected connections and capital expenditures), and the City's financial consultant, Stone & Youngberg LLC, (projected debt information and annual debt service amounts) have provided Red Oak with a variety of data and information relating to the Wastewater System. We have relied on this data and information in the preparation of the accompanying cash flow projections and debt service coverage calculations, but have not independently verified the data and information and, accordingly, take no responsibility for its accuracy.

We wish to extend our appreciation to the City and its staff for their cooperation during the progress of this work. We are prepared to respond to any questions regarding the information contained in this report. Questions should be directed to me at (303) 316-6505.

Very truly yours,

**RED OAK CONSULTING**  
A Division of Malcolm Pirnie, Inc.



Richard D. Giardina  
Vice President



# Lake Havasu City, Arizona

## Financial Feasibility Report of the Wastewater System

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**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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**Schedule A: Wastewater System  
Revenue Fund Projection of Cash  
Flow and Debt Service Coverage**

*Lake Havasu City, Arizona  
Wastewater System Revenue Fund  
Projection of Cash Flow and Debt Service Coverage*

Line No.		Actual				
		FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
1	GROSS REVENUES					
2	User Charges (a)	\$3,727,826	\$4,469,813	\$5,007,870	\$7,211,445	\$10,836,972
3	Property Tax Levy (b)	34,196	5,206	-	(3,171)	13,257
4	Treatment Capacity Fee (c)	1,404,876	2,536,722	3,727,826	4,501,421	4,296,368
5	Other Miscellaneous Revenues	431,768	24,809	94,588	125,031	225,741
6	Gain / (Loss) on Sale of Investments	(277,584)	-	-	-	-
7	Interest	169,236	206,140	529,694	2,985,474	3,085,514
8	<b>SUBTOTAL</b>	<b>5,490,318</b>	<b>7,242,690</b>	<b>9,359,978</b>	<b>14,820,200</b>	<b>18,457,852</b>
9	OPERATION AND MAINTENANCE EXPENSES					
10	Current System (d)	3,245,725	4,401,010	3,944,382	4,533,716	5,345,711
11	New System (e)	-	-	-	-	-
12	<b>SUBTOTAL</b>	<b>3,245,725</b>	<b>4,401,010</b>	<b>3,944,382</b>	<b>4,533,716</b>	<b>5,345,711</b>
13	USE OF RATE STABILIZATION FUND TO MEET COVERAGE (f)	-	-	-	-	-
14	NET REVENUE AVAILABLE FOR SENIOR LIEN DEBT OBLIGATIONS	2,244,593	2,841,680	5,415,596	10,286,484	13,112,141
15	SENIOR LIEN DEBT SERVICE (g)	-	132,994	841,889	2,019,701	2,373,966
16	<b>Debt Service Coverage on SENIOR Lien Debt (h)</b>	<b>-</b>	<b>21.37</b>	<b>6.43</b>	<b>5.09</b>	<b>5.52</b>
17	NET REVENUE AVAILABLE FOR JUNIOR LIEN/G.O. DEBT	2,244,593	2,708,686	4,573,707	8,266,783	10,738,175
18	JUNIOR LIEN / G.O. DEBT SERVICE (g)	39,656	278,944	888,364	2,146,776	4,106,019
19	<b>Debt Service Coverage on JUNIOR Lien/G.O. Debt (h)</b>	<b>56.60</b>	<b>9.71</b>	<b>5.15</b>	<b>3.85</b>	<b>2.62</b>
20	NET REVENUE AFTER ALL DEBT SERVICE	2,204,937	2,429,742	3,685,343	6,120,007	6,632,157
21	LESS RATE STABILIZATION FUND (f)	-	-	-	-	-
22	PLUS CITY CONTRIBUTION (i)	4,754,793	3,750,000	2,000,000	5,000,000	5,000,000
23	<b>ADJUSTED NET REVENUES</b>	<b>6,959,730</b>	<b>6,179,742</b>	<b>5,685,343</b>	<b>11,120,007</b>	<b>11,632,157</b>
24	OTHER CASH INFLOWS / (OUTFLOWS)					
25	Loan Amount - Gross (j)	8,549,415	18,923,970	29,729,530	91,552,265	19,464,998
26	Capitalized Interest	-	-	-	(3,879,399)	(115,158)
27	Defeasance of District Debt (COPs & G.O.)	(2,748,610)	-	-	-	-
28	Engineering and Design Loan Principal Retirement	-	-	(5,765,000)	-	(3,560,000)
29	Loan Closing Costs	(235,140)	(212,070)	(516,166)	(1,036,067)	(741,444)
30	Reserve Fund Deposit	(760,000)	(215,000)	(699,115)	(1,452,056)	(1,289,037)
31	Grant (k)	-	-	-	-	-
32	Stimulus Loan Principal Forgiveness (l)	-	-	-	-	-
32	Capital Projects	(8,596,862)	(20,682,254)	(28,653,470)	(46,119,540)	(66,456,142)
33	<b>SUBTOTAL</b>	<b>(3,791,198)</b>	<b>(2,185,354)</b>	<b>(5,904,221)</b>	<b>39,065,204</b>	<b>(52,696,783)</b>
34	NET CASH FLOW	3,168,532	3,994,388	(218,877)	50,185,211	(41,064,626)
35	BEGINNING CASH BALANCE	6,784,289	9,775,554	13,769,942	13,551,064	21,161,473
36	ENDING CASH BALANCE (before transfer)	9,952,821	13,769,942	13,551,064	63,736,275	(19,903,153)
37	TRANSFER (TO) / FROM CAPITAL REPLACEMENT FUND (m)	(177,267)	-	-	-	-
38	TRANSFER (TO) / FROM RATE STABILIZATION FUND (n)	-	-	-	-	(5,000,000)
39	TRANSFER (TO) / FROM CONSTRUCTION FUND (o)	-	-	-	(42,574,802)	42,574,802
40	ENDING CASH BALANCE (after transfer)	\$9,775,554	\$13,769,942	\$13,551,064	\$21,161,473	\$17,671,649
41	Cash Reserve Ratio (20% target) (p)	301%	313%	344%	467%	331%
42	Residential Rate Per CCF	\$3.22	\$3.22	\$3.22	\$4.25	\$5.53
42	Typical Monthly Residential Bill	\$30.98	\$30.98	\$30.98	\$38.21	\$49.71
43	Percent Change From Prior Year		0.00%	0.00%	23.34%	30.10%

*Lake Havasu City, Arizona  
Wastewater System Revenue Fund  
Projection of Cash Flow and Debt Service Coverage*

Line No.		Actual		Projected		
		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1	GROSS REVENUES					
2	User Charges (a)	\$13,033,414	\$14,683,707	\$18,982,542	\$24,486,548	\$28,045,824
3	Property Tax Levy (b)	(13,296)	-	-	-	-
4	Treatment Capacity Fee (c)	5,466,475	3,689,727	6,517,983	5,422,360	1,960,469
5	Other Miscellaneous Revenues	218,571	222,942	227,401	231,949	236,588
6	Gain / (Loss) on Sale of Investments	2,195	2,710	-	-	-
7	Interest	1,766,463	650,000	1,030,031	1,144,105	340,529
8	<b>SUBTOTAL</b>	<b>20,473,822</b>	<b>19,249,086</b>	<b>26,757,957</b>	<b>31,284,963</b>	<b>30,583,410</b>
9	OPERATION AND MAINTENANCE EXPENSES					
10	Current System (d)	7,197,477	7,622,905	7,726,392	8,229,767	8,528,279
11	New System (e)	-	-	500,000	780,000	811,200
12	<b>SUBTOTAL</b>	<b>7,197,477</b>	<b>7,622,905</b>	<b>8,226,392</b>	<b>9,009,767</b>	<b>9,339,479</b>
13	USE OF RATE STABILIZATION FUND TO MEET COVERAGE (f)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
14	NET REVENUE AVAILABLE FOR SENIOR LIEN DEBT OBLIGATIONS	18,276,345	16,626,181	23,531,565	27,275,196	26,243,931
15	SENIOR LIEN DEBT SERVICE (g)	2,957,283	4,149,325	6,246,600	12,083,699	12,076,372
16	<b>Debt Service Coverage on SENIOR Lien Debt (h)</b>	<b>6.18</b>	<b>4.01</b>	<b>3.77</b>	<b>2.26</b>	<b>2.17</b>
17	NET REVENUE AVAILABLE FOR JUNIOR LIEN/G.O. DEBT	15,319,062	12,476,857	17,284,965	15,191,496	14,167,559
18	JUNIOR LIEN / G.O. DEBT SERVICE (g)	6,206,398	6,921,025	10,329,801	10,365,670	11,718,854
19	<b>Debt Service Coverage on JUNIOR Lien/G.O. Debt (h)</b>	<b>2.47</b>	<b>1.80</b>	<b>1.67</b>	<b>1.47</b>	<b>1.21</b>
20	NET REVENUE AFTER ALL DEBT SERVICE	9,112,664	5,555,832	6,955,165	4,825,827	2,448,704
21	LESS RATE STABILIZATION FUND (f)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
22	PLUS CITY CONTRIBUTION (i)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
23	ADJUSTED NET REVENUES	9,112,664	5,555,832	6,955,165	4,825,827	2,448,704
24	OTHER CASH INFLOWS / (OUTFLOWS)					
25	Loan Amount - Gross (j)	54,712,334	46,759,829	122,478,006	16,574,313	-
26	Capitalized Interest	(1,186,539)	(2,375,576)	(3,359,813)	-	-
27	Defeasance of District Debt (COPs & G.O.)	-	-	-	-	-
28	Engineering and Design Loan Principal Retirement	(5,075,000)	(6,220,000)	-	-	-
29	Loan Closing Costs	(893,555)	(548,783)	(2,051,309)	-	-
30	Reserve Fund Deposit	(991,091)	(524,295)	(474,355)	(54,200)	(54,200)
31	Grant (k)	1,433,600	-	-	-	-
32	Stimulus Loan Principal Forgiveness (l)	-	-	-	-	-
32	Capital Projects	(39,625,626)	(37,545,992)	(118,100,848)	(61,578,950)	(1,129,745)
33	<b>SUBTOTAL</b>	<b>8,374,123</b>	<b>(454,817)</b>	<b>(1,508,319)</b>	<b>(45,058,837)</b>	<b>(1,183,945)</b>
34	NET CASH FLOW	17,486,787	5,101,015	5,446,846	(40,233,011)	1,264,759
35	BEGINNING CASH BALANCE	17,671,649	34,681,721	39,362,420	44,274,106	3,415,397
36	ENDING CASH BALANCE (before transfer)	35,158,436	39,782,736	44,809,266	4,041,096	4,680,156
37	TRANSFER (TO) / FROM CAPITAL REPLACEMENT FUND (m)	(476,715)	(420,316)	(535,159)	(625,699)	(611,668)
38	TRANSFER (TO) / FROM RATE STABILIZATION FUND (n)	-	-	-	-	-
39	TRANSFER (TO) / FROM CONSTRUCTION FUND (o)	-	-	-	-	-
40	ENDING CASH BALANCE (after transfer)	\$34,681,721	\$39,362,420	\$44,274,106	\$3,415,397	\$4,068,488
41	Cash Reserve Ratio (20% target) (p)	482%	516%	538%	38%	44%
42	Residential Rate Per CCF	\$5.93	\$5.93	\$6.53	\$7.30	\$8.13
42	Typical Monthly Residential Bill	\$53.31	\$53.31	\$58.70	\$65.63	\$73.09
43	Percent Change From Prior Year	7.24%	0.00%	10.11%	11.81%	11.37%

*Lake Havasu City, Arizona  
Wastewater System Revenue Fund  
Projection of Cash Flow and Debt Service Coverage*

*Schedule A  
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Line No.		Projected		
		FY 2012-13	FY 2013-14	FY 2014-15
1	GROSS REVENUES			
2	User Charges (a)	\$28,219,913	\$28,994,491	\$31,245,384
3	Property Tax Levy (b)	-	-	-
4	Treatment Capacity Fee (c)	1,973,267	1,926,521	1,867,837
5	Other Miscellaneous Revenues	241,320	246,146	251,069
6	Gain / (Loss) on Sale of Investments	-	-	-
7	Interest	366,908	380,814	361,587
8	SUBTOTAL	30,801,409	31,547,973	33,725,877
9	OPERATION AND MAINTENANCE EXPENSES			
10	Current System (d)	8,838,735	9,161,600	9,497,381
11	New System (e)	843,648	877,394	912,490
12	SUBTOTAL	9,682,383	10,038,994	10,409,871
	USE OF RATE STABILIZATION FUND			
13	TO MEET COVERAGE (f)	5,000,000	5,000,000	3,000,000
	NET REVENUE AVAILABLE FOR			
14	SENIOR LIEN DEBT OBLIGATIONS	26,119,026	26,508,979	26,316,006
15	SENIOR LIEN DEBT SERVICE (g)	12,075,528	12,080,783	12,081,754
16	<i>Debt Service Coverage on SENIOR Lien Debt (h)</i>	<i>2.16</i>	<i>2.19</i>	<i>2.18</i>
	NET REVENUE AVAILABLE FOR			
17	JUNIOR LIEN/G.O. DEBT	14,043,498	14,428,195	14,234,252
18	JUNIOR LIEN / G.O. DEBT SERVICE (g)	11,709,091	11,796,778	11,908,659
19	<i>Debt Service Coverage on JUNIOR Lien/G.O. Debt (h)</i>	<i>1.20</i>	<i>1.22</i>	<i>1.20</i>
20	NET REVENUE AFTER ALL DEBT SERVICE	2,334,408	2,631,417	2,325,592
21	LESS RATE STABILIZATION FUND (f)	(5,000,000)	(5,000,000)	(3,000,000)
22	PLUS CITY CONTRIBUTION (i)	5,000,000	3,000,000	3,000,000
23	ADJUSTED NET REVENUES	2,334,408	631,417	2,325,592
24	OTHER CASH INFLOWS / (OUTFLOWS)			
25	Loan Amount - Gross (j)	-	-	-
26	Capitalized Interest	-	-	-
27	Defeasance of District Debt (COPs & G.O.)	-	-	-
28	Engineering and Design Loan Principal Retirement	-	-	-
29	Loan Closing Costs	-	-	-
30	Reserve Fund Deposit	(54,200)	(54,198)	2
31	Grant (k)	-	-	-
32	Stimulus Loan Principal Forgiveness (l)	-	-	-
32	Capital Projects	(1,639,091)	(1,592,754)	(1,640,537)
33	SUBTOTAL	(1,693,291)	(1,646,952)	(1,640,535)
34	NET CASH FLOW	641,116	(1,015,535)	685,057
35	BEGINNING CASH BALANCE	4,068,488	4,093,576	4,447,081
36	ENDING CASH BALANCE (before transfer)	4,709,604	3,078,041	5,132,139
37	TRANSFER (TO) / FROM CAPITAL REPLACEMENT FUND (m)	(616,028)	(630,959)	(674,518)
38	TRANSFER (TO) / FROM RATE STABILIZATION FUND (n)	-	2,000,000	-
39	TRANSFER (TO) / FROM CONSTRUCTION FUND (o)	-	-	-
40	ENDING CASH BALANCE (after transfer)	\$4,093,576	\$4,447,081	\$4,457,621
41	Cash Reserve Ratio (20% target) (p)	42%	44%	43%
42	Residential Rate Per CCF	\$8.17	\$8.17	\$8.92
42	Typical Monthly Residential Bill	\$73.45	\$73.45	\$80.19
43	Percent Change From Prior Year	0.49%	0.00%	9.18%

**Notes**

- (a) Starting in FY 2008-09, User Charges revenue includes revenue generated from increases effective April 1 of each year (e.g., proposed April 1, 2009 residential rate increase included in final three months of FY 2008-09 projected revenue).
- (b) Amount shown is for delinquent FY 2001-02 levy collected in FY 2002-03, FY 2003-04, and FY 2006-07. A portion was written-off in FY 2005-06 and FY 2007-08 as uncollectible. The tax levy was discontinued after FY 2001-02 as the Sanitary District was dissolved in June 2003.
- (c) Includes prepaid Treatment Capacity Fee revenues.
- (d) FY 2009-10 O&M expenses from the City's budget; subsequent years based on the FY 2009-10 budget escalated at a rate of 4% per year (excluding contingency), plus \$225,000 FY 2010-11 increase in Machinery and Equipment.
- (e) Amounts provided by the City. Amounts do not include a renewal and replacement allowance.
- (f) Rate Stabilization Fund established in 2007 per Resolution No. 07-2160 with an initial \$5 million dollar transfer from the Revenue Fund in June 2007. Balance of the Rate Stabilization Fund is used to meet debt service coverage requirements and then removed so as not to be considered as available cash; for use in determining Ending Cash Balance and Cash Reserve Ratio.
- (g) Principal payments due the first day of the fiscal year included in prior fiscal year debt service payment. FY 2002-03 through FY 2008-09 based on actual payments. FY 2009-10 through FY 2014-15 based on projected debt service schedules provided by Stone & Youngberg LLC (Financial Consultant to the City).
- (h) 1.20x debt service coverage requirement; calculated as current year Net Revenue Available divided by current year debt service per Master Resolution 02-1692, Section 5.01 (1), as amended,.
- (i) FY 2002-03 through FY 2008-09 amounts were appropriated by the City Council. Annually appropriated contributions from the City's General Fund as projected by the City for FY 2009-10 through FY 2014-2015. Amounts transferred from General Fund monthly and equal to 1/12th of the annually appropriated amount.
- (j) Gross Loan amount includes current year loan draw downs or the projected annual cash requirement. FY 2005-06 Loan Amount - Gross includes \$30,217,086 previously authorized WIFA loans that have not been drawn down at the end of FY 2004-05, current year loan draw down of \$307,438 and \$61,027,742 of GADA loan. The GADA loan is comprised of \$58,070,000 par bond amount, \$2,857,742 of premium and \$100,000 cash contribution made by GADA.
- (k) \$1,433,600 EPA grant received by the City in FY 2007-08 and used to fund Capital Projects.
- (l) Series 2009 WIFA loan anticipates \$2M in principal forgiveness that is anticipated to be granted upon inspection and final approval of capital improvements funded by this loan. In order to reflect a conservative financial plan the \$2M has been excluded from Schedule A.
- (m) Balance of Fund is \$701,034. Starting in FY 2007-08, transfers equal to 2% of Gross Revenues transferred for future repair and replacement capital projects per Master Resolution 02-1692, Section 2.02 (8), as amended.
- (n) Separate Rate Stabilization Fund established in 2007 with an initial deposit of \$5 million funded in June 2007.
- (o) Transfer (to) / from Construction Fund represents the loan proceeds for Capital Projects related to contracts spanning multiple fiscal years in excess of the current fiscal year Capital Projects cash requirement.
- (p) Equal to Ending Cash Balance divided by annual Operation and Maintenance Expenses. Per Master Resolution 02-1692, Section 5.01 (1), as amended.

**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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**Summary of Significant  
Assumptions**



# Lake Havasu City, Arizona

## *Financial Feasibility Report of the Wastewater System*

### SUMMARY OF SIGNIFICANT ASSUMPTIONS

#### Introduction

Red Oak Consulting (Red Oak) was retained by Lake Havasu City, Arizona (the City) to review information for the purpose of verifying that projected revenues will be sufficient to support a proposed 2009 Wastewater System Project finance applications (Series 2009 and Series 2009A Loans) to the Water Infrastructure Finance Authority of Arizona (WIFA). This review is an update to previous financial feasibility reports<sup>1</sup>. The City received authorization, as a result of a November 6, 2001 election, to enter into debt obligations to finance sewer collection and treatment facility expansion and improvement projects (the Project). As published in the voter pamphlet and presented to voters in 2001, the Project was generally defined as a \$463.0 million capital expenditure program to install a wastewater collection system and associated treatment capacity for an estimated 25,092 already developed properties with septic systems as well as properties expected to be developed over the following eleven years. Currently, the Project cost estimate is \$424.7 million<sup>2</sup> with \$208.7 million expended as of June 30, 2008, the end of fiscal year (FY) 2007-08<sup>3</sup>. As of this same date, in addition to the 2,757 existing connections starting in 2002-03, 12,596 additional properties have been connected to the Wastewater System as part of the Project and the total number of additional properties to be connected through the Project at the end of FY 2014-15 is now estimated by the City at 22,884<sup>4</sup>.

To verify the sufficiency of revenues, Red Oak prepared a projection of cash flows and related calculation of debt service coverage for the City's Wastewater System (the Wastewater System or the System). The projections and calculations (see Schedule A) are intended for use in the WIFA Project finance application for financing assistance for the projected wastewater capital improvement program (CIP). Projections include a Wastewater System Rate Stabilization Fund funded in June 2007 with an initial \$5.0 million deposit from the Wastewater System Revenue Fund and used to meet current year debt service coverage requirements starting in FY 2007-08.

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<sup>1</sup> Previous financial feasibility reports were issued in July 2002, January 2004, October 2004, August 2005, August 2006, May 2007, and July 2008.

<sup>2</sup> The estimate is based on the current System capital improvement program that accelerates the number of areas seweraged each year and completes the project approximately two years earlier. The estimate excludes the North Regional Wastewater Treatment Plant (NRWWTP) Phase II, currently projected by the City to be required outside of the study period or after FY 2014-15. The City will continue to annually evaluate the need for and the timing of the Phase II expansion.

<sup>3</sup> From July 1, 2002 through June 30, 2008, the total capital expenditures of Wastewater System were \$210.1 million; \$208.7 million in Project related expenditures and \$1.4 million in other non-Project related expenditures. These values exclude amounts incurred, but not reimbursed by WIFA at the end of the fiscal year.

<sup>4</sup> The first Project connections occurred in FY 2002-03.

*Summary of  
Significant Assumptions*

As a condition of Resolution No. 02-1692, as thereafter amended (the “Bond Resolution”), any future financings must be made in accordance with the Conditions for Issuance of Parity Obligations as described in the Bond Resolution (herein referred to as the “Additional Bonds Test”). Appendix B to this document contains a discussion and supporting schedules, calculations, etc., relating to the Additional Bonds Test.

The transmittal letter, accompanying schedules and this Summary of Significant Assumptions, and the Appendices, represent our report to the City and should be reviewed in its entirety.

At the end of FY 2007-08, sewer service was provided to approximately 14,866 accounts through the City-owned and operated Wastewater System, excluding 487 inactive accounts previously connected as a result of the Project. The System is currently organized as an Enterprise Fund<sup>5</sup> for accounting and reporting purposes. The City previously provided such services through a sanitary district (the District). The City authorized the dissolution of the District on April 22, 2003<sup>6</sup> and defeased the outstanding certificates of participation (COPs) and general obligation (GO) debt on June 1, 2003. The District was legally dissolved on September 26, 2006<sup>7</sup>.

The Wastewater System collects, transmits, treats, and disposes of sanitary sewage. City Management periodically evaluates the financial needs for both the operational and capital construction programs and recommends user charges (monthly rates for service) for the various uses or customer classes of the Wastewater System to the City Council. On a monthly basis the City prepares bills for sewer services which results in revenues from user rates being collected by the Wastewater System throughout the year.

The accompanying projected Wastewater System Revenue Fund cash flow statement and debt service coverage calculations (Schedule A) have been prepared by Red Oak based on the assumptions made by the City and summarized in the balance of this document.

The Wastewater System cash flow statement (Schedule A) was constructed around four primary financial feasibility objectives – debt service, cash reserves, criteria associated with the issuance of additional parity obligations, and capital replacement funding.

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<sup>5</sup> As defined within Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Government Finance Officers Association, 2005 Edition, page 98, an enterprise fund is used when legal requirements or management policy require that the full cost of providing services (including capital costs) be recovered through fees and charges.

<sup>6</sup> Resolution No. SD-03-4-1, No. 03-1738 and No. 03-1739.

<sup>7</sup> Resolution No. SD-06-9-1.

*Summary of  
Significant Assumptions*

Consistent with the Bond Resolution it was determined that the financial plan and more specifically the Wastewater System user rates (plus the Rate Stabilization Fund), should be designed to achieve a debt service coverage (DSC) ratio of 1.20 times(x) the annual debt service payment of the projected senior lien wastewater revenue obligations (Senior Lien Obligations) and junior lien wastewater revenue / tax-secured obligations (Junior Lien Obligations) (See Section 5.01(1) of the Bond Resolution). See Schedule A and Appendix A, for a detailed presentation of the Senior and Junior Lien Obligation annual debt service payments.

A second financial feasibility measure was defined as the Cash Reserve Ratio. This ratio is calculated by dividing the Ending Unrestricted Cash Balance of the Wastewater System Revenue Fund by the projected annual cash operation and maintenance (O&M) expenses. The Ending Unrestricted Cash Balance of the Wastewater System Revenue Fund excludes loan proceeds “drawn down” above the projected Project CIP cash requirements in any given fiscal year.<sup>8</sup> A ratio of 20% is deemed appropriate to provide adequate cash balances to meet projected O&M requirements.

A third financial feasibility measure was defined as the Additional Bonds Test. Certain conditions must be met if the City is to issue additional parity debt obligations. These conditions are specified in the Bond Resolution. The calculation of financial results consistent with the Additional Bonds Test involves several adjustments to the values shown in Schedule A, but requires achievement of a 1.20x debt service coverage ratio on Senior Lien Obligations as a requirement for the issuance of additional Senior Lien parity debt. See Appendix B for a detailed discussion of the adjustments and associated schedule of Additional Bonds Test calculations relating to Senior Lien Obligations anticipated to be issued in October of 2009. The City does not anticipate the issuance of additional debt to fund Project capital expenditures after the Series 2009A Loan (the estimated October 2009 Senior Lien Obligation) and therefore the Additional Bonds Test contains information related solely to this debt issue. For purposes of determining DSC and the Additional Bonds Test, the Rate Stabilization Fund is excluded from adjusted net revenues.

The final financial feasibility objective relates to the funding of capital replacements. The Bond Resolution established a Wastewater System Capital Replacement Fund. It should be noted that the City had already established a similar Capital Replacement Fund as part of the now dissolved District. This analysis carried forward the existing fund balance and estimated the contributions to be made in order to meet the requirements of the Bond Resolution. To the extent transfers into the Capital Replacement Fund (from the Wastewater System Revenue Fund) are needed, they cannot exceed 2% of annual Gross Revenues in any given year.

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<sup>8</sup> Resolution No. 02-1692, Section 2.05.

## *Summary of Significant Assumptions*

Using these financial thresholds as guidelines (DSC, operating cash reserves, the Additional Bonds Test, and capital replacement funding), this Financial Feasibility Report was prepared by Red Oak for the City's Wastewater System. The complete financial plan is contained in Appendix A of this document. Appendix B contains schedules illustrating the Additional Bonds Test for Series 2009A Loan, while Appendices C and D provide information regarding Project capital expenditures and connections associated with the Wastewater System, respectively. Appendix E includes copies of adopted City ordinances referenced in the balance of this report.

### **Basis of Presentation**

The projected Wastewater System Revenue Fund cash flow statement and debt service coverage calculations illustrated on Schedule A (and in Appendices A and B) are presented on a cash or budgetary basis that differs from accrual basis financial statements. For example, on a cash basis, capital expenditures are treated as financial outflows in the years expended rather than capitalized as assets. Similarly, loan principal payments are treated as financial outflows and borrowings (loan proceeds) as inflows. For these reasons, the FY 2002-03 through FY 2007-08 results illustrated in this document differ from those contained in the City's Comprehensive Annual Financial Report for these same years.

### **Connections**

A key element of the financial feasibility analysis relates to the number of connections to be served by the Wastewater System. Throughout this document and supporting Appendices connections and accounts are referenced. There always will be differences between the number of active accounts and number of connections and such differences are not material to the results presented. The engineering firm of AMEC Earth and Environmental, Inc. (AMEC) completed analyses to determine the number of existing residential connections and to project the number of connections to be made in the future (for the period FY 2009-10 through FY 2012-13)<sup>9</sup>. Projected connections by year are illustrated in Figure 1. Prior to the Project, the City had an estimated 2,757 single-family, multi-family and non-residential accounts. As of July 1, 2008, there were 14,866 connections to the Wastewater System. AMEC and the City project a total of 21,839 single-family connections to the Wastewater System as a result of the Project through FY 2014-15<sup>10</sup>. Additionally, the City projects an additional 496 single-family connections to the Wastewater System resulting from growth outside of currently platted areas for a total of 22,335 single-family connections through FY 2014-15 as illustrated in Table 1. The original projection<sup>11</sup> of 25,092 single-family connections to the Wastewater System as a result of the Project, from FY 2002-03 through FY 2012-13, has been decreased by AMEC to reflect recent development trends within the City and a slowdown in building permits. Appendix D contains a

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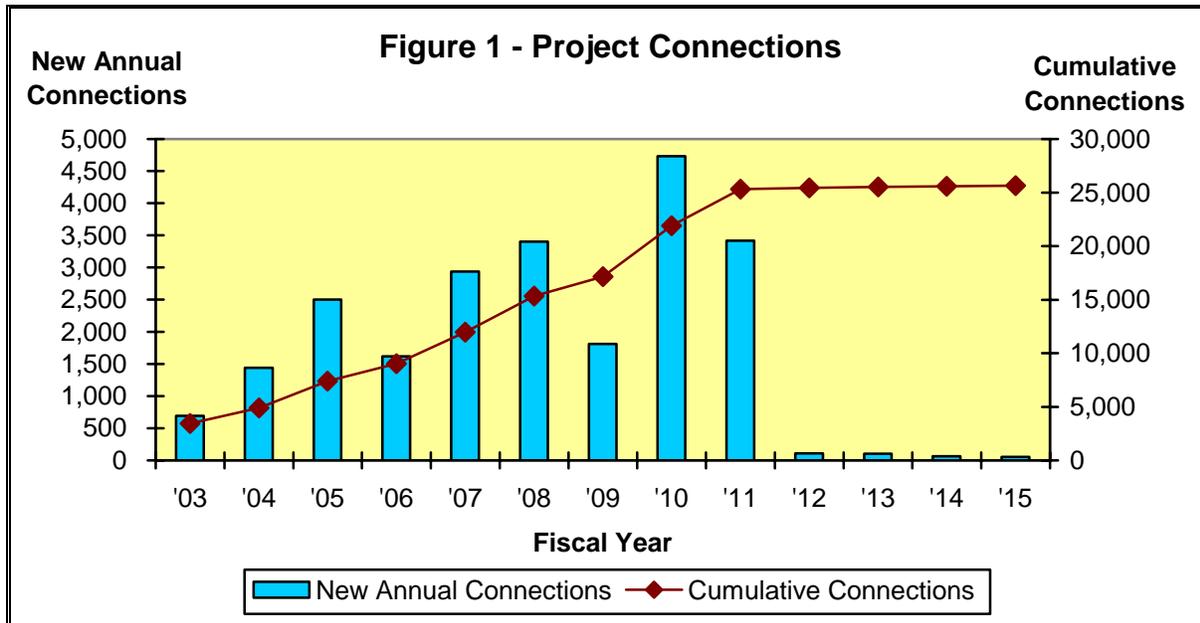
<sup>9</sup> Source: July 2, 2009 Memorandum from AMEC to City's Wastewater System Expansion Project Manager (See Appendix D).

<sup>10</sup> The first Project connections occurred in FY 2002-03.

<sup>11</sup> The original projection was prepared in 2001 by the City's former engineering consultant, Burns & McDonnell.

*Summary of  
Significant Assumptions*

discussion of the methodology used by AMEC to project single-family connections to the Wastewater System – connections from existing developed properties with septic tanks and connections from newly developed single-family properties (future growth in the community).



In addition to the projections of single-family connections, the City projects an additional 549 multi-family and non-residential connections to the System. The projected connections are based upon growth within the current sewer areas (multi-family and non-residential) and projected growth outside of currently platted areas (non-residential). The growth connections within current sewer areas are based on a conservative projection reflecting slowdown in building permits and growth below recent historic trends and reflect an assumed 120 multi-family and 0 non-residential in FY 2009-10 and 39 multi-family and 0 non-residential connections annually for FY 2010-11. Multi-family and non-residential connections are both projected to drop to 0 annually for FY 2011-12 through FY 2014-15 inside platted areas. For areas beyond the currently platted area, the City projects a total of 80 non-residential connections for FY 2009-10 through FY 2014-15.

Table 1 summarizes the projection of connections to the Wastewater System by year starting in FY 2002-03 and continuing through FY 2014-15. As presented in Table 1, total connections, including connections prior to the Project, are projected to be 25,641 at the end of FY 2014-15.

Red Oak updated the number of accounts, by “standard classification” or class, for connections as of June 30, 2008 from City-supplied data. These standard classifications along with the number of accounts in each classification as of June 30, 2008, are listed in Table 2.

**Table 1  
Wastewater System  
Project-Related Connections**

<u>Fiscal Year</u>	<u>Connections at Start of Year</u> (1)	<u>Single-Family Connections of Existing Development</u> (3)	<u>Cumulative Total of Existing Single-Family Development</u>	<u>Single-Family Connections New Development Inside Platted Areas</u>	<u>Total Single-Family Connections Inside Platted Areas</u> (4)	<u>Single-Family Connections Outside Platted Areas</u> (5)	<u>Total New Single-Family Connections Current Fiscal Year</u>	<u>New Multi-Family and Non-Residential Connections Current Fiscal Year</u> (6)	<u>Cumulative Total New Connections</u>	<u>Connections At End of Year</u>	<u>Percent Increase from Prior Year</u>
02-03	2,757	434	434	259	693		693	-	693	3,450	25%
03-04	3,450	1,045	1,479	233	1,278	87	1,365	76	2,134	4,891	42%
04-05	4,891	2,140	3,619	253	2,393	55	2,448	55	4,637	7,394	51%
05-06	7,394	1,508	5,127	68	1,576	40	1,616	1	6,254	9,011	22%
06-07	9,011	2,723	7,850	123	2,846	84	2,930	8	9,192	11,949	33%
07-08 (2)	11,949	3,148	10,998	132	3,280	55	3,335	69	12,596	15,353	29%
08-09	15,353	1,659	12,657	40	1,699	10	1,709	101	14,406	17,163	12%
09-10	17,163	4,550	17,207	55	4,605	0	4,605	126	19,137	21,894	28%
10-11	21,894	3,283	20,490	62	3,345	20	3,365	51	22,553	25,310	16%
11-12	25,310	0	20,490	62	62	30	92	17	22,662	25,419	0%
12-13	25,419	0	20,490	62	62	25	87	17	22,766	25,523	0%
13-14	25,523	0	20,490	0	0	45	45	17	22,828	25,585	0%
14-15	25,585	0	20,490	0	0	45	45	11	22,884	25,641	0%
<b>Total</b>		<u>20,490</u>		<u>1,349</u>	<u>21,839</u>	<u>496</u>	<u>22,335</u>	<u>549</u>			

- (1) A total of 2,757 single-family, multi-family and non-residential accounts existed as of July 1, 2002 when the Project began.
- (2) Connections at the start of FY 2008-09 represent a total of 15,353 residential, commercial and industrial customers of the Lake Havasu City Wastewater System less 487 inactive accounts for a total of 14,866 active accounts.
- (3) Source: FY 2009-10 through FY 2012-13 provided by AMEC per July 2, 2009 memorandum based on current System CIP. Represents currently developed properties and properties projected to be developed in the Wastewater System service area prior to the area connected to the Wastewater System that have septic tanks for wastewater collection/treatment processing and are projected to be connected to the Wastewater System as a result of the Project.
- (4) Source for the FY 2002-03 through FY 2014-15 connections: Lake Havasu City and AMEC. Values represent currently undeveloped properties that are expected to be developed and connected as projected by fiscal year throughout the study period. Previously this table included 129 connections made in FY 2001-02 that were not part of the Project and therefore have been removed.
- (5) Source FY 2002-03 through FY 2014-15 connections: Lake Havasu City. Values represent undeveloped properties outside platted areas that are expected to be developed and connected as projected by fiscal year through the study period.
- (6) Information provided by the City. Includes projected multi-family and non-residential connections due to growth within existing sewer areas plus connections from development outside currently platted areas. Projected multi-family connections include 101 in FY 2008-09, 120 in FY 2009-10, 39 in FY 2010-11 and 0 annually through FY 2014-15. There are no projected non-residential connections through FY 2014-15 within existing sewer areas, but there are projected connections from developments outside of currently platted areas (See the schedule titled "Conn\_3" in Appendix A).

**Summary of  
Significant Assumptions**

As of June 30, 2008, the Wastewater Enterprise Fund served 13,852 residential accounts (single-family, duplex, condo, apartment/multi-family) and 1,014 non-residential accounts for a total of 14,866 accounts<sup>12</sup>. It is projected that by FY 2014-15 using the methodology described in Table 1 and Appendices A and D, service will be provided to 24,216 residential accounts and 1,117 non-residential accounts, for a total of 25,333 accounts.

<b>Table 2 Number of Accounts at June 30, 2008</b>	
<b><u>Classification</u></b>	<b><u># of Accounts</u></b>
Residential – single family	12,658
Residential – Canterbury/Refuge	285
Condo	61
Apartment/Multi-Family	848
Theaters, Libraries, Parks	43
Bar w/o Dining	7
Car Wash w/o Recycling	5
Car Wash w/ Recycling	1
Retail/Convenience	355
Hospital/Convalescent	12
Hotel/Motel	17
Hotel/Motel w/Restaurant	9
Fitness Centers/Beauty Salons	22
Laundromat	8
Commercial Laundry/Dry Cleaning	2
Grocery Store	10
Mortuaries	2
Professional Offices	228
Repair Shop/Service Shop	127
Restaurants	96
Delicatessen	12
Schools w/Gym/Cafeteria	7
Schools w/Cafeteria	1
Schools	29
Nurseries, Bottled Water	5
Septage Haulers	8
Industrial	1
RV Parks/Commercial	2
Social Club	5
Total	14,866

**Revenues**

***User Charges***

The most significant revenue source of the Wastewater System is user charge revenue from

<sup>12</sup> 15,353 connections less 487 inactive accounts totals the 14,866 accounts at the start of FY 2008-09 assumed to remain inactive throughout the remainder of the study period.

**Summary of  
Significant Assumptions**

revenues were being collected from 14,866 accounts, and for FY 2007-08; the City generated \$13.0 million in user charge revenue.

Schedule A is a cash flow statement for the Wastewater System for FY 2002-03 through FY 2014-15. As noted on Schedule A, user charge revenues are \$13.0 million for FY 2007-08 and are projected to increase by 13% in FY 2008-09 to \$14.7 million and to \$31.2 million by the end of the study period. These increases are driven by the additional number of connections made to the Wastewater System (see Table 1). These increases also reflect rate adjustments that

began in FY 2005-06 (see Table 3) and are projected to continue through FY 2014-15. Starting with the adopted FY 2009-10 increase, rate adjustments and resulting revenue are assumed to be effective April 1 of the prior fiscal year (e.g., FY 2009-10 increase was effective on April 1, 2009 or the final three months of FY 2008-09).

User charge revenue is expected to increase rapidly as the capital improvement program is undertaken and existing homes are connected to the Wastewater System. In November of 2008, City Council adopted a three-year rate schedule by customer classification for FY 2009-10 through FY 2011-12<sup>13</sup>. Table 4 summarizes the adopted rates and minimum bill amounts by customer classification for FY 2009-10 which were effective April 1, 2009. The FY 2010-11 rates by customer

<b>Table 3 Residential Rate and Estimated Typical Residential Monthly Bill</b>				
<b>Fiscal Year</b>	<b>Rate Per CCF (1)</b>	<b>Rate Increase</b>	<b>Monthly Bill</b>	<b>Bill Increase</b>
2004-05 (2)	\$3.22	-	\$30.98	-
2005-06 (2)	\$4.25	32.0%	\$38.21 (4)	23.3%
2006-07 (2)	\$5.53	30.1%	\$49.71	30.1%
2007-08 (2)	\$5.93	7.2%	\$53.31	7.2%
2008-09 (3)	\$5.93	0.0%	\$53.31	0.0%
2009-10	\$6.53	10.6%	\$58.70	10.1%
2010-11	\$7.30	11.3%	\$65.63	11.8%
2011-12	\$8.13	11.4%	\$73.09	11.4%
2012-13	\$8.17	0.5%	\$73.45	0.5%
2013-14	\$8.17	0.0%	\$73.45	0.0%
2014-15	\$8.92	9.2%	\$80.19	9.2%

(1) Rate per hundred cubic feet (CCF).  
 (2) Actual.  
 (3) Effective April 1 of each year and shown in the subsequent fiscal year projected through FY 2014-15.  
 (4) The projected typical single-family residential monthly usage per account for FY 2005-06 through FY 2014-15 is projected to be 8.99 ccf for purposes of calculating the typical residential monthly bill.

classification are included in Appendix A. In general, user charge revenues are projected based on a detailed analysis of rates for service, the number of accounts by classification, and estimated billable wastewater flows by classification.

The FY 2009-10 monthly wastewater bill for a typical residential customer in the City was estimated at \$58.70<sup>14</sup>. Starting in FY 2005-06, increases were projected to be needed in order to meet the cash reserve and debt service coverage requirements established for the Wastewater System. These increases and the typical residential monthly bill are shown in Table 3. The City Council has adopted a series of rate adjustments for the fiscal years 2009-10, 2010-11 and 2011-

<sup>13</sup> Resolution No. 08-2340.

<sup>14</sup> Based on a projected 8.99 CCF at a rate of \$6.53 per CCF; based on rates per Resolution No. 02-1665.

*Summary of  
Significant Assumptions*

12 as noted in Table 3. Subsequent increases are projected to be required, but have not been adopted by City Council as of the issuance of this report.

Customers whose calculated monthly bill is less than an established minimum pay the minimum amount. Minimum bill amounts and volume rates for FY 2009-10 are summarized by customer classification in Table 4. In August 2006, City Council adopted minimum bill amounts for single-family residential, condo, multi-family, hotel / motel, hotel / motel with restaurant, and RV Park classifications on a per dwelling unit basis rather than the per account approach as was the prior policy. Adopted minimum bill thresholds were updated in November 2008 and effective April 1, 2009. Projected user charge revenues for FY 2009-10 through FY 2014-15 reflect adopted minimum bill threshold amount. Like user charge rates, minimum bill amounts for periods subsequent to FY 2011-12 have not been formally adopted by City Council, but are material to the projections and results presented within this report and are, in general, projected to increase at the same percentage rate as shown in Table 3. A complete listing of the projected minimum bill amounts by customer classification for FY 2009-10 through the end of the study period is included in Appendix A.

<b>Table 4 FY 2009-10 Rate Per CCF and Minimum Bill</b>			
<b>Rate Code</b>	<b>Classification</b>	<b>Rate Per CCF</b>	<b>Minimum Bill</b>
RE	Residential (1)	\$ 6.53	\$36.50
CO	Condo (1)	6.53	10.50
MF	Apartment / Multi-Family (1)	6.53	21.00
CT	Theatres, Libraries, Parks	6.38	44.50
BW	Bar W/O Dining	6.69	47.00
CW	Car Wash W/O Recycling	6.01	42.00
CR	Car Wash W/ Recycling	7.50	52.50
DP	Retail / Convenience	6.38	44.50
HP	Hospital / Convalescent	6.53	45.50
HW	Hotel / Motel (1)	6.77	9.50
HM	Hotel / Motel W/ Restaurant (1)	8.61	20.00
FB	Fitness / Beauty Salons	6.12	43.00
LM	Laundromat	6.27	44.00
DC	Commercial Laundry / Dry Cleaning	7.52	52.50
GS	Grocery Store	10.19	71.50
MO	Mortuaries	10.19	71.50
PR	Professional Offices	6.12	43.00
SS	Repair Shop / Service Shop	6.86	48.00
RS	Restaurants	10.47	73.50
DE	Delicatessen	6.86	48.00
SG	Schools W/ Gym / Cafeteria	7.25	51.00
SC	Schools W/ Cafeteria	9.88	69.00
SW	Schools	6.18	43.50
H2	Nurseries, Bottled Water	6.38	44.50
SH	Septage Haulers	56.31	N/A
IN	Industrial	6.90	48.50
RV	RV Park (1)	6.53	4.00
SO	Social Club	10.47	73.50

(1) Based on adopted April 1, 2009 minimum bill per dwelling unit, room and RV space per Resolution No. 08-2340.

**Summary of  
Significant Assumptions**

**Property Tax Levy**

The System, under its prior organizational structure as the District, received a portion of its total revenue from a property tax levy. The City discontinued the property tax levy after FY 2001-02 and the District was legally dissolved September 26, 2006. In FY 2002-03, FY 2003-04, and FY 2006-07, delinquent property tax revenues were collected based on the FY 2001-02 tax levies. In FY 2005-06 and FY 2007-08, the City wrote-off a portion of the delinquent property tax revenues, \$3,171 and \$13,296, respectively, as uncollectible. No additional property tax revenues are anticipated over the study period.

**Treatment Capacity Fee**

Beginning in FY 2002-03, a Treatment Capacity Fee (TCF) was assessed to all new connections to the Wastewater System. The TCF was estimated by the City at \$2,000 per equivalent residential unit (ERU) and was formally adopted by City Council on June 18, 2002 (Resolution No. 02-1665). The TCF value of \$2,000 per ERU has been held constant over the study period. An ERU is defined based on water meter/service line size, i.e., all 3/4-inch services are

considered to be a single ERU (see footnote (2) to Table 5 for other ERU “definitions”). Meter capacity ratios are frequently used in assessing fees to accounts with larger meters and this methodology will be used by the City for the TCF. Table 5 illustrates the assessment of the \$2,000 TCF per ERU using meter capacity ratios.

<b>Table 5 Treatment Capacity Fee by Meter Size</b>		
<b>Water Meter Size</b>	<b>Meter Factor (1)</b>	<b>Fee</b>
3/4"	1.0	\$ 2,000
1" (2)	2.0	4,000
1 1/2"	3.2	6,400
2"	4.0	8,000
3"	9.6	19,200
4"	16.8	33,600
6"	36.8	73,600
8"	64.0	128,000

(1) Badger meter catalog, recommended maximum continuous flow – gallons per minute using the flow for a 3/4" meter as the equivalent unit or base amount.  
 (2) The TCF will be \$2,000 for all SFR R1 zoned properties with one meter regardless of meter size per 2008 Sewer Ordinance.

Residential customers are allowed the option of paying the TCF in full at the time of connection or over a ten-year period at 4% interest<sup>15</sup>. This financing option is only available to single family residential (SFR) and duplex properties. All other customers must pay the TCF in full at the time of connection. The TCF revenue stream shown on Schedule A assumes (for FY 2008-09) that all new connections will pay the \$2,000 TCF and that 39% of all new connections (based on actual / projected data provided by the City), will take advantage of the program to finance or repay this obligation over a ten-year period. For the period FY 2009-10 through FY 2014-15, it is projected that 43% of all new customers will finance the TCF. The TCF revenue stream shown on Schedule A assumes that 61% will pay in cash in FY 2008-09 and 57% will pay in cash in FY 2009-10 through the end of the study period. The current cash paid TCF includes

Community Development Block Grant (CDBG) funded payments, and it is assumed that the CDBG program will continue at its current or historic funding level.

<sup>15</sup> Resolution No. 08-932.

***Summary of  
Significant Assumptions***

Current City policy requires that as a property that financed the TCF payment is sold or refinanced, the remaining principal is due prior to completion of the sale. Red Oak has adjusted for these early principal retirements for FY 2002-03 through FY 2008-09 based on City-supplied data. The adjustment reduced projected interest and principal payments over the remaining ten-year period by the number of connections, based on the year in which they connected, that retired the financed TCF early. There is no assumption applied to predict early retirements for currently financed TCF payments or those TCF payments projected to be financed during FY 2009-10 through FY 2014-15.

TCF revenues also include pre-paid TCFs for the Refuge, Canterbury, Foothills Estates and North Pointe developments. These developments entered into pre-payment plans with the City (as part of the sewer service agreement) where \$1,634,000 in TCFs were pre-paid in FY 2002-03 through FY 2007-08 for the first 811 connections associated with the developments (108 for the Canterbury development and 363 for the Refuge development, 200 for Foothills Estates and 140 for North Pointe). Of the first 811 pre-paid TCFs, 337 are projected to be connected to the Wastewater System at the end of FY 2008-09. The remaining 474 pre-paid TCFs are projected to connect starting in FY 2009-10 and subsequent years beyond the study period (FY 2014-15).

Additionally, North Pointe agreed to pre-pay \$240,000 per year for 120 connections until 650 connections have been pre-paid in FY 2009-10. The City is in the discovery phase of legal proceedings to collect the contracted North Pointe pre-paid TCFs invoiced but not received, starting in FY 2006-07. In conservatively projecting revenues, Red Oak has excluded invoiced, but uncollected North Pointe pre-paid TCFs until this matter is resolved. To date, North Pointe has connected 46 connections and pre-paid for the first 140 connections. The 650 total connections were previously projected to connect to the System and future North Pointe connections have been excluded from this report to conservatively project connections to the System as summarized in Appendix A.

The City has adopted a requirement that all properties connect to the Wastewater System within 14 days after service is available<sup>16</sup>. The City has also made the optional ten-year financing only available during that 14-day period, i.e., the full TCF is due and payable if connection is made after 14 days. For those properties that do not pay the TCF prior to the expiration of the 14-day period, the City will collect the TCF through the normal monthly billing process.

***Other Miscellaneous Revenues***

The City assesses a variety of other miscellaneous charges associated with connection and disconnection from the Wastewater System and other services. For FY 2007-08, these revenues were \$218,571, and this value is escalated at 2% per year for the remainder of the study period.

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<sup>16</sup> Resolution No, 08-932.

*Summary of  
Significant Assumptions*

***Gain (Loss) on Sale of Investments***

In FY 2002-03 the City experienced a loss on various “State-pooled” investments managed by the State of Arizona; \$277,584 of the loss was attributed to the Wastewater System. This was an unusual event and is not expected to recur. The City has recovered \$144,686 to date since August 2004 and the annual amount recovered is included in the Interest income line item of Schedule A. The City has not projected additional amounts to be recovered.

***Interest***

Actual interest income for FY 2002-03 through FY 2007-08 and projected interest income for FY 2008-09 were provided by the City. While the City’s recent interest earnings rate was above 2%, subsequent fiscal year interest income is calculated at an earnings rate of 2% per year to conservatively project revenues and is applied to the Beginning Cash Balance for the combined Wastewater System Operations, Capital Replacement, Reserve, and Construction Funds. Schedule A illustrates cash flow results for only the Wastewater System Revenue Fund; annual cash flow projections for the Capital Replacement and Reserve can be found in Appendix A. Per the Bond Resolution and reflected in this plan, any income realized from deposits to the Construction Fund is restricted to funding system improvements and not available to fund other Wastewater System expenses.

**Rate Stabilization Fund**

The Bond Resolution was amended in 2007 to create a Rate Stabilization Fund within the Wastewater Enterprise<sup>17</sup>. The Rate Stabilization Fund was established with an initial deposit of \$5.0 million in June 2007 from the Wastewater System Revenue Fund. Starting in FY 2007-08, the balance of the Rate Stabilization Fund is treated as an inclusion in net revenues available to meet annual debt service coverage requirements of Senior and Junior Lien Obligations, as reflected within this report and supporting calculations summarized in Appendix A. However, the Rate Stabilization Fund is excluded from the Additional Bonds Test for the issuance of additional obligations.

As previously noted, the amendment incorporates the Rate Stabilization Fund within the flow of funds for the Wastewater System. The amendment allows for the balance to be used to fund Wastewater System cash requirements if cash inflows are insufficient to meet annual O&M expenses or debt service requirements and establishes the procedure for the replenishment of such funds. The Rate Stabilization Fund balance is not expected to be used to fund cash outflows of the Wastewater System Revenue Fund even though this use is allowed by the proposed amendment. The Rate Stabilization Fund is expected to be used to meet annual debt service coverage requirements.

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<sup>17</sup> Per Resolution No. 07-2160.

*Summary of  
Significant Assumptions*

In 2007 the City consulted with WIFA, the State of Arizona Greater Arizona Development Authority (GADA) and MBIA (the insurer of Series 2002 through 2007 outstanding Senior and Junior Lien Obligations excluding short-term engineering and design loans) and obtained the required consent of the various stakeholders for the creation of the Rate Stabilization Fund and the amendment to the Bond Resolution. Additionally, the City consulted with three credit rating agencies (Fitch Ratings, Moody's Investors Service and Standard and Poor's) in outlining the proposed amendment, soliciting feedback and confirming that the proposed amendment would not negatively impact the credit ratings of currently outstanding Senior and Junior Lien Obligations or those to be issued.

**Operation and Maintenance Expenses**

***Current System O&M***

Current System O&M expenses are associated with facilities constructed as of the date of this report. For FY 2008-09, the Wastewater System O&M expenses are projected at \$7.6 million. For FY 2009-10, the City has budgeted Wastewater O&M expenses at \$7.7 million. O&M expenses were projected over the remaining years of the study period using an escalation rate of 4% per year. By FY 2014-15 Current System O&M expenses are projected to reach \$9.5 million.

***New System O&M***

New System O&M expenses are associated with all facilities to be constructed in the future as part of the Project. New System O&M expenses were provided by the City. The previously projected New System O&M expenses were reduced by the City based on a projected reduction of future requirements.

These expenses are projected at \$500,000 in FY 2009-10 and, per the City, are intended to reflect a conservative estimate of unanticipated O&M expenses. New System O&M expenses are projected by the City to increase to \$780,000 in FY 2010-11 and increase based on projected inflation annually. By FY 2014-15, New System O&M expenses are estimated at approximately \$910,000 annually. In summary, total Current and New System O&M expenses are projected at \$8.2 million in FY 2009-10 increasing to \$10.4 million at the end of the study period.

It should be noted that the New (as well as the Current) System O&M expenses, do not include a renewal and replacement (R&R) allowance for capital facilities (see discussion of this topic that follows).

*Summary of  
Significant Assumptions*

**Debt Service**

As previously noted, the District was legally dissolved effective September 26, 2006<sup>18</sup>. On June 1, 2003, the District's \$3.07 million certificates of participation (COPs) were defeased through District cash reserves in the amount of \$543,582 and issuance of new debt as part of the WIFA loan program.

***Senior and Junior Lien Debt***

To date, the City has secured all loans through WIFA and GADA in the net outstanding principal amount of \$275.8 million as of July 1, 2009<sup>19</sup>. Of this amount, \$89.6 million represents the Senior Lien Obligations and \$186.2 million represents the Junior Lien Obligations. Through FY 2007-08 \$205.6 million has been drawn down by the City, including the full amount of the GADA loan issued in FY 2005-06<sup>20</sup>. Upon closing of the Series 2009A WIFA loan, the City will have approximately \$184.4 million of outstanding principal Senior Lien Obligations and \$186.2 million of outstanding principal Junior Lien Obligations, for a total principal amount of \$370.6 million.

In connection with the Series 2009 and 2009A WIFA Loans and pursuant to WIFA's requirement, the City will submit underlying credit rating applications to Fitch Ratings, Moody's Investors Service and Standard & Poor's. The City expects a response from each agency after the date of this report including the receipt of updated Credit Reports. Upon receipt, the City will forward to WIFA. Table 6 summarizes the underlying credit ratings assigned to the City's Senior and Junior Lien Obligations prior to the closing of the Series 2009A WIFA Loan.

<b>Table 6 Outstanding WIFA Senior and Junior Lien Obligation Credit Ratings</b>		
<b><u>Description</u></b>	<b><u>Senior Lien</u></b>	<b><u>Junior Lien</u></b>
Fitch Ratings	BBB+	A
Moody's Investors Service	Baa2	A2
Standard and Poor's	A-	A+

<sup>18</sup> Resolution No. SD-06-9-1.

<sup>19</sup> This amount is net of the defeased engineering and design loan principal of \$20.6 million and principal payments of \$14.7 million made through July 1, 2009 on outstanding Junior and Senior Lien Obligations.

<sup>20</sup> This amount is net of defeased engineering and design loan principal of \$20.6 million defeased through FY 2008-09.

*Summary of  
Significant Assumptions*

All loans, with the exception of the short-term engineering and design loans and Series 2009 Loan, have been insured, resulting in AAA (Standard & Poor's), Aaa (Moody's Investors Service) and AAA (Fitch Ratings). Series 2002, 2004, 2004A, 2006, 2007 and 2008 WIFA Loans and the Series 2005B GADA Loan have been insured and have interest rates which range from 2.67% to 4.78%. MBIA provided a debt service reserve fund surety policy in connection with the Series 2005 GADA loan as well as the Series 2006 and 2007 WIFA loans. Assured Guaranty provided a debt service reserve fund surety and insurance policy in connection with the Series 2008 WIFA loan. With respect to the Series 2009A WIFA Loan request, the City has applied for insurance and debt service reserve fund surety policies for the estimated \$89.6 million Senior Lien Obligation.

As outlined herein, Senior Lien Obligations are secured by net revenues (and other miscellaneous sources) of the Wastewater System while the Junior Lien Obligations are secured by the net revenues after payment of the Senior Lien Obligations. Junior Lien Obligations are further secured by an ad valorem secondary property tax levy on all taxable property within the City. With regard to the Series 2009A Senior Lien Obligations on a parity basis, the City is subject to the Additional Bonds Test Covenant (see Appendix B).

The amount of interest paid on the WIFA obligations is based on the City's actual construction draws along with the scheduled principal payments, which are due on the first day of each fiscal year. The Series 2009 and 2009A financings include a \$5.1<sup>21</sup> and \$89.6 million Senior Lien Obligation Loans from WIFA. Additional loans are not projected to be required to fund Project related capital projects after the Series 2009A WIFA Loan request. Non-project capital expenditures are anticipated to be cash funded.

Throughout the study period, the amount of new loans to be issued (or authorized) was generally determined to be equal to the total capital project amount of contracts projected to be awarded in a given fiscal year less any available or unrestricted cash that could be used to fund capital projects. The draw downs were generally determined to be equal to the annual cash capital project expenditure requirement less any carryover from the prior issue that is expected to be drawn down prior to utilizing funds of any subsequent issue based on the current projected capital project expenditures. \$385.3 million in loans (89% of the total thirteen-year CIP and 91% of Project capital expenditures) are expected to be needed to fund the Project, plus \$8.6 million of other non-Project capital expenditures after considering the amount of cash available during the study period.

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<sup>21</sup> The Series 2009 WIFA Loan includes \$2.0 million in principal forgiveness. While it is anticipated that the forgiveness will be granted upon completion of the capital expenditures funded by this loan and inspection by WIFA (all requirements of Resolution 02-1692, as amended) the financial projection contained herein (Schedule A) assume the forgiveness will not be granted.

*Summary of  
Significant Assumptions*

The forecasted cash flows reflect an assumed timing delay between when the Project capital expenditures are incurred and when reimbursements are received. This timing delay accounts for differences between capital project expenditures by fiscal year provided by AMEC and the similar information provided by the City. Additionally, the City provided FY 2001-02 through FY 2008-09 actual, projected and previous year carryover capital expenditures. Projected FY 2009-10 through FY 2011-12 capital expenditures were provided by AMEC based on the inflated dollar value in the year of expenditure<sup>22</sup>. The City also provided projected capitalized personnel costs for FY 2008-09 through FY 2010-11 that are in addition to the projection of Project capital expenditures provided by AMEC and previously discussed.

**City Contribution**

Other cash inflows to the Wastewater System include a City Contribution, based on actual amounts for FY 2002-03 through FY 2008-09 and anticipated contributions of \$5.0 million per year from FY 2009-10 through FY 2012-13. Beginning in FY 2013-14, the City Contribution is anticipated to be decreased by \$2.0 million to \$3.0 million annually as the portion of the City Contribution (\$2.0 million) transferred annually from the Irrigation and Drainage District (IDD) will not be made and remain within the IDD. In the first year of the Project, FY 2002-03, the contribution of \$4.8 million served to establish (in part) an appropriate cash balance and pay debt service (interest only) on the former District COPs. Subsequent contributions starting in FY 2003-04 through FY 2006-07 were applied to fund Project-related capital costs. Starting in FY 2007-08, the City Contribution is utilized to maintain the Wastewater System Revenue Fund cash balance.

**Other Cash Inflows/(Outflows)**

Interest on the dissolved District COPs payable on December 1, 2002 and June 1, 2003 (estimated for each date at \$100,100 for a total of \$200,200), was also paid from City-contributed funds for FY 2002-03. This is illustrated on Schedule A by including this amount (\$200,200) as part of the defeased District debt (COPs & GO) in FY 2002-03.

***Loan Amount (Gross)***

These amounts represent the actual WIFA loan draw downs for FY 2002-03 through FY 2007-08 and actual GADA loan proceeds for FY 2005-06, estimated WIFA draw downs for FY 2007-08, and projections for subsequent years. For FY 2008-09 through FY 2014-15, borrowings to finance capital expenditures in these years were set equal to the projected dollar amount of contracts expected to be let for each fiscal year<sup>23</sup>. In the final Project financing, FY 2009-10 per current System capital plan, the City is minimizing the amount of debt issued by cash funding capital while exceeding the required cash reserve ratio. The available estimated loan balance of

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<sup>22</sup> AMEC projected anticipated capital expenditures assuming a 3% to 5% annual inflation factor.

<sup>23</sup> Based upon an annual appropriation from the City Council.

*Summary of  
Significant Assumptions*

\$45.5 million, or the difference between the total loans authorized to date and the loan issued or drawn down through FY 2007-08, is projected to be fully “drawn down” in FY 2008-09 and FY 2009-10. Future loan proceeds are projected to be drawn down based on the annual cash requirement of projected capital expenditures.

The use of cash to fund a portion of the Project results in 9% of the total Project (11% of all capital expenditures) being cash funded and 91% being debt funded (89% of all capital expenditures). With the use of cash to fund a portion of the Project, the ending cash balance (or cash reserve ratio) is estimated at 43% of annual O&M costs in FY 2014-15, or a balance of \$4.5 million in the Wastewater System Revenue Fund (see Schedule A).

***Reserve Fund***

The Reserve Fund represents the required reserve for the aggregate of all Parity Obligations outstanding and treating such aggregation as a single issue, which is the lesser of (i) ten percent (10%) of the original principal amount of such aggregate issues, (ii) maximum annual debt service on all outstanding parity obligations calculated solely on the basis of such aggregate issue or (iii) one hundred twenty-five percent (125%) of the average annual debt service for the aggregate issue<sup>24</sup>.

For the FY 2002-03 WIFA Junior Lien Obligations (construction loan only), the City funded the Reserve Fund equal to maximum annual debt service in the amount of approximately \$630,000 in cash at closing. For the Series 2002, 2004, 2004A, and 2009 Senior and Junior Lien Obligations, the City funds the Reserve Fund for each loan over a five-year period from the closing of each loan, as required by WIFA. Through FY 2007-08, the total debt service reserve held on deposit is \$5.4 million and is equal to the required reserve balance. The Wastewater System will make the appropriate payments by transferring funds to the Reserve Fund periodically as required.

The Series 2005B GADA loan and Series 2006, Series 2007, and Series 2008 WIFA loans did not require deposits to the Reserve Fund as the City purchased a qualified debt service reserve fund surety policies from MBIA and Assured Guaranty. For the Series 2009A Loan, it is assumed that the City will continue to fund the Reserve Fund through the acquisition of qualified debt service reserve fund surety policy. If such a policy is not obtained for the Series 2009A WIFA Loan, certain information and tables herein will be updated and forwarded to all appropriate parties.

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<sup>24</sup> Resolution No. 02-1692, Section 1.01.

## *Summary of Significant Assumptions*

### ***Capital Projects***

Actual FY 2002-03 through FY 2007-08 and projected FY 2008-09 and budgeted FY 2009-10 and prior project carryover capital expenditures were provided by the City. For subsequent years, AMEC provided all Project capital cost estimates. The City estimated additional capital expenditures, in addition to the projection of Project capital expenditures provided by AMEC; these projections related to capitalized personnel costs for this same period and non-Project capital after the anticipated completion of the Project. Current Project capital costs as developed by the City and AMEC, totaling \$424.7 million<sup>25</sup>, represent the inflated dollar value to the estimated year of expenditure<sup>26</sup>. A general description of the Wastewater System Project, and the manner in which it will be executed, is provided in Appendix C – a July 2, 2009 memorandum prepared by AMEC<sup>27</sup>.

Projected FY 2009-10 through FY 2014-15 loan amounts are based on both the contract amounts to be awarded by the City in the given fiscal year (which may span multiple fiscal years in terms of expenditures) plus annual capital expenditure requirements.

Current total Project-related capital expenditures are estimated at \$424.7 million (inflation adjusted) for the eleven-year study period. Non-Project related capital expenditures are estimated at \$8.6 million (inflation adjusted). The total estimated capital expenditures over the eleven-year study period total \$433.4 million (inflation adjusted).

### **Transfer to Capital Replacement Fund**

The Capital Replacement Fund existed prior to the dissolution of the District. The FY 2002-03 beginning-of-year balance was \$523,767. The City made an additional deposit to this fund in FY 2002-03 bringing the balance to \$701,034, as of June 30, 2003. Transfers to the Capital Replacement Fund balance must be made to the extent the prior fiscal year renewal and replacement (R&R) costs were less than 2% of the Net Fixed Assets of the Wastewater System<sup>28</sup>. Transfers are limited to no more than 2% of the annual Gross Revenues of the Wastewater System.

Because the projected capital project expenditures do not contain costs associated with any renewal and replacement projects, additional transfers begin in FY 2007-08 and additional transfers are estimated for each year of the study period starting in FY 2008-09. As previously noted, the projected transfers are subject to the “2% of Gross Revenue” limitation. Transfers

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<sup>25</sup> The amount excludes previously projected Phase II expansion of the NRWTP. The City now projects that Phase II will not be needed within the current study period and will continue to monitor the flows and annually evaluate the need for and the timing of the Phase II expansion.

<sup>26</sup> Amount includes \$420.7 million Project capital expenditures plus \$4.0 million in capitalized personnel costs for a total Project capital expenditure cost of \$424.7 million. AMEC projected anticipated capital expenditures assuming a 3% to 5% annual inflation factor.

<sup>27</sup> Capital project expenditure estimates within Appendix C include projected Project and non-Project related capital expenditures. City staff reduced projected FY 2009-10 through FY 2014-15 non-Project capital expenditures due to uncertainties regarding the timing of the anticipated improvements.

<sup>28</sup> Resolution No. 02-1692 Section 2.02(8).

*Summary of  
Significant Assumptions*

(additional funding) to the existing Capital Replacement Fund are shown in Schedule A (starting in FY 2007-08), and are estimated at \$4.6 million for the study period starting in FY 2007-08 or, on average, approximately \$575,000 per year for the eight years starting with FY 2007-08.

The City has projected \$90,895 in annual R&R requirements for FY 2007-08, projecting \$298,551 for FY 2008-09 and \$217,500 for FY 2009-10 and is in the process of completing a comprehensive wastewater master plan.

**Transfer to Construction Fund**

In FY 2005-06, a transfer to the Construction Fund was needed as the estimated loans drawn down in FY 2005-06 were greater than the FY 2005-06 Project-related capital expenditure cash requirement<sup>29</sup>. Therefore, the loan proceeds above the Project-related capital expenditure cash requirement of \$42.8 million were transferred in FY 2005-06 from the Wastewater System Revenue Fund to the Construction Fund and excluded from the ending cash balance and the Cash Reserve Ratio calculation for FY 2005-06. In FY 2006-07, these funds are transferred back into the Wastewater System Revenue Fund as these funds were used prior to drawing down the loans to be authorized FY 2006-07. The supporting calculations are included in Appendix A.

For FY 2002-03 through FY 2004-05, transfers to or from the Construction Fund were not necessary in as much as WIFA loans were drawn down only as capital expenditures were incurred and reimbursement requests were submitted by the City. As FY 2006-07 through FY 2008-09 financings were secured and FY 2009-10 through FY 2014-15 new loans are projected to be secured through WIFA and these loans are drawn down only as the expenditures are incurred, future transfers to the Construction Fund are not anticipated.

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<sup>29</sup> Resolution No. 02-1692, Section 2.05.

**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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**Appendix A: Financial Plan -  
Supporting Schedules**

DECISION CRITERIA

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08
<b>FINANCIAL RESULTS</b>						
Cash Reserve Ratio - target 20% (1)	301%	313%	344%	467%	331%	482%
SENIOR Lien Debt DSC Ratio - target 1.20 (2)	0.00	21.37	6.43	5.09	5.52	6.18
JUNIOR Lien Debt DSC Ratio - target 1.20 (2)	56.60	9.71	5.15	3.85	2.62	2.47
Use of Cash to Fund CIP	\$0	\$0	\$3,010,194	\$0	\$0	\$0
End of Year Cash Balance						
Revenue Fund	\$9,775,554	\$13,769,942	\$13,551,064	\$21,161,473	\$17,671,649	\$34,681,721
Capital Replacement Fund	701,034	701,034	701,034	701,034	701,034	1,086,764
Reserve Fund	760,000	975,000	1,674,115	3,126,171	4,415,208	5,406,299
Rate Stabilization Fund					5,000,000	5,000,000
Construction Fund				42,574,802	-	-
Total	\$11,236,588	\$15,445,976	\$15,926,213	\$67,563,480	\$27,787,891	\$46,174,784
Capital Project Expenditures						
Current Year	\$8,596,862	\$20,682,254	\$28,653,470	\$46,119,540	\$66,456,142	\$39,625,626
Cumulative	\$8,596,862	\$29,279,116	\$57,932,586	\$104,052,126	\$170,508,268	\$210,133,894
Percentage of Current Year Loan (3)						
Senior Lien Debt	50.0%	100.0%	41.4%	9.2%	20.4%	100.0%
Junior Lien/General Obligation Debt	50.0%	0.0%	58.6%	90.8%	79.6%	0.0%
Loan Amount						
Senior Lien Debt (4)	\$0	\$20,120,513	\$5,668,975	\$17,775,000	\$4,361,278	\$24,933,248
Junior Lien/General Obligation Debt (4)	4,240,632	8,533,735	24,230,116	69,087,626	11,231,697	27,738,546
Engineering and Design Loan (4)	4,308,782	4,500,308	4,637,055	4,689,639	3,872,023	2,040,540
Current Year (5)	\$8,549,415	\$18,923,970	\$29,729,530	\$91,552,265	\$19,464,998	\$54,712,334
Cumulative (6)	\$8,549,415	\$27,473,385	\$51,437,915	\$140,132,739	\$156,037,737	\$205,675,071
Cumulative Percent Debt Financed	99%	94%	89%	135%	92%	98%
Additional Bonds Test						
Senior Lien Debt - 1.20 required - Oct. 1 Issue (7)						
<b>CUSTOMER IMPACT</b>						
Residential Single Family Typical Monthly Bill	\$30.98	\$30.98	\$30.98	\$38.21	\$49.71	\$53.31
Change from Prior Year – Amount		\$0.00	\$0.00	\$7.23	\$11.50	\$3.60
– Percent		0.00%	0.00%	23.34%	30.10%	7.24%
Cum. Change from Prior Year – Amount	\$0.00	\$0.00	\$0.00	\$7.23	\$18.73	\$22.33
– Percent	0.00%	0.00%	0.00%	23.34%	60.46%	72.08%
Cum. Average Annual Change – Percent	0.00%	0.00%	0.00%	5.38%	9.92%	9.47%
Annual Bill as a % of Median Household Income	1.02%	1.00%	0.98%	1.19%	1.51%	1.59%
Residential Rate Per CCF (8)	\$3.22	\$3.22	\$3.22	\$4.25	\$5.53	\$5.93

- (1) Ending Revenue Fund cash balance as a percent of O&M expenditures.
- (2) Based on annual debt service payments plus any principal payments due on the first day of the next FY (e.g. July 1, 2009 Principal payments are reflected in FY 2008-09 debt service coverage)
- (3) Does not include FY 2002-03 Engineering and Design Loan as part of total gross amount of loan for percentages of Junior & Senior Lien debt.
- (4) Equal to portion of drawn down loan amount of current Fiscal Year plus any carryover from the prior Fiscal Year's authorized loan amount not drawn down in that fiscal year.
- (5) This amount is the annual loan amount drawn down and includes Engineering & Design Loans.
- (6) Defeased Engineering and Design Loan amounts are deducted from the current loan amount and included Junior and Senior Lien Obligations as defeased. Also excludes FY 2005-06 loan premium of \$2,857,742.
- (7) From the additional bonds test - see Appendix B for October Bond Issue additional bonds test ("ABT").
- (8) FY 2009-10 and subsequent rate per ccf assumed effective April 1, 2009 or final three months of previous fiscal year (e.g. April 1, 2009 shown as FY 2009-10).

DECISION CRITERIA

	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
<b>FINANCIAL RESULTS</b>							
Cash Reserve Ratio - target 20% (1)	516%	538%	38%	44%	42%	44%	43%
SENIOR Lien Debt DSC Ratio - target 1.20 (2)	4.01	3.77	2.26	2.17	2.16	2.19	2.18
JUNIOR Lien Debt DSC Ratio - target 1.20 (2)	1.80	1.67	1.47	1.21	1.20	1.22	1.20
Use of Cash to Fund CIP	\$0	\$220,000	\$1,030,000	\$1,060,900	\$1,639,091	\$1,592,754	\$1,640,537
End of Year Cash Balance							
Revenue Fund	\$39,362,420	\$44,274,106	\$3,415,397	\$4,068,488	\$4,093,576	\$4,447,081	\$4,457,621
Capital Replacement Fund	1,208,529	1,526,188	2,151,887	2,763,556	3,379,584	4,010,543	4,685,061
Reserve Fund	5,930,594	6,404,949	6,459,149	6,513,349	6,567,550	6,621,748	6,621,746
Rate Stabilization Fund	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	3,000,000	3,000,000
Construction Fund	-	-	-	-	-	-	-
Total	\$51,501,543	\$57,205,244	\$17,026,433	\$18,345,393	\$19,040,709	\$18,079,372	\$18,764,428
Capital Project Expenditures							
Current Year	\$37,545,992	\$118,100,848	\$61,578,950	\$1,129,745	\$1,639,091	\$1,592,754	\$1,640,537
Cumulative	\$247,679,886	\$365,780,734	\$427,359,684	\$428,489,429	\$430,128,520	\$431,721,274	\$433,361,811
Percentage of Current Year Loan (3)							
Senior Lien Debt	0.0%	100.0%	N/A	N/A	N/A	N/A	N/A
Junior Lien/General Obligation Debt	100.0%	0.0%	N/A	N/A	N/A	N/A	N/A
Loan Amount							
Senior Lien Debt (4)	\$33,332,729	\$80,885,349	\$16,574,313	\$0	\$0	\$0	\$0
Junior Lien/General Obligation Debt (4)	13,427,100	41,592,657	0	0	0	0	0
Engineering and Design Loan (4)	0	(0)	0	0	0	0	0
Current Year (5)	\$46,759,829	\$122,478,006	\$16,574,313	\$0	\$0	\$0	\$0
Cumulative (6)	\$246,214,900	\$368,692,906	\$385,267,219	\$385,267,219	\$385,267,219	\$385,267,219	\$385,267,219
Cumulative Percent Debt Financed	99%	101%	90%	90%	90%	89%	89%
Additional Bonds Test							
Senior Lien Debt - 1.20 required - Oct. 1 Issue (7)		1.62					
<b>CUSTOMER IMPACT</b>							
Residential Single Family Typical Monthly Bill	\$53.31	\$58.70	\$65.63	\$73.09	\$73.45	\$73.45	\$80.19
Change from Prior Year - Amount	\$0.00	\$5.39	\$6.93	\$7.46	\$0.36	\$0.00	\$6.74
- Percent	0.00%	10.11%	11.81%	11.37%	0.49%	0.00%	9.18%
Cum. Change from Prior Year - Amount	\$22.33	\$27.72	\$34.65	\$42.11	\$42.47	\$42.47	\$49.21
- Percent	72.08%	89.48%	111.85%	135.93%	137.09%	137.09%	158.84%
Cum. Average Annual Change - Percent	8.06%	8.32%	8.70%	8.96%	8.16%	7.46%	7.59%
Annual Bill as a % of Median Household Income	1.59%	1.69%	1.81%	1.94%	1.88%	1.80%	1.89%
Residential Rate Per CCF (8)	\$5.93	\$6.53	\$7.30	\$8.13	\$8.17	\$8.17	\$8.92

- (1) Ending Revenue Fund cash balance as a percent of O&M expenditures.
- (2) Based on annual debt service payments plus any principal payments due on the first day of the next FY (e.g. July 1, 2009 Principal payments are reflected in FY 2008-09 debt service coverage)
- (3) Does not include FY 2002-03 Engineering and Design Loan as part of total gross amount of loan for percentages of Junior & Senior Lien debt.
- (4) Equal to portion of drawn down loan amount of current Fiscal Year plus any carryover from the prior Fiscal Year's authorized loan amount not drawn down in that fiscal year.
- (5) This amount is the annual loan amount drawn down and includes Engineering & Design Loans.
- (6) Defeased Engineering and Design Loan amounts are deducted from the current loan amount and included Junior and Senior Lien Obligations as defeased. Also excludes FY 2005-06 loan premium of \$2,857,742.
- (7) From the additional bonds test - see Appendix B for October Bond Issue additional bonds test ("ABT").
- (8) FY 2009-10 and subsequent rate per ccf assumed effective April 1, 2009 or final three months of previous fiscal year (e.g, April 1, 2009 shown as FY 2009-10).

TYPICAL MONTHLY RESIDENTIAL SINGLE FAMILY BILL

	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
Rate (\$/ccf) (1)	\$5.93	\$6.53	\$7.30	\$8.13	\$8.17	\$8.17	\$8.92
Typical Billable flow (monthly - ccf) (2)	8.99	8.99	8.99	8.99	8.99	8.99	8.99
Typical Bill	53.31	58.70	65.63	73.09	73.45	73.45	80.19
<b>Total Typical Monthly Bill</b>	<b>\$53.31</b>	<b>\$58.70</b>	<b>\$65.63</b>	<b>\$73.09</b>	<b>\$73.45</b>	<b>\$73.45</b>	<b>\$80.19</b>
Change from Prior Year							
Amount	\$0.00	\$5.39	\$6.93	\$7.46	\$0.36	\$0.00	\$6.74
Percent	0.00%	10.11%	11.81%	11.37%	0.49%	0.00%	9.18%
Cumulative Change							
Amount	\$22.33	\$27.72	\$34.65	\$42.11	\$42.47	\$42.47	\$49.21
Percent	72.08%	89.48%	111.85%	135.93%	137.09%	137.09%	158.84%

(1) Rate adjustments are assumed effective April 1st of each fiscal year and shown in the subsequent fiscal year (e.g., April 1, 2009 rate adjustment in FY 2008-09 shown starting FY 2009-10).

(2) Typical billable flow based on 2005 analysis of billed (including minimum) sewer usage per month per Single-Family Residential account based on City provided data. 2008 analysis of billed (including minimum) sewer usage per month for Single-Family Residential accounts of 8.89 ccf per month based on City provided data.

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Billed Use and Revenues by Class

	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
Estimated Billed Flows - ccf (1)							
Residential Single Family	1,480,292	1,825,401	2,250,521	2,434,971	2,444,466	2,451,506	2,456,307
Residential Multi Family	328,227	366,900	382,095	387,361	387,361	387,361	387,361
Non-Residential	512,821	550,060	552,040	556,077	559,389	565,369	571,978
<b>Total</b>	<b>2,321,339</b>	<b>2,742,361</b>	<b>3,184,655</b>	<b>3,378,409</b>	<b>3,391,215</b>	<b>3,404,236</b>	<b>3,415,646</b>
Estimated Billed Flows - % (1)							
Residential Single Family	63.77%	66.56%	70.67%	72.07%	72.08%	72.01%	71.91%
Residential Multi Family	14.14%	13.38%	12.00%	11.47%	11.42%	11.38%	11.34%
Non-Residential	22.09%	20.06%	17.33%	16.46%	16.50%	27.99%	28.09%
<b>Total</b>	<b>100.00%</b>						
Estimated Connections - End of Year							
Residential Single Family	14,808	19,413	22,778	22,870	22,957	23,002	23,047
Residential Multi Family	1,010	1,130	1,169	1,169	1,169	1,169	1,169
Non-Residential	1,009	1,015	1,027	1,044	1,061	1,093	1,112
<b>Total</b>	<b>16,827</b>	<b>21,558</b>	<b>24,974</b>	<b>25,083</b>	<b>25,187</b>	<b>25,264</b>	<b>25,328</b>
Estimated Connections - %							
Residential Single Family	88%	90%	91%	91%	91%	91%	91%
Residential Multi Family	6%	5%	5%	5%	5%	5%	5%
Non-Residential	6%	5%	4%	4%	4%	4%	4%
<b>Total</b>	<b>100%</b>						
Estimated Revenues - \$							
Residential Single Family	\$9,032,843	\$12,271,261	\$16,895,789	\$19,820,664	\$19,971,283	\$20,488,465	\$22,039,215
Residential Multi Family	1,947,585	2,466,483	2,868,575	3,153,115	3,164,736	3,237,366	3,475,592
Non-Residential	3,703,279	4,244,798	4,722,185	5,072,045	5,083,894	110,196	430,274
<b>Total</b>	<b>\$14,683,707</b>	<b>\$18,982,542</b>	<b>\$24,486,548</b>	<b>\$28,045,824</b>	<b>\$28,219,913</b>	<b>\$23,836,026</b>	<b>\$25,945,081</b>
Estimated Revenues - %							
Residential Single Family	61.52%	64.64%	69.00%	70.67%	70.77%	85.96%	84.95%
Residential Multi Family	13.26%	12.99%	11.71%	11.24%	11.21%	13.58%	13.40%
Non-Residential	25.22%	22.37%	19.29%	18.09%	18.02%	14.04%	15.05%
<b>Total</b>	<b>100.00%</b>						

(1) Includes billed minimum use amounts.

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RATE SUMMARY – VOLUME RATE PER CCF

Rate Code	STANDARD CLASSIFICATION	Adopted FY 2008-09	Adopted FY 2009-10	Adopted FY 2010-11	Adopted FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
			(1)	(1)	(1)	(1)	(1)	(1)
RE	Residential	\$5.93	\$6.53	\$7.30	\$8.13	\$8.17	\$8.17	\$8.92
RE	Residential Outside of Platted Areas	5.93	6.53	7.30	8.13	8.17	8.17	8.92
CO	Condo	5.93	6.53	7.30	8.13	8.17	8.17	8.92
MF	Apartment/Multi-Family	5.93	6.53	7.30	8.13	8.17	8.17	8.92
CT	Theaters, Libraries, Parks	5.75	6.38	7.14	7.98	8.03	8.03	8.76
BW	Bar w/o Dining	6.12	6.69	7.47	8.29	8.32	8.32	9.08
CW	Car Wash W/O Recycling	5.29	6.01	6.73	7.59	7.69	7.67	8.36
CR	Car Wash W/ Recycling	7.11	7.50	8.35	9.12	9.07	9.09	9.93
DP	Retail / Convenience	5.75	6.38	7.14	7.98	8.03	8.03	8.76
HP	Hospital/Convalescent	5.93	6.53	7.30	8.13	8.17	8.17	8.92
HW	Hotel/Motel	6.23	6.77	7.57	8.38	8.40	8.40	9.17
HM	Hotel/Motel w/ Restaurant	8.48	8.61	9.57	10.26	10.10	10.15	11.11
FB	Fitness / Beauty Salons	5.42	6.12	6.85	7.71	7.79	7.78	8.48
LM	Laundromat	5.61	6.27	7.02	7.86	7.93	7.92	8.64
DC	Commercial Laundry/Dry Cleaning	7.14	7.52	8.38	9.14	9.09	9.11	9.96
GS	Grocery Store	10.41	10.19	11.28	11.87	11.56	11.65	12.78
MO	Mortuaries	10.41	10.19	11.28	11.87	11.56	11.65	12.78
PR	Professional Offices	5.42	6.12	6.85	7.71	7.79	7.78	8.48
SS	Repair Shop / Service Shop	6.34	6.86	7.66	8.47	8.48	8.49	9.26
RS	Restaurants	10.76	10.47	11.59	12.16	11.83	11.92	13.08
DE	Delicatessen	6.34	6.86	7.66	8.47	8.48	8.49	9.26
SG	Schools W/ Gym / Cafeteria	6.82	7.25	8.09	8.87	8.84	8.86	9.68
SC	Schools W/ Cafeteria	10.03	9.88	10.95	11.56	11.28	11.36	12.45
SW	Schools	5.51	6.18	6.92	7.77	7.85	7.84	8.55
H2	Nurseries, Bottled Water	5.75	6.38	7.14	7.98	8.03	8.03	8.76
SH	Septage Haulers	66.85	56.31	61.40	59.05	54.32	55.45	61.42
IN	Industrial	6.39	6.90	7.71	8.51	8.52	8.53	9.31
RV	RV Parks	5.93	6.53	7.30	8.13	8.17	8.17	8.92
SO	Social Club	6.93	10.47	11.59	12.16	11.83	11.92	13.08

(1) Starting in April 1, 2009, future rate adjustments assumed to be effective April 1 of each year, but rate per ccf shown in subsequent fiscal year (e.g., April 1, 2009 projected increase effective for final three months of FY 2008-09 shown in FY 2009-10).

LAKE HAVASU CITY  
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DATE: 07/30/09  
RANGE: Minbill

Minimum Bill (1)

Rate Code	STANDARD CLASSIFICATION	Adopted FY 2008-09	Adopted FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
	Res. Minimum Flow per Account - ccf	5.60	5.60	5.60	5.60	5.60	5.60	5.60
RE	Residential (2)	\$5.93	\$6.53	\$7.30	\$8.13	\$8.17	\$8.17	\$8.92
	Minimum Charge - ROUNDED	\$33.00	\$36.50	\$41.00	\$45.50	\$46.00	\$46.00	\$50.00
RE	Residential Outside Platted Areas (2) (3)	33.00	36.50	41.00	45.50	46.00	46.00	50.00
CO	Condo (2)	19.50	10.50	11.50	13.00	13.00	13.00	14.50
MF	Apartment/Multi-Family (2)	19.50	21.00	23.50	26.00	26.00	26.00	28.50
CT	Theaters, Libraries, Parks	39.00	44.50	50.00	56.00	56.00	56.00	61.50
BW	Bar w/o Dining	43.00	47.00	52.50	58.00	58.00	58.00	63.50
CW	Car Wash W/O Recycling	33.50	42.00	47.00	53.00	54.00	53.50	58.50
CR	Car Wash W/ Recycling	51.00	52.50	58.50	64.00	63.50	63.50	69.50
DP	Retail / Convenience	39.00	44.50	50.00	56.00	56.00	56.00	61.50
HP	Hospital/Convalescent	39.50	45.50	51.00	57.00	57.00	57.00	62.50
HW	Hotel/Motel (2)	7.50	9.50	10.50	11.50	12.00	12.00	13.00
HM	Hotel/Motel w/ Restaurant (2)	18.00	20.00	22.00	23.50	23.00	23.50	25.50
FB	Fitness / Beauty Salons	34.00	43.00	48.00	54.00	54.50	54.50	59.50
LM	Laundromat	36.00	44.00	49.00	55.00	55.50	55.50	60.50
DC	Commercial Laundry/Dry Cleaning	53.00	52.50	58.50	64.00	63.50	64.00	69.50
GS	Grocery Store	84.50	71.50	79.00	83.00	81.00	81.50	89.50
MO	Mortuaries	84.50	71.50	79.00	83.00	81.00	81.50	89.50
PR	Professional Offices	34.00	43.00	48.00	54.00	54.50	54.50	59.50
SS	Repair Shop / Service Shop	43.00	48.00	53.50	59.50	59.50	59.50	65.00
RS	Restaurants	88.00	73.50	81.00	85.00	83.00	83.50	91.50
DE	Delicatessen	43.00	48.00	53.50	59.50	59.50	59.50	65.00
SG	Schools W/ Gym / Cafeteria	48.50	51.00	56.50	62.00	62.00	62.00	68.00
SC	Schools W/ Cafeteria	81.00	69.00	76.50	81.00	79.00	79.50	87.00
SW	Schools	36.50	43.50	48.50	54.50	55.00	55.00	60.00
H2	Nurseries, Bottled Water	39.00	44.50	50.00	56.00	56.00	56.00	61.50
IN	Industrial	45.50	48.50	54.00	59.50	59.50	59.50	65.00
RV	RV Parks (2)	5.50	4.00	4.50	5.00	5.00	5.00	5.50
SO	Social Club	57.00	73.50	81.00	85.00	83.00	83.50	91.50

(1) Monthly minimum bill amounts to nearest \$0.50.

(2) FY 2008-09 reflects minimum bills per dwelling unit as adopted by City Council effective July 1, 2007. Effective April 1, 2009.

FY 2009-10 through FY 2014-15 are projected minimum bills per dwelling unit based on 5.60 ccf, 1.60 ccf, and 3.20 ccf threshold for single-family, condo, multi-family minimum bills per dwelling unit respectively. Hotel motel without restaurant and Hotel motel with restaurant are projected at 1.40 ccf and 2.30 ccf threshold per room effective April 1, 2009 respectively. RV Park is projected at 0.60 ccf threshold per space effective April 1, 2009. Projections are based on actual winter water use per dwelling unit, room and RV space as a percent to single-family winter water use per dwelling unit applied to the single-family threshold ccf per dwelling unit.

(3) Includes Refuge, Canterbury, Foothills Estates, Sailing Hawks, North Pointe (Fidence) Development and State Lands Auction Phase I.

General Input

CLIENT:	LAKE HAVASU CITY
PROJECT:	WW_UPDATE_09
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	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
<b><u>SCENARIO IN USE</u></b>													
Y.E. CONNECTIONS	3,450	4,891	7,394	9,011	11,949	15,353	17,163	21,894	25,310	25,419	25,523	25,585	25,641
CHANGE - #	693	1,441	2,503	1,617	2,938	3,404	1,810	4,731	3,416	109	104	62	56
- %	25.14%	41.77%	51.18%	21.87%	32.60%	28.49%	11.79%	27.57%	15.60%	0.43%	0.41%	0.24%	0.22%
ACCOUNTS ADDED (1)													
SINGLE-FAMILY RESIDENTIAL (2) (3)	639	1,365	2,448	1,640	2,811	2,375	1,865	4,605	3,365	92	87	58	53
MULTI-FAMILY RESIDENTIAL (2) (3)	16	31	18	18	45	496	101	120	39	-	-	-	-
NON-RESIDENTIAL	38	45	37	41	29	17	-	6	12	17	17	17	11
TOTAL	693	1,441	2,503	1,699	2,885	2,888	1,966	4,731	3,416	109	104	75	64
TOTAL NUMBER OF ACCOUNTS (1)													
SINGLE-FAMILY RESIDENTIAL	2,304	3,669	6,117	7,757	10,568	12,943	14,808	19,413	22,778	22,870	22,957	23,002	23,047
MULTI-FAMILY RESIDENTIAL	301	332	350	368	413	909	1,010	1,130	1,169	1,169	1,169	1,169	1,169
NON-RESIDENTIAL	845	890	927	968	997	1,014	1,014	1,020	1,032	1,049	1,066	1,098	1,117
TOTAL	3,450	4,891	7,394	9,093	11,978	14,866	16,832	21,563	24,979	25,088	25,192	25,269	25,333
PERCENT CHANGE													
SINGLE-FAMILY RESIDENTIAL	38.38%	59.24%	66.72%	26.81%	36.24%	22.47%	14.41%	31.10%	17.33%	0.40%	0.38%	0.25%	0.23%
MULTI-FAMILY RESIDENTIAL	5.61%	10.30%	5.42%	5.14%	12.23%	120.10%	11.11%	11.88%	3.45%	0.00%	0.00%	0.00%	0.00%
NON-RESIDENTIAL	4.71%	5.33%	4.16%	4.42%	3.00%	1.71%	0.00%	0.59%	1.18%	1.65%	1.62%	1.59%	1.00%
TOTAL	25.14%	41.77%	51.18%	22.98%	31.73%	24.11%	13.22%	28.11%	15.84%	0.44%	0.41%	0.30%	0.25%

(1) Includes changes in active / inactive accounts within various customer classes as well as new Project connections.

(2) In FY 2007-08, the City reclassified duplex properties as multi-family accounts. Previously these were included as single-family accounts.

(3) 158 multifamily accounts to be sewered, 75% in FY 2009-10 and 25% in FY 2010-11 per City Staff. 1 Condo account to be sewered.

General Input

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
<b>CITY CONTRIBUTION (1)</b>	\$4,754,793	\$3,750,000	\$2,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$3,000,000	\$3,000,000
<b>MEDIAN HOUSEHOLD INCOME</b>	\$36,379	\$37,107	\$37,849	\$38,606	\$39,378	\$40,166	\$40,166	\$41,773	\$43,444	\$45,182	\$46,989	\$48,869	\$50,824
<b>CASH RESERVE TARGET</b>	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
<b>INTEREST EARNINGS RATE</b>	2.2%	1.8%	3.4%	4.0%	4.6%	4.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>CONNECTION FEE FINANCING</b>													
INTEREST RATE	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
TERMS (years)	10	10	10	10	10	10	10	10	10	10	10	10	10
PERCENTAGE FINANCED (2)	28.0%	37.7%	43.6%	39.2%	49.0%	44.2%	39.3%	42.9%	42.9%	42.9%	42.9%	42.9%	42.9%
PERCENTAGE LUMP PAYMENT (2)	72.0%	62.3%	56.4%	60.8%	51.0%	55.8%	60.7%	57.1%	57.1%	57.1%	57.1%	57.1%	57.1%
Residential Connections Where Financing is available			2,448	1,640	2,811	2,375	1,865	4,605	3,365	92	87	58	53
<b>CUR. SYS. O&amp;M ESCALATION RATE</b> (also used for misc. Rev.)								4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>NEW SYSTEM R&amp;R RATE</b>								4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Percent of Revenue Limitation - Capital Replacement Fund</b>							2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

(1) City Contribution is the Wastewater Expansion Fund Financial Projections total of Transfer from General Fund plus Transfer from Irrigation & Drainage District Fund provided by the City for FY 2002-03 through FY 2007-08 actual and FY 2008-09 through FY 2014-15 projected contributions.

(2) FY 2002-03 through FY 2007-08 actual and FY 2008-09 estimated annual results for payment of the Treatment Capacity Fee of the percent of connections paying the TCF via 10-year financing compared to those paying upfront via lump sum or CDBG. FY 2002-03 through FY 2008-09, 43% of connections finance the TCF while the remainder pay upfront. The 43% who finance is applied to eligible connections FY 2009-10 through FY 2014-15.

CASH FLOW STATEMENT - REVENUE FUND

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10
	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
<b>CASH INFLOW</b>								
User Charges	\$3,727,826	\$4,469,813	\$5,007,870	\$7,211,445	\$10,836,972	\$13,033,414	\$14,683,707	\$18,982,542
Property Tax Levy	34,196	5,206	-	(3,171)	13,257	(13,296)	-	-
City Contribution	4,754,793	3,750,000	2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Connection / Developer Fee	1,038,876	2,298,722	3,519,826	3,879,421	4,102,368	5,460,475	3,689,727	6,517,983
Prepaid Connection / Developer Fee	366,000	238,000	208,000	622,000	194,000	6,000	-	-
Loan Proceeds (Gross Amount)	8,549,415	18,923,970	29,729,530	91,552,265	19,464,998	54,712,334	46,759,829	122,478,006
Grants	-	-	-	-	-	1,433,600	-	-
Stimulus Loan Principal Forgiveness	-	-	-	-	-	-	-	-
Capitalized Interest	-	-	-	(3,879,399)	(115,158)	(1,186,539)	(2,375,576)	(3,359,813)
Other Misc. Revenues (1)	431,768	24,809	94,588	125,031	225,741	218,571	222,942	227,401
Gain (Loss) on Sale of Investments	(277,584)	-	-	-	-	2,195	2,710	-
Interest	169,236	206,140	529,694	2,985,474	3,085,514	1,766,463	650,000	1,030,031
<b>SUBTOTAL</b>	<b>18,794,525</b>	<b>29,916,660</b>	<b>41,089,508</b>	<b>107,493,066</b>	<b>42,807,693</b>	<b>80,433,216</b>	<b>68,633,339</b>	<b>150,876,151</b>
<b>CASH OUTFLOW</b>								
Debt Service	140,752	411,938	1,730,253	4,166,477	6,479,984	9,163,681	11,070,350	16,576,400
Payment of Eng. Design Loan Principal	-	-	5,765,000	-	3,560,000	5,075,000	6,220,000	-
Defease Existing Debt	2,647,514	-	-	-	-	-	-	-
Loan Issuance Expense	235,140	212,070	516,166	1,036,067	741,444	893,555	548,783	2,051,309
Reserve Fund Deposit	760,000	215,000	699,115	1,452,056	1,289,037	991,091	524,295	474,355
Capital Projects	8,596,862	20,682,254	28,653,470	46,119,540	66,456,142	39,625,626	37,545,992	118,100,848
Current System Costs O&M	3,245,725	4,401,010	3,944,382	4,533,716	5,345,711	7,197,477	7,622,905	7,726,392
New System O&M Costs	-	-	-	-	-	-	-	500,000
<b>SUBTOTAL</b>	<b>15,625,993</b>	<b>25,922,272</b>	<b>41,308,386</b>	<b>57,307,855</b>	<b>83,872,319</b>	<b>62,946,429</b>	<b>63,532,325</b>	<b>145,429,305</b>
<b>NET CASHFLOW</b>	<b>3,168,532</b>	<b>3,994,388</b>	<b>(218,877)</b>	<b>50,185,211</b>	<b>(41,064,626)</b>	<b>17,486,787</b>	<b>5,101,015</b>	<b>5,446,846</b>
BEGINNING CASH BALANCE	6,784,289	9,775,554	13,769,942	13,551,064	21,161,473	17,671,649	34,681,721	39,362,420
ENDING CASH BALANCE (before transfer)	9,952,821	13,769,942	13,551,064	63,736,275	(19,903,153)	35,158,436	39,782,736	44,809,266
TRANS. (TO) / FROM CAPITAL REPLACEMENT FUND (2)	(177,267)	-	-	-	-	(476,715)	(420,316)	(535,159)
DEPOSIT (TO) / FROM RATE STABILIZATION FUND (3)	-	-	-	-	(5,000,000)	-	-	-
TRANSFER (TO) / FROM CONSTRUCTION FUND (4)	-	-	-	(42,574,802)	42,574,802	-	-	-
ENDING CASH BALANCE (after transfer)	9,775,554	13,769,942	13,551,064	21,161,473	17,671,649	34,681,721	39,362,420	44,274,106
Cash Reserve Ratio (20% target)	301%	313%	344%	467%	331%	482%	516%	538%

- (1) Other Misc Revenue are from the City's Revenue actual in FY 2007-08 and escalated at 2% per year.
- (2) Transfer to Capital Replacement Fund; not considered in debt service coverage calculation.
- (3) Fund established in June 2007 with an initial \$5,000,000 deposit.
- (4) Transfer to Construction Fund; only Loan Proceeds above annual CIP cash requirements.
- (5) Revenues & O&M Costs for FY 2002-03 through FY 2007-08 are actual. FY 2008-09 and FY 2009-10 are a mix of projected results from this model and the City's estimated and budgeted values respectively.

CASH FLOW STATEMENT - REVENUE FUND

	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
<b>CASH INFLOW</b>					
User Charges	\$24,486,548	\$28,045,824	\$28,219,913	\$28,994,491	\$31,245,384
Property Tax Levy	-	-	-	-	-
City Contribution	5,000,000	5,000,000	5,000,000	3,000,000	3,000,000
Connection / Developer Fee	5,422,360	1,960,469	1,973,267	1,926,521	1,867,837
Prepaid Connection / Developer Fee	-	-	-	-	-
Loan Proceeds (Gross Amount)	16,574,313	-	-	-	-
Grants	-	-	-	-	-
Stimulus Loan Principal Forgiveness	-	-	-	-	-
Capitalized Interest	-	-	-	-	-
Other Misc. Revenues (1)	231,949	236,588	241,320	246,146	251,069
Gain (Loss) on Sale of Investments	-	-	-	-	-
Interest	1,144,105	340,529	366,908	380,814	361,587
<b>SUBTOTAL</b>	<b>52,859,276</b>	<b>35,583,410</b>	<b>35,801,409</b>	<b>34,547,973</b>	<b>36,725,877</b>
<b>CASH OUTFLOW</b>					
Debt Service	22,449,369	23,795,227	23,784,618	23,877,561	23,990,414
Payment of Eng. Design Loan Principal	-	-	-	-	-
Defease Existing Debt	-	-	-	-	-
Loan Issuance Expense	-	-	-	-	-
Reserve Fund Deposit	54,200	54,200	54,200	54,198	(2)
Capital Projects	61,578,950	1,129,745	1,639,091	1,592,754	1,640,537
Current System Costs O&M	8,229,767	8,528,279	8,838,735	9,161,600	9,497,381
New System O&M Costs	780,000	811,200	843,648	877,394	912,490
<b>SUBTOTAL</b>	<b>93,092,286</b>	<b>34,318,651</b>	<b>35,160,292</b>	<b>35,563,508</b>	<b>36,040,820</b>
<b>NET CASHFLOW</b>	<b>(40,233,011)</b>	<b>1,264,759</b>	<b>641,116</b>	<b>(1,015,535)</b>	<b>685,057</b>
BEGINNING CASH BALANCE	44,274,106	3,415,397	4,068,488	4,093,576	4,447,081
ENDING CASH BALANCE (before transfer)	4,041,096	4,680,156	4,709,604	3,078,041	5,132,139
TRANS. (TO) / FROM CAPITAL REPLACEMENT FUND (2)	(625,699)	(611,668)	(616,028)	(630,959)	(674,518)
DEPOSIT (TO) / FROM RATE STABILIZATION FUND (3)	-	-	-	2,000,000	-
TRANSFER (TO) / FROM CONSTRUCTION FUND (4)	-	-	-	-	-
ENDING CASH BALANCE (after transfer)	<b>3,415,397</b>	<b>4,068,488</b>	<b>4,093,576</b>	<b>4,447,081</b>	<b>4,457,621</b>
Cash Reserve Ratio (20% target)	38%	44%	42%	44%	43%

- (1) Other Misc Revenue are from the City's Revenue actual in FY 2007-08 and escalated at 2% per year.
- (2) Transfer to Capital Replacement Fund; not considered in debt service coverage calculation.
- (3) Fund established in June 2007 with an initial \$5,000,000 deposit.
- (4) Transfer to Construction Fund; only Loan Proceeds above annual CIP cash requirements.
- (5) Revenues & O&M Costs for FY 2002-03 through FY 2007-08 are actual. FY 2008-09 and FY 2009-10 are a mix of projected results from this model and the City's estimated and budgeted values respectively.

CASH FLOW STATEMENT -  
CAPITAL REPLACEMENT FUND

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09
<b>DETERMINATION OF MAXIMUM CASH BALANCE</b>							
Net Assets - Beginning of Year (net of accum depr) (net of accum. depr.)	\$26,188,372	\$33,604,400	\$52,265,672	\$79,139,142	\$123,426,881	\$185,234,425	\$251,439,389
Capital Improvements	8,396,167	20,404,484	28,653,470	46,119,540	66,456,142	39,625,626	37,545,992
Depreciation Expense (1)	(980,139)	(1,743,212)	(1,780,000)	(1,831,801)	(4,648,598)	(5,014,888)	(8,660,738)
Net Fixed Assets - End of Year	33,604,400	52,265,672	79,139,142	123,426,881	185,234,425	219,845,163	280,324,643
Contributed Capital (2)	0	0	0	0	0	0	0
Net Fixed Assets - End of Year	33,604,400	52,265,672	79,139,142	123,426,881	185,234,425	219,845,163	280,324,643
Required Cash Balance (3)	\$701,034	\$0	\$0	\$0	\$0	\$4,396,903	\$5,606,493
<b>PROJECTED CASH BALANCE</b>							
Beginning of Year Cash Balance	\$523,767	\$701,034	\$701,034	\$701,034	\$701,034	\$701,034	\$1,086,764
Funds Needed for Required Cash Balance	177,267	0	0	0	0	3,695,869	4,519,729
Percent of Revenues Needed for Required Balance	4.7%	0.0%	0.0%	0.0%	0.0%	28.4%	30.8%
Percent Contribution (4)		0.0%	0.0%	0.0%	0.0%	2.0%	2.0%
Required Revenues Transfer In (5)	\$177,267	\$0	\$0	\$0	\$0	\$476,715	\$420,316
Funds Used to Fund Capital Replacements (6)						(90,985)	(298,551)
Ending of Year Cash Balance	\$701,034	\$701,034	\$701,034	\$701,034	\$701,034	\$1,086,764	\$1,208,529

- (1) Based on projected depreciation for FY 2008-09 carried to subsequent years plus 2% of annual CIP.
- (2) Net of Depreciation.
- (3) Equal to 2% of Total Net Fixed Asset Value.
- (4) Equal to no more than 2% of Gross Revenues.
- (5) After FY 2002-03, deposits to Capital Replacement Fund did not start until July 2007 per Article II, Section 2.02 (8) Resolution No. 02-1692. FY 2007-08 and FY 2008-09 actual and estimated transfers provided by City staff.
- (6) Per City staff, \$90,985 to be spent on capital replacements in FY 2007-08 and \$298,551 and \$217,500 FY 2009-10.

CASH FLOW STATEMENT -  
CAPITAL REPLACEMENT FUND

	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
<b>DETERMINATION OF MAXIMUM CASH BALANCE</b>						
Net Assets - Beginning of Year (net of accum depr) (net of accum. depr.)	\$280,324,643	\$388,074,530	\$436,839,361	\$425,109,797	\$413,824,015	\$402,428,186
Capital Improvements	118,100,848	61,578,950	1,129,745	1,639,091	1,592,754	1,640,537
Depreciation Expense (1)	(10,350,961)	(12,814,119)	(12,859,309)	(12,924,873)	(12,988,583)	(13,054,204)
Net Fixed Assets - End of Year	388,074,530	436,839,361	425,109,797	413,824,015	402,428,186	391,014,519
Contributed Capital (2)	0	0	0	0	0	0
Net Fixed Assets - End of Year	388,074,530	436,839,361	425,109,797	413,824,015	402,428,186	391,014,519
Required Cash Balance (3)	\$15,522,981	\$17,473,574	\$17,004,392	\$16,552,961	\$16,097,127	\$15,640,581
<b>PROJECTED CASH BALANCE</b>						
Beginning of Year Cash Balance	\$1,208,529	\$1,526,188	\$2,151,887	\$2,763,556	\$3,379,584	\$4,010,543
Funds Needed for Required Cash Balance	14,314,452	15,947,386	14,852,504	13,789,405	12,717,544	11,630,038
Percent of Revenues Needed for Required Balance	75.4%	65.1%	53.0%	48.9%	43.9%	37.2%
Percent Contribution (4)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Required Revenues Transfer In (5)	\$535,159	\$625,699	\$611,668	\$616,028	\$630,959	\$674,518
Funds Used to Fund Capital Replacements (6)	(217,500)	0	0	0	0	0
Ending of Year Cash Balance	\$1,526,188	\$2,151,887	\$2,763,556	\$3,379,584	\$4,010,543	\$4,685,061

- (1) Based on projected depreciation for FY 2008-09 carried to subsequent years plus 2% of annual CIP.
- (2) Net of Depreciation.
- (3) Equal to 2% of Total Net Fixed Asset Value.
- (4) Equal to no more than 2% of Gross Revenues.
- (5) After FY 2002-03, deposits to Capital Replacement Fund did not start until July 2007 per Article II, Section 2.02 (8) Resolution No. 02-1692. FY 2007-08 and FY 2008-09 actual and estimated transfers provided by City staff.
- (6) Per City staff, \$90,985 to be spent on capital replacements in FY 2007-08 and \$298,551 and \$217,500 FY 2009-10.

CASH FLOW STATEMENT  
 RESERVE FUND

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09
Annual Deposit from Revenue Fund (1)	\$760,000	\$215,000	\$699,115	\$1,452,056	\$1,445,730	\$1,237,451	\$1,111,968
Transfer to Revenue Fund for Defeased Loans (2)					(156,693)	(246,360)	(587,673)
Payments for Debt Service (3)	543,582	-	-	-	-	-	-
<b>NET CASHFLOW</b>	<b>216,418</b>	<b>215,000</b>	<b>699,115</b>	<b>1,452,056</b>	<b>1,289,037</b>	<b>991,091</b>	<b>524,295</b>
BEGINNING OF YEAR CASH BALANCE	543,582	760,000	975,000	1,674,115	3,126,171	4,415,208	5,406,299
END OF YEAR CASH BALANCE	<b>\$760,000</b>	<b>\$975,000</b>	<b>\$1,674,115</b>	<b>\$3,126,171</b>	<b>\$4,415,208</b>	<b>\$5,406,299</b>	<b>\$5,930,594</b>

(1) See Debt2 schedule for annual deposit calculations.

(2) Amounts equal to funded reserve for defeased at time of defeasance.

Engineering and Design Loans and transferred Revenue Fund to cash fund capital projects.

(3) Funds Used to Defease outstanding COP and GO Debt.

CASH FLOW STATEMENT  
 RESERVE FUND

	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
Annual Deposit from Revenue Fund (1)	\$474,355	\$54,200	\$54,200	\$54,200	\$54,198	(\$2)
Transfer to Revenue Fund for Defeased Loans (2)						
Payments for Debt Service (3)	-	-	-	-	-	-
<b>NET CASHFLOW</b>	<b>474,355</b>	<b>54,200</b>	<b>54,200</b>	<b>54,200</b>	<b>54,198</b>	<b>(2)</b>
BEGINNING OF YEAR CASH BALANCE	5,930,594	6,404,949	6,459,149	6,513,349	6,567,550	6,621,748
END OF YEAR CASH BALANCE	<b>\$6,404,949</b>	<b>\$6,459,149</b>	<b>\$6,513,349</b>	<b>\$6,567,550</b>	<b>\$6,621,748</b>	<b>\$6,621,746</b>

- (1) See Debt2 schedule for annual deposit calculations.
- (2) Amounts equal to funded reserve for defeased at time of defeasance.  
 Engineering and Design Loans and transferred Revenue Fund to cash fund capital projects.
- (3) Funds Used to Defeas outstanding COP and GO Debt.

CALCULATION OF INTEREST EARNINGS

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11
BEGINNING OF YEAR CASH BALANCE									
Revenue Fund	\$6,784,289	\$9,775,554	\$13,769,942	\$13,551,064	\$21,161,473	\$17,671,649	\$34,681,721	\$39,362,420	\$44,274,106
Capital Replacement Fund	523,767	701,034	701,034	701,034	701,034	701,034	1,086,764	1,208,529	1,526,188
Reserve Fund	543,582	760,000	975,000	1,674,115	3,126,171	4,415,208	5,406,299	5,930,594	6,404,949
Rate Stabilization Fund						5,000,000	5,000,000	5,000,000	5,000,000
Construction Fund (1)		-	-	58,070,000	42,574,802	-	-	-	-
TOTAL ALL FUNDS	\$7,851,638	\$11,236,588	\$15,445,976	\$73,996,213	\$67,563,480	\$27,787,891	\$46,174,784	\$51,501,543	\$57,205,244
INTEREST EARNINGS RATE	2.16%	1.83%	3.43%	4.03%	4.57%	6.36%	1.41%	2.00%	2.00%
INTEREST EARNINGS (2)	\$169,236	\$206,140	\$529,694	\$2,985,474	\$3,085,514	\$1,766,463	\$650,000	\$1,030,031	\$1,144,105
CONSTRUCTION FUND INTEREST EARNINGS (3)	-	-	-	1,989,918	1,354,912	162,016	240,000	0	0
UNRESTRICTED INTEREST EARNINGS	\$169,236	\$206,140	\$529,694	\$995,556	\$1,730,602	\$1,604,447	\$410,000	\$1,030,031	\$1,144,105

- (1) FY 2005-06 Beginning balance equal to GADA Loan proceeds for CIP
- (2) Allocated 100% to the Revenue Fund. FY 2008-09 estimated per City staff. FY 2009-10 calculated based on beginning of year cash balance and 2% interest rate.
- (3) Through FY 2006-07 \$3,344,430 of interest income is projected to be earned from unspent GADA loan proceeds per City staff. Per Section 2.05 of Resolution No. 02-1692 any income realized from deposits to Construction Fund are restricted to funding system improvements.

**CALCULATION OF INTEREST EARNINGS**

	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
BEGINNING OF YEAR CASH BALANCE				
Revenue Fund	\$3,415,397	\$4,068,488	\$4,093,576	\$4,447,081
Capital Replacement Fund	2,151,887	2,763,556	3,379,584	4,010,543
Reserve Fund	6,459,149	6,513,349	6,567,550	6,621,748
Rate Stabilization Fund	5,000,000	5,000,000	5,000,000	3,000,000
Construction Fund (1)	-	-	-	-
TOTAL ALL FUNDS	\$17,026,433	\$18,345,393	\$19,040,709	\$18,079,372
INTEREST EARNINGS RATE	2.00%	2.00%	2.00%	2.00%
INTEREST EARNINGS (2)	\$340,529	\$366,908	\$380,814	\$361,587
CONSTRUCTION FUND INTEREST EARNINGS (3)	0	0	0	0
UNRESTRICTED INTEREST EARNINGS	\$340,529	\$366,908	\$380,814	\$361,587

- (1) FY 2005-06 Beginning balance equal to GADA Loan proceeds for CIP
- (2) Allocated 100% to the Revenue Fund. FY 2008-09 estimated per City staff. FY 2009-10 calculated based on beginning of year cash balance and 2% interest rate.
- (3) Through FY 2006-07 \$3,344,430 of interest income is projected to be earned from unspent GADA loan proceeds per City staff. Per Section 2.05 of Resolution No. 02-1692 any income realized from deposits to Construction Fund are restricted to funding system improvements.

LAKE HAVASU CITY  
 WW\_UPDATE\_09  
 NEW DEBT SCHEDULE

FILE: JUL\_09.xls  
 SCHEDULE: Debt  
 DATE: 07/30/09  
 RANGE: Debt1

Line #		Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08
1	Capital Projects (1)	\$9,539,471	\$18,660,271	\$36,568,062	\$37,601,222	\$75,324,025	\$48,938,341
2	LESS: CIP Expended this year, but reimbursement to be received next year (2)	(2,625,709)	(603,726)	(8,518,318)	-	(8,867,883)	(18,180,598)
3	Plus: CIP Expended last year, but reimbursement received this year (2)	1,683,100	2,625,709	603,726	8,518,318	-	8,867,883
4	Net Adjusted Capital Projects	\$8,596,862	\$20,682,254	\$28,653,470	\$46,119,540	\$66,456,142	\$39,625,626
5	LESS: CIP Funded From Current Operations	-	-	(3,010,194)	-	(562,401)	(647,455)
6	LESS: Grant Funds	-	-	-	-	-	(1,433,600)
7	LESS: Stimulus Loan Principal Forgiveness	-	-	-	-	-	-
8	LESS: City Contribution	(2,374,339)	(2,131,190)	(2,000,000)	(5,000,000)	-	-
9	PLUS: Defease Existing District COP	2,646,709	-	-	-	-	-
10	PLUS: Re-finance Eng. Design Loan	-	-	5,765,000	-	3,560,000	5,075,000
11	PLUS: Contracts Let Above Current Year Cash Requirement (3)	-	-	-	21,225,460	(11,375,727)	7,872,881
12	Net Amount to be Debt Funded	8,869,232	18,551,064	29,408,276	62,345,000	58,078,014	50,492,452
13	Issuance Costs	0	0	0	1,019,345	835,400	952,000
14	Reserve Requirement Funded by Bond Issue	0	0	0	0	0	0
15	Capitalized Interest	-	-	-	3,879,399	1,917,570	1,469,978
16	Rounding Amount	0	0	0	3,998	4,016	0
17	Subtotal Bond Requirement	8,869,232	18,551,064	29,408,276	67,247,742	60,835,000	52,914,430
	Prior Year Carryover						
18	Loan - Eng. Design Loan	0	1,456,218	1,972,128	4,382,201	5,912,562	2,040,540
19	Junior Lien	0	4,266,868	0	8,059,884	0	37,173,303
20	Senior Lien	0	8,507,500	2,834,487	17,775,000	(0)	8,068,722
21	Subtotal Prior Year Carryover	0	14,230,585	4,806,615	30,217,085	5,912,562	47,282,564
	Authorized Loan Amount						
22	Loan - Engineering and Design Loan	5,765,000	3,560,000	5,075,000	6,220,000	0	0
23	Junior Lien	8,507,500	0	32,290,000	61,027,742	48,405,000	0
24	Senior Lien	8,507,500	5,940,000	17,775,000	0	12,430,000	52,914,430
25	Subtotal Authorized Bond Amount	22,780,000	9,500,000	55,140,000	67,247,742	60,835,000	52,914,430
	Bond Amount Drawn Down Current Year						
26	Loan - Engineering and Design Loan	4,308,782	3,044,090	2,664,927	4,689,639	3,872,023	2,040,540
27	Junior Lien	4,240,632	4,266,868	24,230,116	69,087,626	11,231,697	27,738,546
28	Senior Lien	0	11,613,013	2,834,487	17,775,000	4,361,278	24,933,248
29	Subtotal Bond Amount Drawn Down	8,549,415	18,923,970	29,729,530	91,552,265	19,464,998	54,712,334
	Authorized Bond Carryover to Next Year (4)						
30	Loan - Engineering and Design Loan Carryover to Next Year	1,456,218	1,972,128	4,382,201	5,912,562	2,040,540	(0)
31	Junior Lien Carryover to Next Year	4,266,868	0	8,059,884	0	37,173,303	9,434,757
32	Senior Lien Carryover to Next Year	8,507,500	2,834,487	17,775,000	(0)	8,068,722	36,049,903
33	Subtotal Authorized Bond Carryover to Next Year	\$14,230,585	\$4,806,615	\$30,217,085	\$5,912,562	\$47,282,564	\$45,484,660

- (1) FY 2002-03 through FY 2008-09 and FY 2009-10 prior project carryover provided by the City. FY 2009-10 through FY 2014-15 provided by AMEC and City staff based on current Project capital plan.
- (2) City provided information.
- (3) Debt Issued in FY 2005-06 through FY 2014-15 includes both debt to fund current year cash CIP expenditures as well value of contracts let in the current fiscal year, but for which CIP expenditures may span multiple fiscal years. A negative value indicates that the net cash requirement is funded in part by previously authorized debt above the projected current fiscal year debt for CIP and previous fiscal years authorized debt carryover.
- (4) Debt authorized, but not drawn down in the current fiscal year.

LAKE HAVASU CITY  
 WW\_UPDATE\_09  
 NEW DEBT SCHEDULE

FILE: JUL\_09.xls  
 SCHEDULE: Debt  
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 RANGE: Debt1

Line #		Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
1	Capital Projects (1)	\$29,532,216	\$117,574,063	\$51,938,913	\$1,129,745	\$1,639,091	\$1,592,754	\$1,640,537
2	LESS: CIP Expended this year, but reimbursement to be received next year (2)	(10,166,822)	(9,640,037)					
3	Plus: CIP Expended last year, but reimbursement received this year (2)	18,180,598	10,166,822	9,640,037				
4	Net Adjusted Capital Projects	\$37,545,992	\$118,100,848	\$61,578,950	\$1,129,745	\$1,639,091	\$1,592,754	\$1,640,537
5	LESS: CIP Funded From Current Operations	(983,292)	(1,036,472)	(1,903,625)	(1,060,900)	(1,639,091)	(1,592,754)	(1,640,537)
6	LESS: Grant Funds	-	-	-	-	-	-	-
7	LESS: Stimulus Loan Principal Forgiveness	-	-	-	-	-	-	-
8	LESS: City Contribution	-	-	-	-	-	-	-
9	PLUS: Defeasement Existing District COP							
10	PLUS: Re-finance Eng. Design Loan	6,220,000	-					
11	PLUS: Contracts Let Above Current Year Cash Requirement (3)	1,064,238	(27,735,518)	(59,675,325)	(68,845)	-		
12	Net Amount to be Debt Funded	43,846,938	89,328,858	0	0	0	0	0
13	Issuance Costs	647,124	2,051,309	0	0	0	0	0
14	Reserve Requirement Funded by Bond Issue	0	0	0	0	0	0	0
15	Capitalized Interest	1,084,987	3,359,813	0	0	0	0	0
16	Rounding Amount	5,951	2,508	0	0	0	0	0
17	Subtotal Bond Requirement	45,585,000	94,742,488	0	0	0	0	0
	Prior Year Carryover							
18	Loan - Eng. Design Loan	(0)	(0)	0	0	0	0	0
19	Junior Lien	9,434,757	41,592,657	0	0	0	0	0
20	Senior Lien	36,049,903	2,717,174	16,574,313	0	0	0	0
21	Subtotal Prior Year Carryover	45,484,660	44,309,831	16,574,313	0	0	0	0
	Authorized Loan Amount							
22	Loan - Engineering and Design Loan		0	0	0	0	0	0
23	Junior Lien	45,585,000	0	0	0	0	0	0
24	Senior Lien	0	94,742,488	0	0	0	0	0
25	Subtotal Authorized Bond Amount	45,585,000	94,742,488	0	0	0	0	0
	Bond Amount Drawn Down Current Year							
26	Loan - Engineering and Design Loan	0	(0)	0	0	0	0	0
27	Junior Lien	13,427,100	41,592,657	0	0	0	0	0
28	Senior Lien	33,332,729	80,885,349	16,574,313	0	0	0	0
29	Subtotal Bond Amount Drawn Down	46,759,829	122,478,006	16,574,313	0	0	0	0
	Authorized Bond Carryover to Next Year (4)							
30	Loan - Engineering and Design Loan Carryover to Next Year	(0)	0	0	0	0	0	0
31	Junior Lien Carryover to Next Year	41,592,657	0	0	0	0	0	0
32	Senior Lien Carryover to Next Year	2,717,174	16,574,313	0	0	0	0	0
33	Subtotal Authorized Bond Carryover to Next Year	\$44,309,831	\$16,574,313	\$0	\$0	\$0	\$0	\$0

- (1) FY 2002-03 through FY 2008-09 and FY 2009-10 prior project carryover provided by the City. FY 2009-10 through FY 2014-15 provided by AMEC and City staff based on current Project capital plan.  
 (2) City provided information.  
 (3) Debt Issued in FY 2005-06 through FY 2014-15 includes both debt to fund current year cash CIP expenditures as well value of contracts let in the current fiscal year, but for which CIP expenditures may span multiple fiscal years. A negative value indicates that the net cash requirement is funded in part by previously authorized debt above the projected current fiscal year debt for CIP and previous fiscal years authorized debt carryover.  
 (4) Debt authorized, but not drawn down in the current fiscal year.

AUTHORIZED SENIOR LIEN DEBT SERVICE PAYMENT SCHEDULE

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
Authorized Senior Lien Bond (1)	\$8,507,500	\$5,940,000	\$17,775,000	\$0	\$12,430,000	\$52,914,430	\$0	\$94,742,488	\$0	\$0	\$0	\$0	\$0
Series - Authorized Year (2)													
FY 2002-03	0	132,994	627,547	627,547	627,546	627,546	627,547	627,546	627,547	627,547	627,546	627,547	627,546
FY 2003-04		0	178,025	419,112	419,112	419,112	419,112	419,112	419,112	419,112	419,112	419,112	419,112
FY 2004-05			0	934,594	1,269,123	1,269,123	1,269,123	1,269,123	1,269,123	1,269,123	1,269,123	1,269,123	1,269,123
FY 2005-06			0	0	0	0	0	0	0	0	0	0	0
FY 2005-06B				0	0	0	0	0	0	0	0	0	0
FY 2006-07B				0	0	510,000	659,870	844,417	844,991	840,165	840,071	844,576	843,547
FY 2007-08				0	0	0	1,136,851	2,822,176	2,822,176	2,822,176	2,822,176	2,822,176	2,822,176
FY 2007-08B				0	0	0	0	0	0	0	0	0	0
FY 2009-10A				0	0	0	0	264,226	271,001	271,001	271,001	271,001	271,001
FY 2009-10B							0	0	5,829,750	5,827,250	5,826,500	5,827,250	5,829,250
FY 2010-11B								0	0	0	0	0	0
FY 2011-12B									0	0	0	0	0
FY 2012-13B										0	0	0	0
FY 2013-14											0	0	0
FY 2014-15												0	0
<b>Subtotal</b>	<b>\$0</b>	<b>\$132,994</b>	<b>\$805,572</b>	<b>\$1,981,253</b>	<b>\$2,315,781</b>	<b>\$2,825,781</b>	<b>\$4,112,503</b>	<b>\$6,246,600</b>	<b>\$12,083,699</b>	<b>\$12,076,372</b>	<b>\$12,075,528</b>	<b>\$12,080,783</b>	<b>\$12,081,754</b>

(1) "A" Indicates a projected July issuance date."B" Indicates a projected October issuance date.

(2) Excludes capitalized interest payments. Payments due the first day of the fiscal year are included as if they were made in the previous fiscal year (e.g., July 1, 2009 payments are included in FY 2008-09).

AUTHORIZED JUNIOR LIEN/GENERAL OBLIGATION DEBT SERVICE PAYMENT SCHEDULE

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
Authorized Junior Lien Bond (1)	\$8,507,500	\$0	\$32,290,000	\$61,027,742	\$48,405,000	\$0	\$45,585,000	\$0	\$0	\$0	\$0	\$0	\$0
Series - Authorized Year (2)													
FY 2002-03	32,582	256,661	627,547	627,547	627,546	627,546	627,547	627,546	627,547	627,547	627,546	627,547	627,546
FY 2003-04		0	0	0	0	0	0	0	0	0	0	0	0
FY 2004-05			248,327	1,519,229	1,784,765	1,810,352	1,934,312	1,953,390	1,945,840	1,937,476	1,928,298	2,018,307	2,129,247
FY 2005-06				0	1,693,708	2,903,500	2,903,500	2,903,500	2,903,500	2,903,500	2,903,500	2,903,500	2,903,500
FY 2005-06B				0	0	0	0	0	0	0	0	0	0
FY 2006-07B				0	0	865,000	1,455,667	2,240,186	2,283,605	3,645,153	3,644,568	3,642,246	3,643,188
FY 2006-07B				0	0	0	0	0	0	0	0	0	0
FY 2007-08				0	0	0	0	0	0	0	0	0	0
FY 2008-09B				0	0	0	0	2,605,178	2,605,178	2,605,178	2,605,178	2,605,178	2,605,178
FY 2009-10B				0	0	0	0	0	0	0	0	0	0
FY 2010-11B				0	0	0	0	0	0	0	0	0	0
FY 2011-12B				0	0	0	0	0	0	0	0	0	0
FY 2012-13B				0	0	0	0	0	0	0	0	0	0
FY 2013-14				0	0	0	0	0	0	0	0	0	0
FY 2014-15				0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>\$32,582</b>	<b>\$256,661</b>	<b>\$875,874</b>	<b>\$2,146,776</b>	<b>\$4,106,019</b>	<b>\$6,206,398</b>	<b>\$6,921,025</b>	<b>\$10,329,801</b>	<b>\$10,365,670</b>	<b>\$11,718,854</b>	<b>\$11,709,091</b>	<b>\$11,796,778</b>	<b>\$11,908,659</b>

(1) "B" Indicates a projected October issuance date.

(2) Excludes capitalized interest payments. Payments due the first day of the fiscal year are included as if they were made in the previous fiscal year (e.g., July 1, 2009 payments are included in FY 2008-09).

LAKE HAVASU CITY  
 WW\_UPDATE\_09

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 DATE: 07/30/09  
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AUTHORIZED ENGINEERING AND DESIGN LOAN BOND (1)

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
Authorized Engineering and Design Loan Series	\$5,765,000	\$3,560,000	\$5,075,000	\$6,220,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Series - Authorized Year													
FY 2002-03 (2)	7,074	22,283	12,490	0	0	0	0	0	0	0	0	0	0
FY 2003-04 (3)			36,317	38,448	12,282	0	0	0	0	0	0	0	0
FY 2004-05 (4)			0	0	0	0	0	0	0	0	0	0	0
FY 2005-06 (5)			0	0	45,903	131,502	36,822	0	0	0	0	0	0
FY 2006-07													
FY 2007-08													
FY 2008-09													
FY 2009-10													
FY 2010-11													
FY 2011-12													
FY 2012-13													
FY 2014-15													
<b>Subtotal</b>	<b>\$7,074</b>	<b>\$22,283</b>	<b>\$48,807</b>	<b>\$38,448</b>	<b>\$58,185</b>	<b>\$131,502</b>	<b>\$36,822</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

- (1) "B" Indicates a projected October issuance date.
- (2) Junior Lien / General Obligation Debt. Loan defeased and principal payment included in FY 2004-05 issued deb
- (3) Senior Lien Debt. Loan defeased and principal payment included in FY 2006-07 issued debt.
- (4) Senior Lien Debt. Loan defeased and principal payment included in FY 2007-08 issued debt. No interest payments are due associated with this debt issue.
- (5) Senior Lien Debt. Loan defeased and principal payment less interest earnings included in FY 2008-09 issued debt.

LAKE HAVASU CITY  
WW\_UPDATE\_09

FILE: JUL\_09.xls  
SCHEDULE: Debt  
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RANGE: Debt2

RESERVE FUND

ANNUAL RESERVE FUND REQUIREMENT	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09
Series - Authorization Fiscal Year	(1)	(1)	(1)	(1)	(2)	(2)	(2)
FY 2002-03	\$760,000	\$125,508	\$55,805	\$223,087	\$230,048	\$95,854	\$0
FY 2003-04		89,492	97,716	121,679	148,808	107,040	26,760
FY 2004-05			545,594	1,047,692	966,700	934,384	1,060,164
FY 2005-06				59,598	100,174	100,173	25,044
FY 2006-07					-		
FY 2007-08						-	
FY 2008-09							-
FY 2009-10							
FY 2010-11							
FY 2011-12							
FY 2012-13							
FY 2013-14							
FY 2014-15							
<b>TOTAL ANNUAL RESERVE FUND REQUIREMENT</b>	<b>\$760,000</b>	<b>\$215,000</b>	<b>\$699,115</b>	<b>\$1,452,056</b>	<b>\$1,445,730</b>	<b>\$1,237,451</b>	<b>\$1,111,968</b>

- (1) FY 2002-03 Senior lien Reserve Fund requirement of \$630,000 fully funded in first year. Reserve Fund deposit schedule for FY 2002-03 through FY 2005-06 loans provided by City and funded from Wastewater Revenue Fund cash balance over a five year period.
- (2) Bond surety policy has been obtained for FY 2006-07 through FY 2008-09 debt. Series 2009 WIFA Loan included a debt service reserve fund to be funded over a five year period. Assumes debt service reserve fund surety policy will be obtained for Series 2009A WIFA Loan.

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RESERVE FUND

<b>ANNUAL RESERVE FUND REQUIREMENT</b>	<b>Projected FY 2009-10</b>	<b>Projected FY 2010-11</b>	<b>Projected FY 2011-12</b>	<b>Projected FY 2012-13</b>	<b>Projected FY 2013-14</b>	<b>Projected FY 2014-15</b>
Series - Authorization Fiscal Year	(2)	(2)	(2)	(2)	(2)	(2)
FY 2002-03						
FY 2003-04						
FY 2004-05	420,155					
FY 2005-06						
FY 2006-07						
FY 2007-08						
FY 2008-09						
FY 2009-10	54,200	54,200	54,200	54,200	54,200	
FY 2010-11		-				
FY 2011-12			-			
FY 2012-13				-		
FY 2013-14					-	
FY 2014-15						-
<b>TOTAL ANNUAL RESERVE FUND REQUIREMENT</b>	<b>\$474,355</b>	<b>\$54,200</b>	<b>\$54,200</b>	<b>\$54,200</b>	<b>\$54,198</b>	<b>(\$2)</b>

- (1) FY 2002-03 Senior lien Reserve Fund requirement of \$630,000 fully funded in first year. Reserve Fund deposit schedule for FY 2002-03 through FY 2005-06 loans provided by City and funded from Wastewater Revenue Fund cash balance over a five year period.
- (2) Bond surety policy has been obtained for FY 2006-07 through FY 2008-09 debt. Series 2009 WIFA Loan included a debt service reserve fund to be funded over a five year period Assumes debt service reserve fund surety policy will be obtained for Series 2009A WIFA Loan.

CAPITAL IMPROVEMENT PLAN

	Actual FY 2001-02	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09
<b>PROJECT EXPENDITURES</b>								
<b>Inflated Dollars (1)</b>								
Project Capital Expenditures (2)	1,683,100	8,958,058	\$18,196,740	\$35,737,897	\$37,110,575	\$74,785,941	\$48,537,246	\$ 29,136,597
Prior Project Year Carryover (3)		0	0	0	0	0	0	0
Capitalized Personnel Costs (4)		60,933	184,120	391,806	423,023	405,708	401,095	395,619
Total	1,683,100	9,018,991	18,380,860	36,129,703	37,533,598	75,191,649	48,938,341	29,532,216
<b>OTHER CITY CIP PROJECTS</b>								
<b>Inflated Dollars (1)</b>								
Kiowa Ponds Closure	-	0	1,641	438,359	0	0	0	0
Replace Pump Station @ Tract 2337 (Station 7)	-	319,785	0	0	0	0	0	0
Island Admin Building		0	0	0	0	0	0	0
Wastewater System Expansion Zone 1		0	0	0	0	0	0	0
System R&R (5)		0	0	0	0	0	0	0
Miscellaneous Improvements (5)		0	0	0	0	0	0	0
Transfer to Other CIP Projects (6)	-	200,695	277,770	0	67,624	132,376	0	0
Total	\$0	520,480	279,411	438,359	67,624	132,376	0	0
<b>Total Inflated Dollar CIP</b>	<b>\$1,683,100</b>	<b>\$9,539,471</b>	<b>\$18,660,271</b>	<b>\$36,568,062</b>	<b>\$37,601,222</b>	<b>\$75,324,025</b>	<b>\$48,938,341</b>	<b>\$29,532,216</b>

- (1) FY 2009-10 CIP is not inflated. AMEC provided inflated Project CIP for FY 2010-11 through FY 2011-12.
- (2) FY 2002-03 through FY 2009-10 CIP provided by the City. FY 2010-11 through FY 2011-12 CIP updated by AMEC in February 2009 and verified by City Staff reflecting accelerated capital scenario.
- (3) The carryover is used to account for timing differences in CIP between fiscal years per City.
- (4) Capitalized City staff salaries allocated to Wastewater System Expansion project. FY 2009-10 are budgeted expenditures inflated at 7% per City staff.
- (5) Values provided by City Staff adjusted for 3% inflation to year of expenditure.
- (6) Wastewater System portion of a City-wide CIP projects provided by City staff.

CAPITAL IMPROVEMENT PLAN

	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15	Total All Years
<b>PROJECT EXPENDITURES</b>							
<b>Inflated Dollars (1)</b>							
Project Capital Expenditures (2)	\$ 78,175,365	\$50,035,288	\$68,845	\$0			382,425,652
Prior Project Year Carryover (3)	38,362,226						38,362,226
Capitalized Personnel Costs (4)	816,472	873,625	0	0			3,952,401
Total	117,354,063	50,908,913	68,845	0	0	0	424,740,279
<b>OTHER CITY CIP PROJECTS</b>							
<b>Inflated Dollars (1)</b>							
Kiowa Ponds Closure	0	0	0	0	0	0	440,000
Replace Pump Station @ Tract 2337 (Station 7)	0	0	0	0	0	0	319,785
Island Admin Building	220,000	0	0	0	0	0	220,000
Wastewater System Expansion Zone 1	0	0	0	0	0	0	0
System R&R (5)	0	0	0	546,364	562,754	579,637	1,688,755
Miscellaneous Improvements (5)	0	1,030,000	1,060,900	1,092,727	1,030,000	1,060,900	5,274,527
Transfer to Other CIP Projects (6)	0	0	0	0	0	0	678,465
Total	220,000	1,030,000	1,060,900	1,639,091	1,592,754	1,640,537	8,621,532
<b>Total Inflated Dollar CIP</b>	<b>\$117,574,063</b>	<b>\$51,938,913</b>	<b>\$1,129,745</b>	<b>\$1,639,091</b>	<b>\$1,592,754</b>	<b>\$1,640,537</b>	<b>\$433,361,811</b>

- (1) FY 2009-10 CIP is not inflated. AMEC provided inflated Project CIP for FY 2010-11 through FY 2011-12.
- (2) FY 2002-03 through FY 2009-10 CIP provided by the City. FY 2010-11 through FY 2011-12 CIP updated by AMEC in February 2009 and verified by City Staff reflecting accelerated capital scenario.
- (3) The carryover is used to account for timing differences in CIP between fiscal years per City.
- (4) Capitalized City staff salaries allocated to Wastewater System Expansion project. FY 2009-10 are budgeted expenditures inflated at 7% per City staff.
- (5) Values provided by City Staff adjusted for 3% inflation to year of expenditure.
- (6) Wastewater System portion of a City-wide CIP projects provided by City staff.

LAKE HAVASU CITY  
 WW\_UPDATE\_09

FILE: JUL\_09.xls  
 SCHEDULE: O&M  
 DATE: 07/30/09  
 RANGE: O\_M

O & M COST PROJECTIONS

Component	Actual FY 2002-03 (1)	Actual FY 2003-04 (1)	Actual FY 2004-05 (1)	Actual FY 2005-06 (1)	Actual FY 2006-07 (1)	Actual FY 2007-08 (1)
<b><u>NEW SYSTEM - INFLATED</u></b>						
New Collection O&M	\$0	\$0	\$0	\$0	\$0	\$0
New Treatment/Reuse O&M	0	0	0	0	0	0
NRWWTP Phase II	0	0	0	0	0	0
Subtotal	-	-	-	-	-	-
<b><u>EXISTING SYSTEM</u></b>						
Existing Total O&M	3,245,725	4,401,010	3,944,382	4,533,716	5,345,711	7,197,477
Subtotal	3,245,725	4,401,010	3,944,382	4,533,716	5,345,711	7,197,477
<b><u>TOTAL SYSTEM</u></b>						
New	-	-	-	-	-	-
Existing	3,245,725	4,401,010	3,944,382	4,533,716	5,345,711	7,197,477
Total	\$3,245,725	\$4,401,010	\$3,944,382	\$4,533,716	\$5,345,711	\$7,197,477

- (1) For these years the "Existing System" values include "New System" costs.
- (2) Per Estimated FY 2008-09 and FY 2009-10 Budget as provided by City staff.
- (3) FY 2009-10 and FY 2010-11 New System O&M per City staff inflated at 4% per year thereafter. Existing System inflated at 4% per year.

LAKE HAVASU CITY  
 WW\_UPDATE\_09

FILE: JUL\_09.xls  
 SCHEDULE: O&M  
 DATE: 07/30/09  
 RANGE: O\_M

O & M COST PROJECTIONS

Component	Projection FY 2008-09 (2)	Projection FY 2009-10 (3)	Projection FY 2010-11 (3)	Projection FY 2011-12 (3)	Projection FY 2012-13 (3)	Projection FY 2013-14 (3)	Projection FY 2014-15 (3)
<b><u>NEW SYSTEM - INFLATED</u></b>							
New Collection O&M	\$0	\$500,000	\$780,000	\$811,200	\$843,648	\$877,394	\$912,490
New Treatment/Reuse O&M	0	0	0	0	0	0	0
NRWWTP Phase II	0	0	0	0	0	0	0
Subtotal	-	500,000	780,000	811,200	843,648	877,394	912,490
<b><u>EXISTING SYSTEM</u></b>							
Existing Total O&M	7,622,905	7,726,392	8,229,767	8,528,279	8,838,735	9,161,600	9,497,381
Subtotal	7,622,905	7,726,392	8,229,767	8,528,279	8,838,735	9,161,600	9,497,381
<b><u>TOTAL SYSTEM</u></b>							
New	-	500,000	780,000	811,200	843,648	877,394	912,490
Existing	7,622,905	7,726,392	8,229,767	8,528,279	8,838,735	9,161,600	9,497,381
Total	\$7,622,905	\$8,226,392	\$9,009,767	\$9,339,479	\$9,682,383	\$10,038,994	\$10,409,871

- (1) For these years the "Existing System" values include "New System" costs.
- (2) Per Estimated FY 2008-09 and FY 2009-10 Budget as provided by City staff.
- (3) FY 2009-10 and FY 2010-11 New System O&M per City staff inflated at 4% per year thereafter. Existing System inflated at 4% per year.

Determination of Revenue Requirements

BUDGET EXPENDITURES Expenditure	FY 2009-10			FY 2010-11			FY 2011-12		
	O&M Costs		Debt Service and Depreciation	O&M Costs		Debt Service and Depreciation	O&M Costs		Debt Service and Depreciation
	VARIABLE	FIXED		VARIABLE	FIXED		VARIABLE	FIXED	
SALARIES	\$1,369,142	\$0	\$0	\$1,423,908	\$0	\$0	\$1,480,864	\$0	\$0
OVERTIME	30,000	-	-	31,200	-	-	32,448	-	-
SPECIAL ASSIGNMENT/PFP	-	-	-	-	-	-	-	-	-
SICK LEAVE	-	-	-	-	-	-	-	-	-
HOLIDAY PAY	-	-	-	-	-	-	-	-	-
STAND-BY PAY	21,000	-	-	21,840	-	-	22,714	-	-
STABILITY PAY	-	-	-	-	-	-	-	-	-
COMPENSATED ABSENCES	15,000	-	-	15,600	-	-	16,224	-	-
PART-TIME SALARIES	23,750	-	-	24,700	-	-	25,688	-	-
HEALTH INSURANCE	253,989	-	-	264,149	-	-	274,715	-	-
LIFE INSURANCE	3,710	-	-	3,858	-	-	4,012	-	-
WORKERS COMPENSATION	43,302	-	-	45,034	-	-	46,835	-	-
FEDERAL TERRORISM RISK INSURANCE	431	-	-	448	-	-	466	-	-
DISABILITY INSURANCE	1,949	-	-	2,027	-	-	2,108	-	-
ACCIDENT PREMIUM ENDORSEMENT	144	-	-	150	-	-	156	-	-
SOCIAL SECURITY	88,861	-	-	92,415	-	-	96,112	-	-
MEDICARE	20,782	-	-	21,613	-	-	22,478	-	-
AZ STATE RETIREMENT	129,533	-	-	134,714	-	-	140,103	-	-
AZ STATE RETIREMENT - LTD	5,758	-	-	5,988	-	-	6,228	-	-
OFFICE & COMPUTER SUPPLIES	1,900	-	-	1,976	-	-	2,055	-	-
BLDG MAINT & GROUNDS SUPPLIES	9,300	-	-	9,672	-	-	10,059	-	-
SMALL TOOLS (UNDER \$5,000)	7,350	-	-	7,644	-	-	7,950	-	-
SHOP & JANITORIAL SUPPLIES	8,500	-	-	8,840	-	-	9,194	-	-
VEHICLE SUPPLIES	106,000	-	-	110,240	-	-	114,650	-	-
FURN & EQUIP UNDER \$5000	8,500	-	-	8,840	-	-	9,194	-	-
COMPUTER CONSUMABLE SUPPLIES	6,893	-	-	7,169	-	-	7,456	-	-
STREET RESTORATION SUPPLIES	20,750	-	-	21,580	-	-	22,443	-	-
WATER/SEWER SYSTEM SUPPLIES	80,800	-	-	84,032	-	-	87,393	-	-
CHEMICALS & LABORATORY SUPPLIES	652,500	-	-	678,600	-	-	705,744	-	-
WASTEWATER SUPPLIES	25,000	-	-	26,000	-	-	27,040	-	-
OTHER O&M SUPPLIES	262,532	-	-	273,033	-	-	283,954	-	-
FIRST AID SUPPLIES	500	-	-	520	-	-	541	-	-
CLOTHING & UNIFORMS	1,300	-	-	1,352	-	-	1,406	-	-
COMPUTER SUPPLIES	-	-	-	-	-	-	-	-	-
MISCELLANEOUS SUPPLIES	3,300	-	-	3,432	-	-	3,569	-	-
AWARDS & RECOGNITION	-	-	-	-	-	-	-	-	-
BAD DEBT EXPENSE	-	-	-	-	-	-	-	-	-
AUDIT SERVICES	-	6,821	-	-	7,094	-	-	7,378	-
MEDICAL	200	-	-	208	-	-	216	-	-
MAIL OUTSOURCE	-	84,610	-	-	87,994	-	-	91,514	-
COMPUTER	-	-	-	-	-	-	-	-	-
ADVERTISING AND LEGAL NOTICES	-	500	-	-	520	-	-	541	-
OTHER PROFESSIONAL SERVICES	-	102,000	-	-	106,080	-	-	110,323	-
WASTE DISPOSAL & RECYCLING SERVICES	1,000	-	-	1,040	-	-	1,082	-	-
WATER/SEWER	140,000	-	-	145,600	-	-	151,424	-	-
TELEPHONE	18,000	-	-	18,720	-	-	19,469	-	-
ENERGY FUELS	1,500	-	-	1,560	-	-	1,622	-	-
ELECTRICITY	1,170,000	-	-	1,216,800	-	-	1,265,472	-	-
HYDRANT/METERS	4,000	-	-	4,160	-	-	4,326	-	-
JANITORIAL SERVICES	15,600	-	-	16,224	-	-	16,873	-	-
LAUNDRY & DRY-CLEANING SERVICES	6,500	-	-	6,760	-	-	7,030	-	-
BLDG & GROUNDS R & M	15,400	-	-	16,016	-	-	16,657	-	-
MACHINERY & EQUIPMENT R & M	85,176	-	-	88,583	-	-	92,126	-	-
RADIO/PAGER EQUIP/INTERNET (ISP) R & M	550	-	-	572	-	-	595	-	-
VEHICLE R & M	47,300	-	-	49,192	-	-	51,160	-	-
STREET REPAIR CONTRACTUAL SERVICES	4,000	-	-	4,160	-	-	4,326	-	-
WATER/SEWER SYSTEM CONTRACTUAL SERVICES	40,000	-	-	41,600	-	-	43,264	-	-
OTHER REPAIRS & MAINTENANCE	94,300	-	-	98,072	-	-	101,995	-	-
EQUIPMENT & VEHICLE	6,000	-	-	6,240	-	-	6,490	-	-
LEASES & RENTALS-LAND & BUILDINGS	-	-	-	-	-	-	-	-	-
LEASES & RENTALS-EQUIPMENT & VEHICLE	105,969	-	-	110,208	-	-	114,616	-	-
VEHICLE/EQUIPMENT REPLACEMENT PROGRAM	-	-	-	-	-	-	-	-	-
COPIER LEASES	893	-	-	929	-	-	966	-	-
LEASES REPLACEMENT VEHICLE & EQUIPMENT INT	10,257	-	-	10,667	-	-	11,094	-	-
COPIER LEASE INTEREST	20	-	-	21	-	-	22	-	-
GENERAL INSURANCE & CLAIMS	-	151,385	-	-	157,440	-	-	163,738	-
MEETINGS / TRAINING / TRAVEL	8,600	-	-	8,944	-	-	9,302	-	-
PRINTING & FORMS	-	600	-	-	624	-	-	649	-
TESTING SERVICES	25,300	-	-	26,312	-	-	27,364	-	-
POSTAGE & MAILING	-	2,800	-	-	2,912	-	-	3,028	-
DUES/SUBSCRIPTIONS/MEMBERSIPS	-	930	-	-	967	-	-	1,006	-
FEES	93,088	-	-	96,812	-	-	100,684	-	-
MACHINERY & EQUIPMENT	-	-	-	225,000	-	-	234,000	-	-
SEWER SYSTEM IMPROVEMENTS	-	-	-	-	-	-	-	-	-
VEH EQUIP LEASE REPI PRGM	-	-	-	-	-	-	-	-	-
COMPUTER & RELATED EQUIPMENT	-	-	-	-	-	-	-	-	-
OFFICE FURNITURE & EQUIPMENT	-	-	-	-	-	-	-	-	-
MOTOR VEHICLES	-	-	-	-	-	-	-	-	-
INTERFUND DEBITS/CREDITS	1,461,875	51,742	-	1,520,350	53,812	-	1,581,164	55,964	-
CONTINGENCY	767,000	-	-	767,000	-	-	767,000	-	-
SUBTOTAL CURRENT SYSTEM	7,325,004	401,388	-	7,812,324	417,443	-	8,094,138	434,141	-
NEW SYSTEM O&M	500,000	-	-	780,000	-	-	811,200	-	-
SUBTOTAL	\$7,825,004	\$401,388	\$0	\$8,592,324	\$417,443	\$0	\$8,905,338	\$434,141	\$0
OTHER EXPENDITURES	-	-	\$0	-	-	\$0	-	-	\$0
COP PAYMENTS	-	-	-	-	-	-	-	-	-
GENERAL OBLIGATION DEBT	-	-	-	-	-	-	-	-	-
NEW DEBT SERVICE - P&I PAYMENTS	-	-	16,576,400	-	-	22,449,369	-	-	23,795,227
ISSUANCE COSTS & RESERVE FUND DEPOSITS	-	-	474,355	-	-	54,200	-	-	54,200
DEPRECIATION	-	-	10,350,961	-	-	12,814,119	-	-	12,859,309
SUBTOTAL	-	-	27,401,717	-	-	35,317,688	-	-	36,708,736
TOTAL BY COMPONENT	\$7,825,004	\$401,388	\$27,401,717	\$8,592,324	\$417,443	\$35,317,688	\$8,905,338	\$434,141	\$36,708,736
TOTAL ALL EXPENDITURES	-	-	\$35,628,109	-	-	\$44,327,455	-	-	\$46,048,215
PROPERTY TAX LEVY	-	-	-	-	-	-	-	-	-
NET EXPENDITURES RECOUPED VIA RATES	\$7,825,004	\$401,388	\$27,401,717	\$8,592,324	\$417,443	\$35,317,688	\$8,905,338	\$434,141	\$36,708,736
LESS: MISC. REVENUES	21.96%	1.13%	76.91%	19.38%	0.94%	79.67%	19.34%	0.94%	79.72%
CONNECTION / DEVELOPER FEES	-	-	6,517,983	-	-	5,422,360	-	-	1,960,469
INTEREST	-	-	-	-	-	-	-	-	-
OTHER REVENUES	49,937	2,570	174,894	44,975	2,180	184,794	45,756	2,224	188,608
REQUIRED REDUCTION / (INCREASE) IN CASH	2,195,848	112,992	7,690,465	2,861,955	138,744	11,759,254	3,045,155	148,006	12,552,210
SUBTOTAL MISC. REVENUES	2,245,785	115,562	14,383,342	2,906,930	140,924	17,366,408	3,090,911	150,230	14,701,287
NET REVENUE REQUIREMENTS	\$5,579,219	\$285,826	\$13,018,375	\$5,685,394	\$276,519	\$17,951,280	\$5,814,427	\$283,911	\$22,007,449
TOTAL NET REVENUE REQUIREMENTS	-	-	\$18,883,420	-	-	\$23,913,193	-	-	\$28,105,786

Determination of Revenue Requirements

BUDGET EXPENDITURES Expenditure	FY 2012-13			FY 2013-14			FY 2014-15		
	O&M Costs VARIABLE	FIXED	Debt Service and Depreciation	O&M Costs VARIABLE	FIXED	Debt Service and Depreciation	O&M Costs VARIABLE	FIXED	Debt Service and Depreciation
SALARIES	\$1,540,099	\$0	\$0	\$1,601,703	\$0	\$0	\$1,665,771	\$0	\$0
OVERTIME	33,746	-	-	35,096	-	-	36,500	-	-
SPECIAL ASSIGNMENT/PPP	-	-	-	-	-	-	-	-	-
SICK LEAVE	-	-	-	-	-	-	-	-	-
HOLIDAY PAY	-	-	-	-	-	-	-	-	-
STAND-BY PAY	23,623	-	-	24,568	-	-	25,551	-	-
STABILITY PAY	-	-	-	-	-	-	-	-	-
COMPENSATED ABSENCES	16,873	-	-	17,548	-	-	18,250	-	-
PART-TIME SALARIES	26,716	-	-	27,785	-	-	28,896	-	-
HEALTH INSURANCE	285,704	-	-	297,132	-	-	309,017	-	-
LIFE INSURANCE	4,172	-	-	4,339	-	-	4,513	-	-
WORKERS COMPENSATION	48,708	-	-	50,656	-	-	52,682	-	-
FEDERAL TERRORISM RISK INSURANCE	485	-	-	504	-	-	524	-	-
DISABILITY INSURANCE	2,192	-	-	2,280	-	-	2,371	-	-
ACCIDENT PREMIUM ENDORSEMENT	162	-	-	168	-	-	175	-	-
SOCIAL SECURITY	99,956	-	-	103,954	-	-	108,112	-	-
MEDICARE	23,377	-	-	24,312	-	-	25,284	-	-
AZ STATE RETIREMENT	145,707	-	-	151,535	-	-	157,596	-	-
AZ STATE RETIREMENT - LTD	6,477	-	-	6,736	-	-	7,005	-	-
OFFICE & COMPUTER SUPPLIES	2,137	-	-	2,222	-	-	2,311	-	-
BLDG MAINT & GROUNDS SUPPLIES	10,461	-	-	10,879	-	-	11,314	-	-
SMALL TOOLS (UNDER \$5,000)	8,288	-	-	8,599	-	-	8,943	-	-
SHOP & JANITORIAL SUPPLIES	9,562	-	-	9,944	-	-	10,342	-	-
VEHICLE SUPPLIES	119,236	-	-	124,005	-	-	128,965	-	-
FURN & EQUIP UNDER \$5000	9,562	-	-	9,944	-	-	10,342	-	-
COMPUTER CONSUMABLE SUPPLIES	7,754	-	-	8,064	-	-	8,387	-	-
STREET RESTORATION SUPPLIES	23,341	-	-	24,275	-	-	25,246	-	-
WATER/SEWER SYSTEM SUPPLIES	90,889	-	-	94,525	-	-	98,306	-	-
CHEMICALS & LABORATORY SUPPLIES	733,974	-	-	763,333	-	-	793,866	-	-
WASTEWATER SUPPLIES	28,122	-	-	29,247	-	-	30,417	-	-
OTHER O&M SUPPLIES	295,312	-	-	307,124	-	-	319,409	-	-
FIRST AID SUPPLIES	563	-	-	586	-	-	609	-	-
CLOTHING & UNIFORMS	1,462	-	-	1,520	-	-	1,581	-	-
COMPUTER SUPPLIES	-	-	-	-	-	-	-	-	-
MISCELLANEOUS SUPPLIES	3,712	-	-	3,860	-	-	4,014	-	-
AWARDS & RECOGNITION	-	-	-	-	-	-	-	-	-
BAD DEBT EXPENSE	-	-	-	-	-	-	-	-	-
AUDIT SERVICES	-	7,673	-	-	7,980	-	-	8,299	-
MEDICAL	225	-	-	234	-	-	243	-	-
MAIL OUTSOURCE	-	95,175	-	-	98,982	-	-	102,941	-
COMPUTER	-	-	-	-	-	-	-	-	-
ADVERTISING AND LEGAL NOTICES	-	563	-	-	586	-	-	609	-
OTHER PROFESSIONAL SERVICES	-	114,736	-	-	119,325	-	-	124,098	-
WASTE DISPOSAL & RECYCLING SERVICES	1,125	-	-	1,170	-	-	1,217	-	-
WATER/SEWER	157,481	-	-	163,780	-	-	170,331	-	-
TELEPHONE	20,248	-	-	21,058	-	-	21,900	-	-
ENERGY FUELS	1,687	-	-	1,754	-	-	1,824	-	-
ELECTRICITY	1,316,091	-	-	1,368,735	-	-	1,423,484	-	-
HYDRANT/METERS	4,499	-	-	4,679	-	-	4,866	-	-
JANITORIAL SERVICES	17,548	-	-	18,250	-	-	18,980	-	-
LAUNDRY & DRY-CLEANING SERVICES	7,311	-	-	7,603	-	-	7,907	-	-
BLDG & GROUNDS R & M	17,323	-	-	18,016	-	-	18,737	-	-
MACHINERY & EQUIPMENT R & M	95,811	-	-	99,643	-	-	103,629	-	-
RADIO/PAGER EQUIP/INTERNET (ISP) R & M	619	-	-	644	-	-	670	-	-
VEHICLE R & M	53,206	-	-	55,334	-	-	57,547	-	-
STREET REPAIR CONTRACTUAL SERVICES	4,499	-	-	4,679	-	-	4,866	-	-
WATER/SEWER SYSTEM CONTRACTUAL SERVICES	44,995	-	-	46,795	-	-	48,667	-	-
OTHER REPAIRS & MAINTENANCE	106,075	-	-	110,318	-	-	114,731	-	-
EQUIPMENT & VEHICLE	6,750	-	-	7,020	-	-	7,301	-	-
LEASES & RENTALS-LAND & BUILDINGS	-	-	-	-	-	-	-	-	-
LEASES & RENTALS-EQUIPMENT & VEHICLE	119,201	-	-	123,969	-	-	128,928	-	-
VEHICLE/EQUIPMENT REPLACEMENT PROGRAM	-	-	-	-	-	-	-	-	-
COPIER LEASES	1,005	-	-	1,045	-	-	1,087	-	-
LEASES REPLACEMENT VEHICLE & EQUIPMENT INT	11,538	-	-	12,000	-	-	12,480	-	-
COPIER LEASE INTEREST	23	-	-	24	-	-	25	-	-
GENERAL INSURANCE & CLAIMS	-	170,288	-	-	177,100	-	-	184,184	-
MEETINGS / TRAINING / TRAVEL	9,674	-	-	10,061	-	-	10,463	-	-
PRINTING & FORMS	-	675	-	-	702	-	-	730	-
TESTING SERVICES	28,459	-	-	29,597	-	-	30,781	-	-
POSTAGE & MAILING	-	3,149	-	-	3,275	-	-	3,406	-
DUES/SUBSCRIPTIONS/MEMBERSHIPS	-	1,046	-	-	1,088	-	-	1,132	-
FEES	104,711	-	-	108,899	-	-	113,255	-	-
MACHINERY & EQUIPMENT	243,360	-	-	253,094	-	-	263,218	-	-
SEWER SYSTEM IMPROVEMENTS	-	-	-	-	-	-	-	-	-
VEHICLE LEASE REPL PRGM	-	-	-	-	-	-	-	-	-
COMPUTER & RELATED EQUIPMENT	-	-	-	-	-	-	-	-	-
OFFICE FURNITURE & EQUIPMENT	-	-	-	-	-	-	-	-	-
MOTOR VEHICLES	-	-	-	-	-	-	-	-	-
INTERFUND DEBITS/CREDITS	1,644,411	58,203	-	1,710,187	60,531	-	1,778,594	62,952	-
CONTINGENCY	767,000	-	-	767,000	-	-	767,000	-	-
SUBTOTAL CURRENT SYSTEM	8,387,227	451,508	-	8,692,031	469,569	-	9,009,030	488,351	-
NEW SYSTEM O&M	843,848	-	-	877,394	-	-	912,490	-	-
SUBTOTAL	\$9,230,875	\$451,508	\$0	\$9,569,425	\$469,569	\$0	\$9,921,520	\$488,351	\$0
<b>OTHER EXPENDITURES</b>									
COP PAYMENTS	-	-	\$0	-	-	\$0	-	-	\$0
GENERAL OBLIGATION DEBT	-	-	-	-	-	-	-	-	-
NEW DEBT SERVICE - P&I PAYMENTS	-	-	23,784,618	-	-	23,877,561	-	-	23,990,414
ISSUANCE COSTS & RESERVE FUND DEPOSITS	-	-	54,200	-	-	54,198	-	-	(2)
DEPRECIATION	-	-	12,924,873	-	-	12,988,583	-	-	13,054,204
SUBTOTAL	-	-	36,763,691	-	-	36,920,343	-	-	37,044,616
<b>TOTAL BY COMPONENT</b>	<b>\$9,230,875</b>	<b>\$451,508</b>	<b>\$36,763,691</b>	<b>\$9,569,425</b>	<b>\$469,569</b>	<b>\$36,920,343</b>	<b>\$9,921,520</b>	<b>\$488,351</b>	<b>\$37,044,616</b>
<b>TOTAL ALL EXPENDITURES</b>			<b>\$46,446,074</b>			<b>\$46,959,337</b>			<b>\$47,454,487</b>
PROPERTY TAX LEVY									
NET EXPENDITURES RECOUPED VIA RATES	\$9,230,875	\$451,508	\$36,763,691	\$9,569,425	\$469,569	\$36,920,343	\$9,921,520	\$488,351	\$37,044,616
	19.87%	0.97%	79.15%	20.38%	1.00%	78.62%	20.91%	1.03%	78.06%
LESS: MISC. REVENUES									
CONNECTION / DEVELOPER FEES	-	-	1,973,267	-	-	1,926,521	-	-	1,867,837
INTEREST	-	-	-	-	-	-	-	-	-
OTHER REVENUES	47,974	2,341	191,005	50,165	2,461	193,520	52,499	2,586	195,984
REQUIRED REDUCTION / (INCREASE) IN CASH	3,179,994	155,161	12,660,796	3,347,535	164,256	12,913,802	2,985,039	147,039	11,143,575
SUBTOTAL MISC. REVENUES	3,227,968	157,502	14,825,068	3,397,700	166,717	15,033,843	3,037,538	149,625	13,207,396
NET REVENUE REQUIREMENTS	\$6,002,907	\$294,006	\$21,938,623	\$6,171,725	\$302,852	\$21,886,499	\$6,883,982	\$338,726	\$23,837,220
TOTAL NET REVENUE REQUIREMENTS			<b>\$28,235,535</b>			<b>\$28,361,076</b>			<b>\$31,059,828</b>

CONNECTIONS PER YEAR

Source of Existing and New Single-Family Development Information : AMEC, July 2, 2009 Memorandum summarized in Appendix D

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
Fiscal Year	Connections at Start of Year	Connections of Existing Single-Family Development	Cumulative Total of Existing Development	Connections Due to New Single-Family Development	New Single Family Development Outside Platted Areas	Total New SFR Connections Current Fiscal Year	Total New MF and Non-Res Connections Current Fiscal Year	Total New Connections Current Fiscal Year	Cumulative Total of New Connections	Connections At End of Year	Percent Increase From Prior Year	
		(2)		(3)	(4)		(5)					
FY 2002-03	2,757	434	434	259		693		693	693	3,450	25%	
FY 2003-04	3,450	1,045	1,479	233	87	1,365	76	1,441	2,134	4,891	42%	
FY 2004-05	4,891	2,140	3,619	253	55	2,448	55	2,503	4,637	7,394	51%	
FY 2005-06	7,394	1,508	5,127	68	40	1,616	1	1,617	6,254	9,011	22%	
FY 2006-07	9,011	2,723	7,850	123	84	2,930	8	2,938	9,192	11,949	33%	
FY 2007-08	11,949 (1)	3,148	10,998	132	55	3,335	69	3,404	12,596	15,353	29%	
FY 2008-09	15,353	1,659	12,657	40	10	1,709	101	1,810	14,406	17,163	12%	
FY 2009-10	17,163	4,550	17,207	55	-	4,605	126	4,731	19,137	21,894	28%	
FY 2010-11	21,894	3,283	20,490	62	20	3,365	51	3,416	22,553	25,310	16%	
FY 2011-12	25,310	-	20,490	62	30	92	17	109	22,662	25,419	0%	
FY 2012-13	25,419	-	20,490	62	25	87	17	104	22,766	25,523	0%	
FY 2013-14	25,523	-	20,490	-	45	45	17	62	22,828	25,585	0%	
FY 2014-15	25,585	-	20,490	-	45	45	11	56	22,884	25,641	0%	
Total		<u>20,490</u>		<u>1,349</u>	<u>496</u>	<u>22,335</u>	<u>549</u>	<u>22,884</u>				

- (1) Connections at the start of FY 2008-09 represent current residential, commercial and industrial customers of the Lake Havasu City Wastewater System as provided by City Staff.
- (2) Source: City staff and AMEC updated in February 2009. Represents currently developed properties in the Lake Havasu Wastewater System service area that have septic tanks for wastewater collection/treatment processing and will be connected to the Wastewater System as a result of the Project and projected development prior to connection to sewer system.
- (3) Source for FY 2002-03 through FY 2014-15 connections: Lake Havasu City and AMEC. Values represent currently undeveloped properties that will be developed during the study period (new growth in the City) and will be connected to the Wastewater System as a result of the Project. Growth assumptions (new construction) are based on historical growth data as well as land use assumptions, associated development densities, and the area of coverage included in a particular year's construction program.
- (4) Information provided by the City. Includes the following single-family developments of Canterbury, Refuge, Sailing Hawks, Havasu Foothills Estates and North Pointe Phase I.
- (5) Information provided by the City. Includes existing multi-family (duplex) projected to be sewerred as part of the project at 101 in FY 2008-09, 120 in FY 2009-10, 39 in FY 2010-11 and 0 annually through FY 2014-15. Non-residential connections due to growth within existing sewerred areas at 0 connections in FY 2008-09 and 0 connections annually in FY 2009-10 through FY 2014-15 plus developments outside currently platted areas (See Conn\_3 for the specific developments).

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CONNECTIONS PER YEAR

Fiscal Year	Canterbury Pre-payment Of Connection(s)	Refuge Pre-payment Of Connection(s)	LHC Foothills Estates Pre-payment Of Connection(s)	North Pointe Development Pre-payment Of Connection(s)	Total Cash Received	Annual Connections to the Sewer System
FY 2002-03	108	75			\$366,000	33
FY 2003-04	0	113			238,000	87
FY 2004-05	0	104			208,000	55
FY 2005-06	0	71	100	140	622,000	40
FY 2006-07	0	0	97	0	194,000	84
FY 2007-08	0	0	3	0	6,000	32
FY 2008-09	0	0		0	0	6
FY 2009-10	0	0		0	0	0
FY 2010-11	0	0		0	0	15
FY 2011-12	0	0			0	25
FY 2012-13	0	0			0	15
FY 2013-14	0	0			0	15
FY 2014-15	0	0			0	15
<b>Total</b>	<b>108</b>	<b>363</b>	<b>200</b>	<b>140</b>	<b>\$ 1,634,000</b>	<b>422</b>

Non-Residential and Residential Growth - Developments Outside Platted Areas

Development (1)	Customer Classification Rate Code	Projected						
		FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Mall (2)	CT, DP, FB, GS, PR, SS, RS, DE	0	6	6	6	6	6	
Remainder of Centre (3)	CT, DP, FB, GS, PR, SS, RS, DE	0	0	6	6	6	6	6
Air Industrial Park (4)	IN	0	0	0	5	5	5	5
Body Beach Hotel (5)	HW							
Lowe's (6)	DP							
Anderson Chrysler (7)	SS							
Sailing Hawks (8)	RE	4	0	5	5	10	30	30
Havasu Foothills Estates (9)	RE	0	0	5	5	5	5	5
North Pointe (Fidence) Phase 1 (10)	RE	5	0	0	0	0	0	0
Refuge (11)	RE	1	0	10	20	10	10	10
Canterbury - See Conn 2	RE							
State Lands Auction Phase I (12)	RE							
<b>Total Connections</b>		<b>10</b>	<b>6</b>	<b>32</b>	<b>47</b>	<b>42</b>	<b>62</b>	<b>56</b>
Single-Family Residential/Duplex		10	0	20	30	25	45	45
Multi-Family		0	0	0	0	0	0	0
Non-Residential		0	6	12	17	17	17	11
<b>Total Connections</b>		<b>10</b>	<b>6</b>	<b>32</b>	<b>47</b>	<b>42</b>	<b>62</b>	<b>56</b>

- (1) 0.60 accounts per developed acre assumed based on current ratio of developed acreage (1,600) to non-residential accounts (890) connected to the Wastewater System at the end of FY 2003-04. Projected acreage by year provided by City staff in December 2004.
- (2) 105 acres in total with 50% currently developed as of May 2009 including connections of Wal-Mart, Dillard's, JC Penney, and Petsmart. Projected to be developed as follows 60% in FY 2009-10, 70% in FY 2010-11, 80% in FY 2011-12, 90% in FY 2012-13 and 100% in FY 2013-14. Allocated among 8 different customer classifications pro-rata based on development typical in malls.
- (3) 110 acres in total. Projected to be developed same as mall, delayed one year as follows; 60% in FY 2010-11, 70% in FY 2011-12, 80% in FY 2012-13, 90% in FY 2013-14, and 100% in FY 2014-15. Allocated among 8 different customer classifications pro-rata based on development typical to malls.
- (4) 5 acres per year starting in FY 2011-12 until total 85 acres is built out. Build out is projected outside of current study period.
- (5) Timing of connection within study period uncertain and removed per City staff.
- (6) 13 acres projected to be developed in FY 2007-08 with a septic tank. Connected to the sewer system in FY 2015-16.
- (7) 20 acres projected to be developed in FY 2015-16.
- (8) Projected to connect as follows - 27 houses connected as of May 2009, 5 houses in FY 2010-11 and FY 2011-12, 10 houses in FY 2012-13 and 30 houses annually until 252 total lots are connected.
- (9) 35 houses connected as of FY 2008-09 and 5 additional houses per year beginning in FY 2010-11 until full build out of 697 houses is reached per City staff. Pre-paid TCF for first 200 houses to connect.
- (10) Phase A includes 135 houses projected to connect as follows - 46 have been connected through May 2009. Phase B includes 120 houses. Projected connections have been reduced to zero per City staff.
- (11) Includes 363 total lots. 145 connected as of May 2009. Remaining 218 to connect as follows - 10 in FY 2010-11, 20 in FY 2011-12 and 10 annually until build-out.
- (12) Includes 1,800 houses. Projection of future development reduced to zero as this may not move forward quickly.

TREATMENT CAPACITY FEE - SEWER

Water Meter Size	Adjusted Meter Factor	Meter Factor (1)	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Actual FY 2008-09
3/4"	1.0	1.0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
1"	1.0	2.0	4,000	4,000	4,000	4,000	4,000	4,000	4,000
1 1/2"	1.6	3.2	6,400	6,400	6,400	6,400	6,400	6,400	6,400
2"	2.0	4.0	8,000	8,000	8,000	8,000	8,000	8,000	8,000
3"	4.8	9.6	19,200	19,200	19,200	19,200	19,200	19,200	19,200
4"	8.4	16.8	33,600	33,600	33,600	33,600	33,600	33,600	33,600
6"	18.4	36.8	73,600	73,600	73,600	73,600	73,600	73,600	73,600
8"	32.0	64.0	128,000	128,000	128,000	128,000	128,000	128,000	128,000

- (1) Badger meter catalog, recommended maximum continuous flow - gallons per minute.  
 (2) The treatment capacity fee will be \$2,000 for all SFR properties with one meter regardless of meter size per 2008 sewer ordinance.

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TREATMENT CAPACITY FEE - SEWER

Water Meter Size	Adjusted Meter Factor	Meter Factor (1)	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
			(2)	(2)	(2)	(2)	(2)	(2)
3/4"	1.0	1.0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
1"	1.0	2.0	4,000	4,000	4,000	4,000	4,000	4,000
1 1/2"	1.6	3.2	6,400	6,400	6,400	6,400	6,400	6,400
2"	2.0	4.0	8,000	8,000	8,000	8,000	8,000	8,000
3"	4.8	9.6	19,200	19,200	19,200	19,200	19,200	19,200
4"	8.4	16.8	33,600	33,600	33,600	33,600	33,600	33,600
6"	18.4	36.8	73,600	73,600	73,600	73,600	73,600	73,600
8"	32.0	64.0	128,000	128,000	128,000	128,000	128,000	128,000

- (1) Badger meter catalog, recommended maximum continuous flow - gallons per minute.
- (2) The treatment capacity fee will be \$2,000 for all SFR properties with one meter regardless of meter size per 2008 sewer ordinance.

TREATMENT CAPACITY FEE REVENUE

	Actual FY 2002-03 (4)	Actual FY 2003-04 (4)	Actual FY 2004-05 (4)	Actual FY 2005-06 (4)	Actual FY 2006-07 (4)	Actual FY 2007-08 (4)	Projected FY 2008-09
TREATMENT CAPACITY FEE	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
TREATMENT CAPACITY FEE BOOKED (1)	\$1,374,853	\$2,943,500	\$4,904,164	\$4,124,330	\$5,561,006	\$6,986,039	\$3,608,000
FINANCED (2)	\$376,000	\$1,020,400	\$2,077,980	\$1,530,288	\$2,833,667	\$2,968,000	\$1,339,225
LUMP PAYMENT - CURRENT YEAR	998,853	1,923,100	2,826,184	2,594,042	2,727,339	4,018,039	2,268,775
LUMP PAYMENT - TOTAL CASH INFLOW	998,853	1,923,100	2,826,184	2,594,042	2,727,339	4,018,039	2,268,775
PRINCIPAL PAID EARLY (3)	26,000	280,000	480,000	700,000	582,000	834,000	1,066,000
FINANCED TCF PAYMENTS	14,022	95,622	213,641	585,379	793,029	608,435	354,952
<b>TOTAL TCF REVENUE RECEIVED (4)</b>	<b>\$1,038,875</b>	<b>\$2,298,722</b>	<b>\$3,519,825</b>	<b>\$3,879,421</b>	<b>\$4,102,368</b>	<b>\$5,460,474</b>	<b>\$3,689,727</b>

- (1) Amounts do not include prepaid Treatment Capacity Fees payments (Canterbury, Refuge, Foothills Estates and North Pointe). See Conn\_2 for schedule of TCF pre-payments.
- (2) Only available to Residential customers and percent financed refers to residential connections only.
- (3) If customer chooses financing option, but residence is sold prior to completion of 10-year period, the remaining principal is repaid in a lump sum.
- (4) Includes Lump Payments, Principal Pre-payments and financed principal and interest payments.

TREATMENT CAPACITY FEE REVENUE

	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
TREATMENT CAPACITY FEE	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
TREATMENT CAPACITY FEE BOOKED (1)	\$9,462,000	\$6,802,000	\$168,000	\$178,000	\$94,000	\$82,000
FINANCED (2)	\$3,952,236	\$2,875,134	\$57,503	\$61,794	\$25,747	\$25,747
LUMP PAYMENT - CURRENT YEAR	5,509,764	3,926,866	110,497	116,206	68,253	56,253
LUMP PAYMENT - TOTAL CASH INFLOW	5,509,764	3,926,866	110,497	116,206	68,253	56,253
PRINCIPAL PAID EARLY (3)	0	0	0	0	0	0
FINANCED TCF PAYMENTS	1,008,219	1,495,494	1,849,972	1,857,061	1,858,269	1,811,584
<b>TOTAL TCF REVENUE RECEIVED (4)</b>	<b>\$6,517,983</b>	<b>\$5,422,360</b>	<b>\$1,960,469</b>	<b>\$1,973,267</b>	<b>\$1,926,521</b>	<b>\$1,867,837</b>

- (1) Amounts do not include prepaid Treatment Capacity Fees payments (Canterbury, Refuge, Foothills Estates and North Pointe). See Conn\_2 for schedule of TCF pre-payments.
- (2) Only available to Residential customers and percent financed refers to residential connections only.
- (3) If customer chooses financing option, but residence is sold prior to completion of 10-year period, the remaining principal is repaid in a lump sum.
- (4) Includes Lump Payments, Principal Pre-payments and financed principal and interest payments.

TREATMENT CAPACITY FEE REVENUE - FINANCED

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
<b>FINANCED (1)</b>	\$376,000	\$1,020,400	\$2,077,980	\$1,530,288	\$2,833,667	\$2,968,000	\$1,339,225	\$3,952,236	\$2,875,134	\$57,503	\$61,794	\$25,747	\$25,747
<b>EARLY PRINCIPAL RETIREMENTS (2)</b>	324,000	616,000	1,014,000	568,000	818,000	472,000	156,000	0	0	0	0	0	0
<b>NET FINANCED</b>	\$52,000	\$404,400	\$1,063,980	\$962,288	\$2,015,667	\$2,496,000	\$1,183,225	\$3,952,236	\$2,875,134	\$57,503	\$61,794	\$25,747	\$25,747
Annual Payback (delayed 1 yr. For planning purposes)													
FY 2002-03 Actual								\$6,411	\$6,411	\$6,411	\$6,411		
FY 2003-04 Actual								49,859	49,859	49,859	49,859	\$49,859	
FY 2004-05 Actual								131,179	131,179	131,179	131,179	131,179	\$131,179
FY 2005-06 Actual								118,641	118,641	118,641	118,641	118,641	118,641
FY 2006-07 Actual								248,513	248,513	248,513	248,513	248,513	248,513
FY 2007-08 Actual								307,734	307,734	307,734	307,734	307,734	307,734
FY 2008-09 Projected							145,881	145,881	145,881	145,881	145,881	145,881	145,881
FY 2009-10 Projected								487,275	487,275	487,275	487,275	487,275	487,275
FY 2010-11 Projected									354,478	354,478	354,478	354,478	354,478
FY 2011-12 Projected										7,090	7,090	7,090	7,090
FY 2012-13 Projected											7,619	7,619	7,619
FY 2013-14 Projected												3,174	3,174
<b>TOTAL (3)</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,008,219	\$1,495,494	\$1,849,972	\$1,857,061	\$1,858,269	\$1,811,584

(1) Only available to Residential customers and percent financed refers to residential connections only.  
(2) If customer chooses financing option, but residence is sold prior to completion of 10-year period, the remaining principal is repaid in a lump sum. FY 2002-03 and FY 2007-08 actuals and FY 2008-09 estimates based on City provided data.  
(3) Equals "Annual Payback" amounts of 10-year financing option. Actual Years Not Included in this summary.

AVERAGE NUMBER OF ACCOUNTS

Rate Code	STANDARD CLASSIFICATION	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
RE	Residential	8,937	11,494	13,565	16,774	20,751	22,460	22,529	22,580	22,610
RE	Residential - O/S Platted Areas	226	262	311	337	345	365	385	400	415
CO	Condo	60	58	61	62	62	62	62	62	62
MF	Apartment/Multi-Family	331	603	899	1,009	1,088	1,107	1,107	1,107	1,107
CT	Theaters, Libraries, Parks	39	43	43	43	43	43	44	44	45
BW	Bar w/o Dining	7	7	7	7	7	7	7	7	7
CW	Car Wash W/O Recycling	5	5	5	5	5	5	5	5	5
CR	Car Wash W/ Recycling	1	1	1	1	1	1	1	1	1
DP	Retail / Convenience	377	365	355	357	361	367	372	381	390
HP	Hospital/Convalescent	4	8	12	12	12	12	12	12	12
HW	Hotel/Motel	22	20	17	17	17	17	17	17	17
HM	Hotel/Motel w/ Restaurant	5	7	9	9	9	9	9	9	9
FB	Fitness / Beauty Salons	14	18	22	22	22	22	22	22	22
LM	Laundromat	8	8	8	8	8	8	8	8	8
DC	Commercial Laundry/Dry Cleaning	2	2	2	2	2	2	2	2	2
GS	Grocery Store	11	9	10	10	10	10	10	10	10
MO	Mortuaries	2	2	2	2	2	2	2	2	2
PR	Professional Offices	230	234	228	229	230	233	235	239	244
SS	Repair Shop / Service Shop	98	112	127	128	129	131	132	135	138
RS	Restaurants	96	97	96	97	98	100	101	104	107
DE	Delicatessen	9	11	12	12	12	12	12	12	12
SG	Schools W/ Gym / Cafeteria	7	7	7	7	7	7	7	7	7
SC	Schools W/ Cafeteria	1	1	1	1	1	1	1	1	1
SW	Schools	26	28	29	29	29	29	29	29	29
H2	Nurseries, Bottled Water	7	6	5	5	5	5	5	5	5
SH	Septage Haulers	8	8	8	8	8	8	8	8	8
IN	Industrial	6	6	1	1	1	4	9	14	19
RV	RV Parks	3	2	2	2	2	2	2	2	2
SO	Social Club	-	3	5	5	5	5	5	5	5
	TOTAL	10,542	13,427	15,850	19,201	23,272	25,036	25,140	25,230	25,301

YEAR-END (JUNE 30) NUMBER OF ACCOUNTS (1)

Rate Code	STANDARD CLASSIFICATION	Actual FY 2006-07	Actual FY 2007-08	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
				(2)						
RE	Residential	10,330	12,658	14,471	19,076	22,426	22,493	22,565	22,595	22,625
RE	Residential - O/S Platted Areas	238	285	337	337	352	377	392	407	422
CO	Condo	55	61	61	62	62	62	62	62	62
MF	Apartment/Multi-Family	358	848	949	1,068	1,107	1,107	1,107	1,107	1,107
CT	Theaters, Libraries, Parks	42	43	43	43	43	43	44	45	45
BW	Bar w/o Dining	6	7	7	7	7	7	7	7	7
CW	Car Wash W/O Recycling	5	5	5	5	5	5	5	5	5
CR	Car Wash W/ Recycling	1	1	1	1	1	1	1	1	1
DP	Retail / Convenience	374	355	355	358	364	370	375	387	394
HP	Hospital/Convalescent	4	12	12	12	12	12	12	12	12
HW	Hotel/Motel	22	17	17	17	17	17	17	17	17
HM	Hotel/Motel w/ Restaurant	5	9	9	9	9	9	9	9	9
FB	Fitness / Beauty Salons	14	22	22	22	22	22	22	22	22
LM	Laundromat	8	8	8	8	8	8	8	8	8
DC	Commercial Laundry/Dry Cleaning	1	2	2	2	2	2	2	2	2
GS	Grocery Store	8	10	10	10	10	10	10	10	10
MO	Mortuaries	2	2	2	2	2	2	2	2	2
PR	Professional Offices	239	228	228	229	231	234	236	243	246
SS	Repair Shop / Service Shop	97	127	127	128	130	131	133	137	138
RS	Restaurants	98	96	96	97	99	100	102	106	108
DE	Delicatessen	10	12	12	12	12	12	12	12	12
SG	Schools W/ Gym / Cafeteria	7	7	7	7	7	7	7	7	7
SC	Schools W/ Cafeteria	1	1	1	1	1	1	1	1	1
SW	Schools	27	29	29	29	29	29	29	29	29
H2	Nurseries, Bottled Water	6	5	5	5	5	5	5	5	5
SH	Septage Haulers	8	8	8	8	8	8	8	8	8
IN	Industrial	10	1	1	1	1	6	11	16	21
RV	RV Parks	2	2	2	2	2	2	2	2	2
SO	Social Club	-	5	5	5	5	5	5	5	5
<b>TOTAL</b>		<b>11,978</b>	<b>14,866</b>	<b>16,832</b>	<b>21,563</b>	<b>24,979</b>	<b>25,088</b>	<b>25,192</b>	<b>25,269</b>	<b>25,333</b>

(1) Excludes 487 previously active accounts, inactive at the end of FY 2007-08 and projected to remain inactive.

(2) FY 2008-09 starting connections include projected 110 June 2008 connections connected to the sewer system, but where an account was setup in August 2008.

ANNUAL BILLED FLOWS - CCF (1)

Rate Code	STANDARD CLASSIFICATION	Projected FY 2008-09	Projected FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15
RE	Residential	1,447,114	1,789,450	2,213,717	2,396,033	2,403,394	2,408,834	2,412,035
RE	Residential Outside of Platted Areas	33,177	35,951	36,805	38,938	41,072	42,672	44,272
CO	Condo	103,944	80,545	80,545	80,545	80,545	80,545	80,545
MF	Apartment/Multi-Family	224,283	286,354	301,549	306,815	306,815	306,815	306,815
CT	Theaters, Libraries, Parks	15,712	16,404	16,404	16,404	16,785	16,785	17,167
BW	Bar w/o Dining	2,099	2,066	2,066	2,066	2,066	2,066	2,066
CW	Car Wash W/O Recycling	6,979	8,514	8,514	8,514	8,514	8,514	8,514
CR	Car Wash W/ Recycling	2,057	1,496	1,496	1,496	1,496	1,496	1,496
DP	Retail / Convenience	75,913	81,182	82,091	83,456	84,593	86,639	88,686
HP	Hospital/Convalescent	37,794	52,671	52,671	52,671	52,671	52,671	52,671
HW	Hotel/Motel	26,218	25,051	25,051	25,051	25,051	25,051	25,051
HM	Hotel/Motel w/ Restaurant	33,144	41,887	41,887	41,887	41,887	41,887	41,887
FB	Fitness / Beauty Salons	4,913	5,064	5,064	5,064	5,064	5,064	5,064
LM	Laundromat	19,633	20,391	20,391	20,391	20,391	20,391	20,391
DC	Commercial Laundry/Dry Cleaning	31,019	39,106	39,106	39,106	39,106	39,106	39,106
GS	Grocery Store	38,510	35,893	35,893	35,893	35,893	35,893	35,893
MO	Mortuaries	1,319	1,247	1,247	1,247	1,247	1,247	1,247
PR	Professional Offices	57,921	56,939	57,187	57,933	58,430	59,425	60,668
SS	Repair Shop / Service Shop	22,266	24,146	24,335	24,712	24,900	25,466	26,032
RS	Restaurants	58,257	61,343	61,975	63,240	63,872	65,770	67,667
DE	Delicatessen	6,733	6,561	6,561	6,561	6,561	6,561	6,561
SG	Schools W/ Gym / Cafeteria	22,380	21,786	21,786	21,786	21,786	21,786	21,786
SC	Schools W/ Cafeteria	839	704	704	704	704	704	704
SW	Schools	35,997	36,853	36,853	36,853	36,853	36,853	36,853
H2	Nurseries, Bottled Water	3,668	3,138	3,138	3,138	3,138	3,138	3,138
SH	Septage Haulers	679	675	675	675	675	675	675
IN	Industrial	95	95	95	380	855	1,331	1,806
RV	RV Parks	8,675	6,849	6,849	6,849	6,849	6,849	6,849
SO	Social Club	2,284	2,385	2,385	2,385	2,385	2,385	2,385
<b>TOTAL CCF</b>		<b>2,323,622</b>	<b>2,744,746</b>	<b>3,187,040</b>	<b>3,380,793</b>	<b>3,393,598</b>	<b>3,406,619</b>	<b>3,418,030</b>
TOTAL 1,000 GALLONS		1,738,302	2,053,344	2,384,225	2,529,171	2,538,751	2,548,492	2,557,028
MGD		4.76	5.63	6.53	6.93	6.96	6.98	7.01
(1) Includes billed minimum flows.								



(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Rate Code	STANDARD CLASSIFICATION	CHARACTERISTIC STRENGTH BOD(ppm)	CHARACTERISTIC STRENGTH SS(ppm)	BOD FACTOR @ 250 ppm	SS FACTOR @ 250 ppm	FLOW FACTOR	EQUIVALENT CATEGORY FACTOR	EQUIVALENT ACCOUNTS	FIXED RATE PER EQUIVALENT ACCOUNT	SYSTEM RATE PER 100 cf	SEWER RATE PER 100 cf	EQUIVALENT FLOW PER MON. (cfx100)
RE	Residential	175	175	0.70	0.70	1.00	0.80	13,419	\$0.00	\$2.29	\$1.83	119,297
RE	Residential - O/S Platted Areas	175	175	0.70	0.70	1.00	0.80	270	\$0.00	\$2.29	\$1.83	2,397
CO	Condo	175	175	0.70	0.70	1.00	0.80	50	\$0.00	\$2.29	\$1.83	5,370
MF	Apartment/Multi-Family	175	175	0.70	0.70	1.00	0.80	807	\$0.00	\$2.29	\$1.83	19,090
CT	Theaters, Libraries, Parks	150	150	0.60	0.60	1.00	0.73	31	\$0.00	\$2.29	\$1.67	998
BW	Bar w/o Dining	200	200	0.80	0.80	1.00	0.87	6	\$0.00	\$2.29	\$1.99	150
CW	Car Wash W/O Recycling	20	150	0.08	0.60	1.00	0.56	3	\$0.00	\$2.29	\$1.28	397
CR	Car Wash W/ Recycling	80	600	0.32	2.40	1.00	1.24	1	\$0.00	\$2.29	\$2.84	155
DP	Retail / Convenience	150	150	0.60	0.60	1.00	0.73	261	\$0.00	\$2.29	\$1.67	4,939
HP	Hospital/Convalescent	250	100	1.00	0.40	1.00	0.80	10	\$0.00	\$2.29	\$1.83	3,511
HW	Hotel/Motel	310	120	1.24	0.48	1.00	0.91	15	\$0.00	\$2.29	\$2.08	1,900
HM	Hotel/Motel w/ Restaurant	700	360	2.80	1.44	1.00	1.75	16	\$0.00	\$2.29	\$4.01	6,108
FB	Fitness / Beauty Salons	130	80	0.52	0.32	1.00	0.61	13	\$0.00	\$2.29	\$1.40	257
LM	Laundromat	150	110	0.60	0.44	1.00	0.68	5	\$0.00	\$2.29	\$1.56	1,156
DC	Commercial Laundry/Dry Cleaning	450	240	1.80	0.96	1.00	1.25	3	\$0.00	\$2.29	\$2.86	4,074
GS	Grocery Store	800	800	3.20	3.20	1.00	2.47	25	\$0.00	\$2.29	\$5.66	7,388
MO	Mortuaries	800	800	3.20	3.20	1.00	2.47	5	\$0.00	\$2.29	\$5.66	257
PR	Professional Offices	130	80	0.52	0.32	1.00	0.61	140	\$0.00	\$2.29	\$1.40	2,894
SS	Repair Shop / Service Shop	180	280	0.72	1.12	1.00	0.95	122	\$0.00	\$2.29	\$2.18	1,912
RS	Restaurants	1100	600	4.40	2.40	1.00	2.60	252	\$0.00	\$2.29	\$5.95	13,291
DE	Delicatessen	250	215	1.00	0.86	1.00	0.95	11	\$0.00	\$2.29	\$2.18	519
SG	Schools W/ Gym / Cafeteria	250	350	1.00	1.40	1.00	1.13	8	\$0.00	\$2.29	\$2.59	2,052
SC	Schools W/ Cafeteria	1000	500	4.00	2.00	1.00	2.33	2	\$0.00	\$2.29	\$5.34	137
SW	Schools	130	100	0.52	0.40	1.00	0.64	19	\$0.00	\$2.29	\$1.47	1,966
H2	Nurseries, Bottled Water	150	150	0.60	0.60	1.00	0.73	4	\$0.00	\$2.29	\$1.67	191
SH	Septage Haulers	5400	12000	21.60	48.00	1.00	23.53	188	\$0.00	\$2.29	\$53.88	1,323
IN	Industrial	275	200	1.10	0.80	1.00	0.97	1	\$0.00	\$2.29	\$2.22	8
RV	RV Parks	175	175	0.70	0.70	1.00	0.80	2	\$0.00	\$2.29	\$1.83	457
SO	Social Club	1100	600	4.40	2.40	1.00	2.60	13	\$0.00	\$2.29	\$5.95	517
								MONTHLY EQUIVALENT ACCOUNTS	15,702	MONTHLY EQUIVALENT CCF		202,708
								ANNUAL EQUIVALENT ACCOUNTS	188,424	ANNUAL EQUIVALENT CCF		2,432,492

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Rate Code	STANDARD CLASSIFICATION	AVG. NUMBER OF ACCOUNTS	AVG. WATER USE PER ACCT (cfx100)	FLOW FACTOR	EQUIVALENT SEWER DISCHARGE PER ACCOUNT PER MONTH (cfx100)	FIXED RATE PER EQUIVALENT ACCOUNT	COMPOSITE SEWER RATE PER 100 cf	FIXED RATE PER 100 cf	TOTAL RATE PER 100 cf	FIXED RATE PER MONTH	VARIABLE REVENUE PER MONTH	FIXED REVENUE PER MONTH	TOTAL REVENUE PER MONTH	AVG. COST PER ACCT	TOTAL WASTEWATER FLOW PER MON. (cfx100)	
RE	Residential	16,774	8.89	100%	8.89	\$0.00	\$1.68	\$4.85	\$6.53	\$0	\$250,523	\$723,236	\$973,759	\$58.05	149,121	
RE	Residential - O/S Platted Areas	337	8.89	100%	8.89	\$0.00	\$1.68	\$4.85	\$6.53	\$0	\$5,033	\$14,530	\$19,563	\$58.05	2,996	
CO	Condo	62	108.26	100%	108.26	\$0.00	\$1.68	\$4.85	\$6.53	\$0	\$11,276	\$32,554	\$43,830	\$706.94	6,712	
MF	Apartment/Multi-Family	1,009	23.65	100%	23.65	\$0.00	\$1.68	\$4.85	\$6.53	\$0	\$40,090	\$115,735	\$155,824	\$154.43	23,863	
CT	Theaters, Libraries, Parks	43	31.79	100%	31.79	\$0.00	\$1.53	\$4.85	\$6.38	\$0	\$2,091	\$6,630	\$8,721	\$202.82	1,367	
BW	Bar w/o Dining	7	24.59	100%	24.59	\$0.00	\$1.84	\$4.85	\$6.69	\$0	\$317	\$835	\$1,152	\$164.51	172	
CW	Car Wash W/O Recycling	5	141.90	100%	141.90	\$0.00	\$1.16	\$4.85	\$6.01	\$0	\$823	\$3,441	\$4,264	\$852.82	710	
CR	Car Wash W/ Recycling	1	124.67	100%	124.67	\$0.00	\$2.65	\$4.85	\$7.50	\$0	\$330	\$605	\$935	\$935.03	125	
DP	Retail / Convenience	357	18.95	100%	18.95	\$0.00	\$1.53	\$4.85	\$6.38	\$0	\$10,351	\$32,811	\$43,162	\$120.90	6,765	
HP	Hospital/Convalescent	12	365.77	100%	365.77	\$0.00	\$1.68	\$4.85	\$6.53	\$0	\$7,374	\$21,288	\$28,662	\$2,388.48	4,389	
HW	Hotel/Motel	17	122.80	100%	122.80	\$0.00	\$1.92	\$4.85	\$6.77	\$0	\$4,008	\$10,125	\$14,133	\$831.36	2,088	
HM	Hotel/Motel w/ Restaurant	9	387.84	100%	387.84	\$0.00	\$3.76	\$4.85	\$8.61	\$0	\$13,125	\$16,929	\$30,054	\$3,339.30	3,491	
FB	Fitness / Beauty Salons	22	19.18	100%	19.18	\$0.00	\$1.27	\$4.85	\$6.12	\$0	\$536	\$2,047	\$2,582	\$117.38	422	
LM	Laundromat	8	212.41	100%	212.41	\$0.00	\$1.42	\$4.85	\$6.27	\$0	\$2,413	\$8,242	\$10,654	\$1,331.81	1,699	
DC	Commercial Laundry/Dry Cleaning	2	1,629.43	100%	1,629.43	\$0.00	\$2.67	\$4.85	\$7.52	\$0	\$8,701	\$15,805	\$24,507	\$12,253.31	3,259	
GS	Grocery Store	10	299.11	100%	299.11	\$0.00	\$5.34	\$4.85	\$10.19	\$0	\$15,972	\$14,507	\$30,479	\$3,047.93	2,991	
MO	Mortuaries	2	51.96	100%	51.96	\$0.00	\$5.34	\$4.85	\$10.19	\$0	\$555	\$504	\$1,059	\$529.47	104	
PR	Professional Offices	229	20.72	100%	20.72	\$0.00	\$1.27	\$4.85	\$6.12	\$0	\$6,026	\$23,013	\$29,039	\$126.81	4,745	
SS	Repair Shop / Service Shop	128	15.72	100%	15.72	\$0.00	\$2.01	\$4.85	\$6.86	\$0	\$4,044	\$9,759	\$13,803	\$107.84	2,012	
RS	Restaurants	97	52.70	100%	52.70	\$0.00	\$5.62	\$4.85	\$10.47	\$0	\$28,729	\$24,793	\$53,522	\$551.77	5,112	
DE	Delicatessen	12	45.56	100%	45.56	\$0.00	\$2.01	\$4.85	\$6.86	\$0	\$1,099	\$2,652	\$3,750	\$312.54	547	
SG	Schools W/ Gym / Cafeteria	7	259.36	100%	259.36	\$0.00	\$2.40	\$4.85	\$7.25	\$0	\$4,357	\$8,805	\$13,163	\$1,880.36	1,816	
SC	Schools W/ Cafeteria	1	58.70	100%	58.70	\$0.00	\$5.03	\$4.85	\$9.88	\$0	\$295	\$285	\$580	\$579.96	59	
SW	Schools	29	105.90	100%	105.90	\$0.00	\$1.33	\$4.85	\$6.18	\$0	\$4,085	\$14,895	\$18,979	\$654.46	3,071	
H2	Nurseries, Bottled Water	5	52.30	100%	52.30	\$0.00	\$1.53	\$4.85	\$6.38	\$0	\$400	\$1,268	\$1,668	\$333.67	262	
SH	Septage Haulers	8	7.03	100%	7.03	\$0.00	\$51.46	\$4.85	\$56.31	\$0	\$2,894	\$273	\$3,167	\$395.86	56	
IN	Industrial	1	7.92	100%	7.92	\$0.00	\$2.05	\$4.85	\$6.90	\$0	\$16	\$38	\$55	\$54.65	8	
RV	RV Parks	2	285.39	100%	285.39	\$0.00	\$1.68	\$4.85	\$6.53	\$0	\$959	\$2,768	\$3,727	\$1,863.60	571	
SO	Social Club	5	39.75	100%	39.75	\$0.00	\$5.62	\$4.85	\$10.47	\$0	\$1,117	\$964	\$2,081	\$416.18	199	
<b>TOTAL</b>		<b>19,201</b>	<b>4,531.14</b>		<b>4,531.14</b>						<b>\$0</b>	<b>\$427,540</b>	<b>\$1,109,335</b>	<b>\$1,536,875</b>	<b>\$34,370</b>	<b>228,729</b>
											Jul - Mar Revenue	Annual Revenue	\$13,831,876	Jul - Mar CCF	2,058,560	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Rate Code	STANDARD CLASSIFICATION	AVG. NUMBER OF ACCOUNTS	AVG. WATER USE PER MONTH (cfx100)	FLOW FACTOR	EQUIVALENT SEWER DISCHARGE PER ACCOUNT PER MONTH (cfx100)	FIXED RATE PER EQUIVALENT ACCOUNT	COMPOSITE SEWER RATE PER 100 cf	FIXED RATE PER 100 cf	TOTAL RATE PER 100 cf	FIXED RATE REVENUE PER MONTH	VARIABLE REVENUE PER MONTH	FIXED REVENUE PER MONTH	TOTAL REVENUE PER MONTH	AVG. COST PER ACCT	TOTAL WASTEWATER FLOW PER MON. (cfx100)	
RE	Residential	16,774	8.89	100%	8.89	\$0.00	\$1.58	\$5.72	\$7.30	\$0	\$235,611	\$852,971	\$1,088,582	\$64.90	149,121	
RE	Residential - O/S Platted Areas	337	8.89	100%	8.89	\$0.00	\$1.58	\$5.72	\$7.30	\$0	\$4,734	\$17,137	\$21,870	\$64.90	2,996	
CO	Condo	62	108.26	100%	108.26	\$0.00	\$1.58	\$5.72	\$7.30	\$0	\$10,605	\$38,393	\$48,998	\$790.30	6,712	
MF	Apartment/Multi-Family	1,009	23.65	100%	23.65	\$0.00	\$1.58	\$5.72	\$7.30	\$0	\$37,703	\$136,496	\$174,199	\$172.65	23,863	
CT	Theaters, Libraries, Parks	43	31.79	100%	31.79	\$0.00	\$1.42	\$5.72	\$7.14	\$0	\$1,941	\$7,819	\$9,760	\$226.98	1,367	
BW	Bar w/o Dining	7	24.59	100%	24.59	\$0.00	\$1.75	\$5.72	\$7.47	\$0	\$301	\$985	\$1,286	\$183.69	172	
CW	Car Wash W/O Recycling	5	141.90	100%	141.90	\$0.00	\$1.01	\$5.72	\$6.73	\$0	\$717	\$4,058	\$4,775	\$954.99	710	
CR	Car Wash W/ Recycling	1	124.67	100%	124.67	\$0.00	\$2.63	\$5.72	\$8.35	\$0	\$328	\$713	\$1,041	\$1,040.99	125	
DP	Retail / Convenience	357	18.95	100%	18.95	\$0.00	\$1.42	\$5.72	\$7.14	\$0	\$9,607	\$38,697	\$48,303	\$135.30	6,765	
HP	Hospital/Convalescent	12	365.77	100%	365.77	\$0.00	\$1.58	\$5.72	\$7.30	\$0	\$6,935	\$25,106	\$32,041	\$2,670.12	4,389	
HW	Hotel/Motel	17	122.80	100%	122.80	\$0.00	\$1.85	\$5.72	\$7.57	\$0	\$3,862	\$11,941	\$15,803	\$929.60	2,088	
HM	Hotel/Motel w/ Restaurant	9	387.84	100%	387.84	\$0.00	\$3.85	\$5.72	\$9.57	\$0	\$13,439	\$19,966	\$33,405	\$3,711.63	3,491	
FB	Fitness / Beauty Salons	22	19.18	100%	19.18	\$0.00	\$1.13	\$5.72	\$6.85	\$0	\$477	\$2,414	\$2,890	\$131.38	422	
LM	Laundromat	8	212.41	100%	212.41	\$0.00	\$1.30	\$5.72	\$7.02	\$0	\$2,209	\$9,720	\$11,929	\$1,491.12	1,699	
DC	Commercial Laundry/Dry Cleaning	2	1,629.43	100%	1,629.43	\$0.00	\$2.66	\$5.72	\$8.38	\$0	\$8,669	\$18,641	\$27,309	\$13,654.62	3,259	
GS	Grocery Store	10	299.11	100%	299.11	\$0.00	\$5.56	\$5.72	\$11.28	\$0	\$16,631	\$17,109	\$33,740	\$3,373.96	2,991	
MO	Mortuaries	2	51.96	100%	51.96	\$0.00	\$5.56	\$5.72	\$11.28	\$0	\$578	\$594	\$1,172	\$586.11	104	
PR	Professional Offices	229	20.72	100%	20.72	\$0.00	\$1.13	\$5.72	\$6.85	\$0	\$5,362	\$27,141	\$32,502	\$141.93	4,745	
SS	Repair Shop / Service Shop	128	15.72	100%	15.72	\$0.00	\$1.94	\$5.72	\$7.66	\$0	\$3,904	\$11,510	\$15,413	\$120.42	2,012	
RS	Restaurants	97	52.70	100%	52.70	\$0.00	\$5.87	\$5.72	\$11.59	\$0	\$30,007	\$29,240	\$59,247	\$610.79	5,112	
DE	Delicatessen	12	45.56	100%	45.56	\$0.00	\$1.94	\$5.72	\$7.66	\$0	\$1,061	\$3,127	\$4,188	\$348.99	547	
SG	Schools W/ Gym / Cafeteria	7	259.36	100%	259.36	\$0.00	\$2.37	\$5.72	\$8.09	\$0	\$4,303	\$10,385	\$14,688	\$2,098.22	1,816	
SC	Schools W/ Cafeteria	1	58.70	100%	58.70	\$0.00	\$5.23	\$5.72	\$10.95	\$0	\$307	\$336	\$643	\$642.77	59	
SW	Schools	29	105.90	100%	105.90	\$0.00	\$1.20	\$5.72	\$6.92	\$0	\$3,685	\$17,567	\$21,252	\$732.83	3,071	
H2	Nurseries, Bottled Water	5	52.30	100%	52.30	\$0.00	\$1.42	\$5.72	\$7.14	\$0	\$371	\$1,496	\$1,867	\$373.42	262	
SH	Septage Haulers	8	7.03	100%	7.03	\$0.00	\$55.68	\$5.72	\$61.40	\$0	\$3,131	\$322	\$3,453	\$431.64	56	
IN	Industrial	1	7.92	100%	7.92	\$0.00	\$1.99	\$5.72	\$7.71	\$0	\$16	\$45	\$61	\$61.06	8	
RV	RV Parks	2	285.39	100%	285.39	\$0.00	\$1.58	\$5.72	\$7.30	\$0	\$902	\$3,265	\$4,167	\$2,083.35	571	
SO	Social Club	5	39.75	100%	39.75	\$0.00	\$5.87	\$5.72	\$11.59	\$0	\$1,167	\$1,137	\$2,304	\$460.70	199	
<b>TOTAL</b>		<b>19,201</b>	<b>4,531.14</b>		<b>4,531.14</b>					<b>\$0</b>	<b>\$408,560</b>	<b>\$1,308,329</b>	<b>\$1,716,889</b>	<b>\$38,289</b>	<b>228,729</b>	
													Apr - Jun Revenue	\$5,150,666	Apr - Jun CCF	686,187

**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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## **Appendix B: Schedule A Additional Bonds Test - Support Schedules**

## **Additional Bonds Test Discussion**

Lake Havasu City, Arizona (the City) Resolution No. 02-1692 (Bond Resolution) describes the criteria for issuance of Senior Lien Parity Obligations (herein referred to as “Additional Bonds”). Section 3.02(6), of Resolution No. 02-1692 Conditions for Issuance of Parity Obligations, (herein referred to as the “Additional Bonds Test”) of the Bond Resolution is re-stated below:

**Conditions for Issuance of Parity Obligations  
“Additional Bonds Test”  
Resolution No. 02-1692  
Section 3.02(6)**

In the case of Senior Lien Parity Obligations, the aggregate Net Revenues for the completed Fiscal Year next preceding the date of issuance of such Senior Lien Parity Obligations are not less than one hundred twenty per cent (120%) of the Maximum Annual Debt Service for any succeeding Fiscal Year on all Senior Lien Parity Obligations then Outstanding and the Senior Lien Parity Obligations proposed to be issued and, in the case of Junior Lien Parity Obligations, either such Junior Lien Parity Obligations are issued as tax-secured obligations within the meaning of Title 9, Chapter 5, Article 3 of the Arizona Revised Statutes and Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes, or the aggregate Net Revenues for the completed Fiscal Year next preceding the date of issuance of such Junior Lien Parity Obligations less the debt service on all Senior Lien Parity Obligations for such Fiscal Year are not less than one hundred twenty per cent (120%) of the Maximum Annual Debt Service for any succeeding Fiscal Year on all Junior Lien Parity Obligations then Outstanding and the Junior Lien Parity Obligations proposed to be issued. For the purposes of this Section 3.02, additional amounts may be added to the Net Revenues for such preceding Fiscal Year if:

- (i) Gross Revenues have been increased as a result of the acquisition or construction of additions to the Wastewater System made prior to the issuance of the proposed Parity Obligations but during either the Fiscal Year in which such Parity Obligations are proposed to be issued or the preceding Fiscal Year, such increased Gross Revenues may be treated as if such additions to the Wastewater System were completed on the first day of the Fiscal Year used for purposes of computation and the Gross Revenues derived from such additions may be converted for purposes of computation to estimated Net Revenues which would have been derived therefrom if said additions had actually been completed on the first day of the Fiscal Year used for computation purposes, such estimates to be made by an Independent Consultant;
- (ii) All or part of the proceeds of the additional Parity Obligations are to be expended for the acquisition of existing wastewater properties, there may be added to the Net Revenues of such preceding Fiscal Year the Net Revenues derived from the operation of such wastewater properties to be acquired as converted to Net Revenues which would have been derived from the operation of such wastewater properties had such properties been part of the City’s Wastewater System during the entire Fiscal Year, such converted Net Revenues to be estimated by an Independent Consultant; and
- (iii) Subsequent to the first day of such preceding Fiscal Year and prior to the issuance of the additional Parity Obligations, the City increased its rates or charges for wastewater service, there may be added to Net Revenues of such preceding Fiscal Year the additional Net Revenues which would have been received from the operation of the Wastewater System during such Fiscal Year had such increases been in effect throughout such Fiscal Year, such additional Net Revenues to be estimated by an Independent Consultant.

Based on these criteria, Red Oak made various adjustments to the values shown on Schedule A to assess the ability of the Net Revenues (as defined in the Bond Resolution) of the Wastewater System Revenue Fund to support issuance of additional senior lien wastewater revenue obligations (Senior Lien Obligations) in financing the Project. The Additional Bonds Test does not apply to junior lien wastewater revenue / tax-secured obligations (Junior Lien Obligations) to the extent such obligations are issued as tax-secured or general obligations of the City (see Resolution No. 02-1692, Section 3.02(6)), which is assumed.

Red Oak made several assumptions in arriving at the results indicated on “Schedule A – Additional Bonds Test”. These assumptions are discussed below.

- Senior Lien Obligations are assumed to be issued in October of each fiscal year. See Appendix B for the “Schedule A – Additional Bonds Test” and supporting schedules.
- The projected revenues and operation and maintenance (O&M) expenses of the prior completed fiscal year (FY) are the basis of the unadjusted net revenue. Gross Revenues less O&M expenses equal the Net Revenues available for Senior Lien Obligations debt service.
- For purposes of the Additional Bonds Test, the Senior Lien Obligations debt service is the sum of the maximum annual debt service of all existing and currently proposed Senior Lien Obligations. The Additional Bonds Test requires that the Net Revenues available for Senior Lien Obligations be not less than 120% of the maximum annual debt service of existing and currently proposed Senior Lien Obligations.

### **Part (i) of the Additional Bonds Test**

AMEC and the City supplied Red Oak with projections of new connection or account totals by fiscal year. New connections are expected to connect to the Wastewater System at a constant rate throughout the fiscal year. Based on this assumption and the assumption that each new issue of Senior Lien Obligations occurs in October, Red Oak developed estimates of the number of equivalent residential units (ERU) for both the prior fiscal year and the current fiscal year as of the date of issuance for various Additional Bonds Test calculations.

Adjustments to user charge revenues and O&M expenses are also part of the adjustment of Net Revenues. For both the user charge and O&M adjustments, Red Oak used the average billable flow in 100 cubic feet (CCF) for accounts by customer classification to calculate appropriate revenue and expense adjustments for each ERU.

For the user charge adjustment, the volume rate per CCF is based on the rate per CCF as of the time of issuance of additional Senior Lien Obligations (e.g., October 2009 series adjusts Gross Revenues using rates effective April 1, 2009). For the O&M adjustment, only the variable portion of the current system O&M is used to develop a variable cost per CCF. The projected O&M for the Project, as provided by the City, is assumed to be 100% variable. The projected total annual flow in CCF is used to calculate a variable O&M cost per CCF. The ERUs, as described above, were used to calculate the variable cost of each new connection. As applied to each projected new ERU, the variable O&M cost per CCF results in a total adjusted Project O&M cost.

### **Part (ii) of the Additional Bonds Test**

Red Oak adjusted Net Revenues of the most recently completed fiscal year for existing wastewater properties to be added through the issuance of all or part of the additional Senior Lien Obligations. The adjustments to Net Revenues are similar to adjustments summarized in Part (i) and include:

- Additional user charge revenues generated from additional existing properties as if they had been part of the Wastewater System for the entire fiscal year.
- Additional O&M expenses generated from additional existing properties as if they had been part of the Wastewater System for the entire fiscal year.
- Additional TCF revenues paid in a lump sum amount generated from additional existing properties.

The adjustment for Treatment Capacity Fee (TCF) revenues is also part of the required adjustments to Net Revenues for Parity Obligations incurred part way through the fiscal year (e.g., October debt issues). The method of calculating the ERUs differs slightly from the manner in which they are calculated for the user charge and O&M adjustments. The Canterbury, Refuge, Foothills Estates and North Pointe developments arranged with the City to prepay the TCF. The City provided Red Oak with the pre-payment schedule as well as the timing of these connections to the Wastewater System. Red Oak reduced the new connections of the current fiscal year prior to calculating the TCF revenues from the projected new connections or ERUs. This is done so the TCF revenues of these properties (Canterbury, Refuge, Foothills Estates and North Pointe) are not counted twice. For FY 2009-10 forward, 57% of the new connections are anticipated to pay the TCF in a lump sum amount based on July 2002 through June 2008 TCF payment data. Red Oak utilizes this assumption starting in FY 2009-10 and throughout the remainder of the study period. Finally, all new connections would pay a TCF of \$2,000. This is a conservative approach to projecting TCF revenues in as much as some new connections will require meter/service lines where the TCF will be greater than \$2,000.

### **Part (iii) of the Additional Bonds Test**

In FY 2008-09, the Wastewater System user charge rate was increased. The rate increase was effective April 1, 2009. As such, adjustments for projected Senior Lien Obligations starting with the Series 2009A WIFA Loan include adjustments of user charge revenues generated from each connection as if the rate increase was effective the first day of the completed fiscal year prior to the issuance of additional Senior Lien Obligations. All subsequent fiscal year rate increases, are expected to be effective April 1<sup>st</sup>.

***Lake Havasu City, Arizona  
Wastewater System Revenue Fund  
Projection of Cash Flow and Additional Bonds Test  
October 1 Debt Issues***

	<u>Adjusted (1)</u> <u>FY 2008-09</u>
<b>GROSS REVENUES</b>	
User Charges	\$19,321,293
Property Tax Levy	0
Treatment Capacity Fee	8,884,695
Other Misc. Revenues	222,942
Gain (Loss) on Sale of Investments	0
Interest	650,000
<b>SUBTOTAL</b>	<u>29,081,639</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>	
Current System	9,535,179
New System	0
<b>SUBTOTAL</b>	<u>9,535,179</u>
<b>NET REVENUE AVAILABLE FOR SENIOR LIEN DEBT OBLIGATIONS</b>	<b>19,546,461</b>
<b>SENIOR LIEN DEBT SERVICE</b>	<u><b>\$12,085,199</b></u>
<b><i>Additional Bonds Test - Senior Lien Debt</i></b>	<b><i>1.62</i></b>

(1) This projection applies to assumed debt issued in October. In accordance with Resolution No. 02-1692 the Additional Bond Test is applied using actual results for the most recently completed fiscal year. As such the values shown on this schedule for the Additional Bonds Test are based on a bond issue planned for the year following the year indicated in the column heading. For example, FY 2008-09 financial results have been adjusted per Resolution No. 02-1692 for a planned Series 2009A WIFA Loan (FY 2009-10).

**Lake Havasu City, Arizona  
Wastewater System Revenue Fund  
Bond Issuance Test and Debt Service Coverage Ratio  
October Bond Issue Test**

**FILE: JUL\_09.xls  
SCHEDULE: BOND\_TEST  
DATE: 07/30/09  
RANGE: Bond\_Test\_7B**

<b>October 2009 Bond Issuance Test (1)</b>			
	<b>FY 2008-09</b>	<b>Adjustments Per Bond Covenant</b>	<b>FY 2008-09 Net Of Adjustments</b>
<b>REVENUES</b>			
User Charges	\$14,683,707	\$4,637,585	\$19,321,293
Property Tax Levy	0	0	0
Treatment Capacity Fee	3,689,727	5,194,968	8,884,695
Other Misc. Revenues	222,942	0	222,942
Gain (Loss) on Sale of Investments	0	0	0
Interest	650,000	0	650,000
<b>SUBTOTAL</b>	<b>19,249,086</b>	<b>9,832,553</b>	<b>29,081,639</b>
<b>OPERATING EXPENSES</b>			
Current System O&M	7,622,905	1,912,274	9,535,179
New System O&M	0	0	0
<b>SUBTOTAL</b>	<b>7,622,905</b>	<b>1,912,274</b>	<b>9,535,179</b>
<b>NET REVENUE AVAILABLE FOR SENIOR LIEN DEBT OBLIGATIONS</b>	<b>11,626,181</b>	<b>7,920,280</b>	<b>19,546,461</b>
<b>SENIOR LIEN DEBT SERVICE</b>	<b>\$4,149,325</b>	<b>\$7,935,875</b>	<b>\$12,085,199</b>
<b><i>Additional Bonds Test - Senior Lien Debt</i></b>	<b>2.80</b>		<b>1.62</b>

(1) For bond issue in this fiscal year (assumed October issue), the prior year financial results are used to apply the Additional Bonds Test.

**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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**Appendix C: Project Delivery -  
AMEC**



**Memo**

To **Greg Froslic, P.E.**  
From **Ryan Kanzleiter**  
Date **July 2, 2009**

**Subject Project Delivery  
Wastewater System Improvements  
Lake Havasu City, Arizona**

The 11-year Wastewater System Expansion Program proposes to install a sanitary sewer system within water pressure zones one (1) through four (4) in Lake Havasu City. Based on the Mayor's request, the Wastewater System Expansion Program has been accelerated to be complete with construction activities by December 2010. This will result in the decommissioning of approximately 20,644 septic tanks in the Wastewater System Expansion Program area. To accomplish this, the Program will include the construction and/or installation of the following:

- 274 miles of gravity sewer lines
- 286 miles of gravity sewer laterals
- 22 miles of sewer force main
- 4,250 manholes
- 8 major pumping stations
- Upgrades for two existing wastewater treatment plants
- 1 new wastewater treatment plants ( North Regional Wastewater Treatment Plant Phase 1 3.5 MGD)
- Decommissioning of 20,644 septic tanks.

Currently, the Program is in Year 7 and the construction is ahead of schedule and under budget. The following quantities are based on construction projections as part of Program Years 1 - 7 through May 31, 2009.

- 12,411 sewer connections have been made
- 195 miles of gravity sewer main line installed
- 180 miles of sewer service line installed
- 20 miles of sewer force main installed
- 2,932 sewer manholes installed
- 24 Wastewater Pump Stations constructed
- 4.6 added Treatment Capacity

The Contractors have been able to maintain the aggressive construction schedule for the Wastewater System Expansion Program. They understand the necessary sequencing and are seeking additional efficiencies. As the years have progressed, AMEC has assisted and witnessed an increased quality of work. AMEC seeks to continue quality improvements and efficiencies by facilitating optimum sewer area designs and further construction contract award

completion. The goal of this approach is to create a cost effective execution strategy and mitigate construction cost increases.

The updated CIP Estimate was issued February 13, 2009 based on an accelerated Program schedule with a construction completion date of January 2011. The summary below (Table 1) illustrates the anticipated contract requirements necessary to fund the Wastewater System Expansion Program for each remaining fiscal years based on the accelerated schedule. In addition, a summary of anticipated cash flow is shown in Table 2 below. The anticipated values per year include an industry standard 3% - 5% annual inflation factor for all projects evaluated within the Program. The anticipated cash requirements stem from detailed and conceptual engineering designs performed to generate detailed quantities and cost estimates for remaining projects within the Program.

**Table 1**

<b>Program Fiscal Years</b>	<b>CIP Financial Requirements Per Year</b>
2009-2010 (TAN)	<b>\$127,129,862</b>
2010-2011 (LIME)	<b>\$11,006,776</b>
2011-2012	<b>\$16,806,603</b>
2012-2013	<b>\$0</b>

**Table 2**

<b>Program Fiscal Years</b>	<b>CIP Financial Requirements Per Year</b>
2009-2010 (TAN)	<b>\$89,231,313</b>
2010-2011 (LIME)	<b>\$53,072,028</b>
2011-2012	<b>\$15,006,449</b>
2012-2013	<b>\$7,410,910</b>

**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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**Appendix D: Wastewater System  
Expansion Program Methodology  
for Determination of Connections -  
AMEC**



**Memo**

To **Greg Froslic, P.E.,**  
From **Ryan Kanzleiter**  
Date **July 2, 2009**

**Subject Lake Havasu City Wastewater System Expansion Program- Methodology for Determination of Connections**

In 2009, AMEC Earth & Environmental, Inc. enhanced the methodology for developing the projection of the number of connections to be made in the Wastewater System Expansion Program area. AMEC based the 2009 projections on the 2004 through 2008 Certificate of Occupancy data which was provided by the Lake Havasu City. The 2004 through 2008 Certificate of Occupancy (CO) data was distributed into the appropriate sewer areas which established trends of development within the indicated sewer areas. The growth trends were calculated by comparing the current year CO's with the previous year CO's. The established growth trends were -25% growth in 2005, -24% growth in 2006, -53% growth in 2007 and -66% growth in 2008 as compared to the total number of CO's in the previous year. The growth trends were then extrapolated into future, conservative growth forecasts and assumptions based on Development Services Department information, i.e. -17% growth in 2009 from 2008, 0% growth from 2009 through 2013. AMEC's future growth trends are assumed values and subject to economic conditions.

In order to estimate the total number of lots per sewer collection area, AMEC utilized AMEC property database and relied upon the most current GIS mapping furnished by the City. The total number of lots for each area was counted, as well as the number of vacant lots. From this exercise, total developed lots were calculated by subtracting the vacant lots from the total lots for each area.

To predict the program growth levels, AMEC added the projected growth for each area sewer to the total developed lots to obtain the total connections within each sewer area. Once the projections reached a quasi-ceiling of 95% development, the projected rate forward was reduced to an annual 1% increase in development until 2013. The purpose of the quasi-ceiling was to note 100% build out is not a realistic estimate for the sewer areas within the Wastewater System Expansion Program duration.

In developing the connection table that follows, the projected connection figures needed to be modified to correlate with the Fiscal Year (FY) programming. FY 2007 – 2008 includes actual connections from the Turquoise and Red Area projects. The result of the FY 2008 – 2009 projection calculation is the combination the remaining of Red Area project connections and estimates of the Brown Area Sewer connections based on the current construction schedules. The remaining Brown Area Sewer project connections will fall into the FY 2009 – 2010 as well as the forecasted connections for the Tan Sewer Area project connections. The future Fiscal Years connection projections are estimates based on the accelerated Program schedule.

It is important to note two other potential connection estimates.

- **Connections from Developments Outside Sewer Program Areas** – These estimates were provided by the City. Both the anticipated number of homes (and other development types) and the year in which they occur were identified and added into the connection table by others involved in the connection summary process.
- **Connections from Multi-Family and Non-residential Areas** - These estimates were provided by the City. Both the anticipated number of homes (and other development types) and the year in

which they occur were identified and added into the connection table by others involved in the connection summary process.

- **Connections in the Existing Sanitary District** – LHC provided the recorded number of connections in this area for June 2001. Our developed growth formulas were then used to project growth annually to 2013.

The Table below summarizes how many connections are anticipated for each FY within the Wastewater System Expansion Program area based on an accelerated program schedule. These numbers include the “WWSE Connections” which are connections projected within the Wastewater System Expansion Program scope of work. “Infill Growth” is additional connections made within the previously sewered areas. The “Total Connections Per Year” equal connections made within the Wastewater System Expansion Program area, excluding Multi-family and Non- residential area connections.

**Table 1**

<b>Program Fiscal Years</b>	<b>WWSE Connections Per Year</b>	<b>Infill Growth</b>	<b>Total Connections Per Year</b>
Beginning JUL 1, 2008			
2008-2009 (BROWN)	<b>1,659</b>	<b>40</b>	<b>1,699</b>
2009-2010 (TAN)	<b>4,670</b>	<b>55</b>	<b>4,725</b>
2010-2011 (LIME)	<b>3,322</b>	<b>62</b>	<b>3,384</b>
2011-2012	<b>0</b>	<b>62</b>	<b>62</b>
2012-2013	<b>0</b>	<b>62</b>	<b>62</b>

**Lake Havasu City, Arizona**  
Financial Feasibility Report of the Wastewater System

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**Appendix E: Referenced City  
Resolutions**



**RESOLUTION NO. 08-2340**

**A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF LAKE HAVASU CITY,  
MOHAVE COUNTY, ARIZONA, ADOPTING CHANGES IN THE MONTHLY  
WASTEWATER RATES INCLUDING AMOUNTS FOR MINIMUM BILLS  
EFFECTIVE APRIL 1, 2009**

WHEREAS, A.R.S. § 9-511.01 requires the City Council adopt by resolution any wastewater rate increase; and

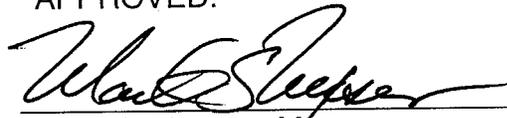
WHEREAS, the required report, notice, and hearing pursuant to A.R.S. § 9-511.01 have been properly held; and

WHEREAS, City Code Chapter 3.20 authorizes the imposition of rates, fees, and charges.

NOW, THEREFORE, BE IT RESOLVED by the City Council of Lake Havasu City, Arizona, that the following wastewater rates including amounts for monthly minimum bill charges per unit or account as set forth in OPP 5.107.08 be effective April 1, 2009, April 1, 2010 and April 1, 2011.

PASSED AND ADOPTED by the Mayor and City Council of Lake Havasu City, Arizona, this 25<sup>th</sup> day of November, 2008.

APPROVED:

  
Mark S. Nexsen, Mayor

ATTEST:

  
Carla Simendich, City Clerk

APPROVED AS TO FORM:

  
Paul Lenkowsky, City Attorney

REVIEWED BY:

  
Richard Kaffenberger, City Manager

## Sewer Rates

Effective April 1, 2009

Classification	Rate per 100 Cubic Feet	Minimum Monthly Charge
Apartment/Multi-Family (per unit minimum)	\$6.53	\$21.00
Bars without Dining	6.69	47.00
Car Wash with Recycling	7.50	52.50
Car Wash without Recycling	6.01	42.00
Commercial Laundry/Dry Clean	7.52	52.50
Condos (per unit minimum)	6.53	10.50
Delicatessen	6.86	48.00
Fitness/Beauty Salon	6.12	43.00
Grocery Stores	10.19	71.50
Hospital/Convalescent	6.53	45.50
Hotel/Motel (per room minimum)	6.77	9.50
Hotel/Motel with Restaurant (per room minimum)	8.61	20.00
Industrial	6.90	48.50
Laundromat	6.27	44.00
Mortuaries	10.19	71.50
Nurseries/Bottled Water	6.38	44.50
Professional Offices	6.12	43.00
Repair Shop / Service Shop	6.86	48.00
Residential	6.53	36.50
Restaurants	10.47	73.50
Retail / Convenience Store	6.38	44.50
RV Parks (per space minimum)	6.53	4.00
Schools	6.18	43.50
Schools with Cafeteria	9.88	69.00
Schools with Gym / Cafeteria	7.25	51.00
Septage Haulers	56.31	0.00
Theaters, Libraries, Parks	6.38	44.50

## Sewer Rates

Effective April 1, 2010

Classification	Rate per 100 Cubic Feet	Minimum Monthly Charge
Apartment/Multi-Family (per unit minimum)	\$7.30	\$23.50
Bars without Dining	7.47	52.50
Car Wash with Recycling	8.35	58.50
Car Wash without Recycling	6.73	47.00
Commercial Laundry/Dry Clean	8.38	58.50
Condos (per unit minimum)	7.30	11.50
Delicatessen	7.66	53.50
Fitness/Beauty Salon	6.85	48.00
Grocery Stores	11.28	79.00
Hospital/Convalescent	7.30	51.00
Hotel/Motel (per room minimum)	7.57	10.50
Hotel/Motel with Restaurant (per room minimum)	9.57	22.00
Industrial	7.71	54.00
Laundromat	7.02	49.00
Mortuaries	11.28	79.00
Nurseries/Bottled Water	7.14	50.00
Professional Offices	6.85	48.00
Repair Shop / Service Shop	7.66	53.50
Residential	7.30	41.00
Restaurants	11.59	81.00
Retail / Convenience Store	7.14	50.00
RV Parks (per space minimum)	7.30	4.50
Schools	6.92	48.50
Schools with Cafeteria	10.95	76.50
Schools with Gym / Cafeteria	8.09	56.50
Septage Haulers	61.40	0.00
Theaters, Libraries, Parks	7.14	50.00

## Sewer Rates

Effective April 1, 2011

Classification	Rate per 100 Cubic Feet	Minimum Monthly Charge
Apartment/Multi-Family (per unit minimum)	\$8.13	\$26.00
Bars without Dining	8.29	58.00
Car Wash with Recycling	9.12	64.00
Car Wash without Recycling	7.59	53.00
Commercial Laundry/Dry Clean	9.14	64.00
Condos (per unit minimum)	8.13	13.00
Delicatessen	8.47	59.50
Fitness/Beauty Salon	7.71	54.00
Grocery Stores	11.87	83.00
Hospital/Convalescent	8.13	57.00
Hotel/Motel (per room minimum)	8.38	11.50
Hotel/Motel with Restaurant (per room minimum)	10.26	23.50
Industrial	8.51	59.50
Laundromat	7.86	55.00
Mortuaries	11.87	83.00
Nurseries/Bottled Water	7.98	56.00
Professional Offices	7.71	54.00
Repair Shop / Service Shop	8.47	59.50
Residential	8.13	45.50
Restaurants	12.16	85.00
Retail / Convenience Store	7.98	56.00
RV Parks (per space minimum)	8.13	5.00
Schools	7.77	54.50
Schools with Cafeteria	11.56	81.00
Schools with Gym / Cafeteria	8.87	62.00
Septage Haulers	59.05	0.00
Theaters, Libraries, Parks	7.98	56.00

ADOPTED BY THE  
MAYOR AND COUNCIL

May 22, 2007

RESOLUTION NO. 07-2160

**A RESOLUTION OF THE CITY COUNCIL OF LAKE HAVASU CITY,  
ARIZONA, RELATING TO FINANCE; AMENDING AND RATIFYING  
RESOLUTION NO. 02-1692, AS AMENDED BY RESOLUTION NO. 02-  
1700; AND DECLARING AN EMERGENCY**

---

WHEREAS, pursuant to Title 9, Chapter 2, Article 4 and Title 9, Chapter 5, Article 2 of the Arizona Revised Statutes, Lake Havasu City, Arizona (the "City"), has the authority to construct, improve, maintain, repair, use and operate a wastewater collection and treatment system; and

WHEREAS, the City has authorized and established appropriate funds and accounts for the operation and maintenance of, and the construction of improvements to, the Wastewater System pursuant to Resolution No. 02-1692, approved and adopted by the Mayor and Council of the City on August 20, 2002, as amended by Resolution No. 02-1700, approved and adopted by the Mayor and Council of the City on September 17, 2002 (together, the "Master Resolution"); and

WHEREAS, the Mayor and Council now wish to make certain amendments and revisions to the Master Resolution to facilitate the City's contribution of moneys in support of the Wastewater System,

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF LAKE HAVASU CITY, ARIZONA, as follows:

ARTICLE I  
Definitions

Section 1.01 Definitions. In addition to any terms defined elsewhere in this Resolution, capitalized terms used but not defined herein have the respective meanings assigned to them in the Master Resolution.

ARTICLE II  
Amendment to Master Resolution

Section 2.01 Amendments.

(a) The definition of "Rate Stabilization Fund" is hereby added to Section 1.01 of the Master Resolution effective immediately to read hereafter as follows:

“Rate Stabilization Fund” means the fund of that name established pursuant to Section 2.01(g) hereof and maintained in the manner and to the extent provided in Article XIII hereof.

(b) Section 2.01(g) is hereby added to the Master Resolution effective immediately to read hereafter as follows:

(g) A separate and special trust fund designated the “Lake Havasu City Wastewater System – Rate Stabilization Fund,” to be maintained in the manner and to the extent provided in Article XIII hereof.

(c) Subparagraph (9) of Section 2.02 of the Master Resolution is hereby amended and subparagraph (10) is hereby added to Section 2.02 of the Master Resolution effective immediately to read hereafter as follows:

(9) On or before the last Business Day of each month, commencing in July, 2007, and after all payments and transfers have been made as provided in subparagraphs (1) through (8) above, moneys will be transferred from the Revenue Fund to the Rate Stabilization Fund in the amount necessary to cause the amount on deposit therein to equal at least \$5,000,000 or such greater amount as may have been directed by resolution of the City Council.

(10) After all payments and transfers have been made as provided in subparagraphs (1) through (9) above, and any deficiencies in such payments or transfers which may exist have been remedied, all moneys remaining in the Revenue Fund will constitute available revenues and may be used by the City for any lawful purpose, including the payment of current fees and disbursements of any Trustee, Bond Registrar, and Paying Agent and, as necessary or deemed appropriate by the City, the payment of the costs of renewals or replacements of or additions or expansions to the Wastewater System, amounts due pursuant to purchase contracts for additions or expansions to the Wastewater System, payments of principal and interest on other obligations, including general obligation bonds, of the City issued for Wastewater System purposes, and Administrative Expenses; provided, however, if, at any time moneys in the Revenue Fund are not sufficient to make the transfers required in subparagraphs (1) through (9) hereof, any resulting deficiency shall be remedied from the first moneys thereafter received and available for such purpose and the transfer of any such moneys to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

(d) In the third paragraph of Section 2.04 of the Master Resolution, "Section 2.02(9)" is hereby amended effective immediately to read "Section 2.02(10)."

(e) Article XIII is hereby added to the Master Resolution effective immediately to read hereafter as follows:

Section 13.01 Rate Stabilization Fund. The Rate Stabilization Fund established pursuant to Section 2.01(g) hereof will be maintained in the manner and to the extent provided in this Article XIII. The Rate Stabilization Fund will be maintained in a bank or banks doing business in the State of Arizona, which has or have an office in the City and whose deposits are insured by the Federal Deposit Insurance Corporation. The amount in the Rate Stabilization Fund on each July 1<sup>st</sup> will be deemed to be Net Revenues of the Wastewater System for the ensuing Fiscal Year for purposes of Section 5.01(1) hereof. The amount in the Rate Stabilization Fund will not be deemed to be Gross Revenues for the purposes of Article III hereof.

Section 13.02 Initial Lump Sum City Contribution. On or before June 30, 2007, the City will contribute \$5,000,000 in cash to the Rate Stabilization Fund, derived from a source other than Gross Revenues.

Section 13.03 Additional City Contributions. For each Fiscal Year during which any Parity Obligations will be Outstanding, and subject to annual appropriation, the City will, on or before the last Business Day of each month, commencing in July, 2007, deposit in the Revenue Fund, an aggregate of \$5,000,000 or such greater amount as may be specified by resolution of the City Council, in twelve (12) substantially equal amounts. The City may make additional contributions to the Rate Stabilization Fund from time to time pursuant to resolutions of the City Council. All such contributions will be made in cash and derived from sources other than Gross Revenues and will not be deemed to be Net Revenues for the purposes of Section 5.01(1) hereof except to the extent included in the amount described in the last sentence of Section 13.01 hereof. All such contributions will not be deemed to be Gross Revenues for the purposes of Article III hereof.

Section 13.04 Uses of the Rate Stabilization Fund. Moneys in the Rate Stabilization Fund will be used solely to the extent necessary to remedy any deficiency in the Revenue Fund for payment of Operating and Maintenance Expenses of the Wastewater System or to remedy any deficiency in the Debt Service Fund for payment of debt service on Senior Lien Parity Obligations and Junior Lien Parity Obligations. In the event of a deficiency in the Debt Service Fund, moneys from the Rate Stabilization Fund will be used prior

to moneys from any Reserve Fund or moneys available pursuant to any Reserve Fund Guaranty. If, on any July 1<sup>st</sup>, commencing with July 1, 2007, the value of any monies and securities in the Rate Stabilization Fund exceeds \$5,000,000, or any greater amount as may have been directed by resolution of the City Council, such excess amount shall be transferred to the Revenue Fund but will not be deemed to be Net Revenues for the purposes of Section 5.01(1) hereof except to the extent included in the amount described in the last sentence of Section 13.01 hereof.

Section 13.05 Elective Termination of Article XIII. Notwithstanding the provisions of this Article XIII, if any loans between the City and WIFA or GADA (as such terms are defined in City Resolution Nos. 02-1693 and 05-1974, respectively) are Outstanding, with the written consent of WIFA or GADA, as the case may be, such consent to not be unreasonably withheld, at such time as the Net Revenues of the Wastewater System, without regard to the Rate Stabilization Fund or any City contribution made pursuant to this Article XIII, are equal to at least 120% of the Annual Debt Service Requirement on all Outstanding Senior Lien Parity Obligations and, after deduction of the Annual Debt Service Requirement on all Outstanding Senior Lien Parity Obligations, at least 120% of the Annual Debt Service Requirement on all Outstanding Junior Lien Parity Obligations for three (3) consecutive Fiscal Years, the City may by resolution modify or amend this Article XIII in any manner it sees fit, including termination of this Article XIII and of subparagraph (9) of Section 2.02 hereof in their entirety.

### ARTICLE III Miscellaneous Provisions

Section 3.01 General. If any one or more sections, paragraphs, clauses, sentences or provisions of this Resolution are for any reason determined by a court of competent jurisdiction to be unconstitutional, invalid or unenforceable for any reason, such determination will not affect, impair or invalidate the remaining provisions hereof, but will be confined to the specific section, clause, sentence and part so determined and all resolutions or parts thereof in conflict herewith are hereby repealed.

Section 3.02 Ratification of Master Resolution. Except as expressly amended hereby, the Master Resolution is hereby ratified and confirmed and is and shall remain in full force and effect.

Section 3.03 Waiver of Inconsistencies. The provisions of any ordinances and resolutions of the City, or parts thereof, inconsistent with the provisions of this Resolution, including any amendments hereto, are hereby waived to the extent of such inconsistency.

Section 3.04 Emergency. The Mayor and Council hereby find and determine that the immediate effectiveness of this Resolution is necessary for the preservation of the public peace, health, safety and welfare and, therefore, that an emergency exists such that this Resolution (i) will be in full force and effect from and after its passage by the Mayor and Council and any publication and posting required by law and (ii) is hereby exempted from any applicable referendum provisions.

PASSED, ADOPTED, AND APPROVED by the Mayor and Council of Lake Havasu City, Arizona on May 22, 2007.

  
Mark S. Nexsen, Mayor

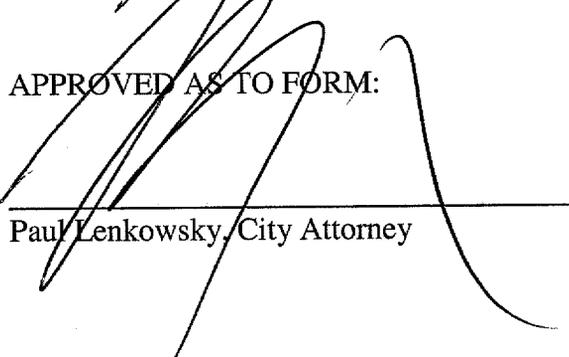
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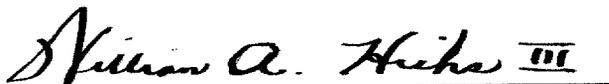
*for*   
Carla Simendich, City Clerk

REVIEWED BY:

  
Richard Kaffenberger, City Manager

APPROVED AS TO FORM:

  
Paul Lenkowsky, City Attorney

  
William A. Hicks III, Special Counsel

RESOLUTION NO. 02-1700

**A RESOLUTION OF THE CITY COUNCIL RELATING TO FINANCE;  
AMENDING AND RATIFYING RESOLUTION NO. 02-1692; AND  
DECLARING AN EMERGENCY**

WHEREAS, on August 20, 2002, the City Council adopted Resolution No. 02-1692 (the "Master Resolution") providing for the City's issuance and payment of, and security for, wastewater revenue bonds or other obligations pursuant to Chapter 2, Article 4, and Chapter 5, Article 2, Title 9 of the Arizona Revised Statutes; and

WHEREAS, the City Council now wishes to make certain amendments and revisions to the Master Resolution to facilitate the issuance and sale of such bonds or other obligations,

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY, as follows:

Section 1. Amendments.

(a) The definition of "Maximum Annual Debt Service" set forth in Section 1.01 of the Master Resolution is hereby amended in its entirety effective immediately to read hereafter as follows:

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount required to be paid in any Fiscal Year ending then or thereafter for principal of and interest on any Parity Obligations. For the purpose of such computation, (i) Variable Rate Indebtedness shall be amortized utilizing the Assumed Interest Rate, (ii) Short-Term Indebtedness shall be amortized by assuming level annual payments of principal and interest over the Assumed Amortization Period, without regard to actual principal maturities, and interest rates equal to the annual Municipal Market Data General Obligation Yields for the corresponding years and credit rating (or if no corresponding rating is reported by Municipal Market Data, the "Baa" rating) at a date not more than two (2) weeks prior to the date of such computation, (iii) debt service on Enhanced Indebtedness shall be deemed to include any periodic fees payable to the issuer of any liquidity facility or credit enhancement as a condition to such issuer's commitment to purchase such obligations, upon exercise of any tender option in connection therewith or to provide moneys necessary for payment of principal of and interest on such obligations when due; (iv) debt service on Enhanced Indebtedness shall not be based upon the terms of any reimbursement obligation to the issuer of any liquidity facility or credit enhancement except to the extent and for periods during which reimbursements have been required to be made pursuant to such reimbursement obligation as a result of the issuer's advances of funds thereunder, and (v) the principal maturities of any obligation having a term maturity but requiring mandatory sinking fund deposits shall be deemed to occur at the time of the scheduled sinking fund redemptions and shall not include the term maturities.

(b) Section 2.06 of the Master Resolution is hereby amended in its entirety effective immediately to read hereafter as follows:

Capital Replacement Fund. The Capital Replacement Fund will be established and maintained by the City in a bank or banks doing business in the State of Arizona, which has or have an office in the City and whose deposits are insured by the Federal Deposit Insurance Corporation. Moneys deposited in the Capital Replacement Fund, and any income or gain realized from the investment thereof, will be used to renew or replace obsolete, deteriorated or worn out components of the Wastewater System from time to time, provided, however, that, to the extent necessary to remedy any deficiency in the Senior Lien Debt Service Account or the Junior Lien Debt Service Account, moneys in the Capital Replacement Fund shall be transferred, first, to the Senior Lien Debt Service Account and, second, to the Junior Lien Debt Service Account prior to any transfers thereto from the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, respectively, subject to replenishment.

(c) Clause (1) of Section 5.01 of the Master Resolution is hereby amended in its entirety effective immediately to read hereafter as follows:

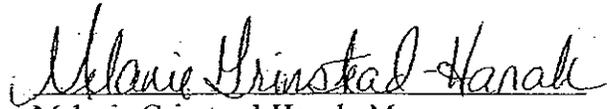
That it will establish and maintain schedules or rates, fees and charges for all wastewater services supplied by the Wastewater System fully sufficient at all times, after making reasonable allowances for contingencies and errors in estimates, (i) to pay the Operation and Maintenance Expenses of the Wastewater System, (ii) to produce aggregate Net Revenues in each Fiscal Year equal to one-hundred-twenty per cent (120%) of the Annual Debt Service Requirement on all Outstanding Senior Lien Parity Obligations for such Fiscal Year, (iii) to produce aggregate Net Revenues in each Fiscal Year, after deducting the Annual Debt Service Requirement on all Outstanding Senior Lien Parity Obligations, equal to one-hundred-twenty per cent (120%) of the Annual Debt Service Requirement on all Outstanding Junior Lien Parity Obligations for such Fiscal Year, and (iv) to produce a cash balance in the Revenue Fund at the end of each Fiscal Year equal to not less than twenty percent (20%) of the Operation and Maintenance Expenses for such Fiscal Year. For the purposes of this clause (1), to the extent Short-Term Indebtedness is refinanced during any Fiscal Year, it shall not be treated as part of the Annual Debt Service Requirement for such Fiscal Year and, for the purposes of clause (iii) of this clause (1), Net Revenues for any Fiscal Year will be deemed to include *ad valorem* taxes levied and collected during such Fiscal Year with respect to any Junior Lien Parity Obligations.

Section 2. Ratification of Master Resolution. Except as expressly amended hereby, the Master Resolution is hereby ratified and confirmed and is and shall remain in full force and effect.

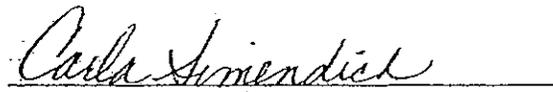
Section 3. Emergency. The Mayor and Council hereby find and determine that the immediate effectiveness of this Resolution is necessary for the preservation of the public peace, health, safety and welfare and, therefore, that an emergency exists such that this Resolution (i) will be in full force and effect from and after its passage by the City Council and any publication

and posting required by law and (ii) is hereby exempted from any applicable referendum provisions.

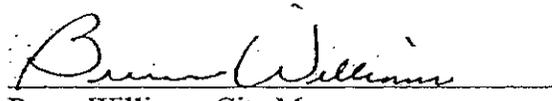
PASSED, ADOPTED, AND APPROVED by the Mayor and Council of Lake Havasu City, Arizona on September 17, 2002.

  
Melanie Grinstead-Hanak, Mayor

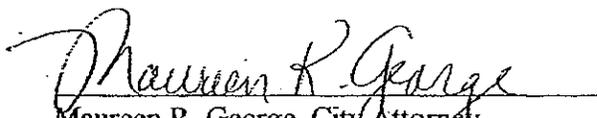
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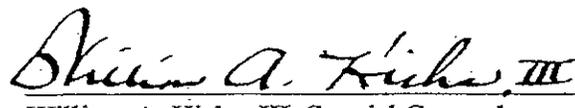
  
Carla Simendich, City Clerk

REVIEWED BY:

  
Bruce Williams, City Manager

APPROVED AS TO FORM:

  
Maureen R. George, City Attorney

  
William A. Hicks, III, Special Counsel

**RESOLUTION NO. 02-1692**

**ADOPTED BY THE  
MAYOR AND COUNCIL**

**August 20, 2002**

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**RESOLUTION NO. 02-1692**

**A RESOLUTION OF THE CITY COUNCIL RELATING TO FINANCE; AUTHORIZING THE ESTABLISHMENT AND MAINTENANCE OF FUNDS AND ACCOUNTS FOR THE CITY'S WASTEWATER SYSTEM; PROVIDING FOR THE ISSUANCE AND PAYMENT OF OBLIGATIONS SECURED BY A PLEDGE OF THE NET REVENUES OF THE CITY'S WASTEWATER SYSTEM; SETTING FORTH CERTAIN COVENANTS AND AGREEMENTS RELATING THERETO; AND DECLARING AN EMERGENCY**

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WHEREAS, pursuant to Chapter 2, Article 4, and Chapter 5, Article 2, of Title 9 of the Arizona Revised Statutes, Lake Havasu City, Arizona (the "City"), has authority to finance, construct, improve, maintain, repair, use and operate a wastewater collection and treatment system; and

WHEREAS, at an election held on November 6, 2001 (the "Election"), the qualified electors of the City authorized the issuance of not to exceed \$463,000,000 in aggregate principal amount of bonds or other obligations of the City to finance the acquisition and construction of a wastewater collection and treatment system (the "Wastewater System"), none of which bonds or other obligations has been issued or incurred as of the date hereof; and

WHEREAS, the Mayor and Council have found and determined that it will be advantageous and in the best interests of the residents of the areas to be served by the Wastewater System to establish various funds and accounts necessary for the operation and maintenance of the Wastewater System and to provide for the issuance of, and payment and security for, bonds and other obligations ("Parity Obligations") to be issued or incurred by the City from time to time pursuant to resolutions supplemental hereto to finance the acquisition and construction of the Wastewater System, and additions and improvements thereto, and to set forth certain covenants and agreements for the benefit of the owners of such Parity Obligations,

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY, as follows:

**ARTICLE I**  
**Definitions**

**Section 1.01 Definitions.** For all purposes hereof and any resolution supplemental hereto, the following words and phrases shall have the following meanings, unless otherwise expressly provided herein or in such supplemental resolution:

"Administrative Expenses" means the reasonable cost or value of services rendered during any period by the City and its various departments to or for the benefit of the City's Wastewater Department.

"Annual Debt Service Requirement" means the aggregate amount required to be deposited in the Senior Lien Debt Service Account and the Junior Lien Debt Service Account for the current Fiscal Year.

"Assumed Amortization Period" means twenty-five years.

"Assumed Interest Rate" means, with respect to Variable Rate Indebtedness, one hundred twenty-five percent (125%) of the greater of (i) the rate per annum which was in effect with respect to such obligations on the last Business Day of the preceding calendar month or, if no rate was in effect on such date, the rate per annum which was in effect on the date of issuance or (ii) the weighted average rate per annum for the most recent twelve (12) full calendar months or for such lesser period as such obligations have been Outstanding.

"Bond Register" means the books of the City kept by the Bond Registrar, which may be the City, for the registration and transfer of ownership of any Parity Obligations.

"Bond Registrar" means any Person appointed and acting at the time in such capacity with respect to a series of Parity Obligations issued pursuant to a supplement hereto.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions in the State of Arizona are required or permitted to be closed.

"Capitalization Requirement" means, in connection with the issuance and delivery of any series of Parity Obligations, unless the purchaser thereof has waived any right and claim to and interest in the Reserve Fund with respect to such series of Parity Obligations, the amount, if any, required to be deposited in the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, as applicable, in order to cause such account to contain the Required Reserve with respect to Outstanding Senior Lien Parity Obligations or Outstanding Junior Lien Parity Obligations, as the case may be, either (i) concurrently with the issuance and delivery of such series of Parity Obligations, by the deposit of proceeds of such series of Parity Obligations into the Capitalized Subaccount of the applicable account, by the deposit of available moneys of the City into the Contribution Subaccount of the applicable account or by the purchase by the City, and the delivery to the Trustee, if any, of a Reserve Fund Guaranty, or any combination thereof necessary to cause the applicable account of the Reserve Fund to contain the Required Reserve for the Outstanding Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, upon the issuance and delivery of such series of Parity Obligations (disregarding any adjustments which may be required for changes in the value of the investments in the account of the Reserve Fund allocable to such obligations), (ii) within five years following the delivery of any series of Parity Obligations, providing such method has first been approved in writing by any Insurer insuring the payment of principal of and interest on such series of Parity Obligations and any Reserve Fund Guarantor who has issued a Reserve Fund Guaranty with respect to such series of Parity Obligations, by the transfer of moneys from the Revenue Fund to the Contribution Subaccount of the Reserve Fund allocable to such series of

obligations in approximately equal installments on the last Business Day of each month thereafter, such that the account of the Reserve Fund allocable to such obligations will contain the Required Reserve with respect to such Senior Lien Parity Obligations or Junior Lien Parity Obligation, as the case may be, and disregarding any adjustments which may be required for changes in the value of the investments in the Reserve Fund allocable to such obligations, no later than the expiration of such five-year period or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the increase in the Required Reserve for such Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, resulting from the issuance of such series of additional Parity Obligations.

"Capitalized Subaccount" means the subaccount of that name in the accounts of the Reserve Fund established and maintained pursuant to Sections 2.01 and 2.04 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Capital Replacement Fund" means the fund of that name established and maintained pursuant to Sections 2.01 and 2.06 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"City" means Lake Havasu City, an Arizona municipal corporation.

"City Clerk" means the Clerk of the City, or any successor appointed and acting in such capacity.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated pursuant thereto, or any successor Federal income tax code and regulations relating thereto.

"Construction Fund" means the fund of that name established and maintained pursuant to Sections 2.01 and 2.05 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Contribution Subaccount" means the subaccount of that name in the accounts of the Reserve Fund established and maintained pursuant to Sections 2.01 and 2.04 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Council" or "Mayor and Council" means the governing body of the City, consisting of the Mayor and Council.

"Debt Service Fund" means the fund of that name established and maintained pursuant to Sections 2.01 and 2.03 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Enhanced Indebtedness" means (i) any series of Parity Obligations payment when due the principal of and interest on which are fully secured by an irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement pursuant to which the City is obligated to reimburse the issuer thereof for advances made thereunder to pay such principal or interest, or (ii) any series of Parity Obligations a feature of which is an option on the part of the holders thereof to tender all or a portion of such Parity Obligations to the City, or a trustee or

other fiduciary for such holders, or another party whom the City is obligated to reimburse, for payment prior to their specified maturity or due date.

“Event of Default” means any event or occurrence specified in Section 8.01 hereof.

“Finance Director” means the Finance Director of the City, or any Person holding a comparable office or performing comparable functions on behalf of the City, and any successor appointed and acting in such capacity.

“Fiscal Year” means each annual period commencing on July 1 and ending on June 30 of the succeeding calendar year.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City with notice to any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

“Government Obligations” means obligations issued or unconditionally guaranteed by the United States of America or any department, agency or instrumentality thereof.

“Gross Revenues” means and includes all income, moneys and receipts received or receivable directly or indirectly from the ownership, use or operation of the Wastewater System, including any waste, material or by-products and only such investment income as is included in the definition of Investment Income.

“Independent Consultant” means, with respect to any subject matter, an individual or firm qualified, experienced and of generally recognized, competence with respect to such matter selected by the City, reasonably acceptable to any Trustee appointed and acting as such pursuant to Section 8.01 hereof, and of which no controlling person, partner, director or officer is an official or employee of the City.

“Insurer” means any insurer which has issued and delivered to the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof, its policy guaranteeing the payment, when due, of principal of and interest on any Outstanding Parity Obligations and which is not then in default thereunder.

“Investment Income” means income and gain realized from investments made with moneys of the Wastewater System, including income and gain on investments held in, or transferred from the Reserve Fund to, the Debt Service Fund.

“Junior Lien Debt Service Account” means the account of that name in the Debt Service Fund established and maintained pursuant to Sections 2.01 and 2.03 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

“Junior Lien Debt Service Reserve Account” means the account of that name in the Reserve Fund established and maintained pursuant to Sections 2.01 and 2.04 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

**"Junior Lien Parity Obligations"** means obligations denominated as such issued pursuant to Article III hereof.

**"Master Resolution"** means this Resolution No. 02-1692, adopted by the Mayor and Council of the City on August 20, 2002.

**"Maximum Annual Debt Service"** means, at the time of computation, the greatest amount required to be paid in any Fiscal Year ending then or thereafter for principal of and interest on any Parity Obligations. For the purpose of such computation, (i) Variable Rate Indebtedness shall be amortized utilizing the Assumed Interest Rate, (ii) Short-Term Indebtedness shall be amortized by assuming level annual payments of principal and interest over the Assumed Amortization Period, without regard to actual principal maturities, (iii) debt service on Enhanced Indebtedness shall be deemed to include any periodic fees payable to the issuer of any liquidity facility or credit enhancement as a condition to such issuer's commitment to purchase such obligations, upon exercise of any tender option in connection therewith or to provide moneys necessary for payment of principal of and interest on such obligations when due, (iv) debt service on Enhanced Indebtedness shall not be based upon the terms of any reimbursement obligation to the issuer of any liquidity facility or credit enhancement except to the extent and for periods during which reimbursements have been required to be made pursuant to such reimbursement obligation as a result of the issuer's advances of funds thereunder, and (v) the principal maturities of any obligation having a term maturity but requiring mandatory sinking fund deposits shall be deemed to occur at the time of the scheduled sinking fund redemptions and shall not include the term maturities.

**"Mayor"** means the Mayor of the City, or any successor duly elected and acting in such capacity.

**"Moody's"** means Moody's Investors Services, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City with notice to any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

**"Net Fixed Assets"** means the aggregate fixed assets of the Wastewater System less depreciation, determined in accordance with generally accepted governmental accounting principles.

**"Net Revenues"** means that portion of the Gross Revenues remaining after sufficient funds have been provided for the Operation and Maintenance Expenses of the Wastewater System.

**"Operation and Maintenance Expenses"** means the ordinary and necessary costs and expenses incurred in connection with the operation, use and maintenance of the Wastewater System, including, without limitation, repairs necessary to keep the Wastewater System in efficient and economical operating condition and premiums paid to maintain required insurance coverages with respect to the Wastewater System, but excluding depreciation, interest on any

Parity Obligations, interest on subordinated obligations and payments of Administrative Expenses.

"Opinion of Counsel" means a written opinion of an attorney or firm of attorneys acceptable to the City and any Trustee appointed and acting as such pursuant to Section 8.01 hereof, and who (except as expressly otherwise provided herein) may be either counsel for the City or any Trustee.

"Outstanding" means any Parity Obligations which are outstanding and unpaid; provided, however, that such term shall not include Parity Obligations (a) which have matured and for which moneys are on deposit with the City, any Trustee or any Paying Agent, or are otherwise properly available, in an amount sufficient to pay all principal and interest then due and payable thereon, or (b) provision for the payment of which has been made in accordance with Article IX of this Master Resolution.

"Parity Obligations" mean and include any Senior Lien Parity Obligations and Junior Lien Parity Obligations hereafter issued pursuant to this Master Resolution, which shall be secured by a pledge of and a lien on the Net Revenues of the Wastewater System as herein provided.

"Paying Agent" means any Person appointed and acting at the time in such capacity with respect to a series of Parity Obligations issued pursuant to a supplement hereto.

"Person" means an individual, corporation, company, partnership, trust or other legal entity.

"Rebate Fund" means the fund of that name established and maintained pursuant to Sections 2.01 and 2.07 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof..

"Required Reserve" means the required reserve for the aggregate of all Parity Obligations Outstanding, as calculated and re-calculated at the time of the initial issuance of each series of Parity Obligations pursuant hereto, aggregating, for purposes of such calculation or recalculation, as the case may be, all series of Parity Obligations then Outstanding, and treating such aggregation as a single issue, which shall be the smallest of (i) ten percent (10%) of the original principal amount of such aggregate issue, (ii) Maximum Annual Debt Service on all Outstanding Parity Obligations calculated solely on the basis of such aggregate issue or (iii) one hundred twenty-five percent (125%) of the average annual debt service for such aggregate issue, computed, (i) in the case of any Variable Rate Indebtedness, by utilizing the Assumed Interest Rate, (ii) in the case of any Short-Term Indebtedness, by assuming level annual payments of principal and interest over the Assumed Amortization Period without regard to actual principal maturities, (iii) in the case of any Enhanced Indebtedness, by including any periodic fee payable to the issuer of any liquidity facility or credit enhancement as a condition to the commitment of the issuer thereof to purchase such obligations upon exercise of any tender option in connection therewith or to provide moneys necessary for payment of principal of and interest on such obligations when due, (iv) debt service on any Enhanced Indebtedness shall not be based upon the terms of any reimbursement obligation to the issuer of any liquidity facility or credit

enhancement except to the extent and for periods during which reimbursements are or have been required to be made pursuant to such reimbursement obligation as a result of the issuer's advance of funds thereunder, and (v) the principal maturities of any obligation having a term maturity but requiring mandatory sinking fund deposits shall be deemed to occur at the times of the scheduled sinking fund redemptions and shall not otherwise include the term maturities; provided, however, that the required reserve may be any greater amount if, in the opinion of a nationally-recognized bond counsel, any such greater amount would not cause any Parity Obligations to become arbitrage bonds within the meaning of Section 148(a) of the Code and the regulations thereunder and any official interpretation of either of the foregoing; and, provided, further, that the Required Reserve shall be decreased by the amount or proportion of the required reserve allocable to any Outstanding issue of Parity Obligations, or portion thereof, as applicable, when such issue, or portion thereof, is retired or defeased.

"Reserve Fund" means the fund of that name established and held pursuant to Sections 2.01 and 2.04 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Reserve Fund Guarantor" means the issuer of a Reserve Fund Guaranty.

"Reserve Fund Guaranty" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of a Reserve Fund Guarantor to pay to or at the direction of the City or any Trustee, upon request, up to an amount stated therein for application as provided in Section 2.04 hereof.

"Reserve Fund Guaranty Agreement" means any reimbursement agreement, loan agreement or similar agreement between the City and a Reserve Fund Guarantor with respect to repayment of any amounts advanced pursuant to a Reserve Fund Guaranty.

"Reserve Fund Guaranty Coverage" means the amount available at any particular time to be paid to or for the benefit of the registered owners of any Parity Obligations pursuant to the terms of a Reserve Fund Guaranty.

"Reserve Fund Guaranty Limit" means the maximum aggregate amount available to be paid to or for the benefit of the registered owners of any Parity Obligations pursuant to the terms of a Reserve Fund Guaranty.

"Reserve Fund Value" means the aggregate of the Reserve Fund Guaranty Coverages and the value of moneys and investments credited to the accounts in the Reserve Fund, determined as provided in Section 2.04 hereof.

"Revenue Fund" means the fund established and held pursuant to Sections 2.01 and 2.02 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency

designated by the City with notice to any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Senior Lien Debt Service Account" means the account of that name in the Debt Service Fund established and maintained pursuant to Sections 2.01 and 2.03 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Senior Lien Debt Service Reserve Account" means the account of that name in the Reserve Fund established and maintained pursuant to Sections 2.01 and 2.04 hereof by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof.

"Senior Lien Parity Obligations" means obligations denominated as such issued pursuant to Article III hereof.

"Short-Term Indebtedness" means any series of Parity Obligations which has a final maturity within three years following the issuance thereof.

"State" means the State of Arizona.

"Trustee" means the Person, if appointed and acting at the time in such capacity with respect to a series of Parity Obligations issued pursuant to a supplement hereto.

"Variable Rate Indebtedness" means any series of Parity Obligations the rate of interest on which is not established at the time of issuance as one or more numerical rates applicable throughout the term thereof or for specified periods during the term thereof, such that at the time of issuance or at the time of any calculation with respect thereto the numerical rate of interest which will be in effect during all remaining portions of the term thereof cannot be determined.

"Wastewater System" means and includes all of the properties and facilities of the complete wastewater plant and system of the City, whether lying within or without the boundaries of the City, as now existing and as hereafter improved or extended while any of the Parity Obligations remain outstanding; all improvements, additions and extensions thereto or replacements thereof hereafter constructed or acquired by purchase, contract, or otherwise; and all contracts, rights, agreements, leases and franchises of every nature owned by the City and used or useful or held for use in the operation of said plant and system or any part or portion thereof.

#### Section 1.02 Interpretation.

(a) Any reference herein to the City or any officer thereof will include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular will include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and will be deemed to mean and include the neuter, masculine or feminine gender.

(c) Headings of articles and sections herein are solely for convenience of reference, do not constitute a part hereof and will not affect the meaning, construction, or effect hereof.

## ARTICLE II

### Establishment of Funds and Accounts

Section 2.01 General. The following funds and accounts are hereby established for the City's Wastewater System and shall be maintained so long as any Parity Obligations are Outstanding:

(a) A separate and special trust fund designated the "Lake Havasu City Wastewater System - Revenue Fund", to be maintained in accordance with the provisions of Section 2.02 hereof.

(b) A separate and special trust fund designated the "Lake Havasu City Wastewater System - Debt Service Fund" and therein a Senior Lien Debt Service Account and a Junior Lien Debt Service Account, to be maintained in accordance with the provisions of Section 2.03 hereof.

(c) A separate and special trust fund designated the "Lake Havasu City Wastewater System - Debt Service Reserve Fund" and therein a Senior Lien Debt Service Reserve Account and a Junior Lien Debt Service Reserve Account and in each such account a Contribution Subaccount and a Capitalized Subaccount, to be maintained in accordance with the provisions of Section 2.04 hereof.

(d) A separate and special trust fund designated the "Lake Havasu City Wastewater System - Construction Fund", and therein such accounts as may be established from time to time at the direction of the City with respect to the acquisition or construction of any addition, improvement or enhancement to the Wastewater System, to be maintained in accordance with the provisions of Section 2.05 hereof.

(e) A separate and special trust fund designated the "Lake Havasu City Wastewater System - Capital Replacement Fund", to be maintained in accordance with the provisions of Section 2.06 hereof.

(f) A separate and special trust fund designated the "Lake Havasu City Wastewater System - Rebate Fund", to be maintained in accordance with the provisions of Section 2.07 hereof.

In addition, the City reserves the right to establish, or to direct any Trustee appointed and acting as such pursuant to Section 8.01 hereof, to establish, and maintain such additional funds and accounts therein as may be appropriate or useful in order to properly manage and account for the Gross Revenues and the proceeds of any Parity Obligations, and provide for the payment of any Parity Obligations.

Section 2.02 Revenue Fund. The Revenue Fund will be established with and maintained by the City in a bank or banks doing business in the State of Arizona, which has or have an office in the City and whose deposits are insured by the Federal Deposit Insurance

Corporation. All Gross Revenues (except Gross Revenues constituting Investment Income, as otherwise provided herein), and other available moneys contributed by the City, will be deposited to the Revenue Fund promptly upon receipt. Moneys in the Revenue Fund shall be applied monthly, first, to provide for the Operation and Maintenance Expenses of the Wastewater System and, thereafter, transferred to the following funds or accounts in the following manner and in the following order to be held, invested, used and withdrawn only for the purposes hereinafter authorized:

(1) On or before the last Business Day of each month, commencing in January, 2003, there will be transferred from the Revenue Fund to the Rebate Fund any rebate amount payable to the United States of America pursuant to Section 148 of the Code.

(2) On or before the last Business Day of each month, there will be transferred from the Revenue Fund to the Senior Lien Debt Service Account of the Debt Service Fund the following amounts:

(i) commencing in January, 2003, an amount equal to not less than one-sixth of the next ensuing semiannual interest payment on all Outstanding Senior Lien Parity Obligations (which may be estimated in the case of the interest accruing on any Senior Lien Parity Obligations the proceeds of which are then being advanced to the City in installments), until the amount paid into the Senior Lien Debt Service Account, together with any amount then on deposit in the Senior Lien Debt Service Account for the payment of interest on Outstanding Senior Lien Parity Obligations (including the principal amount of any investments thereof), is equal to the next ensuing semiannual interest payment on all Outstanding Senior Lien Parity Obligations; and

(ii) commencing in July, 2004, an amount equal to not less than one-twelfth of the principal which will become due on all Outstanding Senior Lien Parity Obligations in the next ensuing Fiscal Year until the amount paid into the Senior Lien Debt Service Account, together with any amount then on deposit in the Senior Lien Debt Service Account for the payment of principal on Outstanding Senior Lien Parity Obligations (including the principal amount of any investments thereof), is equal to the principal payment due on all Outstanding Senior Lien Parity Obligations in the next ensuing Fiscal Year.

(3) On or before the last Business Day of each month, commencing in July, 2003, there shall be paid to any Reserve Fund Guarantor, *pro rata* if more than one, any amount then due and payable to such Reserve Fund Guarantor pursuant to a Debt Service Reserve Fund Guaranty Agreement in respect of amounts advanced pursuant to such Debt Service Reserve Fund Guaranty for payment of debt service on any Senior Lien Parity Obligations.

(4) On or before the last Business Day of each month, commencing in January, 2003, there will be transferred from the Revenue Fund to the Contribution Subaccount of the Senior Lien Debt Service Reserve Account in substantially equal

installments (i) any amount necessary to cause the Senior Lien Debt Service Reserve Account to contain the Required Reserve, as determined in connection with each issue of Senior Lien Parity Obligations, not later than five (5) years following the issuance thereof, (ii) any amount necessary to replenish amounts withdrawn from the Senior Lien Debt Service Reserve Account for payment of principal and interest on any Senior Lien Parity Obligations within a period of eighteen months following any such withdrawal and (iii) if, on the first Business Day of any Fiscal Year, the Reserve Fund Value of the Senior Lien Debt Service Reserve Account is less than 90% of the Required Reserve with respect to Outstanding Senior Lien Parity Obligations, any amount necessary to cause the Senior Lien Debt Service Reserve Account to contain the Required Reserve with respect to Outstanding Senior Lien Parity Obligations by the end of such Fiscal Year.

(5) On or before the last Business Day of each month, there will be transferred from the Revenue Fund to the Junior Lien Debt Service Account of the Debt Service Fund the following amounts:

(i) commencing in January, 2003, an amount equal to not less than one-sixth of the next ensuing semiannual interest payment on all Outstanding Junior Lien Parity Obligations (which may be estimated in the case of the interest accruing on any Junior Lien Parity Obligations the proceeds of which are then being advanced to the City in installments), until the amount paid into the Junior Lien Debt Service Account, together with any amount then on deposit in the Junior Lien Debt Service Account for the payment of interest on Outstanding Junior Lien Parity Obligations (including the principal amount of any investments thereof), is equal to the next ensuing semiannual interest payment on all Outstanding Junior Lien Parity Obligations; and

(ii) commencing in July, 2004, an amount equal to not less than one-twelfth of the principal which will become due on all Outstanding Junior Lien Parity Obligations in the next ensuing Fiscal Year until the amount paid into the Junior Lien Debt Service Account, together with any amount then on deposit in the Junior Lien Debt Service Account for the payment of principal on Outstanding Junior Lien Parity Obligations (including the principal amount of any investments thereof), is equal to the principal payment due on all Outstanding Junior Lien Parity Obligations in the next ensuing Fiscal Year.

(6) On or before the last Business Day of each month, commencing in July, 2003, there shall be paid to any Reserve Fund Guarantor, *pro rata* if more than one, any amount then due and payable to such Reserve Fund Guarantor pursuant to a Debt Service Reserve Fund Guaranty Agreement in respect of amounts advanced pursuant to such Debt Service Reserve Fund Guaranty for payment of debt service on any Junior Lien Parity Obligations.

(7) On or before the last Business Day of each month, commencing in January, 2003, there will be transferred from the Revenue Fund to the Contribution Subaccount of the Junior Lien Debt Service Reserve Account in substantially equal installments (i) any amount necessary to cause the Junior Lien Debt Service Reserve

Account to contain the Required Reserve, as determined in connection with each issue of Junior Lien Parity Obligations, not later than five (5) years following the issuance thereof, (ii) any amount necessary to replenish amounts withdrawn from the Junior Lien Debt Service Reserve Account for payment of principal and interest on any Junior Lien Parity Obligations within a period of eighteen months following any such withdrawal and (iii) if, on the first Business Day of any Fiscal Year, the Reserve Fund Value of the Junior Lien Debt Service Reserve Account is less than 90% of the Required Reserve with respect to Outstanding Junior Lien Parity Obligations, any amount necessary to cause the Junior Lien Debt Service Reserve Account to contain the Required Reserve with respect to Outstanding Junior Lien Parity Obligations by the end of such Fiscal Year.

(8) On or before the last Business Day of month, commencing in July, 2007, there will be deposited to the Capital Replacement Fund in twelve (12) substantially equal installments any amount by which the aggregate costs and expenses incurred for renewals and replacements of the Wastewater System during the preceding Fiscal Year are less than two percent (2%) of the Net Fixed Assets of the Wastewater System on the first day of such preceding Fiscal Year, provided that the amount deposited to the Capital Replacement Fund with respect to any such Fiscal Year shall not exceed two percent (2%) of the Gross Revenues for such Fiscal Year.

(9) After all payments and transfers have been made as provided in subparagraphs (1) through (8) above, and any deficiencies in such payments or transfers which may exist have been remedied, all moneys remaining in the Revenue Fund will constitute available revenues and may be used by the City for any lawful purpose, including the payment of current fees and disbursements of any Trustee, Bond Registrar, and Paying Agent and, as necessary or deemed appropriate by the City, the payment of the costs of renewals or replacements of or additions or expansions to the Wastewater System, amounts due pursuant to purchase contracts for additions or expansions to the Wastewater System, payments of principal and interest on other obligations, including general obligation bonds, of the City issued for Wastewater System purposes, and Administrative Expenses, provided, however, if, at any time moneys in the Revenue Fund are not sufficient to make the transfers required in subparagraphs (1) through (8) hereof, any resulting deficiency shall be remedied from the first moneys thereafter received and available for such purpose and the transfer of any such moneys to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 2.03 Debt Service Fund. The Finance Director will deposit in the Senior Lien Debt Service Account and the Junior Lien Debt Service Account all accrued interest received and any interest capitalized in connection with the sale of any Senior Lien Parity Obligations and Junior Lien Parity Obligations, respectively. Thereafter, there will be deposited in the accounts of the Debt Service Fund the amounts required in accordance with the preceding Section 2.02, and any other available moneys contributed by the City, which will be held and invested for the benefit and security of the holders from time to time of Outstanding Parity Obligations and used solely for the timely payment of principal of and interest on any Senior Lien Parity Obligations and Junior Lien Parity Obligations, as the case may be. The Debt Service Fund constitutes a trust fund to be used solely for the purpose of paying debt service on

Parity Obligations and the City will not have any beneficial right to or interest in any amounts deposited or held in the Debt Service Fund.

Section 2.04 Reserve Fund. The Reserve Fund will be established and maintained by the City or by any Trustee appointed and acting as such pursuant to Section 8.01 hereof. Moneys deposited in the respective accounts of the Reserve Fund, and any income or gain realized from the investment thereof, will be used solely to provide for the payment of debt service with respect to Senior Lien Parity Obligations and Junior Lien Parity Obligations, as the case may be, in the event amounts held in the respective accounts of the Debt Service Fund are insufficient for such purpose, except to the extent any purchaser of any series of Parity Obligations has waived any right and claim to and interest in the Reserve Fund with respect to such series of Parity Obligations.

If, on the business day preceding any day on which principal or interest is due on any Senior Lien Parity Obligations or Junior Lien Parity Obligations, moneys in the Senior Lien Debt Service Account or the Junior Lien Debt Service Account, respectively, are insufficient to make such payment, and after any transfer from the Capital Replacement Fund directed pursuant to Section 2.06 hereof, moneys or Reserve Fund Guaranties in the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, as the case may be, will be used to the extent necessary to make such payment, first, to the extent of moneys and investments in such account and, second, to the extent any Reserve Fund Guaranty or Guaranties are then in effect for such Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, pro rata if more than one. The City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof, will immediately notify any Reserve Fund Guarantor or Guarantors and take any necessary action pursuant to the terms of the Reserve Fund Guaranty or Guaranties to realize and receive, on or before the date on which such payment is due, or as soon thereafter as practicable, moneys in the amount of any such deficiency. All amounts received by the City or any such Trustee representing payments pursuant to a Reserve Fund Guaranty or Guaranties will be deposited to the Capitalized Subaccount of the Senior Lien Debt Service Reserve Fund or the Junior Lien Debt Service Reserve Fund, as the case may be.

To the extent any moneys have been paid to the City or any Trustee pursuant to a Reserve Fund Guaranty, or withdrawn by the City or any Trustee from the Reserve Fund, no portion of the Net Revenues will be considered available to the City, as provided in Section 2.02(9) hereof, until such Net Revenues have first been applied, to the extent the applicable Reserve Fund Guaranty Agreement so requires, to pay to the Reserve Fund Guarantor any amounts due pursuant to the applicable Reserve Fund Guaranty Agreement and, thereafter, to the extent required to reimburse the respective accounts of the Reserve Fund for any such withdrawal or to increase the Reserve Fund Value of any account in the Reserve Fund to the Required Reserve for such account. For the purposes of the preceding sentence, the Reserve Fund Value with respect to any Outstanding Senior Lien Parity Obligations or Outstanding Junior Lien Parity Obligations will be deemed to be increased by the amount of installment payments, if any, which are to be transferred to the Contribution Subaccount of the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, as the case may be, within the next five years pursuant to the Capitalization Requirement with respect to any such Senior Lien Parity Obligations or Junior Lien Parity Obligations. This special valuation rule will not be construed

to affect, in any manner, the amount of any installment payments required to be made to any Contribution Subaccount of the Reserve Fund pursuant to such Capitalization Requirement.

Whenever the Reserve Fund Value of the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, as the case may be, taking into account only moneys and investments credited to the Contribution Subaccount and the amount of any Reserve Fund Guaranty Coverage with respect to Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, is less than the Required Reserve for such Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, all income and gain from investment of such Contribution Subaccount will be credited thereto. Whenever the Reserve Fund Value of either account, taking into account only moneys and investments credited to the Contribution Subaccount and the amount of any Reserve Fund Guaranty Coverage with respect to Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, equals or exceeds the Required Reserve with respect to such Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, all income and gain from investment of such Contribution Subaccount will be applied, first, to the extent any Reserve Fund Guaranty Agreement with respect to such Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, so requires, to pay to the Reserve Fund Guarantor any amounts owed to it pursuant to the Reserve Fund Guaranty Agreement, and then will be transferred to the Senior Lien Debt Service Account or the Junior Lien Debt Service Account of the Debt Service Fund, as the case may be, as directed by the Finance Director. All income and gain from investment of the Capitalized Subaccounts of the Senior Lien Debt Service Reserve Account and the Junior Lien Debt Service Reserve Account, as the case may be, will be applied, first, to the extent a Reserve Fund Guaranty Agreement for Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, so requires, to pay to the Reserve Fund Guarantor any amounts owed to it pursuant to the Reserve Fund Guaranty Agreement, and then will be transferred to the Senior Lien Debt Service Account or the Junior Lien Debt Service Account, as the case may be.

On the first Business Day of each Fiscal Year, amounts on deposit in the accounts of the Reserve Fund will be valued by the City or any Trustee appointed and acting as such pursuant to Section 8.01 hereof, valuing investments at their fair market value based on closing bid prices for the preceding Business Day on any public exchange or market with respect to any publicly-traded investments, the average of not less than three bona fide bids solicited with respect to non-publicly-traded investments, or in such other manner as the City or any Trustee may reasonably determine. If upon such valuation, the Reserve Fund Value of either or both the Senior Lien Debt Service Reserve Account and the Junior Lien Debt Service Reserve Account is less than 90% of the Required Reserve with respect to such account, the City, upon determination of any such deficiency or receipt of notice of any such deficiency from any Trustee appointed and acting as such pursuant to Section 8.01 hereof, will either transfer from the Revenue Fund to the respective account or accounts of the Reserve Fund in twelve (12) equal monthly installments following the date of such notice, or purchase and deliver to any Trustee by the December 31 following the date of such notice a Reserve Fund Guaranty in an amount equal to, the amount by which either account of the Reserve Fund Value upon such valuation is less than the Required Reserve with respect to such account. For the purposes of the preceding sentence, the Reserve Fund Value will be deemed to be increased by the amount of installment payments, if any, which are to be transferred to each Contribution Subaccount of the Reserve Fund within the next five years pursuant to the Capitalization Requirement of Section 3.02 hereof. This special valuation

rule will not be construed to affect, in any manner, the amount of any installment payments required to be made to the Contribution Subaccounts of the Reserve Fund pursuant to such Capitalization Requirement. If, on the first Business Day of such Fiscal Year, the Reserve Fund Value of either the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account is more than the Required Reserve for such account, the amount of any excess will be applied, first, to the extent any Reserve Fund Guaranty Agreement for Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, so requires, to pay to the Reserve Fund Guarantor any amount owed to it pursuant to the related Reserve Fund Guaranty Agreement, and then will be transferred to the Senior Lien Debt Service Account or the Junior Lien Debt Service Account, as applicable.

If at any time the City purchases, or delivers to any Trustee appointed and acting as such pursuant to Section 8.01 hereof, (i) a Reserve Fund Guaranty, (ii) an Opinion of Counsel stating that the delivery of such Reserve Fund Guaranty is authorized pursuant to and in compliance with this Master Resolution, and (iii) written evidence from Moody's, if any Parity Obligations are then rated by Moody's, S&P, if any Parity Obligations are then rated by S&P, and Fitch, if any Parity Obligations are then rated by Fitch, in each case to the effect that such rating agency has reviewed the proposed Reserve Fund Guaranty and that (x) the issuance and delivery of the Reserve Fund Guaranty and (y), if a Reserve Fund Guaranty is then in effect, the substitution of the proposed Reserve Fund Guaranty for the Reserve Fund Guaranty then in effect, will not, in itself, result in a reduction or withdrawal of any rating with respect to any Parity Obligations, and if such rating will be in effect on the date of such issuance and delivery, and, if applicable, substitution, the City or any Trustee will accept such Reserve Fund Guaranty and promptly surrender any existing Reserve Fund Guaranty to the issuer thereof for cancellation. In such event, the affected account of the Reserve Fund will be revalued as provided in this Section to determine the extent, if any, by which the Reserve Fund Value of such account (after any applicable substitution) exceeds the Required Reserve for such account, in which event the City or any Trustee will transfer any moneys or investments in the Capitalized Subaccount of such account in an amount equal to such excess Reserve Fund Value to the Senior Lien Debt Service Account or the Junior Lien Debt Service Account, as the case may be, to be applied to the installment of principal next becoming due on any Senior Lien Parity Obligations or Junior Lien Parity Obligations, as the case may be, and any installments of interest due with or before such principal installments, and, to the extent such excess Reserve Fund Value exceeds the amount of moneys and investments in Capitalized Subaccount of either the Senior Lien Debt Service Reserve Account or the Junior Lien Debt Service Reserve Account, transfer any moneys or investments in the related Contribution Subaccount to or at the direction of the City. If a Reserve Fund Guaranty replaces a Reserve Fund Guaranty and the latter has a larger Reserve Fund Guaranty Limit, then the City will concurrently deposit, or deliver to any Trustee for deposit, in the Contribution Subaccount of the affected account of the Reserve Fund moneys or investments equal in value to the difference between the Reserve Fund Guaranty Limits.

In like manner, if at any time the City deposits, or delivers to any Trustee for deposit, in any account of the Reserve Fund (i) moneys or investments or a combination thereof equal in value to and in substitution for all or any part of any Reserve Fund Guaranty then in effect in such account, (ii) an Opinion of Counsel that the deposit of such moneys or investments is authorized pursuant to and in compliance with this Master Resolution, and (iii) written evidence from Moody's, if any Parity Obligations are then rated by Moody's, S&P, if any Parity

Obligations are then rated by S&P, and Fitch, if any Parity Obligations are then rated by Fitch, in each case to the effect that such rating agency has reviewed the proposed substitution and that the deposit of such moneys or investments, or combination thereof, in substitution for all or any part of any Reserve Fund Guaranty then in effect will not, in itself, result in any reduction or withdrawal of any rating with respect to any Parity Obligations, and if such rating is in effect on the date of such deposit and substitution, the City or any Trustee will accept such moneys and investments and promptly surrender the existing Reserve Fund Guaranty to the issuer thereof for cancellation. Such moneys or investments will be deposited in the Contribution Subaccount of the Reserve Fund. The requirements for a partial substitution of cash and investments for a Reserve Fund Guaranty will be the same as otherwise provided in this paragraph except clause (i) will require that the City or any appointed Trustee deliver moneys or investments or any combination thereof and any proposed Reserve Fund Guaranty equal in aggregate value to and in substitution for any Reserve Fund Guaranty then in effect.

Notwithstanding the foregoing, the City reserves the right to establish a separate reserve fund for any or all issues of Parity Obligations which may, in lieu of the Reserve Fund hereby created, be capitalized with the Capitalization Requirement applicable to each such issue and may contain a capitalized account and a contribution account, provided that amounts to be paid into any such separate reserve fund will be made on a parity with payments into the accounts in the Reserve Fund hereby established for Senior Lien Parity Obligations and Junior Lien Parity Obligations, as the case may be, and will not exceed, in any Fiscal Year, the proportionate deficit payment allocable to such separate reserve fund. For the purposes hereof, "proportionate deficit payment" means an amount which bears the same proportion to the deficit in a given separate reserve fund that the amount available to remedy deficits in the related account of the Reserve Fund and all separate reserve funds bears to the aggregate deficit or deficits in the related accounts of the Reserve Fund and all separate reserve funds

Section 2.05 Construction Fund. The Construction Fund will be established and maintained by the City in a bank or banks doing business in the State of Arizona, which has or have an office in the City and whose deposits are insured by the Federal Deposit Insurance Corporation. Moneys deposited in the Construction Fund, and any income or gain realized from the investment thereof, will be used solely to acquire or construct improvements, additions, extensions and enhancements to the Wastewater System or any combination of such purposes, except that upon the completion of any project, or portion thereof, for which proceeds of Parity Obligations have been deposited in the Construction Fund, moneys remaining in the Construction Fund will be transferred to the Senior Lien Debt Service Account of the Debt Service Fund.

Section 2.06 Capital Replacement Fund. The Capital Replacement Fund will be established and maintained by the City in a bank or banks doing business in the State of Arizona, which has or have an office in the City and whose deposits are insured by the Federal Deposit Insurance Corporation. Moneys deposited in the Capital Replacement Fund, and any income or gain realized from the investment thereof, will be used to renew or replace obsolete, deteriorated or worn out components of the Wastewater System from time to time, provided, however, that, to the extent necessary to remedy any deficiency in the Senior Lien Debt Service Account, moneys in the Capital Replacement Fund shall be transferred to the Senior Lien Debt Service

Account prior to any transfers thereto from the Senior Lien Debt Service Reserve Account, subject to replenishment.

Section 2.07 Rebate Fund. The Rebate Fund will be established and maintained by the City in a bank or banks doing business in the State of Arizona, which has or have an office in the City and whose deposits are insured by the Federal Deposit Insurance Corporation. Moneys in the Rebate Fund will be used solely to pay any rebate amount due the United States of America and shall not be pledged to or constitute security for any Parity Obligations or otherwise subject to the claims of the owners of any Parity Obligations.

### ARTICLE III Parity Obligations

Section 3.01 General. Subject to the provisions hereof, the City shall have the right to issue Parity Obligations pursuant to a resolution supplemental hereto as either Senior Lien Parity Obligations or Junior Lien Parity Obligations. Each Outstanding Parity Obligation issued pursuant hereto shall be payable from, and secured by the pledge of, lien on and security interest in, the Net Revenues of the Wastewater System made or granted herein to the extent necessary for the prompt and punctual payment of the principal of and interest on such Parity Obligations, according to their terms, provided that the rights of owners of Outstanding Junior Lien Parity Obligations to receive payments of principal of and interest with respect to such Junior Lien Parity Obligations shall be junior, subject and subordinate to the rights of the owners of Outstanding Senior Lien Parity Obligations to receive payments of principal and interest with respect to such Senior Lien Parity Obligations from such Net Revenues on a priority basis, senior to the rights of the owners of such Junior Lien Parity Obligations.

Except as provided above with respect to Senior Lien Parity Obligations and Junior Lien Parity Obligations, all Parity Obligations are co-equal as to the pledge of, lien on and security interest in the Net Revenues pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment or security therefore and none of the Parity Obligations shall be entitled to priority or distinction one over the other in the application of the Net Revenues pledged to the payment thereof, regardless of the issuance of any of the Parity Obligations in series, or the delivery of any of the Parity Obligations prior to delivery of any other Parity Obligations of said series, or regardless of the time or times the Parity Obligations mature or are called for redemption, prior to maturity or otherwise.

Section 3.02 Conditions for Issuance of Parity Obligations. Subsequent to the issuance of the initial Senior Lien Parity Obligations in the aggregate principal amount of \$8,507,500 and the initial Junior Lien Parity Obligations in the aggregate principal amount of \$14,272,500 to the Water Infrastructure Finance Authority of the State of Arizona, the City shall have the right to issue additional Parity Obligations pursuant to a resolution supplemental hereto if all of the following conditions are met:

- (1) All deposits in or obligations with respect to all funds and accounts created pursuant to Article II hereof are current; and

(2) The City is in compliance with all of its covenants and agreements herein;  
and

(3) Such Parity Obligations are being issued solely for the purpose of financing the acquisition or construction of extensions of or betterments or improvements to, or expansions or replacements of the Wastewater System, or any combination thereof, or to provide reasonable reserves for such Parity Obligations, including capitalization of interest and of the Reserve Fund, or to pay costs of issuance of any Parity Obligations, or to refund any Parity Obligations or general obligation bonds issued for the purpose of making additions or extensions to the Wastewater System; and

(4) If the Parity Obligations proposed to be issued constitute Variable Rate Indebtedness, the resolution or other proceedings authorizing the issuance of such Parity Obligations must specify a maximum interest rate which may be borne by such Parity Obligations; and

(5) The applicable account of the Reserve Fund will be capitalized with the applicable Capitalization Requirement in the manner provided herein concurrently with the issuance and delivery of any Senior Lien Parity Obligations or Junior Lien Parity Obligations; and

(6) In the case of Senior Lien Parity Obligations, the aggregate Net Revenues for the completed Fiscal Year next preceding the date of issuance of such Senior Lien Parity Obligations are not less than one hundred twenty per cent (120%) of the Maximum Annual Debt Service for any succeeding Fiscal Year on all Senior Lien Parity Obligations then Outstanding and the Senior Lien Parity Obligations proposed to be issued and, in the case of Junior Lien Parity Obligations, either such Junior Lien Parity Obligations are issued as tax-secured obligations within the meaning of Title 9, Chapter 5, Article 3 of the Arizona Revised Statutes and Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes or the aggregate Net Revenues for the completed Fiscal Year next preceding the date of issuance of such Junior Lien Parity Obligations less the debt service on all Senior Lien Parity Obligations for such Fiscal Year are not less than one hundred twenty per cent (120%) of the Maximum Annual Debt Service for any succeeding Fiscal Year on all Junior Lien Parity Obligations then Outstanding and the Junior Lien Parity Obligations proposed to be issued. For the purposes of this Section 3.02, additional amounts may be added to the Net Revenues for such preceding Fiscal Year if:

(i) Gross Revenues have been increased as a result of the acquisition or construction of additions to the Wastewater System made prior to the issuance of the proposed Parity Obligations but during either the Fiscal Year in which such Parity Obligations are proposed to be issued or the preceding Fiscal Year; such increased Gross Revenues may be treated as if such additions to the Wastewater System were completed on the first day of the Fiscal Year used for purposes of computation and the Gross Revenues derived from such additions may be converted for purposes of computation to estimated Net Revenues which would have been derived therefrom if said additions had actually been completed on the

first day of the Fiscal Year used for computation purposes, such estimates to be made by an Independent Consultant;

(ii) All or part of the proceeds of the additional obligations are to be expended for the acquisition of existing wastewater properties, there may be added to the Net Revenues of such preceding Fiscal Year the Net Revenues derived from the operation of such wastewater properties to be acquired as converted to Net Revenues which would have been derived from the operation of such wastewater properties had such properties been part of the City's Wastewater System during the entire Fiscal Year, such converted Net Revenues to be estimated by an Independent Consultant; and

(iii) Subsequent to the first day of such preceding Fiscal Year and prior to the issuance of the additional Parity Obligations, the City increased its rates or charges for wastewater service, there may be added to Net Revenues of such preceding Fiscal Year the additional Net Revenues which would have been received from the operation of the Wastewater System during such Fiscal Year had such increase been in effect throughout such Fiscal Year, such additional Net Revenues to be estimated by an Independent Consultant.

Section 3.03 Principal Amounts, Interest Rates, Redemption and Form of Parity Obligations. Parity Obligations issued pursuant hereto and secured hereby shall be in such principal amounts, mature on such dates, bear interest at such rate or rates, payable on such dates, at such times and places, be in such denominations, be dated and numbered, be Senior Lien Parity Obligations or Junior Lien Parity Obligations, be subject to optional and mandatory redemption in such amounts and on such dates, be in such form and be executed, authenticated and delivered as provided in the supplemental resolution authorizing the issuance, sale and delivery of such Parity Obligations.

Section 3.04 Registration, Transfer and Exchange. The City shall cause the Bond Register to be established and maintained at the principal corporate trust office of the Bond Registrar for the registration and transfer of Parity Obligations as provided in this Master Resolution. The City is authorized to prepare, and the Bond Registrar, or such other agent as the City may designate, shall keep custody of, multiple Parity Obligation blanks executed by the City for use in the transfer and exchange of any Parity Obligations.

Upon surrender for transfer of any Parity Obligation at the designated corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by, the registered owner or his attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees, a new fully-registered Parity Obligation or Parity Obligations of the same maturity and for the like aggregate principal amount in authorized denominations. Any Parity Obligation or Parity Obligations may be exchanged at the designated corporate trust office of the Bond Registrar for a like aggregate principal amount of Parity Obligation or Parity Obligations of the same maturity of other authorized denominations. The execution by the City of any Parity Obligation shall constitute full and due authorization for the authentication, dating and delivery of such Parity

Obligation and the Bond Registrar is hereby authorized to authenticate, date and deliver such Parity Obligation; provided, however, that the principal amount of all Outstanding Parity Obligations of each maturity authenticated by the Bond Registrar shall not at any time exceed the authorized principal amount of Parity Obligations for such maturity less the amount of such Parity Obligations which have been paid.

The Bond Registrar shall not be required to transfer or exchange any Parity Obligation during the period beginning at the close of business on the fifteenth (15th) day of the month next preceding any interest payment date with respect to such Parity Obligation or, if such day is not a business day, on the next succeeding business day, to and including the day preceding such interest payment date, nor redemption with respect to such Parity Obligation has been mailed, nor during the period of fifteen (15) days next receding the mailing of any notice of redemption with respect to any Parity Obligation.

The person in whose name any Parity Obligation is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, premium, if any, or interest on any Parity Obligation shall be made only to or upon the order of the registered owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability of the City upon such Parity Obligation to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Parity Obligations, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of Parity Obligations except in the case of the issuance of a Parity Obligation or Parity Obligations for the unredeemed portion of a Parity Obligation surrendered for redemption.

Section 3.05 Notice and Effect of Redemption. The City shall, at least forty-five (45) days prior to any date on which Parity Obligations are to be redeemed prior to their stated maturity date, unless a shorter time period is acceptable to the Bond Registrar, notify the Bond Registrar of the redemption date and of the maturities and principal amounts of the Parity Obligations to be redeemed on such date. For the purposes of any redemption of less than all of the Parity Obligations of a single maturity, the particular Parity Obligations or portions of Parity Obligations to be redeemed shall be selected by lot not more than ninety (90) days prior to the redemption date by the Bond Registrar by such selection methods as the Bond Registrar shall deem fair and appropriate; provided, however, that such selection methods shall provide for the selection of Parity Obligations or portions thereof for redemption in the minimum authorizing denominations or integral multiples thereof such that any Parity Obligation in the minimum authorized denomination or any portion of a Parity Obligation in the minimum authorized denomination shall be as likely to be called for redemption as any other such Parity Obligation or portion thereof in the minimum authorized denomination.

The Bond Registrar shall promptly notify the City and the Trustee in writing of the Parity Obligation or portions of Parity Obligation selected for redemption and, in the case of any Parity Obligation selected for partial redemption, the principal amount thereof to be redeemed.

Unless waived by the registered owner of a Parity Obligation to be redeemed, notice of any redemption shall be given by the Bond Registrar on behalf of the City by mailing a notice of redemption by registered or certified mail not less than thirty (30) days nor more than ninety (90) days prior to the date fixed for redemption to each registered owner of a Parity Obligation or Parity Obligations to be redeemed (in whole or in part) at the address shown on the Bond Register or at such other address as may be furnished in writing by any registered owner to the Bond Registrar. In addition, notice of redemption shall be given to each nationally recognized municipal securities information repository not less than thirty (30) days prior to the date fixed for redemption.

All notices of redemption shall contain at least the following information: (i) the redemption date; (ii) the redemption price; (iii) if less than all of the Parity Obligations are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Parity Obligations to be redeemed, including any CUSIP number relating thereto; (iv) a statement that on the redemption date the redemption price will become due and payable upon each such Parity Obligation or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and (v) the place where such Parity Obligations are to be surrendered for payment of the redemption price, which shall be the designated corporate trust office of the Paying Agent.

Prior to any redemption date, the City shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all Parity Obligations or portions of Parity Obligations which are to be redeemed on such date.

Notice of redemption having been given as aforesaid, the Parity Obligations or portions of Parity Obligations so to be redeemed shall, on the redemption date, become due and payable at the redemption price specified, and from and after such date (unless the City shall default on the payment of the redemption price) such Parity Obligations or portions of Parity Obligations shall cease to bear interest. Upon surrender of such Parity Obligations for redemption in accordance with said notice, such Parity Obligation shall be paid at the redemption price. Interest due on or prior to the redemption date shall be payable as herein provided for the payment of interest. Upon surrender for partial redemption of any Parity Obligation, there shall be prepared and delivered to the registered owner thereof a new Parity Obligation or Parity Obligations of the same maturity in the amount of the unpaid principal in authorized denominations. If any Parity Obligation or portion of any Parity Obligations called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium, if any, shall, until paid, bear interest from the redemption date until paid at the rate of interest borne by the Parity Obligation or portion of the Parity Obligation so called for redemption. All Parity Obligations which have been redeemed shall be cancelled and destroyed by the Trustee with notice thereof to the Bond Registrar and shall not be reissued.

#### Section 3.06 Book-Entry System.

(a) Unless otherwise provided in the supplemental resolution authorizing the issuance and sale of any series of Parity Obligations, Parity Obligations will be initially issued in the form of a single fully-registered bond for each stated maturity of Parity Obligations registered in the

Bond Register in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC").

(b) With respect to Parity Obligations registered in the name of Cede & Co., as nominee of DTC, none of the City, the Bond Registrar and the Paying Agent will have any responsibility or obligation to any DTC participant (a "DTC Participant") or to any person on behalf of whom a DTC Participant holds an interest in the Parity Obligations (a "Beneficial Owner"), nor any responsibility or obligation to any DTC Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the Parity Obligations under or through DTC or any DTC Participant, or any other person with respect to:

- (i) the accuracy of any records maintained by DTC or any DTC Participant;
- (ii) the payment by DTC or any DTC Participant of any amount in respect of the Parity Obligations;
- (iii) the giving of any notice that is permitted or required to be given to owners pursuant to this Master Resolution; or
- (iv) any consent given or other action taken by DTC as an owner.

(c) The beneficial owners of Parity Obligations held in book-entry form have no right to require the City to maintain such a depository system, or any particular depository system, for the Parity Obligations. The City may remove DTC or any successor thereto for any reason at any time. In that event, the City shall:

- (i) appoint a successor securities depository qualified to act as a securities depository pursuant to Section 17(i) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of the successor securities depository and transfer one or more separate Parity Obligations to the successor securities depository; or
- (ii) notify DTC of the availability through DTC of Parity Obligations and transfer one or more separate Parity Obligations to DTC Participants having Parity Obligations, as the case may be, credited to their DTC accounts as directed by DTC. In that event, the Parity Obligations will no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC, but may be registered in the name of any successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving the Parity Obligations designate, in accordance with the provisions of this Master Resolution.

#### ARTICLE IV Net Revenue Pledge

Section 4.01 Pledge. The City hereby irrevocably pledges and grants a lien on and a security interest in the Net Revenues of the Wastewater System as security for the payment of debt service on all Parity Obligations issued and Outstanding pursuant hereto. The pledge made

in this Master Resolution shall be superior to all other pledges which may hereafter be made of any of the funds and accounts of the Wastewater System herein pledged, except that (a) any such obligations as may in the future be issued as Senior Lien Parity Obligations shall be senior to any such obligations issued as Junior Lien Parity Obligations, and (b) no other obligations shall be issued which are senior to Junior Lien Parity Obligations except Senior Lien Parity Obligations.

**ARTICLE V**  
**Covenants**

Section 5.01 General. The City acting under and by authority of the laws of the State, hereby expressly covenants and agrees with the holder or holders from time to time of any Parity Obligations issued pursuant to the provisions hereof, so long as any of the Parity Obligations are Outstanding and unpaid, as follows:

(1) That it will establish and maintain schedules or rates, fees and charges for all wastewater services supplied by the Wastewater System fully sufficient at all times, after making reasonable allowances for contingencies and errors in estimates, to pay the Operation and Maintenance Expenses of the Wastewater System, to produce aggregate Net Revenues in each Fiscal Year equal to one-hundred-twenty per cent (120%) of the Annual Debt Service Requirement for such Fiscal Year and to produce a cash balance in the Revenue Fund at the end of each Fiscal Year equal to not less than twenty percent (20%) of the Operation and Maintenance Expenses for such Fiscal Year.

(2) That it will pay the principal of and interest on any Parity Obligations in accordance with their respective terms and conditions as set forth in the supplemental resolution authorizing the issuance and sale of such Parity Obligations, together with all other amounts required to be paid by the City in connection with such Parity Obligations.

(3) That it will maintain the Wastewater System in good repair and working order and will operate it efficiently and will faithfully and punctually perform all duties with reference to the Wastewater System required by the Constitution and laws of the State of Arizona, including the collection, segregation and application of the wastewater revenues in the manner provided in this Master Resolution.

(4) That it will not permit free water or service to be supplied by the Wastewater System to the City or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality. The reasonable cost and value of all wastewater services rendered to the City and its various departments by the Wastewater System will be charged against the City and its various departments by the Wastewater System and will be applied in the manner hereinabove provided for the application of the Gross Revenues of the Wastewater System.

(5) That on or before the first Monday in June of each year, it will cause the City Manager to prepare and submit to the Mayor and Council a proposed Wastewater System budget setting forth the anticipated Gross Revenues and balances in the funds and accounts of the Wastewater System, and anticipated expenditures of the Gross Revenues, funds and accounts for all purposes, including Operation and Maintenance Expenses,

acquisition and construction of additional property and equipment for the Wastewater System, renewals and replacements, and other costs and expenses for the ensuing Fiscal Year, and that on or before the last Monday of June of each year, the Mayor and Council will hold a public hearing on the proposed budget with written notice thereof mailed to any registered owner of any Parity Obligations who may have so requested in writing. At the hearing any interested person, including the registered owner of any Parity Obligation, may appear and be heard orally and file written objections or comments. Following such public hearing, but prior to the commencement of the ensuing Fiscal Year, the Mayor and Council will adopt a final Wastewater System budget for such Fiscal Year. The total of the expenditures from each fund and account herein delineated in any Fiscal Year will not exceed the total of such proposed expenditures set forth in the final budget nor will it exceed the amount of Gross Revenues estimated in the budget as available for such expenditures, except upon the approval of a majority of the Mayor and Council. If, for any reason, a final budget is not approved and adopted as herein prescribed, the budget for the preceding Fiscal Year shall control pending such adoption. Nothing in this section or in any budget adopted pursuant hereto is to be construed to prevent payments to or from the appropriate funds in order to meet all maturing principal of and interest on any Parity Obligations.

(6) That it will keep proper books, records and accounts with respect to the operation of the Wastewater System in accordance with standard accounting practices and procedures customarily used for systems of similar nature, conforming, however, to the requirements of this Master Resolution where necessary, and will cause such books to be audited annually by an independent certified public accountant or firm of accountants and, within one-hundred-eighty (180) days after the close of each Fiscal Year, will file with the Trustee a copy of the audited financial statements relating to the Wastewater System and make such audit report available upon written request at any reasonable time by any owner of any of the Parity Obligations.

(7) That it will purchase casualty insurance on all above-ground components of the Wastewater System valued in excess of \$100,000 on a replacement cost basis, with a deductible which may be no more than \$5,000 per component. In addition, the City will purchase or maintain public liability insurance, which may include self-insurance, in such amounts and with such coverages as would be reasonable and prudent as determined by an Independent Consultant. All moneys received with respect to losses under such insurance policies, other than public liability policies or coverages, are hereby pledged by the City as security for any Parity Obligations unless and until such proceeds are paid out or obligated to make good the loss or damage in respect to which such proceeds are received, either by repairing or replacing the property damaged or destroyed. Adequate provision for making good such loss and damage will be made within ninety (90) days from the later of the date of the loss or the date the proof of loss is filed with the insurer. In the event the destroyed property is no longer useful in the operation of the Wastewater System, the proceeds of the insurance will be deposited in the Revenue Fund.

(8) That, apart from surplus land and obsolete or depreciated machinery or other components of the Wastewater System, it will not sell or otherwise dispose of all or any material part of the Wastewater System unless (a) the proceeds thereof are deposited

in the Senior Lien Debt Service Account of the Debt Service Fund or (b) the Net Revenues of the remaining portion of the Wastewater System, as estimated by an Independent Consultant, will be sufficient to enable the City to comply with the rate covenant set forth in subsection (a) hereof, in which event the proceeds may be deposited in the Revenue Fund or the Senior Lien Debt Service Account of the Debt Service Fund at the direction of the City. In estimating the Gross Revenues of the remaining portion of the Wastewater System, the Independent Consultant shall make his estimate in the same manner and using the same rates and projections as used for the purposes of Section 3.02 hereof for calculation of the requirements for the issuance of additional Parity Obligations, except that the Net Revenues received from that portion of the Wastewater System sold or disposed of by the City will not be used in such computation.

(9) That it will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon all or any part of the Wastewater System or the Gross Revenues therefrom, as well as any lawful claims for labor, materials or supplies which if unpaid might by law become a lien or charge upon all or any part of the Wastewater System or the Gross Revenues or which might impair the security of any Parity Obligations. The foregoing sentence will not require the City to pay any such tax, assessment, charge or claim so long as said City is in good faith contesting its legal obligation to pay such tax, assessment, charge or claim.

(10) That it will not voluntarily grant a franchise or permit for the operation of any competing wastewater system in the City.

(11) That, in order to assure the efficient management and operation of the Wastewater System and to assure the owners from time to time of any Parity Obligations that the Wastewater System will be operated on sound business principles, it will employ competent and experienced management for the Wastewater System, will use its best efforts to see that the Wastewater System is at all times operated and maintained in good repair and condition, and will use its best efforts to insure that the cost of such operation and maintenance is at no time in excess of the money reasonably available for the payment thereof.

(12) That, if all or any part of the City's Wastewater System is taken by eminent domain proceedings or other condemnation proceedings authorized by law, the net proceeds realized by the City therefrom will be deposited, in the Senior Lien Debt Service Account and the Junior Lien Debt Service Account, subject to the rights of the owners of any Outstanding Parity Obligations to share in such net proceeds equally and ratably in the proportion which the principal amount owned by such owner bears to the total principal amount of all Parity Obligations then Outstanding, and without preference or priority of any Parity Obligations, or of any other obligation or any issue on a parity with such issue, over the other.

(13) That no bonds or other obligations will be issued senior or superior in lien to the Senior Lien Parity Obligations and no bonds or other obligations will be issued

senior or superior in lien to the Junior Lien Parity Obligations except Senior Lien Parity Obligations as herein authorized.

(14) That, subject to applicable law, it will do all things and exercise all remedies legally available to assure the prompt payment and collection of fees and charges for wastewater services supplied by the Wastewater System.

(15) That Administrative Expenses will be charged against and payable solely from the Revenue Fund of the Wastewater System as provided in Section 2.02 hereof.

Section 5.02 Tax Covenants.

(a) The City covenants and agrees that so long as any Parity Obligations are Outstanding, and to the extent within its reasonable control, it will not take, or omit to take, any action, or use or apply the proceeds of any Parity Obligations, or permit the proceeds of any Parity Obligations to be used or applied, to any purpose or purposes, that would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Parity Obligations and, in the event any such action or omission nevertheless occurs, will use all reasonable efforts to correct or rectify any such action or omission. In addition, the City will not use any money on deposit in any fund or account maintained in connection with the Parity Obligations, whether or not such money constitutes the proceeds of any Parity Obligations or from any other source, in a manner that would cause any Parity Obligations to be arbitrage bonds within the meaning of Section 148 of the Code. In the event the City determines that it is necessary to restrict or limit the yield on the investment of moneys held by the Trustee pursuant hereto, or to use such moneys in any certain manner to avoid the Parity Obligations being considered arbitrage bonds, the City will deliver to the Trustee an order containing appropriate instructions, in which event the Trustee shall take such action as is necessary to restrict or limit the yield on such investments or to use such moneys in accordance with such order. In addition, the City will comply with the rebate requirements set forth in the tax certification executed and delivered by the City concurrently with the delivery of any Parity Obligations.

(b) The City will not use or permit the use of any proceeds of the Parity Obligations or any other funds of the City, directly or indirectly, in any manner, and will not take or permit to be taken any other action or actions, which would result in any of the Parity Obligations being treated other than as an obligation described in Section 103(a) of the Code.

(c) The City will not take any action which would result in all or any portion of the Parity Obligations being treated as federally guaranteed within the meaning of Section 149(b)(2) of the Code.

(d) All officers, employees and agents of the City are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the City as of the date of delivery of any Parity Obligations. In complying with the covenants contained in this Section 5.02, the City may rely from time to time upon opinions of nationally-recognized bond counsel to the effect that any action by the City or reliance by the City on any interpretation of the Code or the regulations contained in such opinion will not cause interest on

the Parity Obligations to be includable in gross income for Federal income tax purposes under existing law.

## ARTICLE VI Investments

Section 6.01 General. Any moneys held in any fund or account established pursuant to Article II of this Master Resolution will be invested and reinvested, except as otherwise permitted by law or directed by the City in a written order signed by an authorized officer thereof, in Government Obligations or other obligations in which the City may lawfully invest in accordance with State law, which obligations mature or are redeemable solely at the option of the holder thereof in such amounts and on such dates as may be necessary to provide moneys to make, when due, any payments or disbursements required to be made from such fund or account.

In computing the value of the value of any fund or account, investments and accrued interest thereon will be deemed a part thereof and all such investments will be valued at fair market value on the date of valuation.

The City or the Trustee may sell or redeem any such obligations in which moneys are invested as herein provided, to the extent necessary, in their sole discretion, to provide cash in the respective funds or accounts in sufficient amounts to make any payments required to be made therefrom, or to facilitate the transfer of moneys between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of Article II hereof.

The Trustee will not be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts are invested pursuant to the provisions hereof, or for any loss arising from any such investment, except for its own negligence or misconduct.

## ARTICLE VII Defaults and Remedies

Section 7.01 Defaults. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

(a) Default in the payment of the principal of, interest on or redemption premiums, if any, applicable to any of the Parity Obligations as and when the same becomes due and payable, either at maturity, upon call for redemption or otherwise;

(b) Default in the deposit to the proper funds of any amount required to be deposited pursuant to Article II hereof as and when required hereunder, which default continues for a period of five (5) days following receipt of written notice thereof by the Finance Director of the City; or

(c) Default in the performance or observance of any other of the covenants and agreements contained herein, which default continues for a period of thirty (30) days following receipt of written notice thereof by the Finance Director of the City; provided, however, that such default will not constitute an Event of Default hereunder if, and so long as the City has (in

the reasonable judgment of any Trustee appointed and acting as such pursuant to Section 8.01 hereof) initiated and is diligently pursuing corrective action.

Section 7.02 Remedies. Upon the occurrence and during the continuance of an Event of Default hereunder, the Trustee may, and upon the request of the registered owners of twenty-five per cent (25%) of the aggregate principal amount of all Parity Obligations then Outstanding, and upon receipt of indemnity, as provided in Section 8.03 hereof, shall, proceed to protect and enforce the rights of the owners of any Parity Obligations then Outstanding by suit, action or proceeding, at law or in equity, either for the specific performance of any covenant or agreement herein contained, or for the execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, including application to any court of competent jurisdiction for the appointment, of a receiver, who may be the Trustee, with respect to the Gross Revenues of the Wastewater System. Any receiver so appointed may (i) enter upon and take possession of the Wastewater System, (ii) prescribe rates, fees and charges for the use for the Wastewater System, and (iii) collect, receive and apply the Gross Revenues arising therefrom in the same manner and with the same effect as the City itself is required and permitted to do hereunder, may be vested with the sole and exclusive jurisdiction over the Wastewater System and will maintain and operate the Wastewater System for the direct benefit of the owners of any Parity Obligations issued and Outstanding pursuant hereto, and out of the Gross Revenues so collected will pay the Operation and Maintenance Expenses and the principal of and interest on Outstanding Parity Obligations. Any such receiver so appointed will remain in possession and control of the Wastewater System until any delinquent installments of principal of and interest on any Parity Obligations, together with all costs incurred in the receivership, including attorneys' fees, have been paid in full. No owner of any Parity obligations will have any right to institute or defend any action, suit or proceeding with respect to this Master Resolution unless written demand to institute or defend such action, suit or proceeding and reasonable indemnity shall have been provided to the Trustee pursuant to Section 8.03 hereof and the Trustee shall have refused to institute or defend such action. In that event, upon the written concurrence of the owners of at least twenty-five per cent (25%) of the aggregate principal amount of all Parity Obligations then Outstanding any such owner may institute such action in the name of himself and the concurring owners. Nothing in this Section shall be construed to limit or restrict the rights of the registered owner of any Parity Obligation as otherwise provided in Title 9, Chapter 5, Article 3 of the Arizona Revised Statutes, and any successor provisions or amendments thereto.

#### ARTICLE VIII

##### Trustee, Bond Registrar, Paying Agent

Section 8.01 Appointment. The City may appoint a Trustee, a Bond Registrar and a Paying Agent, who may be the same Person, to perform the duties and obligations of the Trustee, Bond Registrar and Paying Agent as provided herein, with all of the powers and duties herein set forth but with no liability for any action or omission pursuant hereto except for its own negligence or misconduct.

Section 8.02 Duties Generally. Notwithstanding any other provisions of this Article VIII, any Trustee, Bond Registrar, or Paying Agent appointed pursuant hereto will be entitled to exercise such of the respective rights and powers vested in them, and perform the duties imposed on them, by this Master Resolution and will be required to use the same degree of skill and care in their exercise and performance as a prudent person would use and exercise under the circumstances in the conduct of his own affairs. Upon the occurrence and during the continuance of an Event of Default, any such Trustee shall take such actions, subject to the conditions, as may be necessary and proper as provided in Section 7.02 hereof.

Section 8.03 Indemnity. The Trustee shall be under no obligation to institute any suit or action, or other proceeding, pursuant to this Master Resolution, or to enter any appearance in any suit, action or proceeding in which it may be a defendant, or to take any steps in the enforcement of its, or any, rights and powers hereunder, nor shall the Trustee be deemed to have failed to take any such action, unless and until it shall have been indemnified to its satisfaction by the owners of any Parity Obligations against any and all costs and expenses, counsel fees and other disbursements, including its own reasonable fees, and if any judgment, decree or recovery is obtained by the Trustee, payment of all sums due the Trustee, as aforesaid, shall be a first charge against the amount of any such recovery.

Section 8.04 Employment of Attorneys and Agents. The Trustee is hereby authorized to employ such attorneys at law and agents as it may deem necessary and prudent to carry out any of its obligations hereunder and will be reimbursed for its reasonable expenses and charges in connection therewith. The Trustee will not have any responsibility with respect to the validity of any Parity Obligations or the legal sufficiency of the proceedings for their issuance, and it will not be the duty of the Trustee, except as herein provided, to ensure that any duties or obligations herein imposed upon the City or any officer of the City are performed. The Trustee may in good faith buy, sell or hold and deal in any of the Parity Obligations with like effect as if it were not such Trustee.

Section 8.05 Removal and Resignation. The Trustee may be removed at any time (i) by an instrument in writing signed by the owners of a majority in aggregate principal amount of Outstanding Parity Obligations or (ii) provided the City is not then in default of any of its covenants or agreements herein, by an instrument in writing signed by the Mayor or Finance Director, and attested by the City Clerk, of the City, and the Trustee may resign and thereby become discharged from the trust hereby created upon written notice of any such resignation to the Mayor or Finance Director of the City and any Insurer or Reserve Fund Guarantor at least thirty (30) days before such resignation becomes effective. Such resignation shall take effect upon the appointment and qualification of a successor trustee if the same be appointed and qualified before the time set forth in such notice.

In case the Trustee resigns or is removed or is dissolved, or otherwise becomes incapable of acting hereunder, a successor Trustee may be appointed by the owners of a majority in aggregate principal amount of Parity Obligations then Outstanding by an instrument in writing signed by such owners and filed with the Finance Director and City Clerk of the City, provided that in case there is at any time a vacancy in the office of the Trustee hereunder, the City shall appoint, and covenants with the holders of any Parity Obligations that it will promptly appoint, a Trustee to fill such vacancy until a successor Trustee is appointed by the owners of Outstanding

Parity Obligations. Any such temporary or interim Trustee appointed by the City hereunder shall immediately and without further action be superseded by the appointment of a Trustee appointed by the owners of Parity Obligations in the manner hereinabove provided.

Any Trustee appointed pursuant hereto shall be a trust company or bank having the powers of a trust company, which is a member of the Federal Deposit Insurance Corporation and of the Federal Reserve System and has an officially-reported combined capital stock account, paid-in surplus and undivided profits of not less than one hundred million dollars (\$100,000,000).

Every Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to the City, and any predecessor Trustee, an instrument in writing accepting such appointment hereunder, and thereupon such Trustee, without any further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of the Trustee pursuant hereto and any predecessor, and any predecessor shall, on written request of the City, execute and deliver an instrument transferring to such successor Trustee all of the rights, powers, trusts, duties and obligations of such predecessor hereunder.

#### ARTICLE IX

##### Defeasance

Section 9.01 General. If the City pays or causes to be paid to the owner of any Parity Obligation secured hereby the principal of, premium, if any, and interest due and payable, and thereafter to become due and payable, upon such Parity Obligation, or any portion of such Parity Obligation, such Parity Obligation or portion thereof shall cease to be entitled to any pledge, lien, benefit or security pursuant to this Master Resolution. If the City shall pay or cause to be paid the principal of, premium, if any, and interest due and payable thereon, and shall pay or cause to be paid all other sums payable hereunder by the City, including all necessary and proper fees, compensation and expenses of the Trustee, the Bond Registrar and the Paying Agent, then, and in that case, the right, title and interest of the Trustee in and to the Gross Revenues pledged hereby shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the City the moneys and property held by the Trustee hereunder, including, without limitation, any surplus in the Debt Service Fund and any balance remaining in any other fund created pursuant to this Master Resolution.

Any Parity Obligation of any series shall be deemed to be paid within the meaning of this Article IX and for all purposes of this Master Resolution when:

(a) payment of the principal of and premium, if any, on such Parity Obligation together with interest thereon to the maturity or prior redemption date either:

- (1) is made or caused to be made accordance with the terms thereof, or
- (2) is provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment,
  - (i) moneys sufficient to make such payment, and/or

(ii) Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and

(b) all necessary and proper fees, compensation and expenses, of the Trustee, the Bond Registrar and the Paying Agent pertaining to the Parity Obligations with respect to which such deposit is made has been paid or the payment thereof has been provided for to the satisfaction of the Trustee, Bond Registrar and Paying Agent, as the case may be.

At such time as a Parity Obligation shall be deemed to be paid hereunder, as aforesaid, such Parity Obligation shall no longer be secured by or entitled to the benefits of this Master Resolution, except for the purposes of any such payment from such moneys or obligations of the United States of America and such Parity Obligation and the debt service thereon prefunded pursuant to this Article IX shall not thereafter be charged against the City for purposes of Sections 3.02 or 5.01(1) hereof.

Notwithstanding the foregoing, no deposit made pursuant to clause (a)(2) above shall be deemed a payment of such Parity Obligation as aforesaid until the earlier of: (1) the date on which proper notice of redemption of such Parity Obligation has been given in accordance with the provisions of Section 3.05 hereof or, in the event said Parity Obligation is not to be redeemed within the next succeeding sixty (60) days, until the City shall have given the Trustee irrevocable instructions in form satisfactory to the Trustee, to notify, as soon as practicable, the owner of such Parity Obligation in accordance with Section 3.05 hereof, that the deposit required by clause (a)(2) above has been made with the Trustee and that said Parity Obligation is deemed to have been paid in accordance with this Article IX and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption price, if any, on said Parity Obligation, plus interest thereon to the due date or redemption date thereof; or (2) the maturity of such Parity Obligation.

Notwithstanding anything to the contrary, no payment by any Insurer of principal or interest on any Parity Obligation shall by itself result in a defeasance of this Master Resolution with respect to such Parity Obligation and such principal and interest shall remain due and owing thereon until paid in full.

**ARTICLE X**  
**Modification and Amendment**

**Section 10.01 Amendments and Supplements.**

(a) The City may adopt, and the Trustee may accept, without notice to or the consent of any owners of any Parity Obligation, but with notice to any Insurer or Reserve Fund Guarantor, a resolution amending or supplementing any of the terms or provisions contained in this Master Resolution for any one or more of the following purposes:

- (1) To cure any ambiguity, formal defect or omission herein;
- (2) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder which shall not materially and adversely affect the interests of the registered owners of any Parity Obligations then Outstanding;
- (3) To grant or confer ratably upon all of the registered owners of any Parity Obligations then Outstanding, any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them or to add to the covenants of the City such further covenants, restrictions or conditions as the City and the Trustee shall consider to be for the protection of the owners of any Parity Obligations then Outstanding hereunder, and to make the occurrence, or the occurrence and continuance, of a default in compliance with any of such additional covenants, restrictions or conditions an event permitting the enforcement of all or any of the several remedies provided in this Master Resolution as herein set forth, provided, however, that in respect of any such additional covenant, restriction or condition such supplementary or amendatory resolution may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;
- (4) To qualify this Master Resolution pursuant to the Trust Indenture Act of 1939, as amended, or corresponding provisions of Federal laws from time to time in effect; and
- (5) To create and provide for the issuance of a series of additional Parity Obligations as permitted hereunder;

provided, however, that the adoption of amendatory or supplementary ordinances for the purposes described in clauses (1), (2), (3) or (4) above shall first have been approved in writing by any Insurers and any Reserve Fund Guarantors.

(b) Other than supplementary or amendatory resolutions referred to in subsection (a) hereof and subject to the terms and provisions and limitations contained in this Article X and not otherwise, any Insurers, any Reserve Fund Guarantors and the owners of not less than a majority in aggregate principal amount of Parity Obligations then Outstanding shall jointly have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and

approve the adoption by the City and the acceptance by the Trustee of such supplementary or amendatory resolutions as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein, provided, however, nothing in this section shall permit or be construed as permitting the adoption of a supplementary or amendatory resolution which would:

(1) Extend the stated maturity of or time for paying interest on any Parity Obligation or reduce the principal amount of or the redemption premium or rate of interest payable on any Parity Obligation without the consent of the registered owner of such Parity Obligation;

(2) Permit the preference or priority of any Parity Obligation over any other Parity Obligation without the consent of the owner of each Parity Obligation then Outstanding not receiving such preference or priority, except as herein provided; or

(3) Reduce the aggregate principal amount of any Parity Obligations then Outstanding the consent of the owners of which is required to authorize such supplementary or amendatory resolution without the consent of the owners of all Parity Obligations then Outstanding.

Section 10.02 Amendment Procedure. Whenever the City shall propose to amend or modify this Master Resolution pursuant to the provisions of subsection (b) of Section 10.01 hereof, it shall cause notice of the proposed amendment to be mailed by the Bond Registrar by registered or certified mail to each owner of Parity Obligations, at the address shown on the Bond Register, or at such other address as may be furnished in writing by such owner to the Bond Registrar. Such notice shall include a copy of the proposed amendatory or supplementary resolution.

If, at any time within one year from the date of the mailing of said notice, there is filed in the office of the City Clerk of the City, an instrument or instruments executed by the owners of at least a majority in aggregate principal amount of Parity Obligations then Outstanding as in this Article provided, which instrument or instruments shall refer to the proposed amendatory or supplementary resolution enclosed with said notice and shall specifically consent to and approve the adoption thereof, thereupon but not otherwise, the City may adopt such amendatory or supplementary resolution and such amendatory or supplementary resolution shall thereupon become effective in, accordance with the provisions thereof.

Section 10.03 Owner Consent. The fact and date of the execution of any instrument under the provisions of this Article may be proved by the certificate of any officer in any jurisdiction (who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction) that the person or persons signing such instrument acknowledged before him the execution thereof or may be proved by any affidavit of a witness to such execution sworn to before such officer.

Section 10.04 Effect of Amendment. If the owners of at least a majority in aggregate principal amount of Parity Obligations Outstanding at the time of the adoption of such amendatory or supplementary resolution, or the predecessors in title of such owners, consent to

and approve the adoption thereof as herein provided, no owner of any Parity Obligation, whether or not such owner has consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory or supplementary resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the City from taking any action pursuant to the provisions thereof.

Any consent given by the owner of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of mailing of the notice hereinabove provided for and shall be conclusive and binding upon all future owners of the same Parity Obligation during such period. Such consent may be revoked any time after six months from the date of mailing of such notice by the owner who gave such consent or by a successor in title by filing notice of such revocation with the City Clerk of the City; provided, however, that such revocation shall not be effective if the owners of a majority in aggregate principal amount of Parity Obligations then Outstanding have consented to and approved the amendatory or supplementary resolution prior to such attempted revocation.

## ARTICLE XI

### Bond Insurance and Reserve Fund Guaranties

Section 11.01 Bond Insurance. The City Manager and the Finance Director are each hereby authorized to negotiate with providers of policies guaranteeing the payment, when due, of principal and interest on obligations of the character of the Parity Obligations, and if any such policy can be obtained which meets the requirements of Treasury Regulation Section 1.148-4(f) with respect to any series of Parity Obligations, either of such officers is hereby authorized and empowered to complete, execute and deliver, on behalf of the City, appropriate agreements for the purchase of such policy, containing provisions concerning, without limitation, any of the following: (i) the terms of any such policy and the premium to be paid therefor, (ii) the procedures for payments and reimbursement of amounts advanced pursuant to such policy, including subrogation to the rights of the owners of any Parity Obligations paid with such amounts, (iii) voting rights, (iv) remedies, (v) notices and provision of information, and (vi) permitted defeasance obligations with respect to such Parity Obligations.

If such insurance is obtained with respect to any Parity Obligations, for all purposes of this Master Resolution, except for the giving of notice of default or notice of a proposed amendment to owners of such Parity Obligations, the Insurer will be deemed the sole owner of the Parity Obligations with respect to which such policy is issued so long as it has not failed to comply with its payment obligations pursuant thereto.

Section 11.02 Reserve Fund Guaranty. The City Manager and the Finance Director are each hereby authorized to negotiate with providers of Reserve Fund Guaranties, and if a Reserve Fund Guaranty is obtained and deposited in the Reserve Fund, any appropriate authorized officer of the City is hereby authorized and empowered to complete, execute and deliver, on behalf of the City, any required Reserve Fund Guaranty Agreements containing provisions concerning, without limitation, any of the following: (i) the terms of the Reserve Fund Guaranty and the premium to be paid therefor, (ii) procedures for payments under the Reserve Fund Guaranty and reimbursement of amounts advanced, (iii) subrogation rights in the event of payment under the Reserve Fund Guaranty, (iv) remedies, and (v) notices and provision

of information. The Trustee shall accept delivery of any such Reserve Fund Guaranty for deposit in the Reserve Fund only upon satisfaction of the terms and conditions of Section 2.04 of the Master Resolution.

**ARTICLE XII**  
**Miscellaneous Provisions**

**Section 12.01 General.** It is the intention hereof to confer upon the City all of the powers provided under the laws of the State in connection with the delivery of any Parity Obligations, as hereinabove provided, and if any one or more sections, clauses, sentences or parts of this Master Resolution shall for any reason be determined by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such determination will not affect, impair or invalidate the remaining provisions hereof, but will be confined to the specific section, clause, sentence and part so determined and all resolutions or parts thereof in conflict herewith be and the same are hereby repealed.

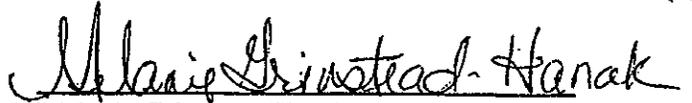
**Section 12.02 Resolution Irrevocable.** Following the execution and delivery of any Parity Obligations and receipt of the proceeds from the sale thereof, this Master Resolution will be and remain irrevocable until the principal of and interest on all Outstanding Parity Obligations have been fully paid or provided for, as herein specified.

**Section 12.03 Severability.** If any section, paragraph, clause or provision of this Master Resolution is for any reason held or determined to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision will not affect any of the remaining provisions hereof.

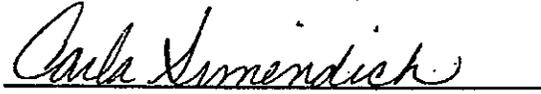
**Section 12.04 Waiver of Inconsistencies.** The provisions of any ordinances and resolutions of the City, or parts thereof, inconsistent with the provisions of this Master Resolution as heretofore and hereafter amended, are hereby waived to the extent of such inconsistency.

**Section 12.05 Emergency.** The Mayor and Council hereby find and determine that the immediate effectiveness of this Resolution is necessary for the preservation of the public peace, health, safety and welfare and, therefore, that an emergency exists such that this Resolution (i) will be in full force and effect from and after its passage by the Mayor and Council and any publication and posting required by law and (ii) is hereby exempted from any applicable referendum provisions.

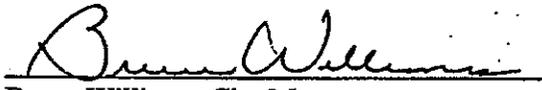
PASSED, ADOPTED, AND APPROVED by the Mayor and Council of Lake Havasu City, Arizona on August 20, 2002.

  
Melanie Grinstead-Hanak, Mayor

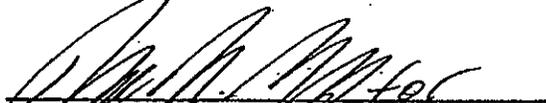
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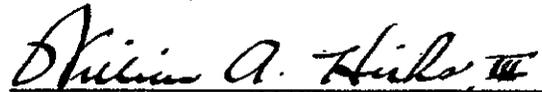
  
Carla Simendich, City Clerk

REVIEWED BY:

  
Bruce Williams, City Manager

APPROVED AS TO FORM:

  
Maureen R. George, City Attorney

  
William A. Hicks, III, Special Counsel

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