

GLADES UTILITY AUTHORITY

BUSINESS PLAN

February 2009

Developed by:

ENVIRONMENTAL FINANCIAL GROUP, INC.

in association with

Howard C. Osterman, Inc.

[Page intentionally left blank]

26 February 2009

Palm Beach County Water Utilities Department
8100 Forest Hill Blvd., P.O. Box 16097
West Palm Beach, FL 33416

Attn: Bevin Beaudet, Director

Re: Glades Utility Authority Business Plan

Dear Mr. Beaudet:

Environmental Financial Group, Inc., in association with Howard C. Osterman, Inc., is pleased to provide to you and the Palm Beach County Water Utilities Department this Business Plan for the proposed Glades Utility Authority.

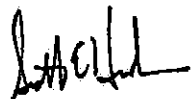
This Business Plan sets forth a program of activities designed to make the proposed Glades Utility Authority financially sustainable. It is assumed that such an Authority will be structured as a self-sufficient, utility business enterprise not requiring ongoing deficit operating subsidies. The success of the Authority depends on the following four cornerstones. Some of these cornerstone efforts must be accomplished prior to establishing the Authority. Others, more programmatic in nature, should be initiated immediately upon its creation. These are described in detail in the attached report and center on the following:

- Revenue Enhancement,
- Debt Restructuring,
- Capital Reinvestment, and
- Environmental Compliance.

The success of the Authority is by no means assured. However, with the concerted effort of the Glades cities, Palm Beach County and other stakeholders, there is a reasonable chance of success, thereby protecting this critical public service that enhances the health, safety and welfare of Glades customers.

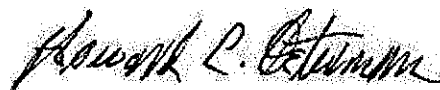
We thank you for the opportunity to address this important matter for the County and its Glades cities. Thank you.

Very Truly Yours,
ENVIRONMENTAL FINANCIAL GROUP, INC.



Scott E. Harder, President

HOWARD C. OSTERMAN, INC.



Howard C. Osterman, President

Cc: Shannon Larocque-Bass, PBC
Debra West, PBC

[Page intentionally left blank]

TABLE OF CONTENTS

TABLE OF CONTENTS	5
LIST OF TABLES AND FIGURES	6
SECTION 1 Business Objectives	7
Authorization	7
Scope and Limitations	7
Authority Organization and Structure	8
Authority Governance	8
Authority Business Objectives	8
Authority Powers and Functions	9
SECTION 2 Baseline Conditions	11
Glades Cities Utility Systems	11
Lake Region Water Treatment Plant.....	12
Baseline Financial Performance.....	12
SECTION 3 Four Cornerstones	15
Revenue	15
Debt.....	15
Reinvestment.....	16
Environmental Compliance	16
Cornerstone Prerequisites	17
Secure Grant Funding.....	18
Host Fees	18
Debt Assumption and Restructuring	18
State Revolving Fund Loans and LRWTP Capital.....	19
Cornerstone Program Initiatives	19
Operations	20
Uniform Rates	21
Billing Procedures and Rate Structure	21
Alternate Billing Procedures and Rate Structure.....	22
SECTION 4 Target Performance	25
Conclusions	25

LIST OF TABLES AND FIGURES

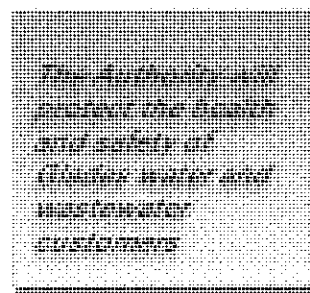
TABLE 1 | Baseline Financial "Gap"13
TABLE 2 | Cornerstone Prerequisites.....17
TABLE 3 | Cornerstone Program Initiatives20
TABLE 4 | Target 5-Year Financial Performance26

SECTION 1 | Business Objectives

Water and wastewater service is a critical public health and safety matter. In the current economic and financial climate, small cities acting individually are greatly challenged to provide such services in a cost-effective manner.

An independent non-profit utility authority offers an opportunity to provide these critical public services in a financially sustainable manner. The benefits of such an authority include economies of scale, improved access to capital, shared administrative and overhead expenses, and collective action to ensure future regulatory compliance.

This Business Plan is intended to be a road map to assist the cities of Belle Glade, Pahokee, and South Bay and Palm Beach County to establish a new Glades Utility Authority and ensure its economic viability.



Authorization

This Business Plan has been prepared under a Consulting Services Authorization between Palm Beach County and Environmental Financial Group, Inc. Howard C. Osterman, Inc. is providing sub consultant services to EFG. EFG and Osterman both serve Palm Beach County Water Utilities as rate, financial and business consultants. Neither firm provides investment banking, accounting, or legal services.

Scope and Limitations

This Business Plan relies on certain facts, opinions, documents, and analyses in an attempt to draw conclusions as to the possible financial viability of a Glades Utility Authority.

No attempt was made to examine source documentation beyond published documents. The analyses set forth herein in no way constitute an audit.

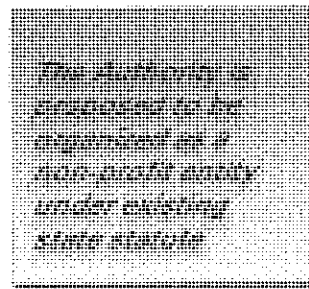
This Business Plan includes various forward-looking projections of future financial performance and relies on many assumptions and judgments made by the consultants, Water Utilities staff, Glades cities staff, and others.

Authority Organization and Structure

It is planned that the Glades Utility Authority will be created pursuant to Part I of Chapter 163, Florida Statutes (2008), the Florida Interlocal Cooperation Act of 1969, for the purpose of providing water, wastewater and reclaimed water service to the residents of the cities of Belle Glade, Pahokee, South Bay and surrounding areas in an efficient and fiscally responsible manner.

Authority Governance

It is proposed that the Authority will be governed by a Board of Directors with representation by the cities of Belle Glade, Pahokee, South Bay, and Palm Beach County. Specific membership, voting, and other responsibilities of the parties will be spelled out in Interlocal Agreements.



Authority Business Objectives

The Authority is expected to meet the following objectives.

- *Provide safe and effective water and wastewater service to Glades Utility Authority customers.*
- *Establish a revenue and operational program that is financially sustainable and which meets obligations to its customers and other stakeholders.*
- *Assume responsibility for existing utility-supported municipal debt.*
- *Rehabilitate the utility systems and bring them into regulatory compliance.*
- *Establish a system of rates, fees and charges which are uniform across the three cities and which are designed to encourage prompt payment by all customers.*
- *Secure initial working capital necessary at the onset of Authority operations.*
- *Establish and maintain the financial relationships between the new Authority, the three cities and the County.*

Authority Powers and Functions

To successfully complete the objectives described above, the Authority is planned to have certain powers and functions, including:

Utility Asset Ownership. The Authority is proposed to be the owner and operator of all facilities providing water, wastewater and reclaimed water services, including:

- Lake Region Water Treatment Plant (LRWTP)
- Belle Glade Wastewater Treatment Plant
- Pahokee Wastewater Treatment Plant
- Water distribution pipelines, wastewater collection pump stations and pipelines

Rate-setting Authority. The Authority is proposed to have comprehensive water, wastewater and reclaimed water rate-setting powers

Construct New Facilities. The Authority shall be empowered to construct new facilities for the benefit of its customers.

Assume Existing Glades Cities Utility Debt. The Authority is proposed to assume existing Glades cities utility debt.

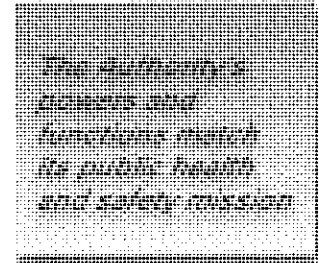
Issue New Debt in its Own Name. The Authority will be empowered to issue its own debt.

Establish a direct billing relationship. The Authority will establish a direct billing relationship with its customers.

Establish policies and procedures governing the relationship between the Authority and its customers. The Authority will establish and maintain comprehensive procedures related to billing, customer service, fees, new connections, and other matters related to utility management.

Enter into contracts for services. The Authority will be empowered to enter into contracts for service.

Acquire easements and rights-of-way. The Authority will acquire easement and rights-of-way from the cities to conduct its affairs.



[Page intentionally left blank]

SECTION 2 | Baseline Conditions

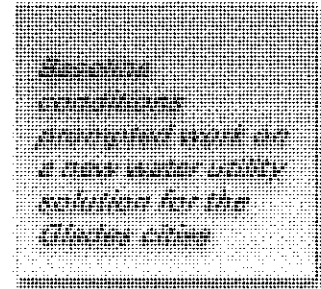
Glades Cities Utility Systems

Certain water and wastewater utility systems of the three Glades cities are proposed to comprise the assets of the new Authority.

Belle Glade. Belle Glade comprises about seventy (70) percent of Glades customers. The city's source of potable water supply was Lake Okeechobee. It is now served exclusively by the new LRWTP currently owned and operated by the County. Belle Glade also has a wastewater collection and treatment system necessary to serve its customers. Belle Glade recently adopted two utility rate increases to be effective one year apart. It provides wastewater treatment services to the City of South Bay on a contract basis. Belle Glade has historically transferred varying amounts from its utility enterprise to its general fund. As such, utility revenues have become an integral part of the city's general fund budget.

Pahokee. Pahokee comprises about fifteen (15) percent of Glades customers. The city's source of potable water supply was also Lake Okeechobee. It is now served exclusively by the new LRWTP currently owned and operated by the County. Pahokee also has a wastewater collection and treatment system necessary to serve its customers. The Pahokee systems have several outstanding consent orders. Pahokee's general fund has been subsidizing its utility operations to varying degrees over the past several years. Pahokee is currently conducting a rate study designed to address the issue of ongoing general fund support. It is assumed in this Business Plan that a rate increase is implemented prior to the onset of Authority operations.

South Bay. South Bay also has approximately fifteen (15) percent of future Authority customers. The city's source of potable water supply was also Lake Okeechobee. It is now also served exclusively by the new LRWTP currently owned and operated by the County. South Bay relied on Belle Glade for wastewater treatment. South Bay has historically transferred varying amounts from its utility



enterprise to its general fund. As such, utility revenues have become an integral part of the city's general fund budget.

Lake Region Water Treatment Plant.

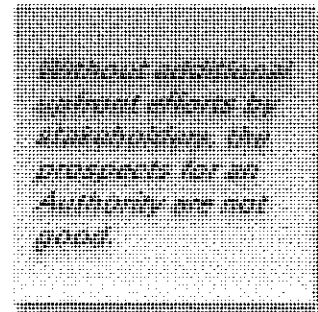
Lake Okeechobee as a source of potable water supply had, by the year 2005, degraded to the extent that the only practical solution was to utilize the Floridan aquifer in its place. This necessitated the construction of a new, state-of-the-art reverse osmosis water treatment facility to treat water to potable drinking water standards in the expectation that such improved quality would reverse the health and skin irritation problems that were prevalent in the service area.

The plan through which the County provides potable water to the three cities is supported by interlocal agreements between the County and each of the three Glades cities. At the time that service commenced, \$26 million of the \$58 million capital investment remained unsupported by grants. This became the responsibility of the three cities. As a result, the cost of bulk water provided by the County to the three Glades cities is based on operations and overhead together with renewal and replacement and a return of investment capital over a 50-year period at two (2) percent interest.

Baseline Financial Performance

Once water service from the new Lake Region WTP began and appropriate charges for services were billed, it became apparent that the heavy municipal debt burden coupled with uneven revenue collections, environmental consent orders, and other difficulties contrived to create financially unstable utility enterprises.

Table 1 sets forth the projected financial performance of the Authority in its first year of operation if no additional efforts are made to enhance revenue, restructure debt, reduce expenses, reinvest in the system, or identify sources of working capital. This baseline performance estimate assumes that the Authority is established and has taken ownership of the utility assets of the three Glades cities. Table 1 should be viewed as a starting point demonstrating the size of a financial "gap" that must be addressed through implementation of Cornerstone prerequisites and initiatives.



The annual "gap" (or shortfall) between revenues and costs is judged to be approximately \$5.8 million.

TABLE 1 | Baseline Financial "Gap"

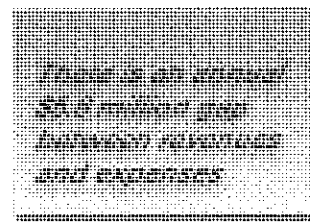
	2010
User Fee Revenue	13,647,000
Administration	450,000
Customer Service	650,000
Municipal Debt Service	3,604,000
Lake Region WTP Operations	3,400,000
Lake Region WTP Capital	1,400,000
Wastewater Treatment Operations	2,300,000
Distribution System Operations	1,150,000
Collection System Operations	1,150,000
Emergency Maintenance	500,000
Environmental Compliance / R&R	3,558,000
Host Fee	1,300,000
Income/(Loss)	(5,815,000)
Cumulative Gain/(Loss)	(5,815,000)

User fee revenue is based on current Glades cities budget estimates and collection experience. Revenue has been adjusted to reflect a proposed rate increase in Pahokee addressing the current general fund subsidy of such rates.

Administration and customer service costs assume meter reading and maintaining a physical office presence to provide billing, collection, and other customer services.

Municipal debt service costs are based on actual utility debt instruments that are existing obligations of the Glades cities. It is anticipated that the Authority will assume certain obligations at the onset of services in 2010.

LRWTP operations and capital costs are based on the existing interlocal agreements between the County and three Glades cities for potable water service.



Distribution and collection system operating costs are based on County staff estimates. Wastewater treatment costs are based on existing Belle Glade and Pahokee budget estimates.

Planned emergency maintenance expenditures are based on studies conducted by County staff and reviewed as part of the development of this Business Plan.

Environmental Compliance / R&R is part of a 10-year compliance schedule being discussed between County staff and Florida DEP on outstanding consent orders. The amount shown sets forth the first year of a proposed 10-year program.

Host Fees are based on existing Belle Glade and South Bay transfers from their utility operations to their general funds.

SECTION 3 | Four Cornerstones

This Business Plan rests squarely on the following four cornerstones, all of which are necessary to give the Authority the opportunity to build a successful utility enterprise.

Revenue

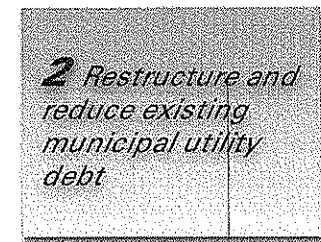
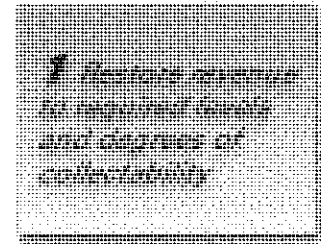
Due to uncollected and unbilled revenue, total actual revenues collected by the three cities comprise (60) percent of the potential revenue of the combined cities systems. This is a result of unpaid service charges, bypassed meters, water leaks, broken or underperforming meters, unregistered users, illegal restoration of service after meter removal, and other issues. In response, the Revenue cornerstone of the Authority is comprised of several important components.

It is assumed that conventional billing practices, fully backed by rules, regulations, procedures and field operations, will be sufficient to raise additional revenue. Elsewhere in this Business Plan alternate methods are discussed in the event that conventional billing practices prove inadequate.

Debt

The second cornerstone of success rests with reducing the large outstanding debt that currently burdens the Glades utilities. This existing burden is approximately \$25 million. In addition, there is an outstanding debt of \$25 million on the County's Lake Region Water Treatment Plant. The combined burden is over \$4,000 per equivalent residential connection (ERC). Payments on this debt are greater than reasonable rates can support.

In response, the Debt cornerstone of the Authority rests on its ability to reduce existing Glades cities utility debt by at least fifty (50) percent of its current level. Reaching this goal will require the concerted effort of the Glades cities and County stakeholders to negotiate the reduction of this debt to its true market value. These reductions should be secured prior to creation of the Authority. Likewise, the County (that has provided the new LRWTP) should be asked to delay collection of capital payments



during the first year of Authority operation. Any further request for County forbearance should be related to the restructuring agreement of other debt holders.

Reinvestment

The third cornerstone of success is the ability to address the long-term repair and replacement needs of system assets. Such funds do not exist at present.

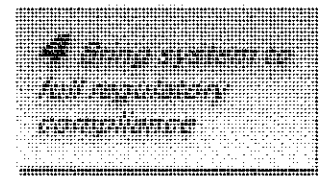
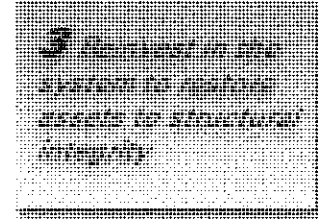
In response, the Reinvestment cornerstone of the Authority is the ability to reserve sufficient capital to address immediate and long-term capital needs. This includes an estimated \$500,000 in immediate emergency repairs to be undertaken during the first year of operation. In addition, amounts are needed to conduct ongoing renewals and replacements. A study should be made to determine how much reserve is necessary over the long-term for adequate reinvestment. This will enable utility assets to achieve their useful life and to be replaced when such assets warrant such replacement.

Reinvestment of funds in the assets of the new combined Authority is essential to the long-term viability and effectiveness of the utility system. Structural integrity tests of pipes removed from various locations in the system indicate both a severe deterioration and, in some areas, lack of proper bedding and cover during construction. The failure rate under such conditions can be high.

Environmental Compliance

The fourth cornerstone of success is the ability to comply with outstanding environmental orders and violations that have been levied against the Glades utilities systems. County staff has been involved in discussions with the Florida Department of Environmental Protection to secure a 10-year compliance program under which specific compliance items would be prioritized and incorporated into a single multi-faceted consent order. The estimated cost of this program in the first year is included in the Baseline Financial Performance table. (Refer to Table 1)

No utility can function in today's environment without due concern for regulation and the orders of regulatory agencies. These orders have recently been difficult to comply with due to the lack of available funds. A certain forbearance has possibly been exercised by regulators to ensure continuity of service to the public.



Cornerstone Prerequisites

Table 2 below presents a summary of several cornerstone prerequisites addressing revenue, debt, reinvestment, and environmental compliance. For each initiative, various action items are summarized. Also, a financial goal has been identified. These goals are based on various analyses, interviews, and estimates.

These cornerstone prerequisites should be accomplished as a precondition to establishing the Authority.

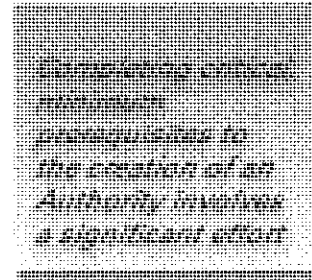


TABLE 2 | Cornerstone Prerequisites

Cornerstone Prerequisites	Action Items	Goal
1 Establish a Program of Uniform Rates, Fees, and Charges	Rate Study	First Year of Operation
1 Establish Host Fees to Avoid Unstructured Transfers to Cities	5% Host Fee Paid after O&M and debt payments Amount increases with collections	5% of Operating Revenue
2 Reduce Utility Municipal Debt Assumed by Authority	Identify utility-support debt in each city Negotiate restructuring with bondholders Address state revolving fund loans	At Least \$1.8 million Debt Service Reduction
2 Take Title to Glades Cities Utility Assets and the Lake Region WTP	Inventory equipment used in utility service	Upon Authority Creation
2 Secure easements, rights-of-way and permits	Provide blanket easements Identify other rights-of-way Identify other permits	First Year of Operation
3 Secure Working Capital	Identify sources Negotiate work capital terms, as necessary Negotiate other transition agreements	\$4.5 Million
4 Secure 100% Environmental Compliance Within 10 Years	Utilize working capital or grants	Completed by 2019

Secure Grant Funding

Grants are, from time to time, available to support some activities and needs of local water and wastewater utilities. Similarly, we expect there may be other federal, state and local agency grants available that could provide financial assistance to the Authority. Revenue enhancement through grants is both essential and possible if aggressively pursued.

Host Fees

If the Authority decides that continued subsidies to Glades cities general funds are warranted, these should take the form of Host Fees. In this case, the Authority should establish uniform Host Fees and eliminate unstructured transfers of utility funds to Glades cities general funds. Therefore, revenues must be adequate to provide for such Host Fee payments not to exceed five (5) percent of User Fee Revenue. The inclusion of such fees is a practical recognition of the severe financial burden facing the cities general funds.

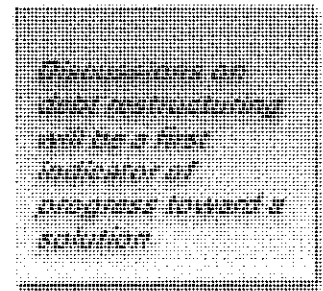
Debt Assumption and Restructuring

The Authority, notwithstanding this Business Plan, carries a substantial capital burden both in the need for new capital to improve property, plant and equipment, but also to come to grips with an extensive debt burden from prior years.

A cornerstone of this Business Plan is to assume, restructure, and reduce the corresponding debt service to a level at which reasonable rates will provide both for the operations and debt service needs of the utility.

The debt of the three cities assumed by the Authority must be viewed in the context of the value of the debt, the ability to Authority to absorb it, and the cooperative role to be assumed by bondholders (some of which have other debt interests with the Glades cities.)

- Secure the cooperation of Glade city officials to authorize the County to meet with bondholders and creditors to demonstrate their inability to pay the debt without a successful restructuring.
- Develop documentation setting forth the declining financial standing of the cities' utility operations and the ability of the Authority to successfully absorb a proper portion of it.



- Negotiate with bondholders and creditors to reduce debt to a level that can be supported by the Authority, either through outright forgiveness or major reduction.
- Secure agreements with bondholders and creditors to both transfer the debt and approve of the Authority to pay it.

State Revolving Fund Loans and LRWTP Capital

It is recommended that the Glades cities seek forgiveness of Florida State revolving fund loans due to deteriorating economic conditions that have been exacerbated by the increase in the homestead exemption allowance and consequent further erosion in the tax base.

- Request the state to waive these loans.

With regard to the repayment of capital charges attributable to the Lake Region WTP, the County has already deferred such capital payments for a period of one year. This has allowed time for the Authority to be organized.

- Negotiate with the County to defer such capital payments through the end of 2012.

Cornerstone Program Initiatives

Table 3 below presents a summary of several cornerstone program initiatives addressing revenue, debt, reinvestment, and environmental compliance. For each initiative, various action items are summarized. Also, a financial goal has been identified. These goals are based on various analyses, interviews, and estimates.

These initiatives can only be implemented after the Authority is established, but a concerted effort to implement all of these programs is necessary to provide the opportunity of success of the Authority.

TABLE 3 | Cornerstone Program Initiatives

Cornerstone Initiatives	Action Items	Goal
1 Eliminate unmetered service arrangements	GIS to locate properties served Secure problem meter locations Re-plumb bypasses	Up to 75% Increase in Operating Revenue over 2 Years
1 Reduce delinquent customer payments	Implement enforcement procedures Ensure perpetuity of service through base facility fees Rely on late fees and application of deposits	An additional 75% Increase in Operating Revenue over 2 Years
1 Secure Grants for Capital Projects and Operations	SFWMMD Housing & Community Dvlpmt USDA	As available
1 Index Rates to Keep Pace with Inflation	US Consumer Price Index Apply Directly to Base Fee	First Year of Operation
3 Conduct Emergency Maintenance	Utilize working capital	Estimated \$500,000 in 2010
3 Implement 10-Year Capital Renewal and Replacement Plan	Utilize working capital or grants Conduct renewals and replacements Implement terms of consent order	\$13 Million (cumulative 10 years)
3 Reduce Water Leaks	Conduct leak and I/I studies Develop prioritized capital plan	Reduce Operating Expense 10% Within First Year of Operation

Operations

To establish the above cornerstones for the Authority, it will be necessary to secure stable, cost-effective operations under professional management. As an integral partner to this effort, the County is in the best position to provide such services at least until such time as the Authority has fully attained financial stability. To avoid duplication of effort, the operations contract between the County and the Authority should be as comprehensive as possible. The services anticipated to be provided by the County include the following.

- Administration
- Facilities operations
- Preventative maintenance
- Laboratory services
- Billing and bookkeeping
- Customer service
- Engineering design services
- Training
- Project management
- Other services.

Uniform Rates

The Business Plan acknowledges the differential in existing water and wastewater rates between the three cities. Pahokee's rates are artificially low because that city's utility operations have been recently subsidized by transfers from the city's general fund in amounts equal to approximately \$500,000 per year. Conversely, the other two city systems have withdrawn monies from the utility operations, thereby exerting upward pressure on utility rates, which would have otherwise been sufficient to operate the utility.

The Business Plan suggests that ultimately it would be necessary to put all customers on an equal rate footing. After all, the Authority will consolidate debt, each system will utilize the new Lake Region WTP, and each will share in the cost of the operations. The Business Plan, therefore, recommends movement toward establishment of a uniform rate. Such a study should commence in due course, to be completed prior to the Authority commences service. The Pahokee general fund subsidy should be reversed and rates increased prior to commencement of Authority operations. Consistent with overall revenue goals, some phasing of the movement toward a uniform rate may be possible.

Billing Procedures and Rate Structure

To successfully increase revenues and billing participation rates to address the revenue shortfall set forth in Table 1, the following billing procedures and rate structure are recommended to be instituted. Its goal is the ratable participation of all utility customers. The details of this billing system and rate structure will be addressed in a separate rate study that should be completed to coincide with commencement of Authority operations.

Cost of Service. The Glades Utility Authority (GUA) will adhere to standard utility cost of service principles in allocating costs between defined classes of customers across its entire service area. The GUA will have a defined residential customer class and a non-residential customer class. The residential class will include single family, duplex, multi-family and other structures comprised of residential dwellings. The non-residential customer class will be comprised of commercial establishments, industrial facilities, government and institutional facilities.

Equivalent Residential Connection (ERC). One ERC will be defined as the average water consumption for a

single-family residential dwelling. Multi-family residential structures will be assigned a number of ERC based on the number of dwelling units. Non-residential customers will be assigned ERCs based on the size of water meter. ERCs will be used to allocate costs between customer classes and to establish other parameters as they relate to the GUA water and wastewater rate structure.

Rate Structure. The GUA rate structure will be comprised of a water Base Facility Fee, a wastewater Base Facility Fee, a water Commodity Fee and a wastewater Commodity Fee.

Utility Service Agreements. Occupants of a residential or non-residential property (either owner or tenant) will apply for and enter into a Utility Service Agreement through which the GUA will furnish water and wastewater service. Occupants will pay both Commodity Fees and Base Facility Fees billed on a monthly basis.

Base Facility Fees. Water and wastewater Base Facility Fees will address the fixed and non-variable cost of service to a non-residential property. Base Facility Fees will be billed to customers on a monthly basis.

Commodity Fees. Commodity Fees will address the variable cost of providing potable water and collecting and treating wastewater for each customer. Variable costs will include direct variable operating costs (e.g. electric power and chemicals) incurred to provide pressurized, potable water service and to collect and treat wastewater.

Non-payment or Default. Non-payment of Base Fees and Commodity Fees will be addressed by applying the amount on deposit with the GUA, late fees, turn-off notices, and other utility management mechanisms.

Alternate Billing Procedures and Rate Structure

It is possible that conventional billing procedures and collections will not increase revenues sufficiently. This should be addressed by establishing a mechanism that provides guaranteed receipt of the fixed and non-variable cost of operations and should reflect the value of the availability of service independent of any commodity usage. In this case, the usage of water would be metered and billed in the conventional manner utilizing conventional customer service and collection techniques. However, a fixed service availability fee would be billed monthly with delinquent balances being billed through property tax mechanisms.

The occupant (owner or tenant) would be responsible to pay the Commodity Fee for the actual water and wastewater commodities consumed. That portion billed to the property would be paid monthly by the owner but non-payment would be backed by an annual posting to the tax bill and collection through that mechanism. When and if balances are transferred to the tax bill, they would carry an appropriate penalty and charges that would logically be imposed by the tax collector. This would in effect establish a standard "perpetuity of service" defined as the automatic transfer of future base facility charges to the owner in the event of a discontinuance or abandonment of service by a tenant or non-owner occupant. No attempt to transfer any delinquency is intended, however the following months' base facility charges will be billed to the owner or new occupant.

Because of the participation of the three cities, applicable Florida law may not allow such billing practices. In such case, the alternate billing method set forth herein should be instituted, if needed, or other legislative relief should be pursued.

Service Availability Fees. Residential water and wastewater Service Availability Fees will address the fixed and non-variable cost of establishing the availability of service to a residential property. Fixed and non-variable costs will include capital and fixed operating costs incurred to provide pressurized, potable water service and wastewater collection and treatment service to each residential customer. Service Availability Fees will be billed to the owner of each developed residential property benefiting by the availability of such water and wastewater service.

Commodity Fees. Commodity Fees would be billed and collected as described above.

[Page intentionally left blank]

SECTION 4 | Target Performance

If the Cornerstones described above are successful in supporting the Authority, baseline financial performance set forth in Table 1 can be recast into a 5-year forward forecast of financial results. Table 4 below presents this forecast in detail. The notes to the table are an integral part of the schedule. This target forecast includes losses through 2011, the assumed second year of Authority operations. It also estimates that the Authority will realize about a \$2 million loss in 2010.

This forecast clearly identifies the need for upfront working capital and grants to initiate operations and cover operating costs during the first two critical years of operations. Working capital includes amounts required for accounts receivable, emergency repairs, capital projects, and bridging initial operating losses.

Conclusions

In summary, this Business Plan offers the following summary conclusions.

The Authority has a reasonable chance of success to operate its affairs as a self-sufficient, independent utility business enterprise unaided by ongoing operating subsidies.

Whether or not the Authority is established hinges entirely on the ability of the parties and other stakeholders to implement the Cornerstone Prerequisites prior to establishment of the Authority. (Table 2)

Its success also is reliant on vigorous implementation of the Cornerstone Program Initiatives. These initiatives are critical to establishing a sound utility operation. (Table 3)

Without the success each such effort, the Authority would likely not be able to operate in a financially sustainable manner and would require ongoing operating deficit subsidies.

Table 4 below sets forth forecasted revenue collections based on common utility billing practices.

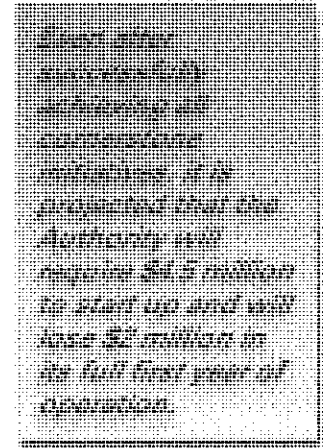


TABLE 4 | Target 5-Year Financial Performance

	2010	2011	2012	2013	2014
User Fee Revenue [1]	13,647,000	14,329,000	15,045,000	15,797,000	16,587,000
Enhanced Collections	-	1,128,375	2,256,750	2,369,550	2,488,050
Administration [2]	450,000	477,000	506,000	536,000	568,000
Customer Service [3]	650,000	689,000	730,000	774,000	820,000
Municipal Debt Service [4]	1,802,000	1,802,000	1,802,000	1,802,000	1,802,000
Lake Region WTP Operations [5]	3,400,000	3,604,000	3,820,000	4,049,000	4,292,000
Lake Region WTP Capital [6]	-	1,400,000	1,400,000	1,400,000	1,400,000
Wastewater Treatment Operations [7]	2,300,000	2,438,000	2,584,000	2,739,000	2,903,000
Distribution System Operations [8]	1,150,000	1,219,000	1,292,000	1,370,000	1,452,000
Collection System Operations [8]	1,150,000	1,219,000	1,292,000	1,370,000	1,452,000
Emergency Maintenance [9]	500,000	-	-	-	-
Environmental Compliance / R&R [10]	3,558,000	2,761,000	2,394,000	2,143,000	2,196,000
Host Fee [11]	682,350	772,869	865,088	908,328	953,753
Income/(Loss)	(1,995,350)	(924,494)	616,663	1,075,223	1,236,298
Cumulative Gain/(Loss)	(1,995,350)	(2,919,844)	(2,303,181)	(1,227,959)	8,339

User Fee Revenue is indexed five (5) percent per year beginning in 2011. All operating expenses are indexed six (6) percent per year beginning in 2011.

- 1 – User Fee Revenue is based on existing Glades cities budgets, adjusted for an anticipated Pahokee rate increase. Enhanced collections are based on a 7.5 per cent per year increase for the first two years.
- 2 – Administration expenses assume County management.
- 3 – Customer service expenses assume County management of a customer service center based in the Glades.
- 4 – Assumes a fifty (50) percent reduction of Glades cities utility debt service payments due to either outright debt forgiveness or deferred repayment.
- 5 – Lake Regions WTP operations are based on costs projected by the County and included in the existing three interlocal agreements for potable water service.
- 6 – Lake Regions WTP capital is based on costs projected by the County and included in the existing three interlocal agreements for potable water service.
- 7 – Wastewater Treatment operations is based on existing budget estimates for the Belle Glade and Pahokee WWTPs.
- 8 – Distribution and Collection System operating costs are based on current County estimates.
- 9 – Emergency Maintenance expenses are based on current County estimates.
- 10 – Environmental Compliance and R&R expenses are based on the 10-year compliance schedule being discussed with the FDEP.
- 11 – Host Fees, or payments in-lieu-of taxes, are based on five (5) percent of User Fee Revenues.