

**PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY  
BOARD OF DIRECTORS WORKSHOP**

**AGENDA**

**October 3, 2018 @ 10:00 a.m.**

DeSoto County Administration Building  
Commission Chambers, First Floor  
201 East Oak Street, Arcadia, Florida

Additional information may be obtained by contacting the Peace River Manasota Regional Water Supply Authority, 9415 Town Center Parkway, Lakewood Ranch, Florida 34202 or through the Authority's website [www.regionalwater.org](http://www.regionalwater.org). Persons with disabilities who need assistance may call (941) 316-1776 at least two business days in advance to make appropriate arrangements. No Stenographic record by a certified court reporter is being made of this meeting. Accordingly, any person who may seek to appeal any decisions involving the matters noticed herein will be responsible for making verbatim record of the testimony and evidence at this meeting which may be necessary to appeal such decisions.

**BOARD OF DIRECTORS**

Commissioner Alan Maio, Sarasota County, Chairman  
Commissioner Elton A. Langford, DeSoto County, Vice Chairman  
Commissioner Ken Doherty, Charlotte County  
Commissioner Priscilla Trace, Manatee County

**CALL TO ORDER**

**AGENDA**

1. Funds and Accounts Flowchart
2. Water Rate Cost elements
3. Business Plan Gaps and Needs

**BOARD MEMBER COMMENTS**

**PUBLIC COMMENTS**

Open to the Public – Three (3) minute time limit per person. Anyone wishing to address the Board on any issue should complete a 'request to speak' card and hand to the recording secretary.

**ADJOURNMENT**

**Visit our website at [www.regionalwater.org](http://www.regionalwater.org) click on Agency/Board Meetings for Agenda Packet**

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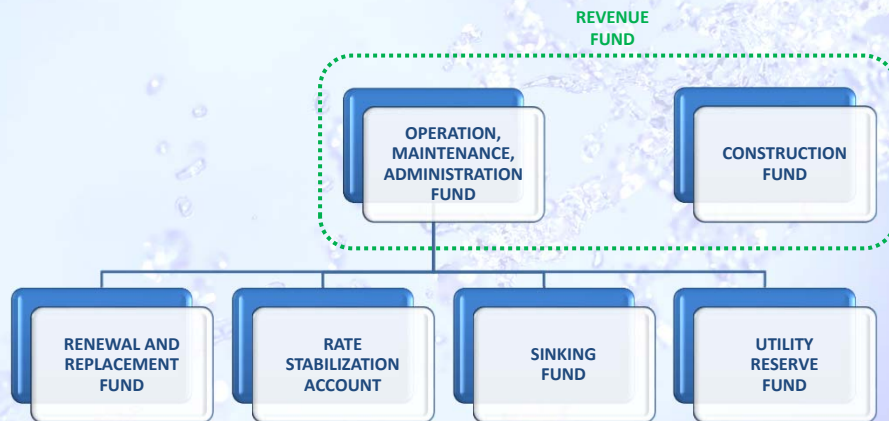
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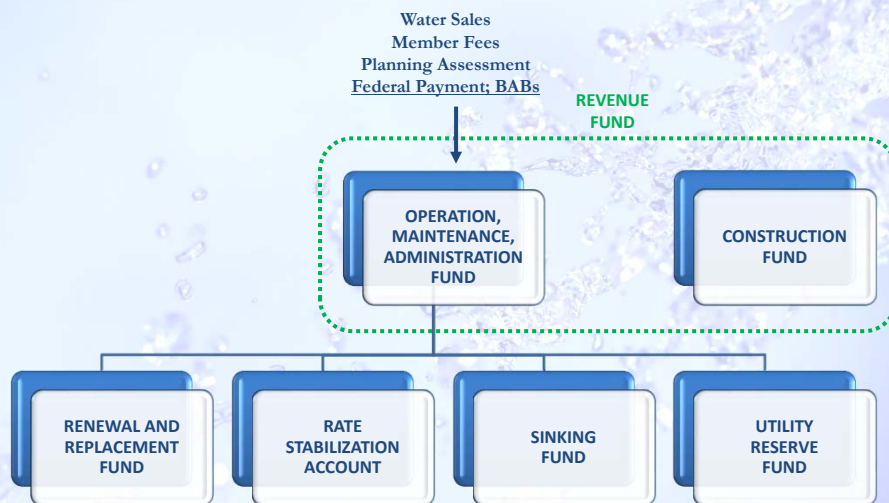
**TAB A**  
**Presentation**



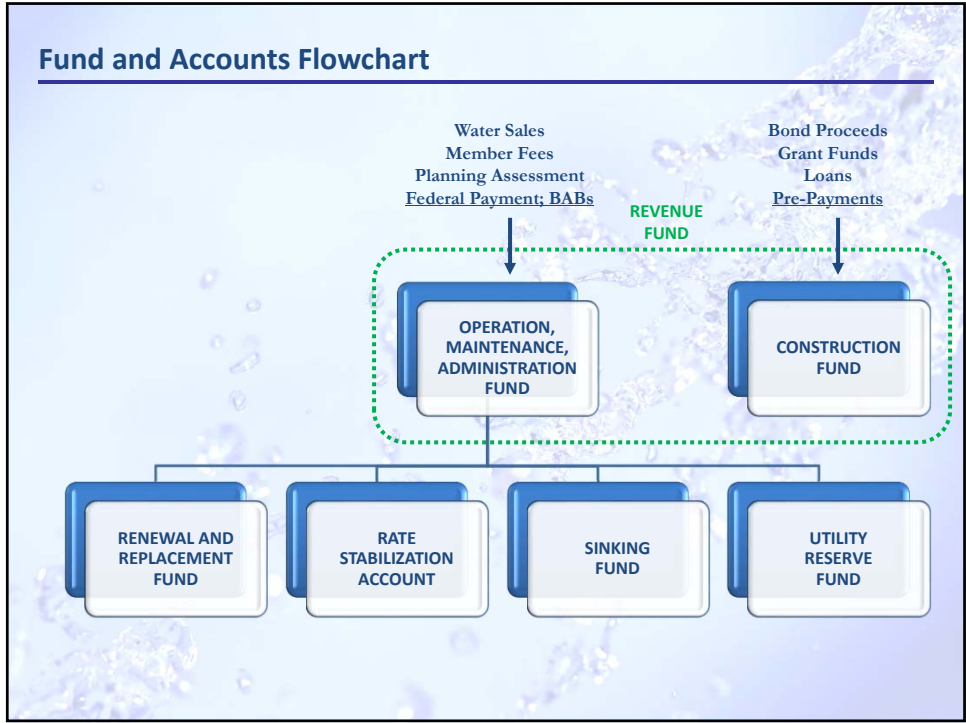
## Fund and Accounts Flowchart



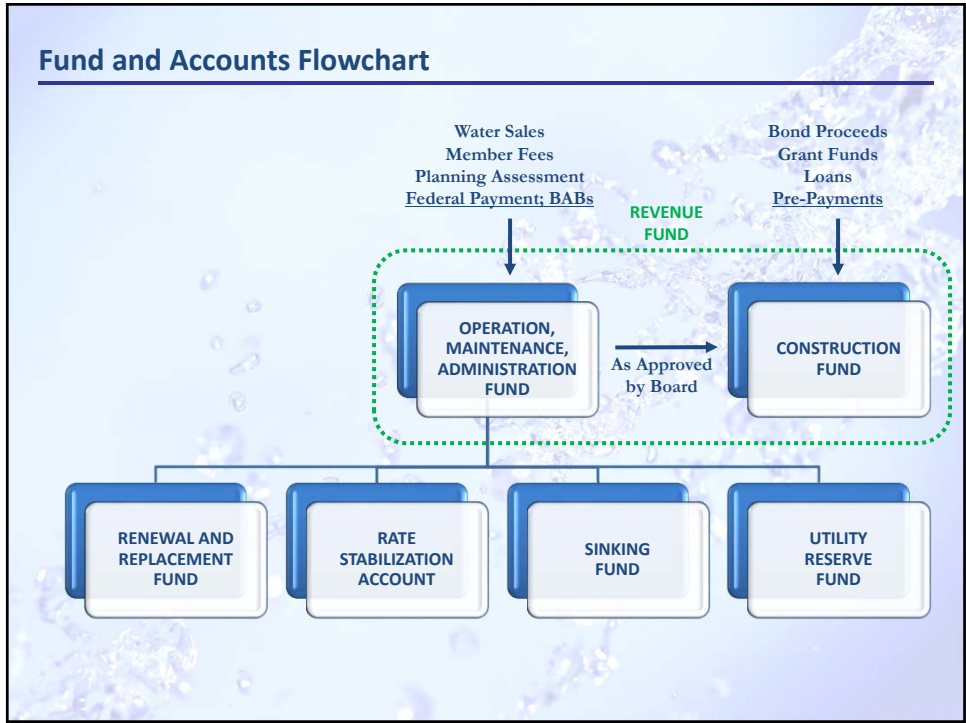
## Fund and Accounts Flowchart



## Fund and Accounts Flowchart



## Fund and Accounts Flowchart



## **Fund and Accounts Flowchart**

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### **ENTERPRISE FUND**

- The Authority is one Enterprise Fund. For accounting purposes the Enterprise Fund is broken down into additional funds and accounts.
- The 'Revenue Fund' is the initial depository for all Authority revenue. The 'Revenue Fund' is divided into Operations, Maintenance, Administration Fund and Construction Fund [CIP Account].

## **Fund and Accounts Flowchart**

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### **OPERATIONS, MAINTENANCE, ADMINISTRATION FUND [OPERATIONS FUND]**

- The Operations Fund is the initial depository for all revenue, excluding construction, and includes:
  - Water Rates
  - Member Fees
  - Planning Assessment
  - Federal Payments ; BABs
- The Operations Fund is used to pay all operating and administrative costs of the Authority.
- An operating reserve is maintained within the Operations Fund in an amount equal to the monthly operating and maintenance costs for the preceding fiscal year.
- Revenue is transferred to other funds as approved by the Board through the budget or specific transfer through Board action.

## **Fund and Accounts Flowchart**

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### **RENEWAL AND REPLACEMENT FUND**

- The Renewal and Replacement Fund is used for repairs and replacement of the water facilities as the need arises and as approved annually by the Board through the budget.
- Revenue deposited from:
  - Charges collected pursuant to the Master Water Supply Contract through water rates for R&R; and
  - Transfer from other accounts by Board action.
- Withdrawals for:
  - R&R projects approved by Board through the budget or specific transfer through Board action
- Authority policy is to maintain a minimum balance of \$2 million or 5% of the gross revenues from the preceding fiscal year, whichever is greater, in the R&R Fund.

## **Fund and Accounts Flowchart**

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### **RATE STABILIZATION ACCOUNT**

- Funds may be transferred into the Rate Stabilization Fund by Board action.
- Funds may be used to mitigate water rate increase by Board through the budget or specific transfer through Board action.
- Authority policy is to have as a goal to maintain a balance of \$1 million in the Rate Stabilization account.

### **SINKING FUND**

- Sinking Fund holds all Authority funds restricted to payment of debt.
- Funds are transferred into the Sinking Fund as approved by Board through the budget for debt payment.

## **Fund and Accounts Flowchart**

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### **UTILITY RESERVE FUND**

- The Utility Reserve Fund is maintained at a balance sufficient to meet requirements and policy as established by the Board.
- Moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the Authority by action of the Board.
- Authority policy is to maintain a minimum balance equivalent to 180 days of the total O&M expenditures in the annual budget.

## **Fund and Accounts Flowchart**

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### **CONSTRUCTION FUND**

- The Construction Fund is used to pay costs of various capital projects as designated and approved by the Board through the budget or specific Board action.
- Revenue deposited from:
  - Bond/Loan Proceeds,
  - Customer Prepayments,
  - Grant Funds,
  - Punta Gorda Payment for Phase 1, and
  - Transfer from other accounts by Board action.
- Withdrawals for:
  - CIP projects approved by Board action; and
  - Reimbursement of funds by Board action.



## Water Rate Cost Elements

### Water Rate Cost Elements

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Water Rate is established by resolution of the Authority annually for the sale of water and comprised of two components:

$$\text{Water Rate} = \text{Base Rate Charge [Debt Costs + Fixed Costs]} + \text{Water Use Charge [Variable Costs]}$$

## Water Rate Cost Elements

### Debt Costs [Allocation by Project Participation]

- Bond Payment
- Capital Component
- North Port Payment

### Fixed Costs [Pro-Rata Water Allocation]

- Fixed O&M
- Contribution to R&R
- DeSoto Payment
- Contingencies
- Water Purchase
- Transfer to CIP

### Variable Costs [\$/Kgal Metered Use]

- Treatment Chemicals
- Electric Power
- Residual Hauling

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- Capital Component
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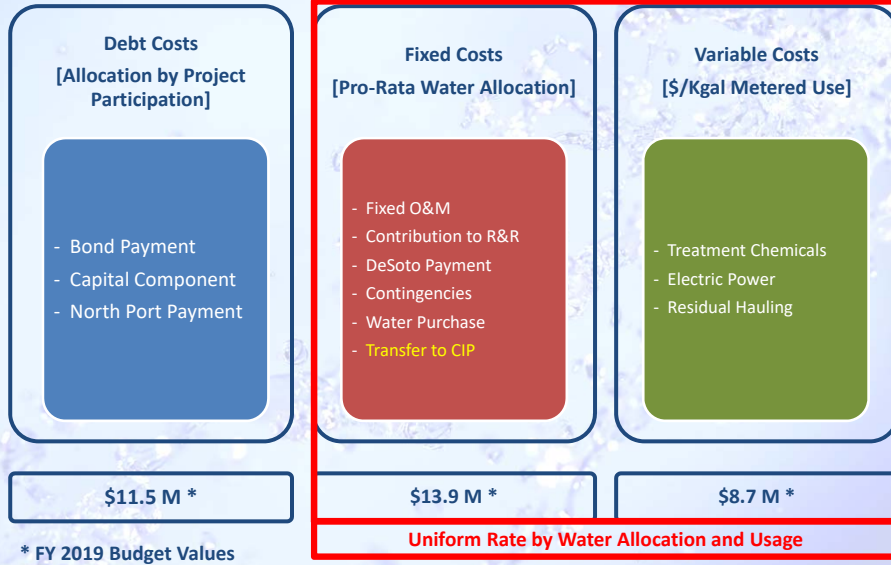
\$11.5 M \*

\$13.9 M \*

\$8.7 M \*

\* FY 2019 Budget Values

## Water Rate Cost Elements



**GAPS/NEEDS**

## Gaps/Needs

### FUTURE WATER SUPPLY

- Current subscription methodology – request xxx amount of water allocation and calculate pro-rata cost of project.
- MWSC stipulates future water supply sources shall be combined with REP debt for common debt service cost.
- By contract (interlocal agreement) customer can pre-pay or Authority issue debt.
- How do utilities charge:
  - Equivalent Residential Connection (ERU)/Equivalent Residential Unit (ERC)  
Range of 225 – 255 gpcd
  - Connection Fee
  - Capital Charge
  - Facility Investment Fee

## Gaps/Needs

### REGIONAL TRANSMISSION SYSTEM PIPELINES

- Current subscription methodology – request specific pipeline extension and calculate cost of project.
- By contract (interlocal agreement) customer can pre-pay or Authority issue debt.
- No methodology for purchase of capacity in existing pipeline.
- How do utilities charge for new or existing pipeline capacity:
  - Equivalent Residential Connection (ERU)/Equivalent Residential Unit (ERC)  
Range of 225 – 255 gpcd
  - Line Extension Charge
  - Connection Charge
  - Connection Fee
  - Line Extension Fee

## Gaps/Needs

### COMMON BENEFIT PROJECTS

- No established policy for sustainable funding.
- Included in larger CIP projects.
- Board approved transfer from Operating Fund (by budget or specific project).
  - Funds budgeted by Base Rate Charge (pro-rata to water allocation)
  - Funds budgeted by Usage Charge (established charge per 1,000 Gal metered delivery)
- Board approved transfer from R&R Fund.
- Need for definition and project types
  - Water supply at Peace River Facility
  - Any new or additional treatment capacity allocated pro-rata (per MWSC)
  - Pipeline transmission related projects

## Gaps/Needs

### NONMEMBER PARTNERSHIP PROJECTS

- No established policy for funding.
- Currently on case-by-case basis; example is Punta Gorda Interconnect.
- Strategic Plan and vision is to 'expand' to be regional.
- Types of projects
  - Emergency interconnect
  - Water supply interconnect
  - How to participate
    - Authority/Municipality?
    - Member/Municipality?
    - Commonality of charges/how allocated?
    - Reserve Capacity or Ready-to-Serve fees?

**TAB B**  
**Bond Covenants ‘Funds and Accounts’**

THIS OFFICIAL STATEMENT DATED JUNE 30, 2015 AMENDS AND RESTATES IN ITS ENTIRETY THE OFFICIAL STATEMENT DATED DECEMBER 12, 2014 RELATING TO THE \$23,910,000 PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY (FLORIDA) UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2015. UPDATES INCLUDE, BUT ARE NOT LIMITED TO: (1) REPLACEMENT OF FORMER "APPENDIX D - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013" WITH A NEW "APPENDIX D - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014," (2) ADDITION OF "APPENDIX B-2 - PROPOSED FORM OF SECOND AMENDMENT TO WATER SUPPLY CONTRACT," (3) REPLACEMENT OF FORMER "APPENDIX I - CONSULTING ENGINEER REPORT," DATED DECEMBER 4, 2014, WITH A NEW "APPENDIX I - CONSULTING ENGINEER REPORT," DATED JUNE 19, 2015, AND (4) REPLACEMENT OF FORMER "APPENDIX J - RATE CONSULTANT REPORT," DATED DECEMBER 4, 2014, WITH A NEW "APPENDIX J - RATE CONSULTANT REPORT," DATED JUNE 24, 2015.

NEW ISSUE - FULL BOOK-ENTRY  
DELAYED DELIVERY

Ratings: See "RATINGS" herein

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of certain corporations' alternative minimum taxable income. See "TAX EXEMPTION" herein regarding certain other tax considerations and see also "CERTAIN DELAYED DELIVERY CONSIDERATIONS, ACKNOWLEDGEMENTS AND RISKS" herein for certain changes that may be made to the opinion of Bond Counsel on the Settlement Date.*



**\$23,910,000**  
**PEACE RIVER MANASOTA REGIONAL WATER**  
**SUPPLY AUTHORITY (FLORIDA)**  
**UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2015**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

The Peace River/Manasota Regional Water Supply Authority, doing business as the Peace River Manasota Regional Water Supply Authority (the "Authority") is issuing its Utility System Refunding Revenue Bonds, Series 2015 (the "Series 2015 Bonds"). The Series 2015 Bonds will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2015 Bonds will be payable on October 1, 2015, and semiannually thereafter on each April 1 and October 1 until maturity or earlier redemption. When initially issued, the Series 2015 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2015 Bonds. Purchasers will not receive certificates representing their beneficial interest in the Series 2015 Bonds purchased. Accordingly, principal of and interest on the Series 2015 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as Paying Agent, directly to DTC, as the registered owner thereof. DTC will in turn be responsible for remitting all payments to its DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Series 2015 Bonds. See "DESCRIPTION OF THE SERIES 2015 BONDS - Book-Entry Only System" herein.

Certain of the Series 2015 Bonds are subject to redemption prior to maturity, as set forth herein.

The Series 2015 Bonds are being issued to provide funds, together with other legally available moneys of the Authority, for the principal purposes of (i) refunding all of the Authority's outstanding Utility System Refunding Revenue Bonds, Series 2005B (the "Series 2005B Bonds"), and (ii) paying costs of issuance of the Series 2015 Bonds.

The Series 2015 Bonds will be issued pursuant to the authority of and in full compliance with Chapter 373, Florida Statutes, Section 163.01, Florida Statutes, a Second Amended Interlocal Agreement Creating the Peace River Manasota Regional Water Supply Authority dated October 5, 2006 among Charlotte County, Florida, Sarasota County, Florida, DeSoto County, Florida and Manatee County, Florida (collectively, the "Authority Members") and other applicable provisions of law (collectively, the "Act"), and a Utility System Revenue Bond Resolution adopted by the Board of Directors of the Authority (the "Board") on December 7, 2006, as amended and supplemented from time to time, and as particularly amended by a resolution adopted by the Board on October 6, 2010 and supplemented by a resolution adopted by the Board on December 3, 2014 (collectively, the "Bond Resolution"). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the same meaning established herein or in the attached "APPENDIX A—BOND RESOLUTION."

The Series 2015 Bonds are payable solely from and secured by a lien upon and a pledge of (i) the Net Revenues, and (ii) until applied in accordance with the provisions of the Bond Resolution, all moneys, including investments thereof, in the funds and accounts established under the Bond Resolution, except (A) moneys in the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay Operating and Maintenance Costs, and (C) moneys on deposit in a subaccount of the Reserve Account established by the Bond Resolution to the extent such moneys shall be pledged solely for the payment of a Series of Bonds for which it is established in accordance with the provisions of the Bond Resolution (collectively, the "Pledged Funds"), on a parity with the Authority's Utility System Revenue Bonds, Series 2010A, the Authority's Utility System Revenue Bonds, Series 2010B (Federally Taxable Build America Bonds-Direct Subsidy), the Authority's Utility System Refunding Revenue Bond, Series 2014A (the "Series 2014A Bond"), the Authority's Utility System Refunding Revenue Bonds, Series 2014B (the "Series 2014B Bonds") and any Additional Bonds hereafter issued.

THE SERIES 2015 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE AUTHORITY, THE AUTHORITY MEMBERS OR THE WATER CUSTOMERS AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND A PLEDGE OF THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. NO HOLDER OF ANY SERIES 2015 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER TO PAY SUCH SERIES 2015 BONDS, OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2015 BOND FROM ANY OTHER MONEYS OF THE AUTHORITY, THE AUTHORITY MEMBERS OR THE WATER CUSTOMERS EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION.

This cover page contains certain information for quick reference only. It is not, and is not intended to be, a summary and prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Series 2015 Bonds are offered when, as, and if issued and accepted by the Underwriters, subject to the opinion on certain legal matters relating to their issuance by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Authority by Manson Boives Donaldson, P.A., Tampa, Florida, General Counsel to the Authority, and for the Underwriters by their counsel Bryant Miller O'Neil P.A., Tampa, Florida. First Southwest Company, LLC, Orlando, Florida, is serving as Financial Advisor to the Authority. It is expected that the Series 2015 Bonds in definitive form will be available for delivery to the Underwriters in New York, New York on or about July 7, 2015. See "CERTAIN DELAYED DELIVERY CONSIDERATIONS, ACKNOWLEDGEMENTS AND RISKS" herein.*

**Citigroup**

**RAYMOND JAMES & ASSOCIATES, INC.**

**BofA Merrill Lynch**

**Fifth Third Securities, Inc.**

Dated: June 30, 2015

~~Policy in such Fiscal Year, and (2) any payments required to be made to Charlotte County and DeSoto County (the "County Payments") pursuant to the Water Supply Contract due in such Fiscal Year.~~

~~Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by the Bond Resolution.~~

~~If, in any Fiscal Year, the Authority shall fail to comply with the requirements described above, it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating and Maintenance Costs and methods of operation and to make written recommendations as to the methods by which the Authority may promptly seek to comply with such requirements. In performing its services and making its recommendations, the Rate Consultant shall specifically consider the failure of any Member Government to pay the debt service component of its payment obligations under the Water Supply Contract. The Authority shall implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.~~

### **Funds and Accounts**

The Authority has established under the Bond Resolution the following funds and accounts:

- (1) Construction Fund;
- (2) Revenue Fund (and within, the Revenue Account and the Rate Stabilization Account);
- (3) Operation, Maintenance and Administration Fund;
- (4) Sinking Fund (and within, the Interest Account, the Principal Account, the Term Bonds Redemption Account, and the Reserve Account)
- (5) Renewal and Replacement Fund;
- (6) Utility Reserve Fund; and
- (7) Rebate Fund.

### **Flow of Funds**

(A) (1) Revenue Account. The Authority shall deposit promptly, as received, the Gross Revenues into the Revenue Account.

(2) Renewal and Replacement Fund. The Authority shall deposit promptly, as received, all renewal and replacement charges collected pursuant to the Water Supply Contract into the Renewal and Replacement Fund. All Government Grants shall be utilized in accordance with the terms of such Government Grant and applicable law.

(3) Operation, Maintenance and Administration Fund. Moneys in the Revenue Account shall first be used each month to deposit in the Operation, Maintenance and Administration Fund such sums as are necessary to pay Operating and Maintenance Costs for the ensuing month; provided the Authority may transfer moneys from the Revenue Account to the Operation, Maintenance and Administration Fund at any time to pay Operating and Maintenance Costs to the extent there is a deficiency in the Operation, Maintenance and Administration Fund for such purpose. Amounts in the Operation, Maintenance and Administration Fund shall be paid out from time to time by the Authority for Operating and Maintenance Costs. The Authority shall establish and fund an operating reserve within the Operation, Maintenance and Administration Fund in an amount which shall be equal to the



monthly average of Operating and Maintenance Costs for the preceding Fiscal Year as provided in the Authority's preceding budget. Moneys in the operating reserve shall be used to pay Operating and Maintenance Costs to the extent other moneys in the Operation, Maintenance and Administration Fund are not available for such purpose.

(B) Sinking Fund and Other Deposits. All moneys at any time on deposit in the Revenue Account after the aforementioned transfers to the Operation, Maintenance and Administration Fund shall be disposed of by the Authority on or before the 25th day of each month in the following manner and in the following order of priority:

(1) Interest Account. The Authority shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which are subject to a Qualified Hedge Agreement, interest on such Bonds during the term of the Qualified Hedge Agreement shall be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the Authority (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. The Authority shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Qualified Hedge Agreement Counterparty relating to such Bonds, shall be paid to the Qualified Hedge Agreement Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest interest rate borne by such Variable Rate Bonds during the 12 month period preceding the date of calculation, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal due date, the Authority shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Authority for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the

Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such Bonds mature. The Authority shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided below, and for no other purpose. The Authority shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the Authority, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. Amounts in the Term Bonds Redemption Account which are used to redeem Term Bonds shall be credited against the next succeeding Amortization Installment which shall become due on such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Authority shall proceed to call for redemption on such due date, by causing notice to be given as provided in the Bond Resolution, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Authority shall pay out of the Term Bonds Redemption Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or

payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Authority from the Operation, Maintenance and Administration Fund.

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the Authority to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by decreased market value or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the Authority to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to subsection (8) below shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Authority into the Utility Reserve Fund.

(5) Renewal and Replacement Fund. There shall be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay 1/12 of an amount equal to the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to such Renewal and Replacement Fund Requirement; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the Authority is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the Authority from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. Deposits to the Renewal and Replacement Fund described above shall first come from the renewal and replacement charges collected pursuant to the Water Supply Contract, and thereafter from moneys in the Revenue Account. The moneys in the Renewal and Replacement Fund shall be applied by the Authority for the purpose of paying the cost of extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose, together with moneys available in the Reserve Account for such purpose, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation, Maintenance and Administration Fund to fund Operating and Maintenance Costs to the extent other moneys available therefor shall be insufficient for such purpose.

(6) County Payments. Gross Revenues shall next be utilized to make any County Payments required by the Water Supply Contract.

(7) Subordinated Indebtedness. Gross Revenues shall next be applied by the Authority for the payment of any debt service and other required deposits on Subordinated Indebtedness incurred by the Authority in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(8) Utility Reserve Fund. The balance of any Gross Revenues remaining in said Revenue Account shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited, first, to the Reserve Account to make up any deficiency therein, and, second, to the Rebate Fund to the extent moneys are required to be on deposit therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, deposit to the Rate Stabilization Account and improvements, renewals and replacements to the System; provided, however, that none of such moneys shall ever be used for the purposes provided in this subsection unless all payments required in the subsections above, including any deficiencies for prior payments, have been made in full to the date of such use.

#### **Rate Stabilization Account**

The Authority may transfer into the Rate Stabilization Account such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The Authority may transfer such amounts of moneys from the Rate Stabilization Account to the Revenue Account as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Account shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Reserve Account and the Renewal and Replacement Fund for such purposes pursuant to the Bond Resolution shall be inadequate to fully provide for such insufficiency.

#### ~~No Reserve for the Series 2015 Bonds~~

~~Pursuant to the Bond Resolution, the Authority has determined that the Reserve Account Requirement for the Series 2015 Bonds shall equal \$0, which means that the Series 2015 Bonds are not secured by any amounts which may be deposited in the Reserve Account or any subaccounts created therein.~~

#### **Additional Bonds**

~~No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to the Bond Resolution, shall be issued except upon the conditions and in the manner herein in the Bond Resolution.~~

**TAB C**  
**Budget Policies**

# **PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY**

## **BUDGET POLICIES [2013]**

### **Purpose and Intent:**

1. Establish policies for reserve accounts.
2. Identify the funds to which the policies apply.
3. Provide guidance as to how reserves are to be used and replenished.

### **General Considerations:**

1. To maintain adequate reserves is important for the Authority's financial well-being, and for being prepared for periods of time of revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable water rates.
2. Adequate fund balance levels are essential component of the Authority's overall financial management and a key factor in measurement of the Authority's financial strength by bond rating agencies.
3. The Authority seeks to maintain the highest possible credit ratings that can be achieved without compromising the mission of the Authority and meeting all contractual obligations.
4. The Authority will adopt fund classification guidelines reflecting the Government Accounting Standards Board (GASB) Statement No. 54.

# **PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY**

## **BUDGET POLICIES [2013]**

### **1. Unrestricted Cash Reserve Policy [Redefine Existing Policy]:**

#### **Utility Reserve Fund:**

The Authority establishes a policy to maintain an uncommitted Utility Reserve Fund with a minimum balance equivalent to 180 days of the total operations and maintenance expenditures in the Authority's annual budget. Utility Reserve Fund is the residual classification for the Enterprise Fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the Enterprise Fund.

### **2. Rate Stabilization:**

The Authority establishes a policy to maintain Rate Stabilization account that can be used to mitigate water rate increase in the Authority's annual budget. The Authority Board of Directors may transfer into the Rate Stabilization Reserve such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. It is the goal of the Authority to maintain a balance at the end of each fiscal year of \$1 million in the Rate Stabilization account.

### **3. Renewal and Replacement Fund:**

The Authority's bond documents [2005 Bonds and 2010 Bonds] establishes a Renewal and Replacement Reserve Fund requirement on the date of calculation, an amount of money equal to (1) five percent of the Gross Revenues for the preceding fiscal year or (2) such greater or lesser amount as may be certified by the consulting engineers in an amount appropriate. The Authority establishes a policy to maintain a minimum balance in the Replacement and Renewal Reserve Fund of two million dollars unless either of the above conditions requires a greater minimum amount be maintained in the fund.

Renewal and Replacement charges are established by the Authority for the exclusive purpose of funding renewals and replacements of water supply facilities. The charges are established to satisfy the requirements of the Authority's obligations and shall be set forth in the annual budget approved by the Authority board of directors. Renewal and Replacement costs are the capital expenditures set forth in the annual budget approved by the Authority board of directors for the ordinary renewal, replacement, upgrade and betterment of water supply facilities. Renewal and Replacement costs do not include capital expenditures associated with the expansion or addition of water treatment, storage, pumping or transmission capacity or the costs associated with reconstruction of any major components of the water supply facilities.

# **PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY**

## **BUDGET POLICIES [2013]**

### **4. Debt Service Coverage:**

For each fiscal year, the Authority covenanted in Bond resolutions to fix, establish, maintain and collect such rates, fees and charges, and revise them from time to time, whenever necessary, so as to always provide in each fiscal year net revenues equal to (1) at least 115% of the annual debt service becoming due in such fiscal year; and (2) at least 100% of any (a) amounts required by the terms of the Bond resolutions to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such fiscal year, and (b) any payments required to be made to Charlotte County and DeSoto County pursuant to the Master Water Supply Contract due in such fiscal year.

The Authority establishes a policy to budget for debt service coverage of 150% to assure compliance with bond covenants and maintain the highest possible credit ratings that can be achieved without compromising the mission of the Authority and meeting all contractual obligations. Debt service coverage is budgeted based on each customer's respective debt obligation. Funds budgeted for debt service coverage for each customer is to be maintained on behalf of that customer.

### **5. General Fund [Operation, Maintenance and Administration Fund]:**

Moneys in the Revenue Account shall first be used each month to deposit in the General Fund [aka Operation, Maintenance and Administration Fund] such sums as are necessary to pay operations and maintenance costs for the ensuing month; provided the Authority may transfer moneys from the Revenue Account at any time to pay operating and maintenance costs to the extent there is a deficiency in the Operation, Maintenance and Administration Fund for such purpose. Amounts in the Operation, Maintenance and Administration Fund shall be paid out from time to time by the Authority for operating and maintenance costs. The Authority establishes a policy to fund an operating reserve within the Operation, Maintenance and Administration Fund in an amount which shall be equal to the monthly average of operating and maintenance costs for the preceding fiscal year as provided in the Authority's preceding budget. Moneys in the operating reserve shall be used to pay operating and maintenance costs to the extent other moneys in the Operation, Maintenance and Administration Fund are not available for such purposes.



# **PEACE RIVER MANASOTA REGIONAL WATER SUPPLY AUTHORITY**

## **BUDGET POLICIES [2008]**

### **Unrestricted Cash Reserve:**

~~The Authority establishes a goal to maintain an unrestricted cash reserve equivalent to 25% (90 days) of the total rate-related expenditures in the Authority's annual budget. [Superseded February 6, 2013]~~

### **Member Contribution:**

Member contribution to the General Fund in the Authority's annual budget shall be calculated as follows:

- (1) 50% of the total contribution shall be equal to each Authority member; and
- (2) 50% of the total contribution shall be proportioned to each Authority member proportionate to their respective county's population to the regions total population.