

**CITY OF WILLIAMSBURG, VIRGINIA**  
**Fiscal Year 2007 Operating Budget**

**Computation of Legal Debt Margin** (as of June 30, 2005)

Assessed Value of Real Estate	
Subject to Taxation - June 30, 2005	\$1,202,692,600
Debt Limit: 10 Percent of Assessed Value*	\$120,269,260
Total Bonded Debt	\$26,651,851
Total Amount of Debt Applicable to Debt Limit	\$26,651,851
Legal Debt Margin	<u>\$93,617,409</u>

\*Virginia statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value.

**Summary of Debt Issues:**

<b>Bond:</b>	<b>Fund</b>	<b>Purpose</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Amount Issued</b>
1	General	G.O. - Land Purchase	November, 1996	June, 2006	4.00%	\$3,880,000
2	General	G.O. - Capital Improvements	August, 1997	Sept., 2012	30-day Libor less 1.4%	\$6,000,000
3	Utility	G.O. - Capital Improvements	August, 1997	Sept., 2012	4.94%	\$2,000,000
4	Utility	G.O. - Open Space Easement	July, 1991	August, 2001	4.00%	\$653,800
5	Utility	G.O. - Land Purchase	January, 2006	January, 2007	68% Libor + 22bp	\$5,807,754
6	General	G.O. - Capital Improvements	January, 2002	January, 2017	4.55%	\$2,500,000
7	General	Note - Property Purchase	July, 2003	January, 2008	4.60%	\$1,300,000
8	General	G.O. - Capital Improvements	April, 2005	April, 2020	3.76%	\$8,500,000

**Debt Service by Fiscal Year:**

<b>Fiscal Year</b>	<b>Fund</b>	<b>Principal Payments</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Notes:</b>
2006	General	\$5,847,500	\$589,180	\$6,436,680	#1 & #7 bonds payoff
2007	General	\$992,425	\$557,570	\$1,549,995	
2008	General	\$2,314,249	\$486,225	\$2,800,474	
2009	General	\$1,036,704	\$413,846	\$1,450,550	
2010	General	\$1,064,816	\$370,670	\$1,435,486	
2011	General	\$1,088,610	\$326,357	\$1,414,967	#8 Property Purchase note payoff
2012	General	\$1,118,109	\$280,313	\$1,398,422	
2013	General	\$810,009	\$239,140	\$1,049,149	
2014	General	\$774,336	\$209,020	\$983,356	
2015	General	\$806,119	\$178,365	\$984,484	
2016	General	\$838,721	\$146,435	\$985,156	#6 Parking Garage bond payoff
2017	General	\$872,173	\$113,201	\$985,374	
2018	General	\$671,507	\$78,630	\$750,137	
2019	General	\$696,755	\$53,381	\$750,136	
2020	General	\$722,953	\$27,183	\$750,136	

<b>Fiscal Year</b>	<b>Fund</b>	<b>Principal Payments</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Notes:</b>
2006	Utility	\$6,081,556	\$196,890	\$6,278,446	#5 Land Purchase bond refinance
2007	Utility	\$5,965,049	\$174,000	\$6,139,049	
2008	Utility	\$133,333	\$32,084	\$165,417	#4 & #5 Land Purchase bond payoff
2009	Utility	\$133,333	\$25,319	\$158,652	
2010	Utility	\$133,333	\$18,641	\$151,974	#3 Improvement bond payoff
2011	Utility	\$133,333	\$11,963	\$145,296	
2012	Utility	\$133,333	\$4,486	\$137,819	
2013	Utility	\$22,222	\$236	\$22,458	

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**Assessed Value of Taxable Property- Last Ten Fiscal Years**

<u>Public Service Corporations:</u>					
Fiscal Year	Real Estate	Personal Property	Real Estate	Personal Property	Total
1996	706,903,100	46,055,142	38,369,271	16,325	791,343,838
1997	735,851,100	51,406,969	37,580,129	29,212	824,867,410
1998	749,039,424	52,069,539	37,937,591	27,628	839,074,182
1999	792,641,200	56,325,500	40,999,777	18,895	889,985,372
2000	815,856,500	58,029,830	43,812,511	4,164	917,703,005
2001	863,961,268	63,697,973	47,224,673	18,775	974,902,689
2002	908,631,326	66,844,284	50,895,236	17,285	1,026,388,131
2003	995,635,300	68,232,529	49,990,963	340,727	1,114,199,519
2004	1,117,426,100	68,635,038	53,151,294	0	1,239,212,432
2005	1,202,692,600	67,621,580	55,531,820	17,388	1,325,863,388

**Ratio of Annual Debt Service Expenditures for G.O. Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
1996	-	44,221	44,221	20,539,358	0.00215
1997	388,000	147,410	535,410	26,720,395	0.02005
1998	788,000	494,410	1,282,410	27,359,673	0.04687
1999	921,333	465,741	1,387,074	30,506,772	0.04547
2000	788,000	345,542	1,133,542	26,113,019	0.04341
2001	788,000	323,094	1,111,094	26,685,723	0.04164
2002	788,000	290,907	1,078,907	28,747,777	0.03753
2003	908,000	361,125	1,269,125	32,073,717	0.03957
2004	5,413,000	352,333	5,765,333	38,864,623	0.14834
2005	918,000	336,211	1,254,211	33,155,638	0.03783

**Property Tax Rates (per \$100 of valuation)**

Fiscal Year	Real Estate	Personal Property	Machinery & Tools
1996	\$0.54	\$3.50	\$3.50
1997	0.54	3.50	3.50
1998	0.54	3.50	3.50
1999	0.54	3.50	3.50
2000	0.54	3.50	3.50
2001	0.54	3.50	3.50
2002	0.54	3.50	3.50
2003	0.54	3.50	3.50

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**Principal Taxpayers - June 30, 2005**

Business Name	Type of Business	Assessed Valuation	Percent of Total Assessed Valuation
Colonial Williamsburg Foundation	Tourism	\$196,480,300	16.13%
Art Williamsburg, Inc.	Hotel	15,252,100	1.25%
Williamsburg Improvements, LLC	Shopping Center Management	14,032,100	1.15%
JIN, Inc.	Hotel	9,922,900	0.81%
Chelsea GCA Realty Partnership	Shopping Center Management	8,870,500	0.73%
351 York Street, LLC	Hotel	8,467,700	0.70%
Woodshire, LTD	Apartments	8,247,600	0.68%
Westgate Resorts, LTD	Hotel	7,389,700	0.61%
LTD Associates Two, LLC	Hotel	7,268,600	0.60%
LTD Associates One, LLC	Hotel	<u>7,172,200</u>	<u>0.59%</u>
Total		<u>\$283,103,700</u>	<u>23.25%</u>

**CITY OF WILLIAMSBURG, VIRGINIA**  
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**Unemployment Rate and Labor Force**

(Source, Virginia Employment Commission)

Year	Labor Force	Employed	Unemployed	Unemployment Percentage
1996	5,672	5,203	469	8.3%
1997	5,761	5,341	420	7.3%
1998	6,083	5,746	337	5.5%
1999	6,112	5,760	352	5.8%
2000	5,847	5,574	273	4.7%
2001	5,930	5,556	374	6.3%
2002	5,861	5,460	401	6.8%
2003	6,016	5,562	454	7.5%
2004	4,862	4,501	361	7.4%
2006	4,735	4,377	358	7.6%

**Land Area of Original City of Williamsburg and Subsequent Annexations**

Year	Description	Annexation Area (Sq. Miles)	Accumulative Area (Sq. Miles)
1722	Original City	0	0.86
1915	Annexation	0.11	0.97
1923	Annexation	0.48	1.45
1941	Annexation	1.66	3.11
1964	Annexation	2.06	5.17
1984	Annexation	3.88	9.05

**CITY OF WILLIAMSBURG, VIRGINIA**  
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**Retail Sales**

(Source, Virginia Dept of Taxation)

Fiscal Year	Taxable Retail Sales	Percentage Increase (Decrease)
1996	347,957,628	-3.56%
1997	340,364,913	-2.18%
1998	352,720,987	3.63%
1999	367,394,446	4.16%
2000	378,286,400	2.96%
2001	372,093,700	-1.64%
2002	401,931,500	8.02%
2003	378,123,152	-5.92%
2004	421,045,000	11.35%
2005	421,960,200	0.22%

**Population**

(Source, U.S. Census)

Year	Number	Percentage Increase (Decrease)
1930	3,778	0.00%
1940	3,942	4.34%
1950	6,735	70.85%
1960	6,832	1.44%
1970	9,069	32.74%
1980	9,869	8.82%
1990	11,430	15.82%
1995	12,300	7.61%
2000	11,998	-2.46%

**CITY OF WILLIAMSBURG, VIRGINIA****Fiscal Year 2007 Operating Budget**

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**Miscellaneous Statistics - June 30, 2005**

Date Established by Virginia General Assembly	1699
Date of Incorporation by Royal Charter	1722
Form of Government since 1932	Council-Manager
Population (2002 Census)	11,998
Population (2004 Estimate)	13,400
Area	9.05 Sq. Miles
Miles of Streets	48
Number of Traffic Lights	14
Fire Protection:	
Number of Stations	1
Firemen: full-time	31
volunteer	30
Police Protection	
Number of Stations	1
Officers and Policemen	34
Education:	
Schools (owned by joint school system)	
Grades:	
K-5	7
6-8	3
9-12	2
Recreation:	
Number of Parks	4
Number of Ball Fields	6
Number of Tennis Courts	10
Number of Total Acres	2,036
Culture:	
Number of Public Libraries (Regional)	2
Number of volumes - June 2005	317,178
Number of patrons - June 2005	60,302
Municipal Water Department	
Number of Customers	3,875
Average Daily Consumption	3,200,000 gallons
Miles of Water Distribution	48
Number of Water Tanks	5
Municipal Employees	185.5
Number of Hotels & Motels	47
Number of Bed & Breakfasts	37
Number of Restaurants	85

**CITY OF WILLIAMSBURG, VIRGINIA**  
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Utility Fund – Water and Sewer Rate Analysis – FY07-11

The FY07-11 water rate review looks at the financial viability of the Utility Fund in terms of projected revenues and expenses for the next five year period. The water rate was increased last year by 3.85% from \$2.60/1000 gallons to \$2.70/1000 gallons. The single water rate includes sewer service since the City does not have a separate rate for sewer.

Expenses:

What will drive the cost of water for many years to come in the City and the entire Peninsula is development of a regional water supply, namely King William Reservoir. The final permit from USCOE was issued in November, 2005 clearing the way for construction of the reservoir and the associated pumping/piping to the Peninsula. The total estimated cost of the Project is \$230 million.

The City is currently negotiating with Newport News Water Works (NNWW) for Williamsburg to buy in to the Project. The City is reviewing its future water demands to see how much water is needed relative to our existing demand and current water supply (Waller Mill Reservoir and a supplemental raw water well). Early estimates place the need at 1-2 million gallons per day (mgd) from the King William Project. The current raw water contract states that Williamsburg will reserve 1 mgd and that Williamsburg has the option, within a ten year period, to reserve an additional 1 mgd. The safe yield of the King William Project is 20 mgd. Based on negotiations and NNWW's perspective, the City's contribution would equal the percentage of the reservoir's safe yield which we are reserving i.e. a 1 mgd reservation would cost the City 5% of the project cost, or \$12 million. The debt service on this investment is approximately \$.8 million per year over a 30 year period. With a utility fund budget of \$4.5 million, it is readily apparent that there will be a major impact to the budget and water rates/fees of the City. Further, we need to factor in the more conventional increases in expenses which have been identified in previous reports: Implementation of security measures at the Water Plant based on the Vulnerability Assessment Report; rehab/replacement of aging infrastructure with emphasis on elimination of sewer system overflows and infiltration/inflow (I/I) of storm water into sanitary sewers; chemical treatment changes at the Water Plant necessary to meet stricter water quality standards. Last year's rate analysis anticipated future rate increases of 4% annually to cover these more conventional type expenses.

## Revenue

### Growth in Water Demand:

We are projecting water revenue to increase slightly over the 5 year study period due to pending near-term development and redevelopment in the commercial sector. We are projecting .5% growth each year over the next five year period. Possible revenue from JCSEA was not included since water sales to the Authority are on an emergency basis. Further, the Authority has increased water system capacity by adding a groundwater desalting plant in the past year. Water sales to the County would be strictly on an emergency basis and therefore should not be taken into account.

### Water and Sewer Fees:

The City last revised its water and sewer fees in July, 2000. The fees are broken into 3 areas: Availability fees, Hampton Roads Sanitation District (HRSD) fees and connection fees. The availability fees are designed to have new development pay for capital improvements which primarily benefit future customers. This prevents or reduces inequity to existing customers as “growth pays for growth”. The HRSD waste water facility charge is for new connections and covers the cost of treatment capacity expansion, line extensions and pump stations. These charges are established by HRSD and reviewed on an annual basis. The City collects the charges and forwards the receipts to the District. The third fee is the connection fee which is the construction cost of the City installing the water and sewer connections to the customer’s property line. Most connections are pre-installed by the developer at the time the project is under construction and therefore, in those cases, the fee is not applicable.

In reviewing availability or facility fees, as they are sometimes called, set by 58 Virginia utilities, the average residential fee is \$2,400. The City’s current fee is \$1,500. The availability fees are based on meter size to reflect capacity and demand on the system. In order for customers added to the system in future years to equitably share in this KWR “growth” project, the availability fees need to be increased substantially. The fees should be implemented in FY07 which will make them applicable to pending developments which are about to take place in the City. The following availability fees are recommended:



<u>Meter Size</u>	<u>Water Availability</u>	<u>Sewer Availability</u>
5/8" X 3/4"	\$ 2,500.00	\$ 2,500.00
3/4"	\$ 3,000.00	\$ 3,000.00
1"	\$ 5,000.00	\$ 5,000.00
1.5"	\$ 10,000.00	\$ 10,000.00
2"	\$ 16,000.00	\$ 16,000.00
3"	\$ 32,000.00	\$ 32,000.00
4"	\$ 60,000.00	\$ 60,000.00
6"	\$120,000.00	\$120,000.00
8"	\$200,000.00	\$200,000.00
10"	\$350,000.00	\$350,000.00

The project revenue from fee increases has been included in developing proposed water rates.

The water and sewer connection fees are the costs associated with the City installing water and sewer service lines. Service lines run from the main lines to the customer's property line. For the most part, on new development, the developer installs the service line as part of the overall infrastructure of the development project. The City primarily installs service lines to infill development in existing subdivisions and small commercial sites. The water connection fee is based on meter size while the sewer connection fee is more of a flat fee for residential or commercial construction. These fees have not been revised in over ten years. We are recommending the following fees to more accurately reflect current construction costs:

<u>Meter Size</u>	<u>Water Connection</u>	<u>Sewer Connection</u>
5/8" X 3/4"	\$ 800.00	\$ 800.00
3/4"	\$ 800.00	\$ 800.00
1"	\$ 1,200.00	\$ 1,000.00
1.5"	\$ 2,000.00	\$ 1,000.00
2"	\$ 3,000.00	\$ 1,000.00

### Rate Analysis:

Working capital projections were developed for different scenarios. The year-end working capital is essentially the Fund's cash balance or the difference between short term assets and liabilities. An increase in revenues relative to the proposed increases in water/sewer fees has been factored in the analysis. A majority of the increased revenue from fees is predicated on the development of High Street and Riverside/ Quarterpath developments occurring over an estimated 10 year period. Also, redevelopment based on the City's Economic Development Plan

was considered. Finally, capital improvement expenses are based on our recently submitted FY07-11 CIP budget figures.

Since we have not finalized negotiations with NNWW for the Reservoir Project, the rate analysis does not specifically address this impact. The City is employing an engineering firm to review the future water demands of the City. Also, a financial plan will be developed to establish the financing vehicle and payment schedule commensurate with the construction of the King William Reservoir.

Three different rate scenarios are presented in Exhibits 1, 2 and 3. Exhibit 1 shows working capital projections with no rate increase. Exhibit 2 shows rate increases of 5% annually over the next five years. And Exhibit 3 shows an 11% increase in FY07 and 5% increases in years FY08-11. In all cases, the working capital is either depleted or substantially reduced. Working capital is reduced 50% with rate increases of 5% (Exhibit 2) and reduced 25% with 11% and 5% increases (Exhibit 3). When the financing for King William Reservoir is considered, the working capital will be that much more impacted. Therefore, the water rate needs to be increased substantially in anticipation of these major costs in order to maintain a reasonable working capital balance.

For FY07 we are recommending an 11% increase in the water rate to \$3.00/1000 gals. Large rate increases may be necessary in the next several years to cover capital expenses including the new water supply and to keep a reasonable working capital balance. Once future demands are established and negotiations with NNWW are finalized a financial analysis will be completed, and rates/fees can be forecasted for both the short and long term.

A comparison of our water rate with other communities is presented in Exhibit 4. Although the other localities are considering FY07 rate increase, rates currently in place are used for comparison purposes. Williamsburg is far below all other Hampton Roads communities.

# EXHIBIT 1

## CITY OF WILLIAMSBURG WATER & SYSTEM OPERATIONS

		Fiscal Year Ending June 30:						
		2005	2006	2007	2008	2009	2010	2011
		Actual	Estimated					
Revenue under existing rates								
Water		2,969,824	3,100,000	3,100,000	3,115,500	3,131,078	3,146,733	3,162,467
Sewer		665,313	700,000	700,000	703,500	707,018	710,553	714,105
Total Revenue Under Existing Rates		3,635,137	3,800,000	3,800,000	3,819,000	3,838,095	3,857,285	3,876,572
Additional Water Revenues:								
	Rate	Proposed	Months					
<u>Effective Date</u>	<u>Increase</u>	<u>Rate</u>	<u>Effective</u>					
July 1, 2006	0.00%	\$2.70	12	0	0	0	0	0
July 1, 2007	0.00%	\$2.70	12	0	0	0	0	0
July 1, 2008	0.00%	\$2.70	12	0	0	0	0	0
July 1, 2009	0.00%	\$2.70	12	0	0	0	0	0
July 1, 2010	0.00%	\$2.70	12	0	0	0	0	0
Subtotal, Additional Revenue from Increases		0	0	0	0	0	0	0
Total Revenue from User Charges		3,635,137	3,800,000	3,800,000	3,819,000	3,838,095	3,857,285	3,876,572
Other Utility Income		420,734	376,400	376,400 *	500,000	500,000	600,000	600,000
Total Operating Revenues		4,055,871	4,176,400	4,176,400	4,319,000	4,338,095	4,457,285	4,476,572
Operation and Maintenance Expenses								
Water and Sewer Utility		-3,770,723	-3,854,268	-4,329,409	-4,459,291	-4,593,070	-4,730,862	-4,872,788
Add back depreciation expense		363,375	360,000	360,000	360,000	360,000	360,000	360,000
Total Direct Operation & Maintenance Expense		-3,407,348	-3,494,268	-3,969,409	-4,099,291	-4,233,070	-4,370,862	-4,512,788
Operating Income		648,523	682,132	206,991	219,709	105,025	86,423	-36,216
Interest Income - Operating		105,671	100,000	120,000	45,000	16,000	0	0
Net Income from Operations		754,194	782,132	326,991	264,709	121,025	86,423	-36,216
Debt Service (principal & interest)								
Open Space Easement		-144,489	-144,489	-24,081	--	--	--	--
Capital Construction Bond		-188,382	-178,686	-172,009	-165,417	-158,652	-151,974	-145,296
Land Purchase Bond		-178,280	-192,516	-135,000 **	--	--	--	--
Total Debt Service		-511,151	-515,691	-331,090	-165,417	-158,652	-151,974	-145,296
Major Capital Improvements								
Capital Improvements Expenses		-1,005,242	-310,000 ***	-830,000	-2,250,000	-685,000	-510,000	-340,000
Balance - Fiscal Year Activities		-762,199	-43,559	-834,099	-2,150,708	-722,627	-575,551	-521,512
Working Capital - Beginning of Year		5,491,750	4,729,551	4,685,992	3,851,893	1,701,185	978,558	403,007
Working Capital - End of Year **		4,729,551	4,685,992	3,851,893	1,701,185	978,558	403,007	-118,505

\* Assumes increase in availability fees

\*\* Assumes proceeds of Royals Property sale = principal payoff due Jan, 2007 of \$5.8 Million

\*\*\* Assumes FY 2006 projects plus \$220,000 in carryover funds to FY 2007

### Assumptions:

0.5% Growth in Water Consumption

3.0% Growth in Operating Expenses

## EXHIBIT 2

CITY OF WILLIAMSBURG  
WATER & SYSTEM OPERATIONS

	Fiscal Year Ending June 30:						
	2005	2006	2007	2008	2009	2010	2011
	Actual	Estimated					
Revenue under existing rates							
Water	2,969,824	3,100,000	3,100,000	3,115,500	3,131,078	3,146,733	3,162,467
Sewer	665,313	700,000	700,000	703,500	707,018	710,553	714,105
Total Revenue Under Existing Rates	3,635,137	3,800,000	3,800,000	3,819,000	3,838,095	3,857,285	3,876,572
Additional Water Revenues:							
	Rate	Proposed	Months				
<u>Effective Date</u>	<u>Increase</u>	<u>Rate</u>	<u>Effective</u>				
July 1, 2006	5.00%	\$2.84	12	0	0	155,000	155,000
July 1, 2007	5.00%	\$2.98	12	0	0	155,550	156,550
July 1, 2008	5.00%	\$3.13	12	0	0	172,100	172,100
July 1, 2009	5.00%	\$3.29	12	0	0	0	181,500
July 1, 2010	5.00%	\$3.45	12	0	0	0	191,000
Subtotal, Additional Revenue from Increases				0	0	155,000	311,550
Total Revenue from User Charges				3,635,137	3,800,000	3,955,000	4,130,550
Other Utility Income				420,734	376,400	376,400 *	500,000
Total Operating Revenues				4,055,871	4,176,400	4,331,400	4,630,550
Operation and Maintenance Expenses							
Water and Sewer Utility				-3,770,723	-3,854,268	-4,329,409	-4,459,291
Add back depreciation expense				363,375	360,000	360,000	360,000
Total Direct Operation & Maintenance Expense				-3,407,348	-3,494,268	-3,969,409	-4,099,291
Operating Income				648,523	682,132	361,991	531,259
Interest Income - Operating				105,671	100,000	120,000	65,000
Net Income from Operations				754,194	782,132	481,991	596,259
Debt Service (principal & interest)							
Open Space Easement				-144,489	-144,489	-24,081	--
Capital Construction Bond				-188,382	-178,686	-172,009	-165,417
Land Purchase Bond				-178,280	-192,516	-135,000 **	--
Total Debt Service				-511,151	-515,691	-331,090	-165,417
Major Capital Improvements							
Capital Improvements Expenses				-1,005,242	-310,000 ***	-830,000	-2,250,000
Balance - Fiscal Year Activities				-762,199	-43,559	-679,099	-1,819,158
Working Capital - Beginning of Year				5,491,750	4,729,551	4,685,992	4,006,893
Working Capital - End of Year **				4,729,551	4,685,992	4,006,893	2,187,735

\* Assumes increase in availability fees

\*\* Assumes proceeds of Royals Property sale = principal payoff due Jan, 2007 of \$5.8 Million

\*\*\* Assumes FY 2006 projects plus \$220,000 in carryover funds to FY 2007

**Assumptions:**

0.5% Growth in Water Consumption

3.0% Growth in Operating Expenses

# EXHIBIT 3

## CITY OF WILLIAMSBURG WATER & SYSTEM OPERATIONS

Fiscal Year Ending June 30:							
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	Actual	Estimated					
Revenue under existing rates							
Water	2,969,824	3,100,000	3,100,000	3,115,500	3,131,078	3,146,733	3,162,467
Sewer	665,313	700,000	700,000	703,500	707,018	710,553	714,105
Total Revenue Under Existing Rates	3,635,137	3,800,000	3,800,000	3,819,000	3,838,095	3,857,285	3,876,572
Additional Water Revenues:							
	Rate	Proposed	Months				
<u>Effective Date</u>	<u>Increase</u>	<u>Rate</u>	<u>Effective</u>				
July 1, 2006	11.00%	\$3.00	12	0	0	341,000	341,000
July 1, 2007	5.00%	\$3.15	12	0	0	172,825	172,825
July 1, 2008	5.00%	\$3.30	12	0	0	182,200	182,200
July 1, 2009	5.00%	\$3.47	12	0	0	192,000	192,000
July 1, 2010	5.00%	\$3.64	12	0	0	202,000	202,000
Subtotal, Additional Revenue from Increases	0	0		341,000	513,825	696,025	888,025
Total Revenue from User Charges	3,635,137	3,800,000		4,141,000	4,332,825	4,534,120	4,745,310
Other Utility Income	420,734	376,400		376,400 *	500,000	500,000	600,000
Total Operating Revenues	4,055,871	4,176,400		4,517,400	4,832,825	5,034,120	5,345,310
Operation and Maintenance Expenses							
Water and Sewer Utility	-3,770,723	-3,854,268		-4,329,409	-4,459,291	-4,593,070	-4,730,862
Add back depreciation expense	363,375	360,000		360,000	360,000	360,000	360,000
Total Direct Operation & Maintenance Expense	-3,407,348	-3,494,268		-3,969,409	-4,099,291	-4,233,070	-4,370,862
Operating Income	648,523	682,132		547,991	733,534	801,050	974,448
Interest Income - Operating	105,671	100,000		120,000	80,000	80,000	105,000
Net Income from Operations	754,194	782,132		667,991	813,534	881,050	1,079,448
Debt Service (principal & interest)							
Open Space Easement	-144,489	-144,489		-24,081	--	--	--
Capital Construction Bond	-188,382	-178,686		-172,214	-165,417	-158,652	-151,974
Land Purchase Bond	-178,280	-192,516		-135,000 **	--	--	--
Total Debt Service	-511,151	-515,691		-331,295	-165,417	-158,652	-151,974
Major Capital Improvements							
Capital Improvements Expenses	-1,005,242	-310,000 ***		-830,000	-2,250,000	-685,000	-510,000
Balance - Fiscal Year Activities	-762,199	-43,559		-493,304	-1,601,883	37,398	417,474
Working Capital - Beginning of Year	5,491,750	4,729,551		4,685,992	4,192,688	2,590,805	2,628,203
Working Capital - End of Year **	4,729,551	4,685,992		4,192,688	2,590,805	2,628,203	3,045,677

\* Assumes increase in availability fees

\*\* Assumes proceeds of Royals Property sale = principal payoff due Jan, 2007 of \$5.8 Million

\*\*\* Assumes FY 2006 projects plus \$220,000 in carryover funds to FY 2007

### Assumptions:

0.5% Growth in Water Consumption  
3.0% Growth in Operating Expenses

# EXHIBIT 4

WATER AND SEWER RATES COMPARISON			
	WATER	SEWER	TOTAL
Newport News	\$ 3.66/1000 gallons	\$ 1.68/1000 gallons	\$ 5.34/1000 gallons
JCSA	<u>Res.</u> 0-15 \$2.30 15-30 \$2.71 > 30 \$7.60 <u>Comm.</u> \$2.70/1000	\$ 2.70/1000 gallons	\$ 5.00/1000 gallons
Portsmouth	\$ 3.15/1000 gallons	\$ 2.42/1000 gallons	\$ 5.57/1000 gallons
Norfolk	\$ 4.36/1000 gallons	\$ 3.44/1000 gallons	\$ 7.80/1000 gallons
Chesapeake	\$ 4.31/1000 gallons	\$ .97/1000 gallons	\$ 5.28/1000 gallons
VA Beach	\$ 3.65/1000 gallons	Flat fee/house	\$ 5.00+/1000 gallons
Williamsburg	\$ 2.70/1000 gallons	No separate charge	\$ 2.70/1000 gallons

February 2006