TOWN OF PALM BEACH

Town Manager’s Office

UNDERGROUND UTILITIES TASK FORCE MEETING

TOWN HALL
COUNCIL CHAMBERS-SECOND FLOOR
360 SOUTH COUNTY ROAD

AGENDA

TUESDAY, OCTOBER 6, 2015

9:00 AM

Welcome!

For information regarding procedures for monitoring or participating in Task Force Meetings, please refer to the end of this agenda.

I. CALL TO ORDER AND ROLL CALL

   Jeffery Smith, Chairman
   Wilbur Ross, Vice-Chairman
   Dennis Bottorff
   W. Anthony Dowell
   Susan Gary
   Donald Gulbrandsen
   Thomas Parker

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF AGENDA

IV. COMMUNICATIONS FROM CITIZENS (3 Minute Limit, Please)

V. MINUTES

   A. UUTF Meeting Minutes of September 1, 2015

VI. PRESENTATION BY FLORIDA POWER & LIGHT ON UNDERGROUNDING AND THE TOWN PROPOSED PROJECT WITH FOLLOW-UP QUESTIONS FROM TASK FORCE MEMBERS

   Ethel Isaacs Williams, Esq., Regional Manager, External Affairs
   John Lehr, P.E. Manager OH to UG Conversion
VII. UNDERGROUNDING FINANCING OPTIONS

1. Decision of Town Council on September 10, 2015
2. The Dennis Bottorff Plan of Financing Implementation
3. How Much Money Should the Town Borrow for this Project?

Jay Glover, Managing Director, Public Financial Management (PFM)
Richard “Rick” J. Miller, Esq., Locke Lord, LLP
Jane Struder, Director of Finance

VIII. CONTINUATION OF ADOPTION OF UUTF INITIAL RECOMMENDATIONS TO THE TOWN COUNCIL

Thomas G. Bradford, Town Manager

IX. ANY OTHER MATTERS

X. ADJOURNMENT

PLEASE TAKE NOTE:

- The progress of this meeting may be monitored by visiting the Town’s website (www.townofpalmbeach.com) and selecting “Your Government” and then selecting “Live Meeting Audio.” If you have questions regarding that feature, please contact the Office of Information Systems (561) 227-6315. The audio recording of the meeting will appear within 24 hours after the conclusion of the meeting under “Agendas, Minutes, and Audio.”

- Disabled persons who need an accommodation in order to participate in the Underground Utilities Task Force meeting are requested to contact the Town Manager’s Office at 838-5410 or through the Florida Relay Service by dialing 1-800-955-8770 for voice callers or 1-800-955-8771 for TDD callers, at least two (2) working days before this meeting.

PROCEDURES FOR PUBLIC PARTICIPATION

Citizens desiring to address the Task Force should proceed toward the public microphones when the applicable agenda item is being considered to enable the Chair to acknowledge you.

COMMUNICATIONS FROM CITIZENS: Any citizen is entitled to be heard concerning any matter under the section entitled “Communications from Citizens,” subject to the three minute limitation.

Underground Utilities Task Force meetings are public business meetings and, as such, the Task Force retains the right to limit discussion on any issue.
Memo

To: Palm Beach Underground Utilities Task Force (UUTF) Board Members
From: Thomas G. Bradford, Town Manager
CC: Jay Boodheshwar, Deputy Town Manager; H. Paul Brazil, Director of Public Works; Jane Struder, Director of Finance; Bill Francis, Town Engineer
Date: 9/28/2015
Re: UUTF Agenda Items for the October 6, 2015 UUTF Meeting

This memorandum and its attachments serve as the written backup material associated with the agenda for your UUTF meeting on October 6. It follows the order of the items appearing on the UUTF agenda for the meeting.

The substantive items on this agenda are as follows:

V. MINUTES

The minutes for the September 1 UUTF meeting are provided for review and approval. If you find there is an error or omission, please feel free to ask for a correction at the meeting. Your requests will be noted in the minutes of this meeting and the requested changes to the record will be made by staff.

VI. PRESENTATION BY FLORIDA POWER & LIGHT ON UNDERGROUNDING AND TOWN PROPOSED UNDERGOUD PROJECT WITH FOLLOW-UP QUESTIONS FROM TASK FORCE MEMBERS

Ethel I. Williams Esq., Regional Manager, External Affairs
John Lehr P.E., Manager OH to UG Conversion

FPL officials have agreed to make a presentation on the subject of undergrounding generally from the FPL perspective and to address the Town’s proposed project and expectations of the Town. There is no written backup for this item.

VII. UNDERGROUNDING FINANCING OPTIONS

1. Decision of the Town Council on September 10

On September 1, the UUTF voted to recommend to the Town Council the use of Special assessment /non-ad valorem bonds or more specifically Revenue
Bonds backed by Special Non-Ad Valorem bonds for the financing of the underground project. The chosen option is called GO Bonds Backed with Special Assessments or similar to the Hybrid GO and non-ad valorem bond considered by the UUTF. These are referred to as “Double Barreled GO Bonds.” Its double barreled because it is backed by the full faith and credit of the community and the special non-ad valorem process. The concept requires a vote of the electors of the Town in order to secure the lowest possible interest rate as was previously demonstrated to the UUTF. This is the General Obligation piece. The first piece, the GO piece, requires a vote of the electors. The second piece, or step, is to secure sufficient funds from the property owners in Town by way of adopting special non-ad valorem assessments. This second piece precludes tax deductibility. The town wide average annual cost would be $498 for 30 years. Slides showing this and other cost averages for different taxable value ranges of Town property are enclosed with your backup and will be shown on the projectors at your meeting.

2. The Dennis Bottorff Plan of Financing Implementation

You may recall at the September 1 UUTF meeting UUTF member Bottorff requested that staff prepare an analysis of beginning the assessment process before the construction process commences to secure incoming funds prior to the major cash outlays that are eventually required and continuing to assess until the debt is retired. While this idea was requested in the context of the financing recommendation of the UUTF to use Revenue Bonds backed by Special Assessments, it is equally applicable to the option chosen by the Town Council. Hence, this option is not an alternative to that chosen by the Town Council or that recommended by the UUTF. It is a method that alters the timing of the two component pieces of the process chosen with the goal of reducing overall borrowing. The analysis done by staff and consultants shows that the concept does in fact reduce the amount of funds that need to be borrowed. A chart showing this is included in your agenda backup materials and will be shown at the UUTF meeting.

3. How much money should the Town borrow for this project?

This is actually an additional recommendation to the Town Council, but appeared to be a better place to discuss it. The $85 million cost estimate is now 1 year old. Mr. Bottorff’s concept will reduce the total amount to be borrowed if the UUTF recommends it and the Town Council accepts the recommendation. In addition, we must consider adding to the project costs to be borrowed any funds the Town fronts to get the project started, the possibility that two neighborhood projects are eligible to be paid off and their project costs assumed by the town wide project costs and resulting debt service. And last, but by no
means least, we must consider inflation and contingency costs relative to the total cost of borrowing.

Jay Glover, Managing Director, Public Financial Management (PFM)
Richard “Rick” J. Miller, Esq., Locke Lord, LLP
Jane Struder, Director of Finance

VIII. CONTINUATION OF ADOPTION OF UUTF INITIAL RECOMMENDATIONS TO THE TOWN COUNCIL

Thomas G. Bradford, Town Manager

At this time the only initial recommendation remaining pertains to:

How shall we handle recalcitrant property owners who refuse to provide easements for transformers etc.? This is one of the most important recommendations to be considered. Time is money and you can spend an inordinate amount of time tracking down property owners and seeking approval of an easement to accommodate a transformer that no one wants, but are required in order to make the conversion to underground service. I will review related matters including:

- The need to inform the public that transformers are not that intrusive, can be landscaped and are certainly less intrusive than a wooden creosote pole with transformer hanging from the top.
- Transformers are landscaped as a Town project expense
- Some leeway is available as to where to place it on one’s property
- Steps taken by localities to address this problem
- Condemnation via Eminent Domain pursuant to “slow taking” or “quick take”

There may be other decisions to be made. If you know of any, please bring them forward for UUTF consideration.

If you have any questions, staff will be happy to attempt to answer the same before or during the UUTF meeting.
MINUTES OF THE UNDERGROUND UTILITIES TASK FORCE MEETING
HELD ON TUESDAY, SEPTEMBER 1, 2015

I. CALL TO ORDER AND ROLL CALL

The Underground Utilities Task Force meeting was called to order on Tuesday, September 1, 2015, at 9:02 a.m., in the Town Council Chambers. On roll call, all Task Force Members were found to be present.

II. PLEDGE OF ALLEGIANCE

Chair Smith led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

Motion was made by Vice Chair Ross, and seconded by Task Force Member Parker, to approve the Agenda. On call for a vote, the motion carried unanimously.

IV. COMMUNICATIONS FROM CITIZENS (3 Minute Limit, Please) – None

V. MINUTES

A. UUTF Meeting Minutes of August 4, 2015

Motion was made by Vice Chair Ross, and seconded by Task Force Member Dowell, to approve the Minutes of the August 4, 2015, Underground Utilities Task Force meeting. On call for a vote, the motion carried unanimously.

VI. LESSONS LEARNED – OVERVIEW OF PROJECT BY MASTEC NORTH AMERICA INC., A FLORIDA BASED CORPORATION ENGAGED BY DOMINION VIRGINIA POWER FOR A STATEWIDE UNDERGROUNDING INITIATIVE WITH FOLLOW-UP QUESTIONS FROM TASK FORCE MEMBERS - Thomas M. Jones, Vice President, MasTec

Thomas Jones, MasTec Vice President, provided an overview of MasTec, the Dominion Virginia Power Project, and MasTec’s experiences with undergrounding projects.
Task Force Member Dowell requested that Information Systems personnel be available for future meetings to address any technical issues that may arise.

Discussion ensued regarding the pros and cons of doing other infrastructure projects alongside undergrounding, the EPC project approach, options available when property owners refuse to give up needed easements, main line ducts, and the typical underground pipe cross section.

VII. UPDATE ON UNDERGROUNDING FINANCING OPTIONS WITH COST ANALYSIS OF PROPERTIES OF VARIOUS VALUES COMPARING ESTIMATED ANNUAL COST OF DEBT SERVICE FOR GENERAL OBLIGATION BONDS TO SPECIAL ASSESSMENT BONDS, NON-AD VALOREM BONDS AND COMBINATIONS THEREOF

Jay Glover, Managing Director, Public Financial Management (PFM)
Richard “Rick” J. Miller, Esq., Locke Lord, LLP
Jane Struder, Director of Finance

Jay Glover, PFM Managing Director, provided an update on financing options and an overview of the cost comparisons.

Discussion ensued regarding utilization of interim financing, financing in phases, taxpayer impacts of the different options, construction versus permitting financing, repayment options, IRS regulations and arbitrage yields, investing long-term bond proceeds, allowable investment options, and needing the scope and duration of the project to be decided before coming to a decision regarding a plan of finance.

Jane Struder, Director of Finance, provided an overview of taxpayer demographics, taxpayer impacts under the different financing options, and timelines for the different options.

Discussion ensued regarding 20-year versus 30-year financing, the distribution methodology used to prepare the special assessment bond impact slide, special assessment mechanisms and their correlation to property value, and finding a defendable assessment methodology.

VIII. ADOPTION OF UUTF INITIAL RECOMMENDATIONS TO THE TOWN COUNCIL

Thomas G. Bradford, Town Manager

Town Manager Bradford provided an overview of the Town’s historical undergrounding efforts, undergrounding procedures, time constraints, and the Task Force’s previous decisions. He then requested direction regarding the questions posed to the Task Force in the agenda backup.

**Question #16:** Shall we use existing contractors, vendors, and professionals wherever possible to avoid procurement delays?
Discussion ensued regarding opening up the procurement process to companies with experience in large, complex, and specialized projects, getting the right people upfront, and this request being limited to small, miscellaneous items such as having an attorney prepare a temporary construction easement agreement.

Motion was made by Vice Chair Ross, and seconded by Chair Smith, to recommend to the Town Council the use of existing contractors, vendors, and professionals for miscellaneous services in order to avoid procurement delays, provided that Staff believes that they are qualified to perform the requisite work. On call for a vote, the motion carried unanimously.

**Question #15:** If we go the assessment route, shall any properties be exempted from the assessments?

Discussion ensued regarding the exemption of churches, synagogues, schools, town-owned lands, 501 C 3’s, and undeveloped land without utilities.

Motion was made by Task Force Member Bottorff, and seconded by Task Force Member Dowell, to recommend to the Town Council the exemption of any property that is currently tax-exempt from property taxes, and does not pay an applicable utility bill, from the proposed special assessment. On call for a vote, the motion carried unanimously.

**Question #14:** Shall we pursue a bond validation hearing with a court of law?

Rick Miller, Locke Lord, LLP, provided an overview of when validation proceedings are necessary.

Discussion ensued regarding whether to discuss this matter or the financing plan matter first.

Jay Glover spoke regarding deciding on the mechanism used to secure the bonds now, and deciding on the ultimate plan of finance at a later time.

Motion was made by Vice Chair Ross, and seconded by Task Force Member Gary, to recommend to the Town Council that the Town pursue a bond validation hearing with the appropriate court. On call for a vote, the motion carried unanimously.

**Question #1:** How will this project be financed?

Discussion ensued regarding the pros and cons of the various financing options and the assumptions used in today’s presentations.

Mr. Glover spoke regarding the special assessment methodology evening out what individual property owners would pay.
Discussion ensued regarding “right-sizing” the highest valued properties.

Mr. Miller spoke regarding the process being complex, but stated that it could be done through the use of special districts.

Mr. Glover spoke regarding the cost differentials between the special assessment and general obligation bond options and possibly reducing that differential by not including a reserve fund in the special assessment option.

Town Manager Bradford provided an overview of Town Council’s historical consideration of underground financing options and why they have not proceeded until this point.

Mr. Glover spoke regarding property owners’ ability to pre-pay their assessments and how that would lower the cost of borrowing.

Discussion ensued regarding special assessments not being tax deductible, how multi-family properties would be assessed compared to single-family properties, differences in the amount of work needed to underground multi-family and single-family properties, dealing with properties that have already undergrounded, allocation methodology philosophies, considering a hybrid option, the allocation report, the “commons” fee assessed towards everyone for enhanced esthetics, reliability, and safety, concerns regarding the complexity of the hybrid option, doing what’s best for the greater good, whether the hybrid method is more susceptible to litigation, and borrowing money before the project starts and having to pay interest on that money.

Mr. Miller spoke regarding the ability to issue general obligation bonds in series.

Motion was made by Task Force Member Parker, and seconded by Task Force Member Dowell, to recommend to the Town Council that the project be financed using special assessment/non-ad valorem bonds. On call for a vote, the motion carried 5-2, with Vice Chair Ross and Task Force Member Gary dissenting.

**Question #2:** What term shall the financing be?

Discussion ensued regarding the differences in taxpayer impacts between 20-year versus 30-year financing.

Motion was made by Vice Chair Ross, and seconded by Task Force Member Gulbransen, to recommend to the Town Council that the project be financed over a 30-year period. On call for a vote, the motion carried 6-1, with Task Force Member Gary dissenting.

Mr. Glover spoke regarding multiple prepayment windows being allowed for special assessment bonds and the flexibility that they provide.
Motion was made by Vice Chair Ross, and seconded by Task Force Member Gary, to recommend to the Town Council that the Town offer property owners prepayment options for their assessments. On call for a vote, the motion carried unanimously.

**Question #3:** Are we going to have a referendum or straw ballot on the efficacy of the project?

Discussion ensued regarding the need for community input, public hearings, and a serious outreach program.

Motion was made by Vice Chair Ross, and seconded by Task Force Member Dowell, to recommend to the Town Council that there not be a referendum or straw ballot on the efficacy of the project. On call for a vote, the motion carried 6-1, with Task Force Member Gary dissenting.

Motion was made by Vice Chair Ross, and seconded by Task Force Member Gary, to recommend to the Town Council that the Town hold public workshops to educate the public on the project. On call for a vote, the motion carried unanimously.

**Question #4:** Shall the Town front the money from its reserves to start the design process?

Discussion ensued regarding fronting the money from reserves to start the design process.

Motion was made by Vice Chair Ross, and seconded by Task Force Member Gary, to recommend to the Town Council that the Town front the money from its reserves to start the design process. On call for a vote, the motion carried unanimously.

**Question #5:** Shall other costs incurred by the Town strictly to facilitate the underground project be reimbursed, such as for staff time?

Discussion ensued regarding reimbursing other incidental costs, such as Staff time, incurred in the facilitation of the project.

Motion was made by Task Force Member Gary, and seconded by Vice Chair Ross, to recommend to the Town Council that other incidental costs incurred by the Town strictly to facilitate the underground project not be reimbursed to the Town. On call for a vote, the motion carried unanimously.

**Question #6:** What shall the project management, design, and construction process be?

Town Manager Bradford commented that the Task Force had previously recommended that Staff proceed with a RFP for project consulting services.
Director of Public Works Brazil provided an update on the RFP, and stated that Staff anticipates having someone onboard within 90 days.

**Question #7:** How many construction job sites shall there be at one time?

Discussion ensued regarding having as many job sites as possible at one time.

It was the consensus of the Task Force to defer this item to the October 6, 2015, Task Force meeting.

**Question #10:** Shall we do other civil engineering work for convenience while also doing underground conversion or shall we do civil engineering after underground conversion is completed on an as needed basis?

Discussion ensued regarding combining functions, the need to make this decision on a project-by-project basis, and the need to plan well ahead if projects are combined.

It was the consensus of the Task Force to recommend to the Town Council that Staff and the professionals be allowed to determine where combining projects is feasible, and where it does not slow down the main undergrounding project, and proceed accordingly.

**Question #11:** Shall we request a waiver to Town paving requirements and only temporarily patch the roads if we decide to do civil engineering after undergrounding conversion to avoid complexity and any associated delay?

Motion was made by Task Force Member Gary, and seconded by Vice Chair Ross, to recommend to the Town Council that a waiver to the Town paving requirements be granted to temporarily patch the roads if the Town decides to do civil engineering after undergrounding conversion and the road will be repaved within a reasonable timeframe thereafter. On call for a vote, the motion carried unanimously.

**Question #12:** Should we require every property owner that is required to provide an easement to pay for his/her own landscaping to screen the transformer? Shall we establish a maximum landscape allowance cap to minimize restoration costs?

Discussion ensued regarding condemnation issues, other options if easements cannot be granted, and burying the transformers.

John Layer, FP&L, spoke regarding tariffs and transformer standards, future transformer burial, the Town’s responsibility for securing easements, alternatives when easements cannot be obtained, and the standard transformer box size.
It was the consensus of the Task Force to defer this item, and all remaining items, to the October 6, 2015, Task Force meeting.

(Clerk’s Note: Question #’s 8, 9, & 17 were answered in previous meetings; and, therefore, will not be on the October 6, 2015, Task Force meeting agenda.)

Task Force Member Bottorff requested that Mr. Glover prepare a cost estimate for the October 6, 2015, Task Force meeting illustrating whether or not $5 million per year collected up-front will reduce the total debt issued over the term of the project.

IX. ANY OTHER MATTERS – None

X. ADJOURNMENT

There being no further business, the Underground Utilities Task Force Meeting of Tuesday, September 1, 2015, was adjourned at 12:30 p.m.

APPROVED:

____________________________
Jeffery Smith
Chair

ATTEST:

____________________________
Susan A. Owens, MPA, MMC
Town Clerk

_______________
Date
The below tables provide the comparison of financing costs for General Obligation Bonds and Non Ad Valorem Bonds.

<table>
<thead>
<tr>
<th></th>
<th>30 Year Tax Exempt Special Assessment/General Obligation Bonds</th>
<th>30 Year Tax Exempt Special Assessment/Non Ad Valorem Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>85,385,000</td>
<td>85,385,000</td>
</tr>
<tr>
<td>Project Fund</td>
<td>85,000,000</td>
<td>85,000,000</td>
</tr>
<tr>
<td>Debt Service Reserve Fund</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>All In TIC</td>
<td>3.71%</td>
<td>4.01%</td>
</tr>
<tr>
<td>Annual Debt Service</td>
<td>4,745,200</td>
<td>4,927,097</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>142,288,538</td>
<td>147,730,947</td>
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<tr>
<th></th>
<th>20 Year Tax Exempt Special Assessment/General Obligation Bonds</th>
<th>20 Year Tax Exempt Special Assessment/Non Ad Valorem Bonds</th>
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<tbody>
<tr>
<td>Par Amount</td>
<td>85,185,000</td>
<td>85,185,000</td>
</tr>
<tr>
<td>Project Fund</td>
<td>85,000,000</td>
<td>85,000,000</td>
</tr>
<tr>
<td>Debt Service Reserve Fund</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>All In TIC</td>
<td>3.26%</td>
<td>3.56%</td>
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<tr>
<td>Annual Debt Service</td>
<td>5,852,919</td>
<td>6,017,243</td>
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<tr>
<td>Total Debt Service</td>
<td>117,013,488</td>
<td>120,300,446</td>
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</table>

Note: GO Bonds assume AAA rating and Non Ad Valorem Bonds AA+ rating
## Taxpayer Effect – GO Bonds Backed with Special Assessments – Town Council Approved Option

### GO Bonds Backed with Special Assessments – Impact to Taxpayer

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<thead>
<tr>
<th>Taxable Value Range</th>
<th>Number of Units</th>
<th>Debt Service 30 Year $4,745,200</th>
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<tbody>
<tr>
<td>0-$500,000</td>
<td>4,711</td>
<td>341</td>
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<tr>
<td>$500,001-$1,000,000</td>
<td>1,787</td>
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<tr>
<td>$1,000,001-$3,000,000</td>
<td>1,971</td>
<td>518</td>
</tr>
<tr>
<td>$3,000,001-$5,000,000</td>
<td>473</td>
<td>675</td>
</tr>
<tr>
<td>$5,000,001-$10,000,000</td>
<td>379</td>
<td>1,140</td>
</tr>
<tr>
<td>$10,000,001 +</td>
<td>200</td>
<td>2,994</td>
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<tr>
<td><strong>Town Wide Average</strong></td>
<td><strong>9,521</strong></td>
<td><strong>498</strong></td>
</tr>
<tr>
<td>Taxable Value Range</td>
<td>Number of Units</td>
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<tr>
<td>---------------------------</td>
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<td><strong>Town Wide Average</strong></td>
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Town of Palm Beach, FL
Utilities Underground Project

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<th>Project Cost</th>
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<td>$1,058,043</td>
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<tr>
<td>Interest Rate</td>
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<td>Issuance Date</td>
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Project Funding Bond

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<td>10,575,997.42</td>
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<td>Bonded Project Costs</td>
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Annual Debt Service Payment

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<th>2019 Bonds</th>
<th>2022 Bonds</th>
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<td>Annual Payment</td>
<td>Assessment Collection</td>
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<tr>
<td>10/1/2017</td>
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