ATTACHMENT A
CITY OF LEESBURG, FLORIDA
ELECTRIC SYSTEM REVENUE BONDS SERIES 2007
CONSULTING ENGINEERS'/FINANCIAL FEASIBILITY REPORT
SCOPE OF SERVICES

R. W. Beck, Inc.'s ("R.W. Beck") Scope of Services ("Scope") and approach to conducting the Consulting Engineers'/Financial Feasibility Report ("Report") for the City of Leesburg, Florida ("City") in conjunction with the issuance of the City's Electric System Revenue Bonds, Series 2007 ("Series 2007 Bonds") is outlined in the task descriptions that follow.

General

The proposed scope of services shall include the following studies and analyses, the results of which shall be summarized in a report which shall include R.W. Beck's findings and conclusions. The scope of services will include providing consulting services in connection with the preparation of a Consulting Engineers' Report on the City's electric system ("System"). The report will address historical and projected operating results for the fiscal years ending September 30, 2002 through 2011.

The report will include R.W. Beck's opinion with respect to (i) how efficiently the City has operated the System; (ii) the adequacy of rates and charges; (iii) the record keeping and reporting systems maintained in the operation of the System; (iv) the capital improvement program of the City; (v) the operating results of the City for the five historical fiscal years ended September 30, 2002 through 2006, and for the five projected fiscal years ending September 30, 2007 through 2011; and (vi) other matters.

The scope of services to be provided by R.W. Beck includes general field observations and a general review of operations, but does not include a physical inspection of any of the facilities, design or construction services, or reviews of matters related to regulation, safety, insurance, and construction cost and schedule estimates. Accordingly, nothing contained in the report is intended to indicate conditions with respect to safety or to conformance with agreements, codes, permits, rules or regulations of any party having jurisdiction with respect to the design, construction, operation and maintenance of the System. The report will summarize R.W. Beck's work as of the report date.

In preparing the report, R.W. Beck will accept and rely on the statements of the City, its independent auditors, counsel and advisors, or others, as well as reports, studies and analyses prepared by or for the City. Such statements and information may be referenced in the Report.

The following is a more detailed description of the tasks to be performed during the course of this engagement.

Task 1: Project Initiation and Management

Purpose: *To gather the necessary data, formalize the lines of communication between R.W. Beck and appropriate City personnel, coordinate the project schedule with other members of the bond project team (i.e., Bond Counsel, Financial Advisors, and Underwriters) and ensure that the project objectives are clearly defined and understood by all parties. In conjunction with the Financing Team, deliverable products and dates will be identified, and future meetings will be scheduled.*

Subtask 1a: Obtain and Assess Necessary Data

Purpose: *To collect information necessary to conduct the required analyses.*

Description: R. W. Beck will develop a written data request identifying the operational and financial data needed for the preparation of this report. The types of data to be requested will include, but are not limited to:

- Schedule of existing rates and charges;
- Most recently approved operating budget;
- Most recently approved capital improvement plan;
- Audited historical financial information;
- Selected historical operating reports;
- Relevant documentation from previous bond issues; and
- Other related information that would be useful to the study.

The initial written data request will be submitted approximately one week after receiving notice to proceed on the project. Upon receiving City's response(s) to the initial data request, R. W. Beck will review, compile any questions or secondary data requirements, and be prepared to discuss the collected information during the project kick-off meeting.

R. W. Beck recognizes that the requested information may not be readily available to City, or that the information may not be in the format requested. R. W. Beck will work with City personnel to minimize the burden of data collection and develop acceptable proxies for certain data when necessary. However, there may be certain data points that are critical, which require specific additional data collection efforts by City. It will be necessary for City staff to cooperate, as mutually agreed upon, in collecting such information.

Subtask 1b: Establish Communication Channels

Purpose: *To establish communication process that will serve to enhance the effective prosecution of this engagement.*

Description: It is vital to the effective prosecution of this project that R. W. Beck and key City staff have access to one another. R. W. Beck will identify primary contacts for both the

project team and City and establish protocol for the exchange of information and the resolution of issues that arise in the normal course of this engagement. To ensure effective communication among the project team members and to facilitate the successful prosecution of this project engagement, it is proposed that R. W. Beck will:

- Schedule and participate in periodic conference calls to discuss project matters;
- Prepare brief monthly summaries of project status to accompany R. W. Beck's invoices; and
- Be available for other communication(s) as needed.

R. W. Beck will maintain sufficient equipment and resources to be available to City by telephone, facsimile, and electronic mail throughout this engagement.

Task 2: Review of Bond Documents

Purpose: *To perform a comprehensive review of all bond documents pertaining to the anticipated revenue bond issuance.*

Description: R.W. Beck will review relevant bond documents associated with the issuance of the Series 2007 Bonds. This will include, but not be limited to, the review of the bond resolution, rate covenants, trust agreement, design engineer estimates, and any other pertinent information in order to gain an in-depth understanding of the flow of funds coverage calculations, and sources of revenues to be included in the determination of net revenues.

Task 3: Development of Projected Operating Results (Five Years)

Purpose: *To develop the net revenues and debt service coverage projections that will support the issuance of the revenue bonds for inclusion in the Official Statement.*

Subtask 3a: Development of Projected Customer Statistics

Purpose: *To develop five-year projections of System customer statistics to be utilized in determining projected system revenues.*

Description: R.W. Beck will conduct a review and analysis of available historical customer billing determinants to identify growth trends and customer usage characteristics of City system. In addition, R.W. Beck will confer with City to identify any known and measurable changes to the system's customer base (i.e. new development; addition of service territory; significant change in usage patterns; etc.).

Subtask 3b: Development of Projected System Expenses

Purpose: *To develop five-year projections of system expenses to be included in projected operating results.*

Description: R.W. Beck will conduct a review and analysis of available historical operating and non-operating system expenses to identify trends of City system. R.W. Beck will also confer with City to identify any known and measurable changes to the system's "normal" expenditures. Using this information, R.W. Beck will develop reasonable escalation factors which will be applied to City's most recently approved operating budget to arrive at a five-year projection of system expenses. The projected expenses developed in this task will be utilized in the projection of system operating results.

Subtask 3c: Development of Projected System Revenues

Purpose: *To develop five-year projections of system revenues to be included in projected operating results.*

Description: Utilizing the projected customer information developed in subtask 3a, R.W. Beck will develop a five-year projection of system revenues from existing user rates and charges. Projected revenues will be based on the application of the existing rates to the projected number of customers, unit sales and other billing information as developed in Subtask 3a. Also, the financial model will differentiate between revenues generated from the existing customer base and revenues from growth in this customer base (incremental revenues from customer growth).

In addition, R.W. Beck will develop projections of other system revenues such as interest earnings, impact fees, and various other revenues.

Subtask 3d: Integration of Five-Year Capital Improvement Plan

Purpose: *To fully integrate City's adopted five-year capital improvement plan ("CIP") into the projected operating results.*

Description: R.W. Beck will integrate City's most recent five-year CIP into the projection of system operating results. This will involve identifying anticipated projects and the costs and timing of each project. In addition, working with City, R.W. Beck will match each project to an appropriate funding source. This information will be developed in such a manner as to allow for testing of various scenarios. The resulting funding sources will then be reflected in the system's projected operating results.

Subtask 3e: Development of Projected Financial Operating Results

Purpose: *To present a five-year projection of City's financial operating results.*

Description: R.W. Beck will develop a five-year projection of City's financial operating results based on the information developed in subtasks 3a-3d. The projected operating results will consider and be reflective of the required flow of funds as outlined in City's bond documents. R.W. Beck will present projected Net Revenues, as defined in the bond documents, and identify projected funds available for Debt Service. In addition, R.W. Beck will calculate debt service coverage for each year of the projection period, based on information provided by City's underwriter. This model will also show the activity within City's operating accounts and project year-end cash balances for the system. The model will calculate the rate increase(s), if any, during the projection period that will be necessary to maintain desired debt service coverage and system financial strength.

The resulting model will give the City the ability to test the financial impact of various rates of customer growth, user rates and levels of capital expenditure scenarios and will make it possible to match funding requirements with available revenue sources.

As part of this task, R.W. Beck will develop the following:

- A "base case" scenario which establishes the reference case for other scenarios to be compared to; this scenario will be based on:
  - Anticipated revenues generated from existing rates, charges and moderate increase in the number of customers and sales of service
  - Anticipated system expenses projected using reasonable escalators
  - Current, unadjusted Capital Improvement Program
  - Existing and proposed debt structure
  - Other costs including payments to the City, if any
- An alternative scenario that reflects the magnitude of rate changes that would be necessary, if any, to support projected revenue requirements including the current, unadjusted Capital Improvement Program
- An alternative scenario that adjusts the timing and costs associated with current CIP as well as allows for alternative funding strategies.

The proposed model will be designed to be flexible enough to accommodate additional scenarios should the City so desire. Subsequent scenarios to those described herein will be considered additional services and will be billed on a time and materials basis.

Task 4: Conduct General Field Observations

Purpose: *To prepare a description of the System's major infrastructure and facility assets and offer an opinion as to their general condition.*

Description: R.W. Beck will conduct a general field observation of the City's electric system. R.W. Beck's field observations will be sufficient to reach a supportable conclusion about the overall condition of the utility systems (e.g., whether such properties are generally maintained in accordance with industry standards). R.W. Beck's review will be limited to those facilities and equipment that are readily observable (i.e., above ground or through unlocked manholes). In addition, R. W. Beck's condition assessment will also utilize information provided by City representatives who may have knowledge of the historical operations of the respective utility systems.

Task 5: Prepare Final Report

Purpose: *To prepare a final report that includes the necessary financial projections to support the issuance of the revenue bonds. Such report shall provide complete documentation of the analyses and shall include all pertinent tables and work-papers.*

Description: R.W. Beck will prepare a comprehensive and concise report summarizing its findings. This text report will include the elements necessary to be included as a supporting document to the Official Statement. The text report will:

- present the major assumptions utilized in the preparation of the Report;
- describe the methodologies used in developing the projected operating results;
- present relevant system information including, but not limited to, a description of facilities, a summary of historical and projected customer information, a comparison of City rates and charges to comparable utilities and certain other financial information;
- present required exhibits; and
- present findings and conclusions.

R.W. Beck will prepare a preliminary draft of its Report for distribution to and comment from the members of the bond project team. The comments from the project team will be taken into consideration and, where appropriate, incorporated into a final draft of the Report. R.W. Beck will then prepare a revised draft of the report to be included in the preliminary official statement. Following this, R. W. Beck will revise its report, if necessary, for inclusion in the final official statement. This represents two (2) preliminary drafts and one (1) final draft of the report. Additional revisions to the draft report, if required, will be considered additional services and the efforts associated with these revisions will be billed on a time and materials basis.

Task 6: Participation in Project Team Meetings

Purpose: *To contribute to and receive input from the bond project team to ensure the effective and timely prosecution of this engagement.*

Description: Projects of this type require active participation with other members of the project team to assure the best possible documents. For the project cost contemplated herein, R.W. Beck will attend up to three (3) meetings with, or on behalf of, City. R.W. Beck will be available to attend all meetings associated with this engagement. Should more meetings be required, the estimated costs associated with these additional meetings would be discussed with City and mutually agreed upon by R.W. Beck and City before any work is undertaken.

Task 7: Presentation to Industry Participants (Optional)

Purpose: *To present findings of Report to various industry participants.*

Description: If requested, R.W. Beck will be available to present the findings of the Report to various bond rating agencies, insurers and other industry participants. This Task is to be considered optional and separate from those Tasks presented above. If R.W. Beck is requested to participate in such meetings and presentations, the labor and travel expenses will be billed on a time and materials basis unless otherwise mutually agreed upon by R.W. Beck and City.

On the basis of the Scope described herein, unless specifically authorized in writing by City, R.W. Beck's total labor billings will not exceed $29,500.00.

By R.W. Beck, Inc.

Signature: _____

Name: Jeffrey J. McGarvey

Title: Senior Director

Date: January 10, 2007

By City of Leesburg, Florida

Signature:	_____	Signature:	_____
Name:	_____	Name:	_____
Title:	City Manager	Title:	City Clerk
Date:	_____	Date:	_____