

FLORIDA GOVERNMENTAL UTILITY AUTHORITY BUDGET OVERVIEW

The FY 2008 Budget involves significant change from the prior year's budgets. In FY 2007, the FGUA transferred the Citrus and Poinciana Utility Systems to Citrus County and the Tohopekaliga Water Authority, respectively. There are no longer sections pertaining to these two utility systems in the FY 2008 budget or the FY 2008-2012 Capital Improvement Plans. The remaining two utility systems located in Golden Gate and Lehigh Acres continue to be budgeted in substantially the same format as prior years. The focus of the General Fund has also changed. In prior years, this fund was used to budget and account for services rendered to the Citrus and Polk County Utility Departments. With the transfer of the FGUA utility systems in these counties to other providers, these functions have now also been completed. Instead the focus of the General Fund in the FY 2008 budget will be to the delivery of operation management, development planning and capital project management services to the proposed new FGUA member, the Town of Dundee, located in Polk County.

The budget is an annual process that involves the Board of Directors, Systems Manager and staff, operations and billing contractor, engineers and others. This process must first consider anticipated revenues to be received from each of the systems so as to determine the resources available to be budgeted. First claim on the resources will be the essential costs necessary for the proper operation and maintenance of each system. The next priority must be to fund those areas necessary to satisfy the requirements of the revenue bonds issued to acquire the systems. Any remaining funds may then be utilized for the capital improvement program and remaining needs.

The budget for each system of the FGUA is divided into two parts: the operating budget and the capital budget. In addition, a debt service schedule is furnished to show the status of meeting our debt service requirements. The operating budget includes routine operating expenditures for each system. The capital budget is for infrastructure improvements, system expansion to handle customer growth, renewal and replacements, service extensions, additions, or extraordinary repairs.

Certain decisions, especially in the capital improvement program, made during the budget process have an impact which extends to multiple fiscal years and not only the year for which the budget is approved. In order to demonstrate this impact, five (5) year forecasts have been developed for each system for both the operating and capital budgets.

As indicated in the System Manager's letter, certain Board initiatives and other issues have an impact across all systems, as follows:

Inflation – The following two inflationary rates are utilized; 1) for the System Manager's contract line items the rate (3.44%) is based upon the change in the U.S. Bureau of Labor Statistics Consumer Price Index--All Urban Customers, U.S. City Average, Services, plus known changes due to system growth; 2) for most other line items, where applicable, a general inflationary rate of 3.00% is also utilized. In a few cases, such as insurance rates and anticipated energy cost growth an inflation rate of 5.00% is used. The New Operations Contracts with Severn Trent Environmental Services, Inc. has fixed prices, with only three adjustments. First, a procedure to adjust billing fees for postage increases was included. Second, a formula for calculating increases to the base fees if growth exceeds the

projections included in Appendix K of each contract for ERC's and accounts was provided. Finally, if the CPI for Services inflation rate exceeds 4.0 percent, an adjustment is calculated.

Rate Adjustment – The FY 2008 projected operating revenues include a price index adjustment of 2.58%, which is based upon 75% of the change in the U.S. Bureau of Labor Statistics Consumer Price Index--All Urban Customers, U.S. City Average, Services. On October 1, 2004, the FGUA implemented changes to its Miscellaneous Fee structure, mainly impacting new customer connections. Other than the CPI Index adjustment addressed above, no general rate increases are proposed for FY 2008 except in the Golden Gate System. A four step rate increase of 1.5 percent each was approved in March 2006 for Golden Gate. The third of the four steps will be implemented October 1, 2007. The final previously approved increase will be October 1, 2008.

Special Projects

In FY 2008, staff has identified a small number of new special projects for funding as outlined below.

- New Customer Expansion Analysis: \$70,000
- Performance Audit Customer Billing: 30,000
- Connection Incentive Program (funded in FY 2009 and following years): 60,000

The total of these special projects for both FGUA systems is \$160,000. Several special projects approved in previous years have become part of our annually recurring operations and maintenance program, usually at a lower annual maintenance fee. These include Integrated Water Resource Plan Updates, Environmental Assessments, Fixed Asset & Inventory Audit, Cross Connection Control Policy & Implementation, System Mapping Services, and Web Page Maintenance.

The new programs address efforts to expand the customer base in the Golden Gate and Lehigh Acres Systems. In addition we are proposing the re-introduction of customer billing audits on an every other year basis. In FY 2008, we are proposing to conduct two studies, one in each system, to identify the best alternatives for expanding the number of water and wastewater customers connected to the FGUA systems. In both Golden Gate and Lehigh Acres, we have a large number of customers located within the service areas that are using wells and septic tanks for water and wastewater services, respectively, rather than the public water supplies provided by the FGUA. This is undesirable from a public health and from an environmental standpoint. In many cases, we have identified potential customers who continue to use wells and septic tanks when water and sewer mains directly abut their properties. In other cases, wells and septic tanks were the only solution at the time the residences were built as public water and wastewater services were not available to the parcels. There are now economic disincentives in place that result in a reluctance on the part of these property owners to connect to public water supplies. These studies will isolate and identify these costs to the property owners and develop proposed options for service extension targeted at each of the two systems. We will look for solutions to minimize cost impacts on the affected property owners.

In past years we have had a special project entitled "Mandatory Connection Plan" that was never used because of the difficulty in requiring potential customers to connect. Instead, we are proposing a special project to fund incentives to induce customers to voluntarily connect to the water and wastewater facilities available to them. These incentives will be identified in the above customer expansion studies and funded in FY 2009 and later years.

The third project, entitled, Performance Audit-Customer Billing, is designed to provide a detailed independent review of the accuracy of meter reading, verify that the FGUA contractor is only using estimated billing for short durations in the event of a meter malfunction, insure the meter replacement program is being implemented by the contractor as designed to replace meters over ten years old, and to insure that the correct tariff is being consistently applied to all bills. Although the FGUA management staff customer service representatives sample a small number of bills each month to insure accurate application of the FGUA tariff, other embarrassing customer service issues relating to accuracy of meter reading, malfunctioning meters not being timely replaced, and long term estimating of some bills have surfaced in the last year in multiple systems. Staff proposes to introduce a periodic intense top-to-bottom audit of contractor implementation of proper meter reading, meter replacement, and billing procedures to mitigate recurrence of embarrassing cases of inadequate customer service.

The following recurring special projects are also proposed for funding in the upcoming operating budget.

The Environmental Assessment Updates and Integrated Water Resource Plan updates are ongoing efforts budgeted annually, to insure that all FGUA operations are conducted in an environmentally sound manner and to provide a resource to educate the public on sound water management practices.

The Fixed Asset & Inventory audit will allow for the annual statutorily mandated inventory of fixed assets. Implementation of this project will also help eliminate an audit finding in our current CAFR.

The Cross Connection Control Program will establish procedures and provide for ongoing implementation of a process to insure that no cross connections occur to the FGUA drinking water supplies, for example to preclude a private irrigation well being interconnected to the FGUA potable water supply.

The System Mapping Services would allow the establishment of a Computer Aided Design (CAD) system in order to place all maps of system facilities and pipelines into an electronic database for future update and management. Portions of this program have been funded in capital projects to catch up backlogs from prior years.

Capital Improvement Program

In the FY 2003 budget, the FGUA revised its method of budgeting for capital programs. To provide more administrative control over the appropriation, budgeting and accounting process, all multi-year 1999 through 2002 appropriations expired for new encumbrances of funds effective September 30, 2002. All existing encumbrances remain valid until disbursed, but unencumbered appropriations were no longer available. Instead, available fund balances are now appropriated on an annual basis for encumbrance only in one fiscal

year. All unencumbered balances appropriated in the FY 2007 budget will expire September 30, 2007. Any projects not contracted for at that time must be included in the FY 2008 appropriation for funding in the new budget year.

The FY 2008 budget process has involved many parties. Numerous meetings were held by the financial, operational, and engineering staffs to propose, discuss and analyze, and estimate the impact the capital plan will have over the next five years. In addition preliminary plans have been discussed with representatives of FGUA member counties, plus Collier County. The MUNIS financial software will allow us to change the project numbering system so the appropriation year is no longer part of the project identification number. Thus related costs for one project funded in multiple budget years can be more easily accumulated. The results of each system's capital program is discussed and displayed in the section of the budget devoted to each individual system.

A summary of the funding sources for all system capital projects budgeted in FY 2008 follows a consolidated presentation of the operating budget and a new debt issuance schedule.

Debt Issuance Schedule

A new schedule has been added to this section on page II-7. This schedule provides a summary of the borrowing requirements for FY 2008. It shows the capital project totals to be funded, the amounts of any bond refunding, and an estimate of issuance costs and reserve requirements.

FLORIDA GOVERNMENTAL UTILITY AUTHORITY
Consolidated
Five Year Operating Forecast

	Actual FY 2005	Estimate FY 2007	Budget FY 2008	Forecast			
				FY 2009	FY 2010	FY 2011	FY 2012
OPERATING REVENUE							
331501 FEMA Disaster Recovery Grants	73,450	-	-	-	-	-	-
337307 Billing & Customer Service Contract	269,791	88,933	-	-	-	-	-
337310 Polk County Utility Support	139,887	51,369	-	-	-	-	-
337320 Town of Dundee Service Contract	-	16,000	80,000	80,000	60,000	80,000	60,000
Town of Dundee Capital Project Inspection	-	5,000	20,000	20,000	20,000	20,000	20,000
343501 Water Recurring Revenue	7,640,725	8,054,791	8,586,231	9,252,380	10,044,924	10,810,839	11,667,622
343502 Wastewater Recurring Revenue	7,332,143	7,883,389	8,347,625	8,859,065	9,538,131	10,270,859	11,061,913
343503 Fire Line Revenue	4,923	5,034	5,283	5,524	5,734	5,955	6,187
343504 Irrigation Revenue	293,770	81,350	83,302	85,488	87,690	89,970	92,310
343510 Wholesale Water/Wastewater Sales	-	-	-	-	-	-	-
343512/13 Connection Fees Water & Sewer	89,291	61,850	63,773	58,839	61,111	65,718	70,681
343507 Turn on Fees	111,958	119,832	123,852	129,756	137,611	146,810	154,890
343509 Line Maintenance Fees	-	-	-	-	-	-	-
343506 Late Fees	288,048	301,046	302,686	308,465	320,373	337,203	355,379
343508 Miscellaneous	7,659	16,300	5,399	5,901	5,811	6,029	6,267
343516 Inspection Fees	139,027	80,502	88,488	88,012	80,820	93,095	95,438
343516 Plan Review Fees	8,850	14,728	17,084	17,447	17,820	18,205	18,601
361100 Investment Earnings on Operating Balances	313,716	395,980	409,726	422,017	434,878	447,718	461,150
362001 Rents	-	-	-	-	-	-	-
368001 Insurance Proceeds	-	1,993	-	-	-	-	-
363100 Special Assessment Revenue	77,476	75,218	75,500	37,500	-	-	-
Revenue From Rate Increase	-	-	-	-	-	-	-
Total Revenues	\$ 16,780,320	\$ 17,242,024	\$ 18,168,808	\$ 19,348,673	\$ 20,824,604	\$ 22,471,600	\$ 24,280,229
OPERATING EXPENSES							
Board Expenses							
549002 Board Meetings	5,476	3,000	3,847	3,962	4,081	4,204	4,330
547002 Copy/Delivery Charges	18,365	23,924	38,000	39,140	40,314	41,524	42,769
541004 Postage	3,810	3,966	5,500	5,885	6,336	6,810	7,190
545001 Insurance	176,886	208,168	220,905	231,951	243,648	255,726	268,512
549003 Bad Debts	197,203	93,730	96,542	89,438	102,421	105,494	108,659
548001 Customer Information Program	31,377	43,598	64,852	66,591	70,647	74,760	78,760
549005 Regulatory/Permit Fees	138,624	135,310	143,441	153,493	162,003	170,888	180,470
548002 Newspaper Legal Ads	18,002	12,755	14,714	12,683	13,084	13,455	13,859
549001 Miscellaneous	14,705	16,302	17,979	18,471	19,877	19,488	20,335
551001 Office Supplies	801	574	591	609	627	646	665
564001 Dues & Subscriptions	3,052	4,570	4,708	4,848	4,994	5,144	5,298
540001 Travel	2,344	613	632	651	670	690	711
534009 Bank Fees	31,588	40,332	41,542	42,788	44,072	45,393	46,756
549008 Cash Overage/Shortage	(62)	740	750	765	780	795	812
549008 Property Taxes	15,633	14,072	14,494	14,929	15,377	15,838	16,313
549008 Reserve for Contingencies	9,308	32,745	81,340	83,958	68,516	69,390	72,401
544001 Rents & Leases	70,764	93,240	95,037	98,822	101,662	104,661	107,619
Operating and Management Services							
534001 Operations & Maintenance Contract	3,482,500	3,913,918	4,311,661	4,865,157	5,033,456	5,483,287	5,871,268
534002 Additional O&M	538,119	330,182	310,285	335,231	388,334	404,873	445,210
534003 Billing & Customer Service Contract	760,996	773,550	783,087	861,608	925,041	1,011,287	1,090,967
534004 Additional Billing & Customer Service	120	7,922	7,860	8,116	8,360	8,610	8,869
534005 Management Contract	726,880	810,219	877,182	933,133	1,008,734	1,091,337	1,181,600
534011 Plan Review & Inspection Services	161,950	42,460	37,494	38,559	42,655	43,785	44,949
5340XX Security Monitoring Fees	-	2,000	1,000	1,030	1,061	1,093	1,126
548002 Vehicle Maintenance	-	-	2,186	2,252	2,320	2,389	2,461
552001 Fuel	-	-	8,207	8,453	8,708	8,968	9,237
543006 Electric Power	569,975	789,730	891,703	1,052,288	1,205,903	1,330,188	1,467,709
570004 Interest Paid (on customer deposit refunds)	105,124	44,458	46,792	47,185	48,580	50,038	51,539
Purchased Water/Wastewater	-	-	582,100	590,205	619,715	650,701	683,236
Professional Services							
534008 Legal - General Counsel	102,395	130,030	140,260	106,911	110,118	113,422	116,925
534008 Legal - Utility Counsel	53,323	14,542	15,308	15,768	16,241	16,728	17,230
534000 Utility Rate Consultant	14,885	17,000	35,000	20,000	17,500	20,000	-
534007 Engineering Services	212,994	185,233	143,842	148,157	152,602	167,180	161,886
534000 Other Contractual Services	2,889	-	-	-	-	-	-
513003 Financial Advisor	-	-	7,020	7,020	7,020	7,020	7,020
532001 Accounting (Fixed Asset Inventory)	9,167	18,050	18,337	18,632	18,936	19,249	19,571
532002 Audit Fees	24,746	22,305	31,853	32,603	33,581	34,588	35,626
534010 Lab Services	18,892	-	-	-	-	-	-
685000 Construction Services	900	240	2,000	2,080	2,122	2,185	2,251
652005 Software Support	16,048	18,900	10,418	10,580	10,748	10,920	11,098

FLORIDA GOVERNMENTAL UTILITY AUTHORITY
Consolidated
Five Year Operating Forecast

Special Projects								
649010	Litigation Reserve	-	11,700	20,000	20,600	12,609	12,987	13,377
634012	RFQ for Operations & Billing	-	6,076	-	-	-	30,000	-
634013	Integrated Water Resource Management Plan	75,000	-	25,000	25,000	25,000	25,000	25,000
634014	Environmental Assessment	-	4,540	15,000	15,000	15,000	15,000	15,000
634018	Disaster Recovery Plan	-	-	9,000	9,600	9,600	9,600	9,600
634019	Vulnerability Assessment	-	-	10,000	-	-	-	-
634015	Performance Audit - Customer Billing	-	-	30,000	-	30,000	-	30,000
634020	Connection Incentive Program	-	-	-	60,000	60,000	60,000	60,000
634018	Web Page Enhancements	3,582	8,714	8,793	10,087	10,390	10,701	11,022
634017	New Customer Expansion Analysis	-	-	70,000	-	-	-	-
634025	Cross Connection Control Policy & Implementation	-	-	20,000	8,000	8,000	8,000	8,000
634032	Web Interface Electronic Payments	-	-	19,000	19,000	19,000	19,000	19,000
	Total Operating Expenses	7,605,251	7,878,667	9,295,450	9,920,979	10,784,861	11,668,149	12,386,747
NON-OPERATING EXPENSES								
671001	Debt Service Transfer Parity Debt	6,463,634	6,937,402	7,050,442	7,189,203	8,432,932	8,432,932	8,432,932
671001	Debt Service Transfer Special Assessment Debt	78,021	72,400	64,584	63,575	63,575	63,575	63,575
565001	Renewal and Replacement Transfer	985,237	1,041,723	1,053,835	902,840	862,331	1,036,124	1,118,471
	Total Non-Operating Expenses	7,516,892	8,051,525	8,168,861	8,155,618	9,468,838	9,532,631	9,614,978
	Total Expenses	\$ 15,123,123	\$ 16,930,192	\$ 17,465,361	\$ 18,076,597	\$ 20,243,699	\$ 21,100,780	\$ 22,003,725
	Surplus/(Deficit) Before Transfer from (to) Operating Reserve	1,637,197	1,311,832	693,468	1,272,076	580,908	1,370,820	2,266,604
	TRANSFER FROM (TO) OPERATING RESERVE	-	(1,741,366)	(4,000,000)	-	-	-	-
	Surplus/(Deficit)	\$ 1,637,197	\$ (429,534)	\$ (3,306,532)	\$ 1,272,076	\$ 580,908	\$ 1,370,820	\$ 2,266,604