



Welcome

Budget Planning Workshop

for

**FGUA STRATEGIC PLAN 2008
UPDATE**

March 20, 2008



Workshop Objectives

Obtain Board Feedback for Budget Preparation:

- Recap Mission, Vision and Values
- Status Report on Goals, Accomplishments and Disappointments
- Review recent local government market research
- Report updated system demand conditions
- Review Financial Results for FY07 and Budget Forecasts for FY08 and FY09
- Check and clarify Budget related strategies



MISSION

The mission of the FGUA is to assist other local government entities with creative tools for utility resource management, planning, and development.



VISION

The FGUA will be a widely recognized and utilized long-term partner with other local government entities to innovatively acquire utility systems, provide highly effective and efficient utility services through ownership or contract and assist other local governments to manage their growth patterns and directions.



VALUES

In pursuit of its vision the FGUA will adhere to the following values:

- Consistently deliver the highest quality water at the best price possible
- Provide high quality and cost effective customer service
- Continual conservation and wise management of natural resources
- Promotion of the public good and individual member interests through collaboration
- Prudent financial management of system resources for the benefit of all customers



STRATEGIES

To fulfill its mission and in pursuit of its vision, the FGUA will pursue the following key strategies:

- Further improve the financial strength of the FGUA as a public entity through targeted expansions
- Size the system capacity of the FGUA infrastructure to meet current customer needs and projected growth
- Expand the dissemination and promotion of the FGUA's unique capabilities
- Continually improve the FGUA's management of its resources
- Innovatively improve responsiveness and convenience of FGUA service to customers



BOARD'S ROLE

In the continual effort to foster the growth and development of the FGUA, the Board Members accept the following responsibilities:

- Diligently represent the interests of member governments
- Actively promote the FGUA
- Establish and amend policy in such areas as:
 - Customer and membership expansion
 - Acquisition of utility systems
 - Customer relations and rates
 - Products and services offered by and through the FGUA
 - Increase the long-term stability of the FGUA
 - Environmental resource management



SYSTEMS MANAGER'S ROLE

The Systems Manager is responsible for implementing the policies and achieving the goals and objectives of the FGUA Board in a timely and professional manner in accordance with the values of the FGUA:

- Assure the Board receives timely, accurate, and thorough information
- Provide the highest level of customer service
- Maintain competitive rates within existing and future systems
- Identify and analyze expansion opportunities
- Expand the FGUA's visibility and presence with current and potential customers, affiliates and partners
- Implement and continuously update the Strategic Plan



FY 2007 and FY 2008 A Period of Mixed Results & Flux

- ↓ Utility Systems Managed
- ↓ ERC's Serviced than Projected
- ↓ Operating Revenue
- ↑ Contractor Performance Issues
- ↓ CIP Activity/Expenditures
- ↑ Prospect of New Ventures



Accomplishments

Since Last Planning Session (April 2007)

- Community Service Representatives supported 407 system wide community meetings in Poinciana, Lehigh Acres, Golden Gate and Citrus.
- Supported 6 meetings of the new Utility Advisory Committee in Lehigh Acres.
- Successfully transitioned Poinciana and Citrus Systems from FGUA to other governments
- Established an Interlocal Agreement with Town of Dundee for Utility Services in June 2007 for operational oversight services.
- Secured new county government members of the FGUA, Hendry and Pasco, with new system acquisition due diligence proceeding in Pasco
- Obtained Lake County Commission's vote of intent to join the FGUA
- Initiated discussions and interest with other local governments in joining the FGUA including; De Soto County, Cities of Edgewater, Winter Springs and Coral Springs.



Accomplishments

Since Last Planning Session (April 2007)

- Staff projects that we will successfully complete or encumber approximately 54% of the FGUA capital program for FY 2008.
- Completed and utilized the interconnect water pipeline between the City of Fort Myers and the FGUA Lehigh Acres Utility System, which provides a two way back-up water supply for both the City and the FGUA.



Accomplishments

Since Last Planning Session (April 2007)

- Received the Award of Excellence in Financial Reporting to the FGUA for the FY 2006 CAFR by the Government Finance Officers Association for the sixth consecutive year.
- Completed the Golden Gate and Lehigh Acres Line of Credit for issuance in December 2007 for a combined total of \$40 million dollars.



Challenges Encountered

- Adjusting budget and personnel to “right-size” with departing systems
- Site specific community controversy (e.g. Golden Gate deep well)
- Contractor performance
- Shifting positions of regulators
- Limited system growth



Prior 12-month Disappointments

- Consent Order was negotiated for the Golden Gate System.
- Severn Trent has not met expectations and contract requirements and in certain instances, embarrassed the FGUA
- Delays encountered with adjusting capital program



Prior Years to Date Goal Attainment Report Card

Prior Year Goals

	<i>Completed</i>	<i>Ongoing</i>	<i>Partially Completed</i>	<i>Deferred</i>
Expand Water/Wastewater Service Reach				X
Develop Re-use Agreements With Potential Users		X		
Enhance Communications With Member Boards	X			
Pursue contract management services for governmental utility systems that FGUA does not own	X			
Pursue acquisition of distressed utilities, to assist the FDEP and local governments where feasible		X		
Revisit all aspects of FGUA's Capital Improvement Program (CIP) to include planning, funding, project management, construction management and inspection services	X			



Prior Years to Date Goal Attainment Report Card

Prior Year Goals

	<i>Completed</i>	<i>Ongoing</i>	<i>Partially Completed</i>	<i>Deferred</i>
Complete and Implement an FGUA Standard Procedures Document (Operations and Maintenance Manual) for Quality Control		x		
FY 2007 - initiate and/or complete 90% of major capital projects by September 2007.	x			
Develop and implement a Cross-Connection Control Program		x		
Write new mainline extension policy where developers, special assessments and capacity fees fund capital improvements		x		
Implement the New Operations, Maintenance, Customer Service and Billing Contracts with ST	x			
Update, assess and enhance Facility Safe Work Place Conditions		x		
Establish a Monthly Operational Accountability Report Card		x		
Establish a Monthly Maintenance Management Assets Tracking Report		x		
Develop a 10 Year Comprehensive Lift Station Rehabilitation Report		x		
Expand on Initial Capacity Management Operations & Program	x			
Finalize Community Services Outreach Program	x			
Develop a new investment policy	x			
Develop a new budget adjustment policy			x	



Prior Years to Date Goal Attainment Report Card

Prior Year Goals

	<i>Completed</i>	<i>Ongoing</i>	<i>Partially Completed</i>	<i>Deferred</i>
GFOA Certificate of Excellence in Financial Reporting		X	X	
Assist Citrus County staff in the transition of the Citrus County System to County ownership	X			
Record financial reports and FGUA Board agendas on web site	X			
Ensure that developer conveyance documents are brought to the Board on a timely basis for acceptance			X	
Resolve ongoing dispute with Gassner Development regarding the Town Lakes development in Lee County		X		
Resolve operational maintenance, billing and customer service issues at Heritage Apartments in Collier County		X		
Work with System Manager on alternatives for the ownership of the Golden Gate system	X			
update and revise the FGUA's Extension Policy		X		
Address and resolve comments contained in auditor's management letter	X			



Key Planning Question:

What do we know about current local government business conditions and trends?



Local Government Market Research

January 2008 GSG Web Survey

- 517 city and county managers contacted on-line
- 26% participation rate (expected)
- Responses skewed toward small cities and counties (<50K population city; < 500K Population county)
- In response to tax reform, consideration to:
 - Consolidation of functions with other governments 47%
 - Outsourcing service 43%
 - Transfer of functions to other governments 27%
 - Sale of assets to other governments/private sector 9%



Local Government Market Research

February 2008 FCCMA Focus Groups

- 19 city and county managers in two group sessions
- Professional independent third party facilitator

Major Findings Pertinent to the FGUA

- Enterprise funds less likely to be impacted by tax reform
- Tax reform:
 - Will encourage more creative service solutions
 - Could provide political will to change historical practices
 - Would lead to outsourcing of more services (e.g. utilities, waste disposal and collection)
 - Could lead to more service or “functional” consolidation, including “partnerships and interlocal agreements”
 - Could lead to creation of more special districts
 - Prompt cuts to capital improvements
 - More transfers to general fund



Leading Budget Related Issues Discussion

- Customer Service Performance
- Updated System Demand Forecast and CIP Restatement
- System Growth
 - New Member Governments
 - Customers in Existing Systems
 - Broader Scope of Public Facilities



Customer Service Performance

- November 2005 Customer Satisfaction Report

Key Recommendations:

Implemented?

- | | |
|---|-----|
| - Begin public meeting series | yes |
| - Partner with community organizations | yes |
| - Begin telephone bill pay | no |
| - Develop new water conservation incentives | no |
| - Provide additional call-taking lines | yes |
- Recommendation – Provide funding in FY 2008/09 to:
 - Implement remaining 2005 recommendations
 - Update satisfaction survey



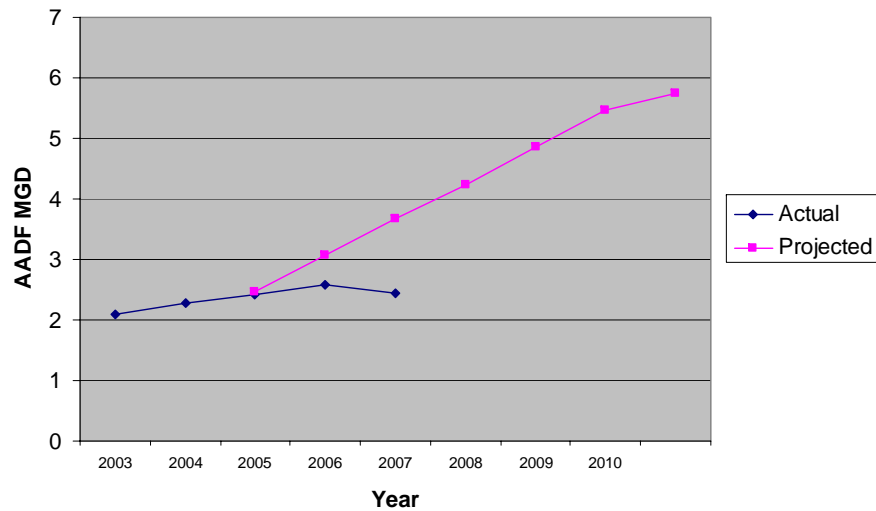
System Growth

- Customer base and flows within current systems lower than previous projections
- Current growth direction
 - Private utilities
 - Municipal/county systems
- Optional additional growth direction
 - Other public facilities (e.g. solid waste, gas, electric)
- Recommend all options be considered with thorough due diligence analysis and case-by-case Board determination
- Consideration of Commercial Paper program

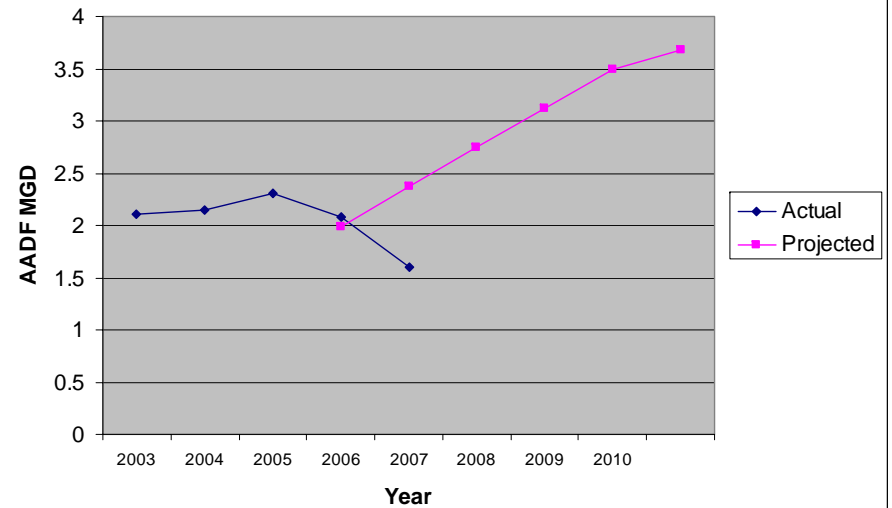


Flow Experience – Lehigh Acres

LE WTP AADF Actual vs. Projected

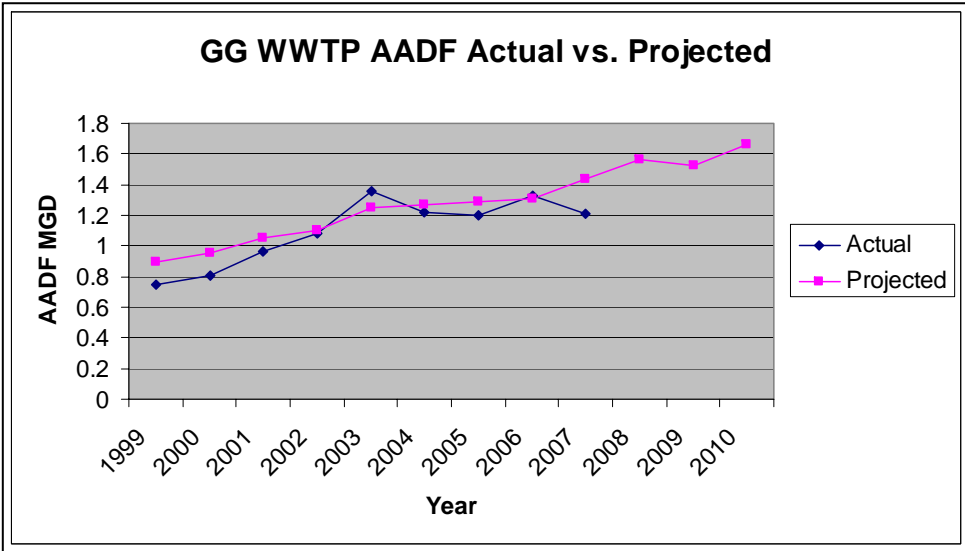
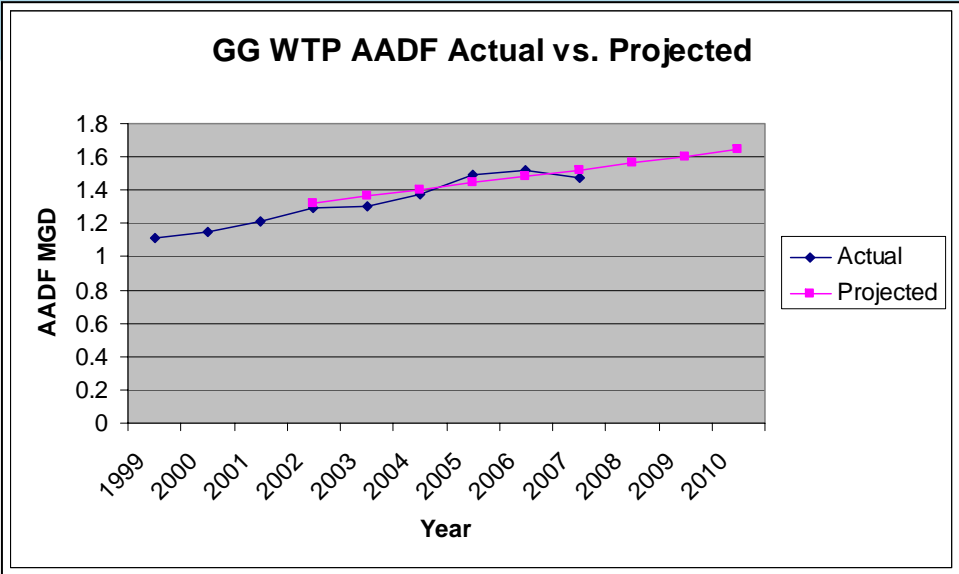


LE WWTP AADF Actual vs. Projected





Flow Experience – Golden Gate





Strategic Goals Restatement For Budget Preparation Guidance

- “Tune-up” Mission Statement

Existing

“The mission of the FGUA is to assist other local government entities with creative tools for utility resource management, planning, and development.”

Suggested Update

“Provide communities with a high-value, cost-effective utility and public facility management alternative within a public governance structure which maximizes customer service quality.”



Strategic Goals Update For Near Term Budget Consideration

- Increase the number of utility systems in the FGUA
- Improve customer service through continual feedback, implementing state-of-the-art business tools and viable customer suggestions
- Deliver well-reasoned and properly-focused capital improvements on timely schedules and within prudent budgets
- Operate systems within optimal service and efficiency standards and best industry practices
- Provide excellent stewardship of the FGUA finances including best debt and operating ratio practices and reasonable customer fees
- Broaden public facility scope of the FGUA to include such services as solid waste, electricity and gas systems.
- Expand customer base in existing systems, pursue mandatory connection where required and/or supported by host government.



FGUA - Combined Systems Operating Revenues/Expenses Prior Year FY07 Results

<u>Operating Revenue</u>	<u>FY07 Budget</u>	<u>FY07 Actual</u>	<u>FY07 Variance</u>
Water Sales	7,895,035	7,936,469	41,434
Wastewater Sales	7,888,709	7,570,819	(317,890)
Irrigation Sales	330,986	84,222	(246,764)
Late Fees	276,256	325,753	49,497
Interest	123,362	403,086	279,724
Special Assessment	63,575	84,774	21,199
Other	328,998	299,716	(29,282)
TOTAL REVENUE	\$ 16,906,921	\$ 16,704,839	\$ (202,082)
<u>Operating Expenses</u>			
Board Expenses	81,854	40,497	(41,357)
Operating/Management Services	7,939,464	8,208,877	269,413
Professional Services	366,090	467,714	101,624
Special Projects	300	11,178	10,878
SUBTOTAL	\$ 8,387,708	\$ 8,728,266	\$ 340,558
<u>Non-Operating Expenses</u>			
Debt Service	6,259,037	6,261,399	2,362
Transfer to Operating Reserve	1,218,453	673,451	(545,002)
Renewal & Replacement Transfer	1,041,723	1,041,723	-
SUBTOTAL	\$ 8,519,213	\$ 7,976,573	\$ (542,640)
 TOTAL EXPENSES	 \$ 16,906,921	 \$ 16,704,840	 \$ (202,081)



FGUA- Combined Systems Capital Revenues & Expenses FY07 Results

<u>Capital Project Revenue</u>	FY07 <u>Budget</u>	FY07 <u>Actual</u>	FY07 <u>Variance</u>
R & R Fund	\$ 4,377,207	\$ 2,976,844	\$ (1,400,363)
Water Capacity Fees	2,279,619	6,272,015	\$ 3,992,396
Wastewater Capacity	5,569,688	5,072,453	\$ (497,235)
1999 Series Bonds	-	71,375	\$ 71,375
2003 Series Bonds	485,963	1,983,285	\$ 1,497,322
2005 Series Bonds	17,836,691	32,352,915	\$ 14,516,224
2007 Line of Credit	4,119,000	-	\$ (4,119,000)
Total Revenue	\$ 34,668,168	\$ 48,728,887	\$ 14,060,719
 <u>Capital Project Exp;./Enc./Carryover</u>			
Capital projects (incl. R&R) Expensed & Encumbered	29,455,000	38,100,910	8,645,910
Funds Carried Over to FY08 Projects	\$ 5,213,168	\$ 10,627,977	\$ 5,414,809
Total Expenses	\$ 34,668,168	\$ 48,728,887	\$ 14,060,719



FGUA - Combined Systems

Operating Revenues/Expenses FY 08 & FY 09

(000's in thousands)

	FY08 <u>Budget</u>	FY08 <u>Actual</u> (2/08)	FY08 <u>Projection</u>	Projected <u>Variance</u>	FY09 <u>Budget</u> <u>Estimate</u>
<u>Operating Revenue</u>					
Water Sales	\$ 8,568	\$ 2,887	\$ 8,152	\$ (416)	\$ 8,396
Wastewater Sales	8,348	2,837	8,010	(338)	8,251
Late Fees	303	176	422	119	435
Interest	410	139	334	(76)	344
Other	530	240	576	46	593
TOTAL REVENUE	\$ 18,159	\$ 6,279	\$ 17,494	\$ (665)	\$ 18,019
<u>Operating Expenses</u>					
Board Expenses	\$ 85	\$ 17	\$ 48	\$ (37)	\$ 49
Operating/Management Services	8,017	3,253	9,185	1,168	9,460
Purchased Water/Wastewater	562	-	-	(562)	-
Professional Services	404	200	565	161	582
Special Projects	228	26	73	(155)	200
SUBTOTAL	\$ 9,296	\$ 3,496	\$ 9,871	\$ 575	\$ 10,292
<u>Non-Operating Expenses</u>					
Debt Service	\$ 7,115	\$ 3,846	7,216	101	7,253
Transfer to/(from) Operating Reserve	\$ 694	\$ (1,502)	(647)	(1,341)	-
Renewal & Replacement Transfer	1,054	439	1,054	-	875
SUBTOTAL	\$ 8,863	\$ 2,783	\$ 7,623	\$ (1,240)	\$ 8,128
TOTAL EXPENSES	\$ 18,159	\$ 6,279	\$ 17,494	\$ (665)	\$ 18,419
<u>SURPLUS (DEFICIT)</u>					\$ (401)



FGUA- Combined Systems Capital Revenues & Expenses FY08 & FY09 (000's in thousands)

	<u>FY08</u>	<u>FY08</u>	<u>FY08</u>	<u>FY08</u>	<u>FY09</u>
	<u>Budget</u>	<u>Actual</u>	<u>Projection</u>	<u>Projected</u>	<u>Budget</u>
<u>Capital Project Revenue</u>		<u>(2/08)</u>		<u>Variance</u>	<u>Estimate</u>
R & R Fund	\$ 4,890	\$ 2,193	\$ 2,823	\$ (2,067)	\$ 895
2007 Line of Credit	39,323	-	4,902	(34,421)	25,038
2003 Series Bonds	665	967	988	323	-
2005 Series Bonds	8,421	21,477	21,827	13,406	-
2008 SA Bonds	4,119	-	-	(4,119)	-
Water Capacity Fees	1,967	1,753	1,972	5	810
Wastewater Capacity Fees	3,867	4,565	4,833	966	935
TOTAL REVENUE	\$ 63,252	\$ 30,955	\$ 37,345	\$ (25,907)	\$ 27,678
<u>Capital Project Exp;./Enc.</u>					
Golden Gate	\$ 6,194	\$ 8,264	\$ 9,955	\$ 3,761	\$ 5,378
Lehigh Acres	50,341	11,410	27,390	(22,951)	22,300
Funds Carried Over to FY09 Projects	6,717	11,281	-	-	-
TOTAL EXP./ENC.	\$ 63,252	\$ 30,955	\$ 37,345	\$ (19,190)	\$ 27,678



Next Steps

- April 3 - Preliminary Operating/Debt Service Budget Completed
- April 15 - Preliminary Capital Budget Completed
- April 21-25 - Transmit CIP to County Planning Staffs for review
- April 28-May 2 - Incorporate County Planning Feedback
- May 15 - System Manager Submits FY2009 and 2009-2013 CIP to the Board
- August 11-14 - Rate Hearings if Necessary
- August 21 - Adoption of Rate Resolutions, if Required
- September 18 - Final Public Hearing and Budget Adoption