FGUA Board of Directors
Strategic Planning Session

February 23, 2012
MacDill Air Force Base, Tampa, FL
Workshop Objectives

- Recap Mission, Vision and Values
- Status Report on Goals, Accomplishments and Disappointments
- Foreclosure update in service areas
- Updated system demand conditions
Workshop Objectives (Cont.)

- Report Customer Survey results
- Present FY 10-11 Year-end Financial Report and Preliminary FY 11-12 Forecast
- Future direction discussion
- Update Goals/Vision
The FGUA provides communities with high-value, cost-effective utility and public facility management alternatives within a public governance structure which maximizes customer service quality.
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.
Accomplishments
Since Last Planning Session (March 2011)

FGUA Customer Connections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Customer Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>30,294</td>
</tr>
<tr>
<td>2009</td>
<td>56,474</td>
</tr>
<tr>
<td>2010</td>
<td>75,846</td>
</tr>
<tr>
<td>2011</td>
<td>89,217</td>
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</tbody>
</table>
Accomplishments
Since Last Planning Session (March 2011) (Cont.)

- FGUA system connections have nearly tripled from 30,294 to 89,217 in 3 years
- Community Service Representatives participated in 261 community meetings in Lehigh Acres, Golden Gate, Pasco and North Fort Myers
- Supported bimonthly meetings of the Utility Advisory Committee (UAC) in Lehigh Acres, Golden Gate, 11 joint meetings with the Committee for Better Water Now (CBWN) in Pasco
- Working with other local governments about potential FGUA acquisitions including; Flagler, Volusia and Marion Counties
Accomplishments
Since Last Planning Session (March 2011) (Cont.)

- Concluding due diligence work and negotiations with Mad Hatter Utilities (a priority of Pasco County); purchase expected May-June 2012
- Reduced water quality complaints from 99 in July 2009 to 15 in January 2012 in the former Aloha Utilities
- More than doubled collection rate on inactive account fees
- Expanded former CBWN to include Lindrick customers to form Pasco Customer Committee
Accomplishments
Since Last Planning Session (March 2011) (Cont.)

• Satisfactorily met settlement agreement terms with SWFWMD re: Aloha over-pumping; projects completed within schedule and under budget
• Pasco elected officials and CBWN joined FGUA at ribbon cutting for new Mitchell Water Treatment Plant; very positive press and testimonials about FGUA
• Maintaining schedule for North Fort Myers del Prado WWTP expansion and Waterway Estates Interconnection
Accomplishments
Since Last Planning Session (March 2011) (Cont.)

- Successfully launched first Low Flow Toilet Rebate Program in Pasco with SWFWMD grant; 74 participants providing 100 rebates
- Transitioned new operations contractor at Lehigh and Golden Gate
Accomplishments
Since Last Planning Session (March 2011) (Cont.)

- Completed FGUA website redesign for enhanced customer convenience
- Received the Award of Excellence in Financial Reporting for the FY 2010 CAFR by the Government Finance Officers Association for the tenth consecutive year
- Secured $1.2 million grant from SWFWMD for Pasco system reclaimed water expansion to include cost sharing with Trinity Oaks Property Owners Association
- Commenced Lindrick Chloride Reduction and Chloramine Conversion projects at Lindrick and odor control in Pasco
Accomplishments
Since Last Planning Session (March 2011) (Cont.)

- Successfully completed first year of ownership operation at MacDill AFB; including ISDC projects & R&R
- Fully funded MacDill R&R reserve fund of approximately $900k
- “Aloha means goodbye – to black water”
  TBO.com (Tampa Bay Online)-8/24/2011
- “Black water problems could end after 17 years”
  The Suncoast News-8/24/2011
- “Seven Springs’ long wait odorless, clear water almost over”
  St. Petersburg Times (tampabay.com)-8/23/2011
- “Aloha Utilities customers finally get their wish: good, clean water”
  St. Petersburg Times (tampabay.com)-8/24/2011
- “Defense Department Monetizes and Outsources Water and wastewater Facilities With “Hybrid” Government”
  Journal AWWA-08/2011
Challenges Encountered

- Continued weak housing, and general economic conditions leading to continued low flows and weakened cash flows; tighter bond coverage
- Higher rate increases required than earlier expected at NFM, Lindrick and Consolidated
- Did not get to BCCs and one-on-one’s with elected officials as hoped
- Odor complaints from neighbors of Pasco Seven Springs Wastewater Plant
Challenges Encountered (Cont.)

- Did not achieve working capital policy target for NFM and Golden Gate at FY 11 year-end
- No response to Consolidated System refinancing RFI
- Reuse supply complaints in NFM, including Cape Coral
- Transition billing issues at Lehigh and Golden Gate
Planning Considerations Discussion

- Updated Economic Conditions/System Demand
- Customer Survey Results
- Financial Status Update
- Driving more Efficiency
  - Technology (e.g., teleconferencing, electronic meter reading, reverse calling)
  - Contract Revisions (e.g., work order process/deductible)
- Future Acquisition Guidance
System Demand Key Planning Question:

- Have we hit bottom of real estate downturn?
Answer: Maybe – Positive Indications

- Having experienced 5+ year lows, customer base and flows within current systems have been re-forecasted as part of refinancings and rate consultant projecting leveling and very modest growth
Economic Conditions

Golden Gate Foreclosure Rate
*Real Estate Owned (REO) Filings*

Foreclosures

Economic Conditions (Cont.)

Lehigh Acres Foreclosure Rate
*Real Estate Owned (REO) Filings*

![Graph showing foreclosure rate from Jan-10 to Dec-11. The graph indicates a general downward trend.](image-url)
Economic Conditions (Cont.)

Pasco Foreclosure Rate
*Real Estate Owned (REO) Filings*
Economic Conditions (Cont.)

NFMU Foreclosure Rate
*Real Estate Owned (REO) Filings*

Foreclosures

Flow Experience – Lehigh Acres

LEHIGH ACRES WTP #1 & #2
AADF Actual vs. Projected
Flow Experience – Lindrick

LINDRICK WATER SYSTEM
AA DF Actual vs. Projected

AA DF (MGD)


- Actual
- Projected
- Permitted
Flow Experience – North Fort Myers

NORTH FORT MYERS DEL PRADO WWTP
AADF Actual vs. Projected

![Graph showing AADF Actual vs. Projected for North Fort Myers Del Prado WWTP, with lines for Actual, Projected, and Permitted data points from 2004 to 2018.](image-url)
Flow Experience – MacDill AFB

MACDILL WWTP
AADF Actual vs. Projected

- Actual
- Projected
- Permitted

AADF (MGD)

Customer Survey Results

- Customer Service Survey Presentation
# Financial Status

FGUA Combined Systems  
Operating Revenues/Expenses FY 2011

<table>
<thead>
<tr>
<th></th>
<th>FY11 Budget</th>
<th>FY11 Actual</th>
<th>FY11 Variance</th>
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<tbody>
<tr>
<td>Unrestricted Assets 10/01</td>
<td>$5,989,488</td>
<td>$8,049,938</td>
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<tr>
<td>TOTAL REVENUE</td>
<td>$53,372,958</td>
<td>$51,804,989</td>
<td>$(1,567,969)</td>
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<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>$27,674,792</td>
<td>$25,171,231</td>
<td>$(2,503,561)</td>
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<tr>
<td>TOTAL NON-OPERATING EXPENSES</td>
<td>$21,522,725</td>
<td>$24,018,091</td>
<td>$2,495,366</td>
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<tr>
<td>TOTAL EXPENSES</td>
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<td>$49,189,322</td>
<td>$(8,195)</td>
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<tr>
<td>SURPLUS</td>
<td>$4,175,441</td>
<td>$2,615,667</td>
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<tr>
<td>Unrestricted Assets 09/30</td>
<td>$10,164,928</td>
<td>$10,665,605</td>
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## FGUA Combined Systems
### Operating Revenues/Expenses FY12/FY13

<table>
<thead>
<tr>
<th></th>
<th>FY12 Budget</th>
<th>FY12 Actual (12/11)</th>
<th>FY12 Projection</th>
<th>Projected Variance</th>
<th>FY13 Budget Estimate</th>
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<tr>
<td>Unrestricted Assets 10/01</td>
<td>$13,084,298</td>
<td>$13,084,298</td>
<td>$13,084,298</td>
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<td>$17,645,996</td>
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<tr>
<td>TOTAL REVENUE</td>
<td>$55,279,700</td>
<td>$13,875,691</td>
<td>$55,572,659</td>
<td>$292,959</td>
<td>$57,258,358</td>
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<td>TOTAL OPERATING EXPENSES</td>
<td>$28,160,980</td>
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<td>$28,596,745</td>
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<td>TOTAL NON-OPERATING EXPENSES</td>
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<td>$5,763,673</td>
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<td>26,581</td>
<td>$24,467,282</td>
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<td>TOTAL EXPENSES</td>
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<td>$12,742,755</td>
<td>$51,010,961</td>
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<td>$53,064,027</td>
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<td>SURPLUS</td>
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<td>$1,132,936</td>
<td>$4,561,698</td>
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<td>$4,194,332</td>
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<td>$14,217,234</td>
<td>$17,645,996</td>
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<td>$21,840,328</td>
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Major Assumptions/Issues

Golden Gate
- Did not meet 90 day working capital policy in FY 10 or FY 11. Current projections estimate approximately 51 days of cash reserves
- Projections include 1.2% CPI Increase in FY 2012
- FY 2012 includes savings from new contract operator

Lehigh Acres
- FY 2011 Revenues were down 3%
- Projections include 1.2% CPI increase in FY 2012
- FY 2012 includes savings from new contract operator

Pasco Systems (Seven Springs & Aloha Gardens)
- FY 2012 projections include 7% rate increase approved by the Board
- Includes additional expenses for purchased water and plant operation in FY 2012
- Lower debt service cost
Major Assumptions/Issues (Cont.)

Consolidated Systems
- FY 2012 projections include 18% rate increase approved by the Board
- Planning to include refinancing of short-term note with Mad Hatter transaction

Lindrick Utility System
- FY 2012 projections include 14% rate increase approved by the Board
- Hope to amend New Port Richey wastewater agreement to allow rate reduction

North Fort Myers Utility System
- FY 2012 projections include 6% rate increase approved by the Board
- FY 2012 includes additional revenues and expenses from adding on Waterway Estates
MacDill AFB System

- Negotiated cash flow is working well
- Government will be asking to add new capital projects to the CIP
- Working to improve small business contracting
- Will be renegotiating fees/charges for contract years 3 – 5 beginning in Fall 2012
Principal Budget Issues

- The Economy and recovery timing!!!!
- Rate changes – what is reasonable in today’s reality
- Pace of mandatory connections; inactive account collection rates
Principal Budget Issues (Cont.)

- How to grow customer base with new connection fee impact
- Federal/state funding assistance
- Regulatory requirements
Strategic Budget Goals/Objectives

- Maximize efficiencies including technology investments
  - SCADA
  - Teleconferencing
  - Automated Meter Reading
  - Reverse call/Web info
- Adjust customer service approach in response to current feedback
- Properly focus capital improvements to meet priority needs
- Operate systems within optimal service standards and best industry practices
Strategic Budget Goals/Objectives (Cont.)

- Provide excellent stewardship of the FGUA finances
- Expand customer base in existing systems when/where feasible
- Ensure equity in service charges; maximize external revenue
- Manage of utility systems in the FGUA to improve economies but within Board guidance - update acquisition criteria as needed
Acquisition Growth Criteria Discussion

- Pursue acquisition priorities of Board and local government members (Pasco Mad Hatter, Hudson, Aqua America; Lee County – NFMU)
- Pursue small system opportunities only if the system size/proximity to other FGUA support allow for economies of scale
- Formalize financial criteria to be evaluated prior to entering into a Purchase and Sale Agreement
  - Acceptable rate adjustments relative to area/region mean
  - Minimum bond coverage, working capital within prescribed time frame
  - Minimum R&R funding contribution
  - Retainage from sellers for negative surprises
  - Minimum contingency reserves
- Alternative forms of GUA concept to suit local needs
Next Steps

- February 13, 2012 Strategic Planning Workshop With Preliminary Forecasts
- February – June 2012: Rate Consultant updates forecasts and rate requirements; budget development
- June – System Manager submits FY 2013 Proposed Budget and 2013-2018 CIP to Board
- July – Follow-up Budget recommendations/workshop (if needed)
Next Steps (Cont.)

- August – Budget hearing advertisements
- September – Rate Hearings (if needed) and Final Public Hearing and budget adoption by Board
Further Planning Discussion
(Dr. Robert E. Lee)