

FGUA Board of Directors Strategic Planning Session

March 20, 2014

Central Florida Development
Council Office, Auburndale, FL



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Workshop Objectives



- Present 2013 Results and Challenges
- Present FY 12-13 Year-End Financial Report and Preliminary FY 13-14 Forecast
- Review Strategic Goals/Objectives
- Receive 2014 Customer Service Survey Report
- Future Direction Discussion
- Update Goals/Vision

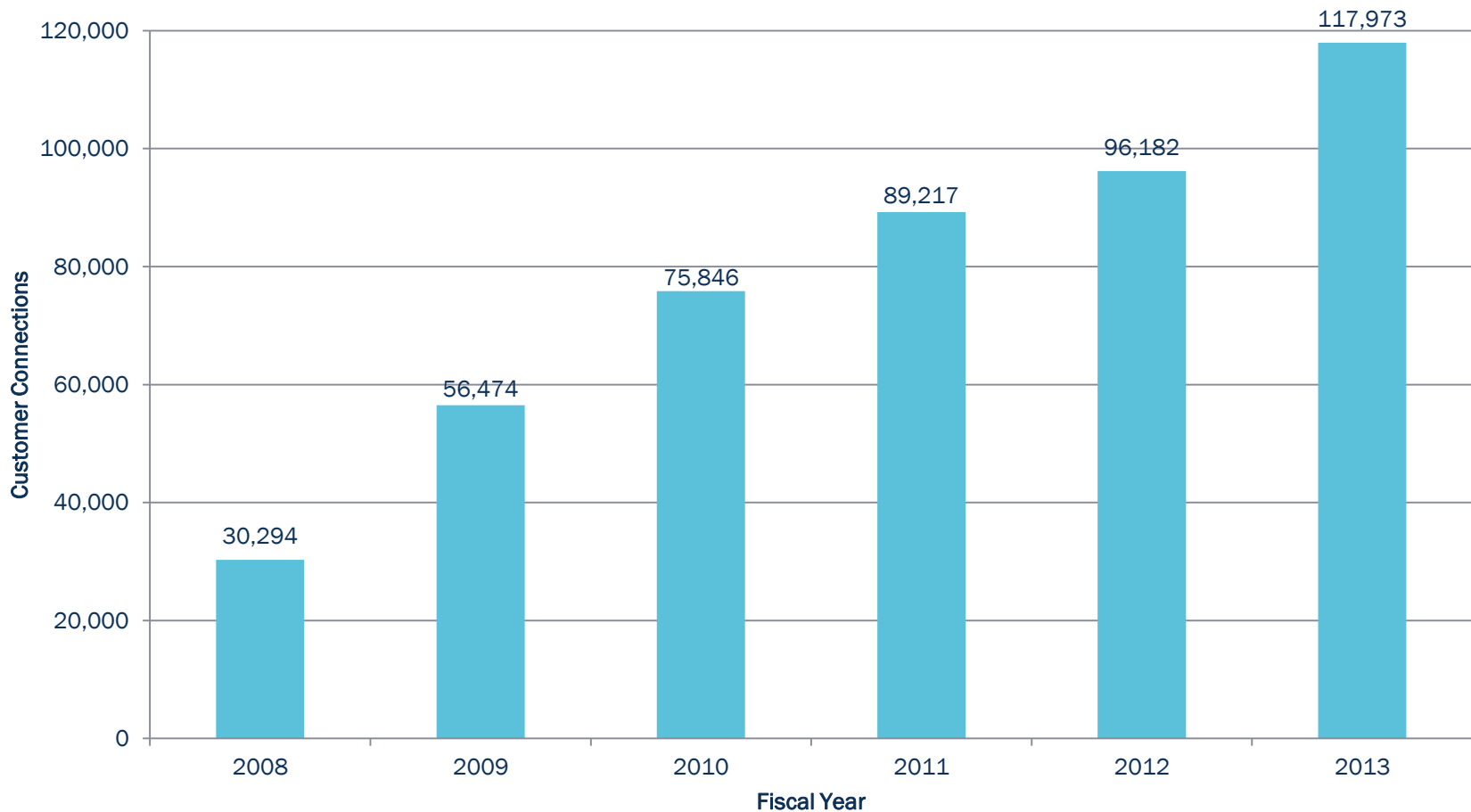
Accomplishments

Since Last Planning Session (February 2013)



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FGUA Customer Connections



Accomplishments

Since Last Planning Session (February 2013)

- Intergovernmental outreach and collaboration with 15 local governments for Aqua purchase consent
- Smoothly transitioned 24% increase in customer connections
- Lent support to Sarasota and DeSoto County's Aqua asset acquisition
- Recognized by Florida AWWA with “Best in Class” award for Pasco customer outreach
- Mitchell WTP recognized as “Outstanding Project” by FICE



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Accomplishments

Since Last Planning Session (February 2013)

- Invited to present Pasco intergovernmental cooperation success story at AWWA/WEF national utility management conference
- No material facility regulatory compliance issues
- Overall improvement of utility financial position with minimal rate adjustments, including;
 - Transfers into Rate Stabilization
 - Consolidated \$300k
 - Golden Gate \$575k
 - Lehigh Acres \$250k



Accomplishments

Since Last Planning Session (February 2013)

- Received “clean” FY13 audit with no material findings
- Reconnaissance bond rating for Lindrick remained affirmed at A-, Pasco Aqua bond rating affirmed at BBB+
- Very positive feedback from local governments and customers in former Aqua service areas
- Productivity increased and cost reductions realized from full utilization of new video conferencing system



Accomplishments

Since Last Planning Session (February 2013)

- Received the Award of Excellence in Financial Reporting for the FY 2012 CAFR by the Government Finance Officers Association for the twelfth consecutive year
- Received \$322,000 in damage reimbursements from FEMA for TS Debbie; \$318,000 pending
- Independent benchmarking review reveals competitively favorable price value from FGUA operations and management contracts
- Negotiated cost effective operations contract for Pasco systems with updated cost allocation



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Accomplishments

Since Last Planning Session (February 2013)

- Completion of Odor Control improvements at the Seven Springs (Pasco Utility System) WWTP reducing complaints from surrounding residents
- Reduction of chlorides in the Lindrick wastewater system addressing City of New Port Richey concerns
- Expect approval from SWFWMD this month for a 249k per day increase in groundwater withdrawal allocation in the Seven Springs system with approximate net savings of \$262,000 per year.



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Challenges Encountered

- Slow economic recovery
- US Government reduction of Build America Bond subsidy - \$320,026 negative budget impact
- Some customer complaints about Aqua related meter reading/billing
- Continued tight cash flow in North Fort Myers
- Did not achieve working capital policy target for North Fort Myers
- Reuse effluent disposal issues with FDEP at NFM/Del Prado

Challenges Encountered



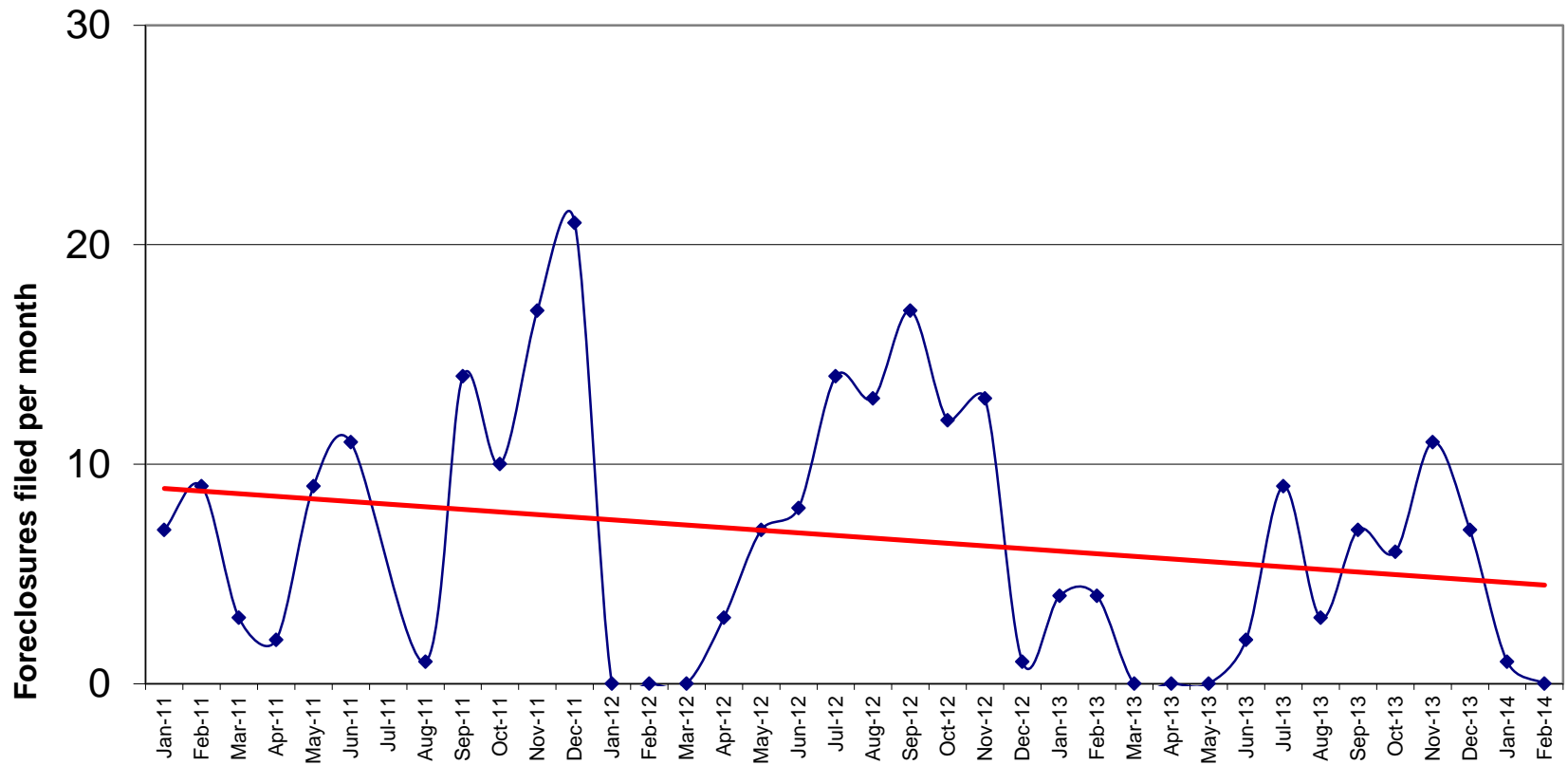
- Demands of Aqua transition requirements prevented more planned contact with local government elected officials.
- Some unexpected R&R issues with Aqua (e.g. hydrotanks) necessitating CIP re-prioritization
- Participation in UAC meetings declined

Economic Conditions



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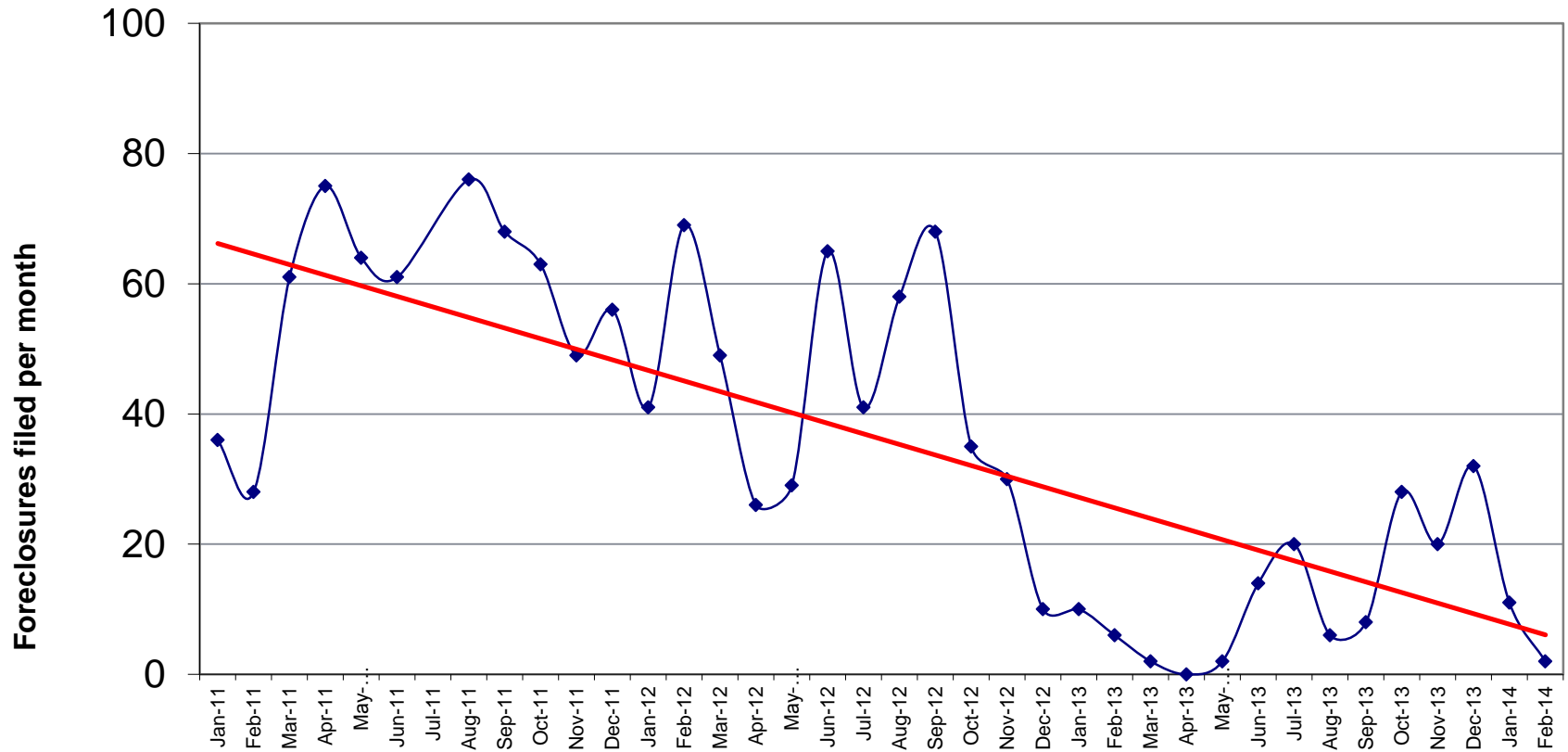
Golden Gate Foreclosure Rate
Real Estate Owned (REO) Filings



Economic Conditions



Lehigh Acres Foreclosure Rate
Real Estate Owned (REO) Filings

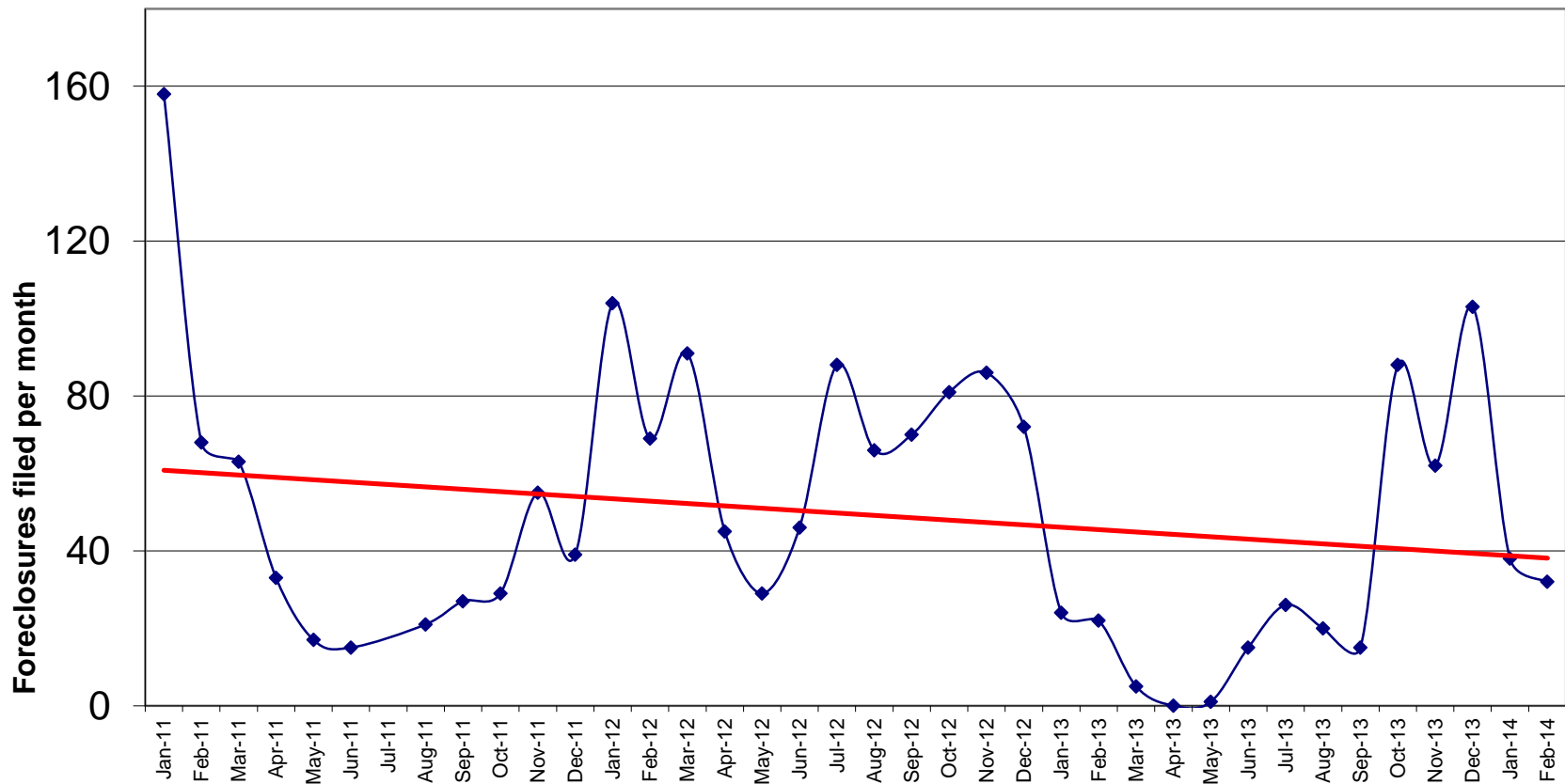


Economic Conditions



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Pasco Foreclosure Rate
Real Estate Owned (REO) Filings

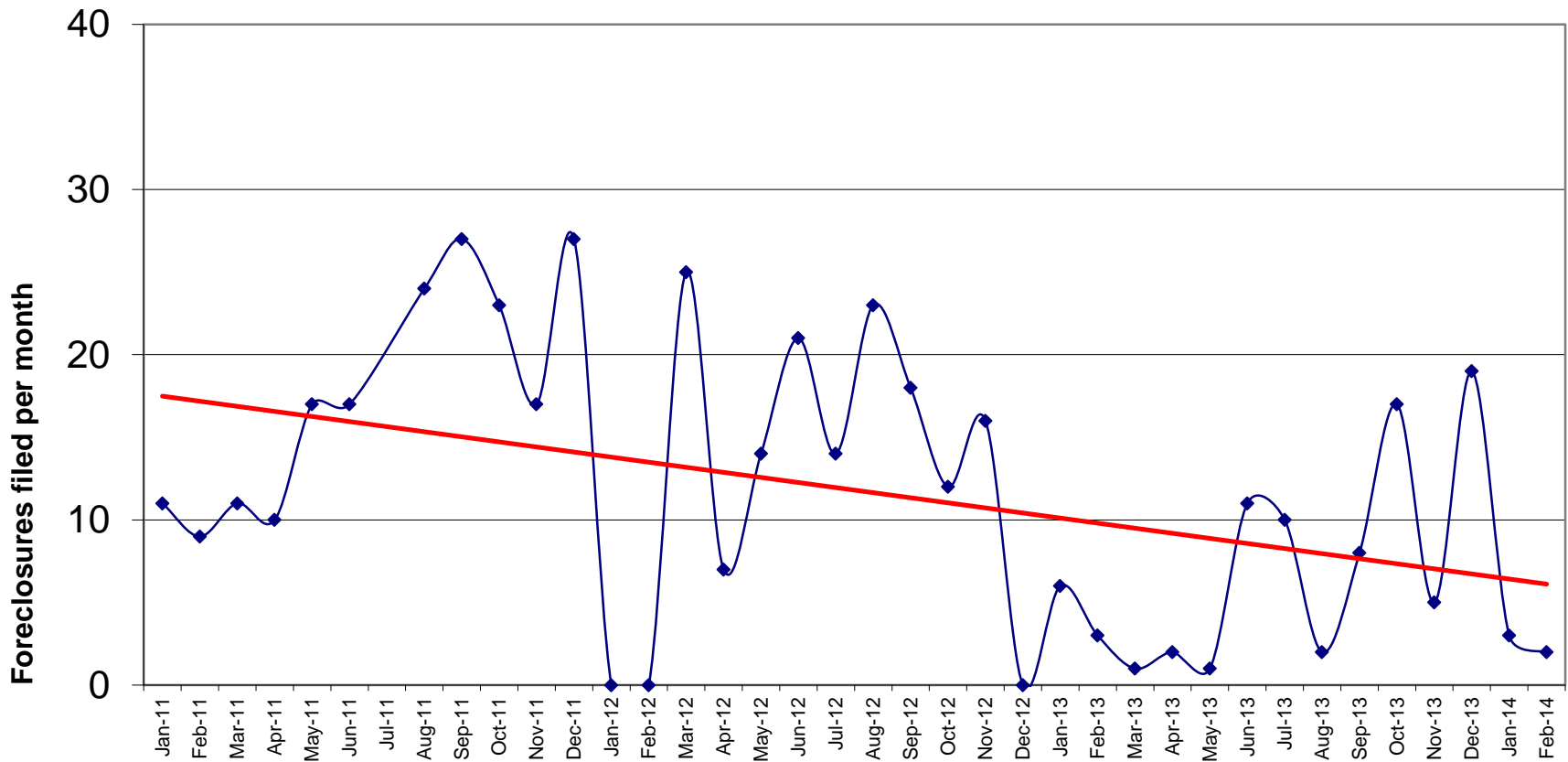


Economic Conditions



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NFM Foreclosure Rate
Real Estate Owned (REO) Filings



Financial Status – FY 2013

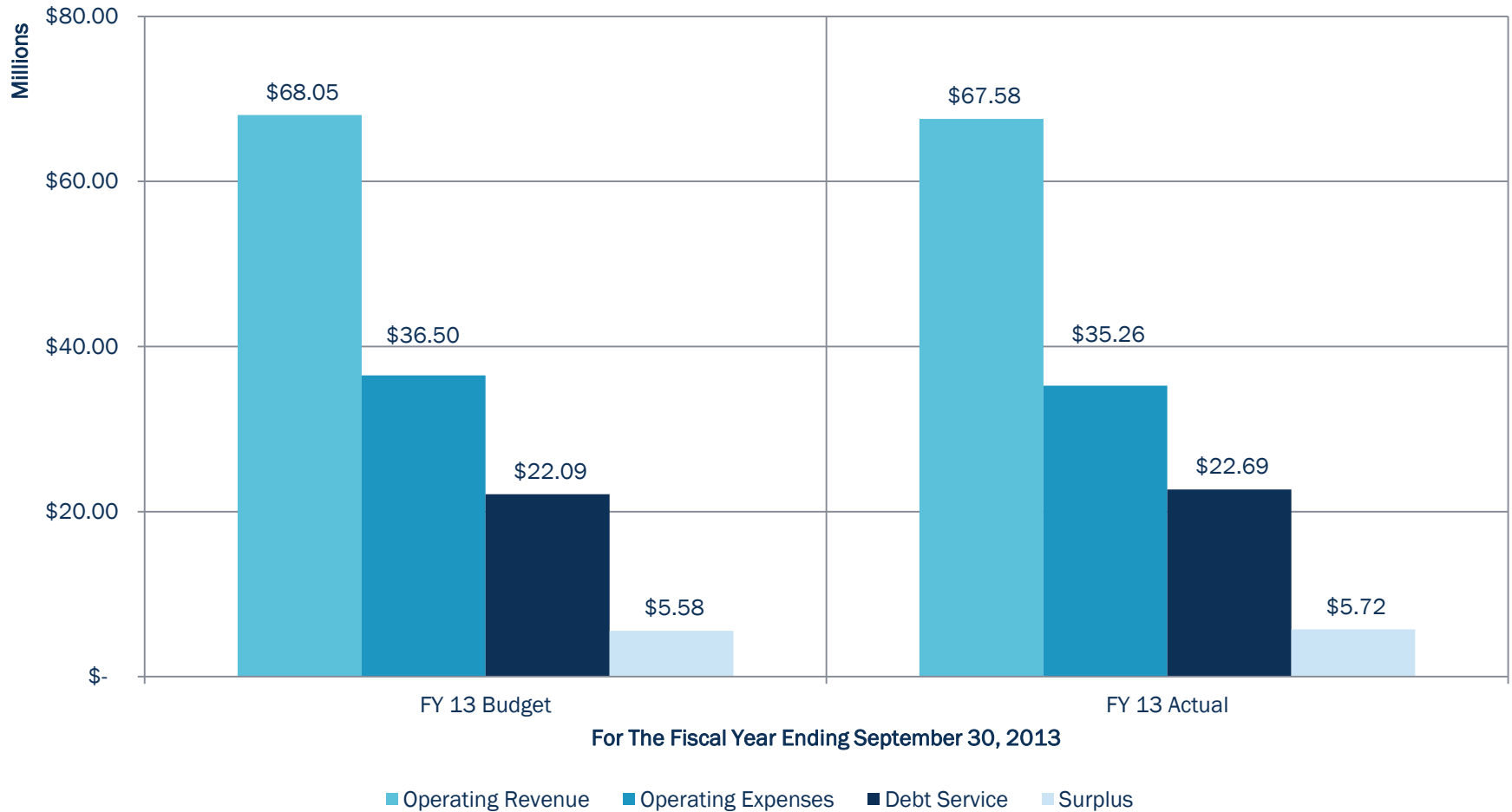
FGUA Combined Systems
Operating Revenues/Expenses FY2013

	<u>FY 13 Budget</u>	<u>FY 13 Actual</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Operating Revenue	\$ 68,050,342	\$ 67,580,838	\$ (469,505)	-0.7%
Operating Expenses	36,503,036	35,262,447	(1,240,589)	-3.4%
Net Operating Income	<u>\$ 31,547,306</u>	<u>\$ 32,318,390</u>	<u>\$ 771,084</u>	<u>2.4%</u>
Non-Operating Revenue	653,969	822,005	168,035	25.7%
Net Income	<u>\$ 32,201,275</u>	<u>\$ 33,140,395</u>	<u>\$ 939,120</u>	<u>2.92%</u>
Debt Service	22,092,981	22,690,124	597,143	2.7%
Other Transfers	4,532,515	4,731,471	198,956	4.4%
Surplus	<u>\$ 5,575,780</u>	<u>\$ 5,718,800</u>	<u>\$ 143,020</u>	<u>2.57%</u>



Financial Status

FY2013 FGUA Combined Systems



Financial Status – FY 2014



FGUA Combined Systems
Operating Revenues/Expenses FY2014

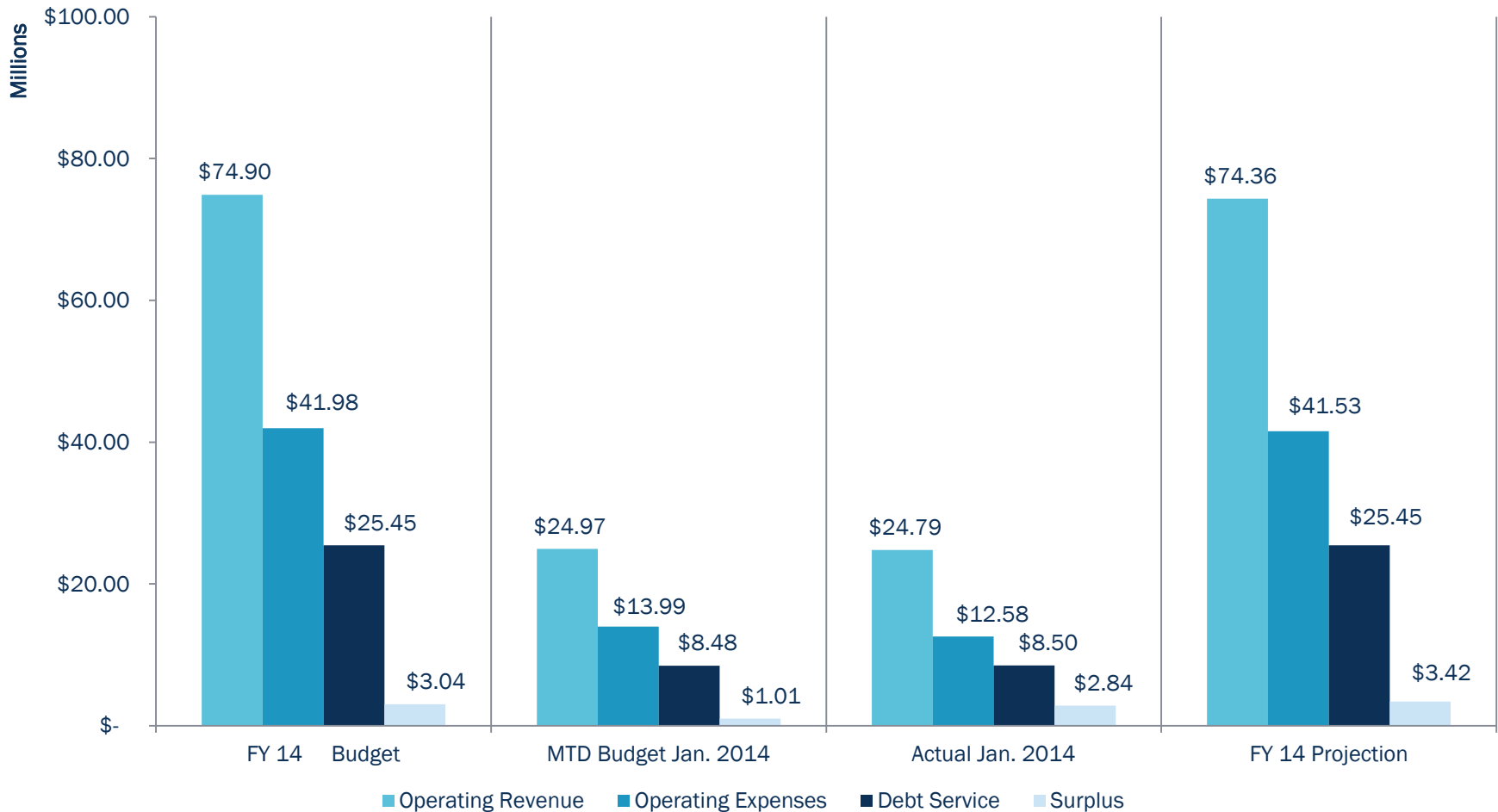
	FY 14 Budget	MTD Budget Jan. 2014	Actual Jan. 2014	FY 14 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 74,900,808	\$ 24,966,936	\$ 24,786,246	\$ 74,358,737	\$ (542,071)	-0.7%
Operating Expenses	41,982,151	13,994,050	12,580,180	41,526,090	(456,061)	-1.1%
Net Operating Income	<u>\$ 32,918,657</u>	<u>\$ 10,972,886</u>	<u>\$ 12,206,066</u>	<u>\$ 32,832,647</u>	<u>\$ (86,010)</u>	<u>-0.3%</u>
Non-Operating Revenue	439,386	146,462	753,867	901,503	462,117	105.2%
Net Income	<u>\$ 33,358,043</u>	<u>\$ 11,119,348</u>	<u>\$ 12,959,933</u>	<u>\$ 33,734,150</u>	<u>\$ 376,107</u>	<u>1.13%</u>
Debt Service	25,448,946	8,482,982	8,498,628	25,448,946	(0)	0.0%
Other Transfers	4,869,138	1,623,046	1,623,046	4,869,138	(0)	0.0%
Surplus	<u>\$ 3,039,959</u>	<u>\$ 1,013,320</u>	<u>\$ 2,838,259</u>	<u>\$ 3,416,066</u>	<u>\$ 376,107</u>	<u>12.37%</u>

Financial Status



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FY2014 FGUA Combined Systems



Major FY 2015 Assumptions

- Golden Gate
 - Level Debt Service Cost
 - Additional R&R transfers
 - No indexed rate increase
 - 2.5% increase in operating expenses
- Lehigh Acres
 - Level Debt Service cost
 - Additional R&R transfers
 - No indexed rate increase
 - 2.5% increase in operating expenses

Major Assumptions

- Pasco Systems (Seven Springs & Aloha Gardens)
 - Increase in Debt Service cost (\$500,000)
 - Level Debt Service cost after 2015
 - Reduce operating cost:
 - Lower labor cost at plants
 - Increase well withdrawals
 - Lower county water purchases
 - 4.5 % Approved rate increase – Last pre-approved rate increase over indexed amount
 - 2.5% increase in operating expenses
- Consolidated Systems
 - Increase in Debt Service cost (\$300K)
 - Additional R&R transfers
 - Pre-approved indexed (75% of CPI) rate increase
 - 2.5% increase in operating expenses

Major Assumptions

- Lindrick Utility System
 - Level Debt Service Cost
 - Pre-approved index (75% of CPI) Rate Increase
 - 2.5% increase in operating expenses
- North Fort Myers Utility System
 - Increase in Debt Service Cost (\$350K)
 - Pre-approved index (75% of CPI) + 1.50% = 3.0% Rate Increase
 - 2.5% increase in operating expenses

Major Assumptions

- MacDill AFB System
 - Activity level per basic contract requirements and approved new government project requests
- Lake, Pasco and Unified Aqua Systems
 - Level Debt Service cost
 - Pre-approved index (75% of CPI) rate increase
 - 2.5% increase in operating expenses



Strategic Goals/Objectives

- Maximize efficiencies, including technology investments, such as:
 - SCADA
 - Video conferencing
 - Automated Meter Reading
 - Reverse call-ins/e-commerce/Web services
- Adjust customer service approach in response to feedback (e.g. web use)
- Carefully control costs (e.g. energy auditing, consumables)



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Strategic Goals/Objectives

- Operate systems within optimal service standards and best industry practices
- Provide excellent stewardship of the FGUA finances and credit standing
- Minimize/Avoid Rate Increases
- Expand customer base in existing systems when/where feasible
- Ensure equity in service charges; maximize contributed revenue (e.g. grants)

Strategic Goals/Objectives



- Expand FGUA systems to improve economies of scale but within Board guidance
- Ensure well-reasoned, comprehensive capital improvement planning balancing priorities with customer and credit tolerance



Next Steps

- March – June 2014: Rate Consultant reviews forecasts and rate requirements with CFO; budget development
- May – Present re-evaluated comprehensive capital improvement strategy to Board
- June – System Manager submits FY 2015 Proposed Budget and 2015-2019 CIP to Board
- July – Follow-up Budget recommendations/workshop (if needed)

Next Steps



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- August – Budget hearing advertisements (if needed)
- September – Rate Hearings (if needed) and Final Public Hearing and budget adoption by Board



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2014 CUSTOMER SERVICE SURVEY REPORT

FROM

DR. HONEY RAND

AND

FURTHER PLANNING DISCUSSION

WITH

DR. MEL JURADO