

FGUA Board of Directors 2018

Strategic Planning Session

March 15, 2018

Polk County Administration Building
330 West Church Street, Room 413
Bartow, FL 33830



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FGUA OPERATIONS OFFICE:
280 Wekiva Springs Road
Protegrity Plaza, Suite 2000
Longwood, Florida 32779
T 407-629-6900
F 407-629-6963

Workshop Objectives



1. Review 2017 Accomplishments and Challenges
2. Review FY 2017 Year-End Financial Report, Preliminary FY 2018 Forecast & 2019 Outlook
3. Review Strategic Goals/Objectives
4. Review 2018 Customer Service Survey Results
5. Discuss Pre-Session Board Member Feedback
6. Check Mission, Goals & Vision
7. Discuss Operations, Maintenance, Customer Service and Billing Contracts Re-procurement Approach

2017 Accomplishments

Accomplishments



- Successfully negotiated a Purchase and Sale Agreement with the City of Dunnellon to acquire the city system (a FGUA first) and companion interlocal agreement with Marion County (unanimously supported by BCC, City Council and FGUA Board)
- Held historic joint FGUA Board – City Council Public Interest Hearing (another first) with no objectors, only customer support
- Secured preliminary approval of USDA Rural Development Loan for utility acquisition (another first for FGUA and USDA Florida program)
- Continued to improve FGUA system infrastructure and service reliability
- With the exception of incidents exacerbated by extreme weather events (tropical storm and hurricane), maintained good regulatory compliance

Accomplishments - Cont



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- FGUA All Systems budget targets met with improvements – Net Income 2% better and operating surplus 8.9% better than planned
- Received “clean” FY 2017 audit
- Responded to 8 bond rating agency surveillance reviews; Golden Gate and Lehigh Acres bond ratings upgraded to A1 by Moody’s, Pasco Aqua upgraded to A3 by Moody’s and A- by Fitch, and remainder affirmed; continued recognition of “strong management track record” as a positive factor
- Significantly improved financial position of Consolidated, Golden Gate, Lehigh and Pasco Aqua Systems
- Lowered customer rates in Lindrick system by 10%

Accomplishments - Cont



System	Moody's			Standard & Poors			Fitch		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Consolidated	A2	Stable	5/30/2012	-	-	-	A-	Stable	12/22/2017
Golden Gate	A1	Stable	7/26/2017	A+	Stable	8/5/2016	-	-	-
Lake Aqua	Baa1	Stable	3/8/2013	-	-	-	A-	Stable	12/19/2017
Lehigh Acres	A1	Stable	8/15/2017	A+	Stable	8/16/2017	A	Stable	2/5/2016
Lindrick	A1	Stable	2/19/2014	A-	Stable	5/4/2016	-	-	-
North Fort Myers	A2	Stable	7/16/2010	-	-	-	-	-	-
Pasco (Aloha)	A2	Stable	9/17/2010	-	-	-	-	-	-
Pasco Aqua	A3	Stable	7/26/2017	-	-	-	A-	Stable	11/2/2017
Unified Aqua	A3	Stable	3/8/2013	-	-	-	A-	Stable	11/8/2017

Accomplishments - Cont



- Customer satisfaction with FGUA service holding steady at 74-76%
- Received the Award of Excellence in Financial Reporting for the FY 2016 CAFR by the Government Finance Officers Association (GFOA) for the 16th consecutive year
- Continued moderate reduction in “unfunded capital needs” with increased pay-as-you-go R&R transfers to avoid adding debt burden
- Successfully negotiated sale/conveyance and planned transition of the oldest FGUA system (Golden Gate acquired in 1999) to Collier County
- Received \$926,000 in capital funding from the Federal government for MacDill improvements (SDCs)

Accomplishments - Cont



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Accomplishments - Cont



- Invited to present FGUA programs/projects at AWWA/WEF and FCCMA conferences showcasing FGUA at national and statewide settings
- Achieved another successful elementary school student participation in Pasco Water Awareness Art Poster Contest with 1800 students and held successful first-ever similar contest at Lady Lake with 430 students
- Completed ArcGIS system mapping conversion for the Central Region; all assets depicted on facility maps are now entered into the GIS





Accomplishments - Cont



- Successfully replaced 27,466 water meters throughout five systems with Advanced Metering Infrastructure (AMI) associated with the Siemens Energy Audit Program
- Secured State SRF funding commitment for Lake Aqua projects of \$120,000
- Secured State SRF funding commitment for Unified Aqua projects of \$1.4M and SJRWMD cost- share grant of \$390,136
- Successfully refunded Lehigh Acres 2010 Series bond for a net present value (NPV) savings of \$1.5 million and initial annual debt service savings of \$150,000

2017 Challenges

Challenges



- Hurricane Irma and TS Philippe
- Continued customer angst about high rates, particularly in Pasco-Lindrick System evolving into negative blogging
- Extreme weather events causing wastewater overflows triggering consent orders
- Additional adverse court ruling on Putnam County denial of property tax exemption
- Balancing simultaneous transition of Golden Gate system to Collier County and the acquisition of the Dunnellon system – a first for FGUA to have parallel transactions
- Aqua Unified and Lake System capital needs outpacing available resources/cash flow



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Financial Report & Forecast

Financial Result – FY 2017



FGUA Combined Systems Operating Revenues/Expenses FY 2017

	<u>FY 17 Budget</u>	<u>FY 17 Actual</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Operating Revenue	\$ 86,522,625	\$ 87,809,083	\$ 1,286,457	1.5%
Operating Expenses	43,540,542	44,246,597	706,055	1.6%
Net Operating Income	<u>\$ 42,982,084</u>	<u>\$ 43,562,486</u>	<u>\$ 580,402</u>	<u>1.4%</u>
Non-Operating Revenue	357,022	679,943	322,921	90.4%
Net Income	<u>\$ 43,339,106</u>	<u>\$ 44,242,429</u>	<u>\$ 903,323</u>	<u>2.08%</u>
Debt Service	28,464,764	28,485,459	20,695	0.1%
Renewal & Replacement	4,754,515	4,738,134	(16,381)	-0.3%
Surplus*	<u>\$ 10,119,827</u>	<u>\$ 11,018,837</u>	<u>\$ 899,010</u>	<u>8.88%</u>

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Combined Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	YTD Budget Jan. 2018	YTD Actual January 2018	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 79,089,963	\$ 26,363,321	\$ 26,892,057	\$ 78,390,115	\$ (699,848)	-0.9%
Operating Expenses	\$ 41,988,785	\$ 13,996,262	\$ 13,348,313	\$ 41,001,767	\$ (987,018)	-2.4%
Net Operating Income	\$ 37,101,178	\$ 12,367,059	\$ 13,543,744	\$ 37,388,348	\$ 287,170	0.8%
Non-Operating Revenue	\$ 423,693	\$ 141,231	\$ 283,625	\$ 570,394	\$ 146,701	34.6%
Net Income	\$ 37,524,871	\$ 12,508,290	\$ 13,827,368	\$ 37,958,742	\$ 433,871	1.16%
Debt Service	\$ 25,760,195	\$ 8,586,732	\$ 8,551,323	\$ 25,709,346	\$ (50,849)	-0.2%
Renewal & Replacement	\$ 5,401,621	\$ 1,800,540	\$ 1,795,540	\$ 5,400,202	\$ (1,419)	0.0%
Surplus*	\$ 6,363,055	\$ 2,121,018	\$ 3,480,505	\$ 6,849,194	\$ 486,139	7.64%

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Lehigh Acres Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 14,489,279	\$ 14,462,571	\$ (26,708)	-0.2%
Operating Expenses	\$ 7,388,201	\$ 7,266,994	\$ (121,207)	-1.6%
Net Operating Income	<u>\$ 7,101,078</u>	<u>\$ 7,195,577</u>	<u>\$ 94,499</u>	<u>1.3%</u>
Non-Operating Revenue	\$ -	\$ 37,196	\$ 37,196	100.0%
Net Income	<u>\$ 7,101,078</u>	<u>\$ 7,232,773</u>	<u>\$ 131,695</u>	<u>1.85%</u>
Debt Service	\$ 4,690,798	\$ 4,690,798	\$ -	0.0%
Renewal & Replacement	\$ 722,160	\$ 722,160	\$ -	0.0%
Surplus*	<u>\$ 1,688,120</u>	<u>\$ 1,819,815</u>	<u>\$ 131,695</u>	<u>7.80%</u>

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Pasco Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 19,976,760	\$ 19,412,209	\$ (564,551)	-2.8%
Operating Expenses	\$ 10,629,730	\$ 10,179,064	\$ (450,666)	-4.2%
Net Operating Income	\$ 9,347,030	\$ 9,233,145	\$ (113,885)	-1.2%
Non-Operating Revenue	\$ 160,473	\$ 206,232	\$ 45,759	28.5%
Net Income	\$ 9,507,503	\$ 9,439,377	\$ (68,126)	-0.72%
Debt Service	\$ 7,671,070	\$ 7,657,070	\$ (14,000)	-0.2%
Renewal & Replacement	\$ 1,023,410	\$ 1,023,410	\$ -	0.0%
Surplus*	\$ 813,023	\$ 758,897	\$ (54,126)	-6.66%

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Consolidated Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 6,222,012	\$ 6,122,384	\$ (99,628)	-1.6%
Operating Expenses	\$ 3,670,302	\$ 3,408,512	\$ (261,790)	-7.1%
Net Operating Income	<u>\$ 2,551,710</u>	<u>\$ 2,713,872</u>	<u>\$ 162,162</u>	<u>6.4%</u>
Non-Operating Revenue	\$ 32,203	\$ 31,368	\$ (835)	-2.6%
Net Income	<u>\$ 2,583,913</u>	<u>\$ 2,745,240</u>	<u>\$ 161,327</u>	<u>6.24%</u>
Debt Service	\$ 1,871,085	\$ 1,871,085	\$ -	0.0%
Renewal & Replacement	\$ 341,136	\$ 341,136	\$ -	0.0%
Surplus*	<u>\$ 371,692</u>	<u>\$ 533,019</u>	<u>\$ 161,327</u>	<u>43.40%</u>

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Lindrick Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 4,412,450	\$ 4,306,622	\$ (105,828)	-2.4%
Operating Expenses	\$ 2,439,762	\$ 2,490,296	\$ 50,534	2.1%
Net Operating Income	\$ 1,972,688	\$ 1,816,326	\$ (156,362)	-7.9%
Non-Operating Revenue	\$ 10,970	\$ 15,295	\$ 4,325	39.4%
Net Income	\$ 1,983,658	\$ 1,831,621	\$ (152,037)	-7.66%
Debt Service	\$ 1,927,108	\$ 1,927,108	\$ -	0.0%
Renewal & Replacement	\$ 220,208	\$ 220,208	\$ -	0.0%
Surplus*	\$ (163,658)	\$ (315,695)	\$ (152,037)	92.90%

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA MacDill AFB Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 6,245,010	\$ 6,391,506	\$ 146,496	2.3%
Operating Expenses	\$ 2,560,564	\$ 2,565,423	\$ 4,859	0.2%
Net Operating Income	\$ 3,684,446	\$ 3,826,083	\$ 141,637	3.8%
Non-Operating Revenue	\$ 125,700	\$ 109,251	\$ (16,449)	-13.1%
Net Income	\$ 3,810,146	\$ 3,935,334	\$ 125,188	3.29%
Debt Service	\$ 1,523,020	\$ 1,523,020	\$ -	0.0%
Renewal & Replacement	\$ 1,732,916	\$ 1,732,916	\$ -	0.0%
Surplus*	\$ 554,210	\$ 679,398	\$ 125,188	22.59%

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA North Fort Myers Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 11,928,595	\$ 12,096,152	\$ 167,557	1.4%
Operating Expenses	\$ 5,927,390	\$ 5,753,155	\$ (174,235)	-2.9%
Net Operating Income	\$ 6,001,205	\$ 6,342,997	\$ 341,792	5.7%
Non-Operating Revenue	\$ 65,328	\$ 44,670	\$ (20,658)	-31.6%
Net Income	\$ 6,066,533	\$ 6,387,667	\$ 321,134	5.29%
Debt Service	\$ 4,089,792	\$ 4,085,960	\$ (3,832)	-0.1%
Renewal & Replacement	\$ 585,954	\$ 585,954	\$ -	0.0%
Surplus*	\$ 1,390,787	\$ 1,715,753	\$ 324,966	23.37%

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



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FGUA Lake Aqua Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 3,952,850	\$ 3,882,849	\$ (70,001)	-1.8%
Operating Expenses	\$ 2,399,416	\$ 2,386,717	\$ (12,699)	-0.5%
Net Operating Income	<u>\$ 1,553,434</u>	<u>\$ 1,496,132</u>	<u>\$ (57,302)</u>	<u>-3.7%</u>
Non-Operating Revenue	\$ 5,085	\$ 31,672	\$ 26,587	522.9%
Net Income	<u>\$ 1,558,519</u>	<u>\$ 1,527,804</u>	<u>\$ (30,715)</u>	<u>-1.97%</u>
Debt Service	\$ 1,137,724	\$ 1,137,724	\$ -	0.0%
Renewal & Replacement	\$ 193,681	\$ 192,262	\$ (1,419)	-0.7%
Surplus*	<u>\$ 227,114</u>	<u>\$ 197,818</u>	<u>\$ (29,296)</u>	<u>-12.90%</u>

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Pasco Aqua Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 3,952,971	\$ 3,941,269	\$ (11,702)	-0.3%
Operating Expenses	\$ 1,934,575	\$ 1,935,705	\$ 1,130	0.1%
Net Operating Income	\$ 2,018,396	\$ 2,005,564	\$ (12,832)	-0.6%
Non-Operating Revenue	\$ 10,724	\$ 24,408	\$ 13,684	127.6%
Net Income	\$ 2,029,120	\$ 2,029,972	\$ 852	0.04%
Debt Service	\$ 1,235,925	\$ 1,235,925	\$ -	0.0%
Renewal & Replacement	\$ 198,982	\$ 198,982	\$ -	0.0%
Surplus*	\$ 594,213	\$ 595,065	\$ 852	0.14%

*Before other transfers (i.e. Pay-as-you-go Capital)

Financial Forecast – FY 2018



FGUA Unified Aqua Systems Operating Revenues/Expenses FY 2018

	FY 18 Budget	FY 18 Projection	Budget vs. Projection Variance (\$)	Budget vs. Projection Variance (%)
Operating Revenue	\$ 7,819,836	\$ 7,692,520	\$ (127,316)	-1.6%
Operating Expenses	\$ 4,991,347	\$ 4,969,948	\$ (21,399)	-0.4%
Net Operating Income	<u>\$ 2,828,489</u>	<u>\$ 2,722,572</u>	<u>\$ (105,917)</u>	<u>-3.7%</u>
Non-Operating Revenue	\$ 13,210	\$ 68,951	\$ 55,741	422.0%
Net Income	<u>\$ 2,841,699</u>	<u>\$ 2,791,523</u>	<u>\$ (50,176)</u>	<u>-1.77%</u>
Debt Service	\$ 1,613,673	\$ 1,580,656	\$ (33,017)	-2.0%
Renewal & Replacement	\$ 383,174	\$ 383,174	\$ -	0.0%
Surplus*	<u>\$ 844,852</u>	<u>\$ 827,693</u>	<u>\$ (17,159)</u>	<u>-2.03%</u>

*Before other transfers (i.e. Pay-as-you-go Capital)

Major FY 2019 Assumptions



Lehigh Acres System*

1. Make available \$800K unrestricted funds for Capital Projects
2. Continued contributions to Rate Stabilization Transfers anticipated for FY2019
 - Current Balance (January 2018) \$1,861,636
3. Pre-approved index (75% of CPI) Rate Increase

North Fort Myers Utility System*

1. Continuation of prior year BABs reduction
 - Total BABs reduction through FY2018 - \$500K
2. Make available \$550K unrestricted funds for Capital Projects
3. Continued contributions to Rate Stabilization Transfers anticipated for FY2019
 - Current Balance (January 2018) \$175,909
4. Pre-approved index (75% of CPI) Rate Increase

* Level Debt Service and / or 3% increase in operating expenses assumed

Major FY 2019 Assumptions



Pasco Systems* (Seven Springs & Aloha Gardens)

1. Continuation of prior year BABs reduction
 - Total BABs reduction through FY2018 - \$970K
2. Make available \$600K unrestricted funds for Capital Projects
3. Current Rate Stabilization Balance (January 2018) \$2,501,236
 - No additional transfers into Rate Stabilization
4. Pre-approved index (75% of CPI) Rate Increase

Consolidated Systems*

1. Make available \$586K unrestricted funds for Capital Projects
2. Continued contributions to Rate Stabilization Transfers anticipated for FY2019
 - Current Balance (January 2018) \$959,748
3. Pre-approved index (75% of CPI) Rate Increase
 - Last rate increase FY2016 (October 1, 2015)

* Level Debt Service and / or 3% increase in operating expenses assumed

Major FY 2019 Assumptions



Lindrick Utility System*

1. Continuation of prior year BABs reduction
 - Total BABs reduction through FY2018 - \$220K
2. Transfer Required from Rate Stabilization \$200K
 - FY2018 Transfer from Rate Stabilization anticipated to be \$250K
 - Current Balance (January 2018) \$1,004,777
 - Rate Stabilization funds to be used to offset rate reduction in FY2018
 - No additional transfers into Rate Stabilization
3. Pre-approved index (75% of CPI Rate Increase)
 - Last rate increase FY2016 (October 1, 2015)

Pasco Aqua System*

1. Make available \$572K unrestricted funds for Capital Projects
2. No plant demo / interconnections pending County purchase evaluation
3. Current Rate Stabilization Balance(January 2018) \$135,644
 - No additional transfers into Rate Stabilization
4. Pre-approved index (75% of CPI) Rate Increase
 - Last rate increase FY2016 (October 1, 2015)

* Level Debt Service and / or 3% increase in operating expenses assumed

Major FY 2019 Assumptions



Lake Aqua System*

1. Increase in debt service cost (\$30K est.), from additional subordinated debt for full year (SRF) - Fairways at Mt. Plymouth WWTP
2. Make available \$124K unrestricted funds for Capital Projects
3. Current Rate Stabilization Balance (January 2018) \$183,458
 - No additional transfers into Rate Stabilization
4. Possible Rate Increase for FY2019
 - Fund additional capital projects and improve cash position

Unified Aqua System*

1. Increase in debt service cost (\$58K est.), from additional subordinated debt (SRF) – Chuluota Effluent Disposal
2. Make available \$689K unrestricted funds for Capital Projects
3. Current Balance (January 2018) \$371,961
 - No additional transfers into Rate Stabilization
4. Possible Rate Increase for FY2019
 - Fund additional capital projects and improve cash position

* Level Debt Service and / or 3% increase in operating expenses assumed

Major FY 2019 Assumptions



MacDill AFB System

1. System Deficiency Correction funding (capital allocations) are expected to be significantly lower during FY2019
2. The FGUA plans to construct an office building in FY2019 (replacing trailers) using the facility fund balance accumulating since 2013



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Strategic Goals & Objectives

Strategic Goals & Objectives



- Continually improve services and management
- Maximize efficiencies, including technology investments, such as:
 - Energy retrofits and re-metering
 - SCADA
 - Video conferencing
 - Billing and Customer Information System (CIS)
 - System-wide GIS mapping and fixed assets management
 - Reverse call-ins/E-commerce/Web services
- Utilize continuous feedback to strengthen customer service
 - e.g. preferred communications
- Carefully control costs (e.g. consumables)
- Minimize/avoid rate increases; Lower where possible

Strategic Goals & Objectives - Cont



- Maintain strong working relationships
 - Host governments
 - Contract partners
 - Regulatory agencies
- Operate systems within optimal service standards, sound environmental stewardship and best industry practices
- Improve service reliability/resiliency (e.g. emergency power)
- Provide excellent stewardship of FGUA finances and credit standing
- Plan for service growth
- Expand when/where feasible to spread fixed costs
 - Expand customer base in existing systems
 - Expand systems to improve economies of scale (with Board's guidance)

Strategic Goals & Objectives - Cont



- Ensure equity in service charges
- Maximize contributed revenue (e.g. grants) and secure low cost, government financing where available
- Ensure well-reasoned and comprehensive capital improvement planning
 - Balance priorities with customer and credit tolerance



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Next Steps

Next Steps in 2018



2018

March-May

- Rate consultant reviews forecasts & rate requirements with CFO
- Budget development

June

- System Manager submits FY 2019 Proposed Budget & 2019-2023 CIP to Board

July

- Follow-up budget recommendations/workshop (if needed)

August

- Budget hearing & rate advertisements

September

- Rate hearings (if needed)
- Final public hearing & budget adoption by Board



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FURTHER PLANNING DISCUSSION WITH DR. MEL JURADO