

BoCC Work Shop

January 19, 2016

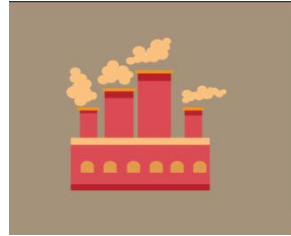
Lee County Utilities
Financial Policies Overview

Overview of Presentation

- LCU System
- Flow of Funds
- Basis for LCU Financial Policy
 - Indicators to Measure Fiscal Strength
 - Annual Revenue Sufficiency Evaluation (Rate Study)
 - LCU Rate Comparison
- Debt Services
 - Annual Engineer of Record to Ensure Maintenance of Existing Assets
 - Planning for Future Debt
 - Bond Ratings
- Reserves

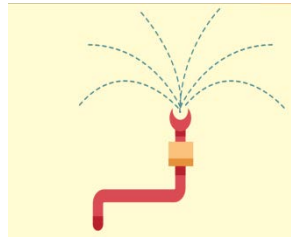
LCU System - \$1B Asset Value

5 Water Treatment Plants



5 Waste Water Treatment Plants

Source Water Wells 113

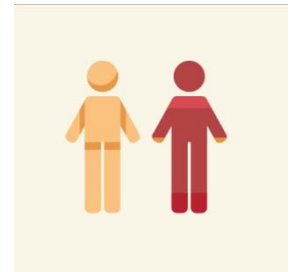


Lift Stations Pump Stations 631

2,385 Miles of Force Mains & Transmission Lines

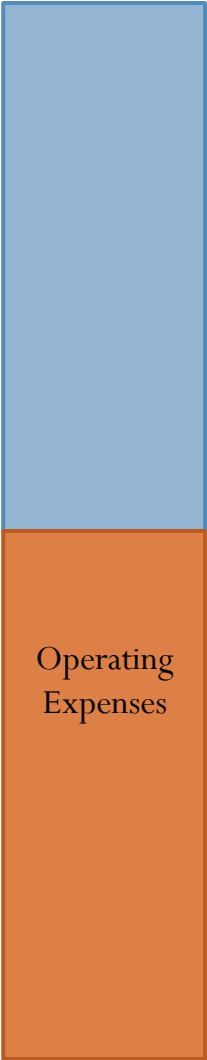


273 Staff

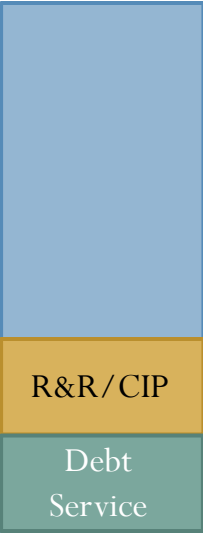


Flow of Funds

Total Revenue



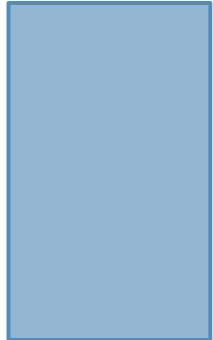
Net Revenue



Reserves



FY16
(Estimate)
\$81.7M



- Bond Proceeds
- Connection Fees
- Operating Reserves
- Capital Reserves
- Disaster Recovery

LCU Financial Policy

June 2013 BoCC Adopted Administrative Code 10-4,
Formal Policy to Maintain LCU's Financial Standing

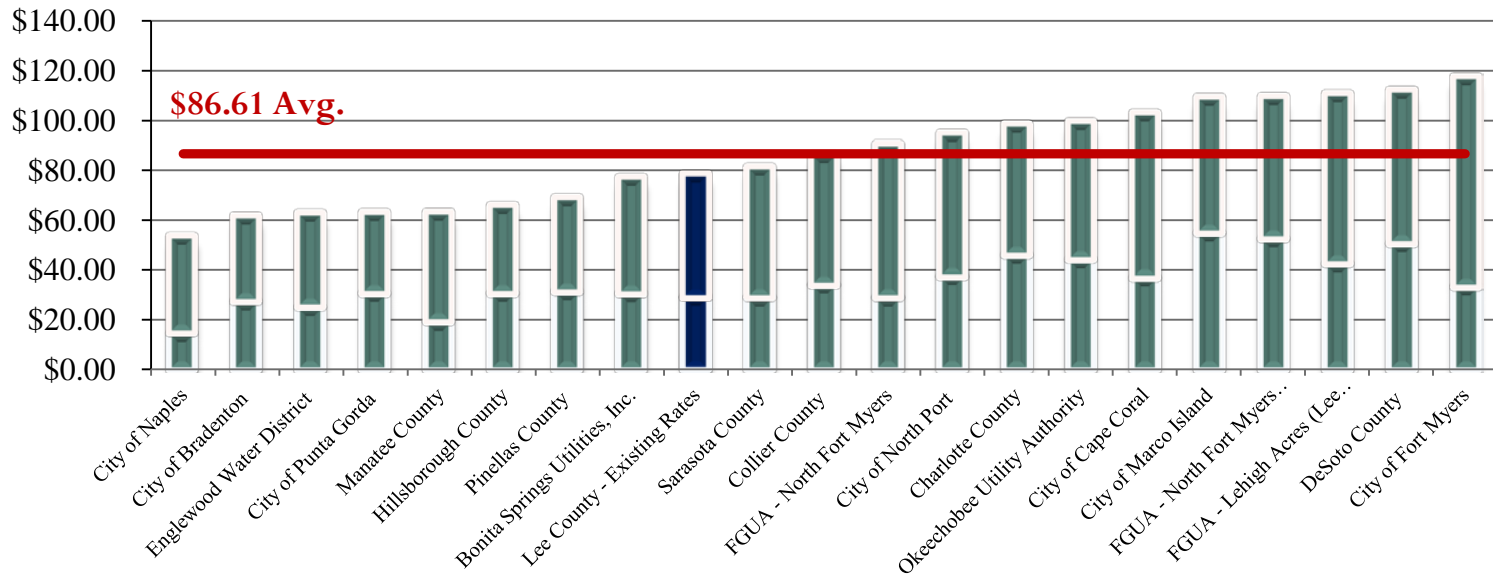
- To ensure operating and long-term capital needs are met.
- To maintain reasonable and well justified rates and fees to promote sustainability of the system.
- Provides guidance on appropriate levels of operating and capital reserves and funds available for emergency response and unanticipated expenditures.
- Establishes favorable financial indicators recognized by bond rating agencies, investors and Government Finance Officers Association.

LCU Financial Policy - Indicators

FY15 Rate Study	FY14 (Actual)	FY15 (Projected)	FY16 (Projected)
Benchmark Operating Reserves - Minimum of 120 days expense or 33% annual operations budget	\$18.0M	\$18.8M	\$19.5M
Operating Reserves (Actual or Projected)	490 Days or \$73.4M	236 Days or \$37.0M	190 Days or \$31.0M
Benchmark Capital Reserves – Minimum of 1.5% prior year’s Gross Assets	\$13.9M	\$14.1M	\$14.4M
Capital Reserves (Actual or Projected)	\$53.7M	\$27.9M	\$19.7M
Debt to Fixed Assets - debt as a percentage to net fixed assts no greater than ratio of 50%	43%	38%	37%
All-In Debt Coverage –greater than 150%	242%	236%	229%
Capital Reinvestment –capital reinvestment greater than 10% of prior years rate revenue	27.6%	25.2%	23.5%

LCU Rate Comparisons

Water and Wastewater Residential Rate	Monthly Rate 5,000 gal
Bonita Springs Utilities	\$77.45
Lee County Utilities	\$78.64
City of Cape Coral	\$103.09
City of Fort Myers	\$117.58



Debt Service – Annual Payment

Bond Revenue and State Revolving Fund (SRF) Loans

- Major Capital Investment planned in 10 year CIP
 - Roll Out Advanced Metering Infrastructure (AMI) \$24M
 - Three Oaks WWTP Expansion \$25M
 - NFM WTP Expansion \$43M
 - Additional WWTP to serve growth in South County
- Current Bond Rating: High Investment Grade Rating
 - LCU Financial Policy – strong financial trends for debt coverage and cash reserves based on Best Practices
 - Engineer of Record – physical condition of existing assets and proper reinvestment into the system
 - Financial Rate Sufficiency Report – funds available for existing and future operating and capital needs with reasonable rates
 - Solid Operation – diverse water sources and meeting capacity
 - Strengthening Economy – stable customer base

Reserves – FY15 Rate Study

- Restricted – Bond Covenant
 - Bond Proceeds
 - Renewal and Replacement
 - Connection Fees – Capacity Projects

- Financial Policy Reserves
 - Operating Reserves – Minimum 120 Days Operating Expense
 - Capital Reserves – Minimum 1.5% Prior Year’s Gross Assets

- Unrestricted
 - Programmed Long-Term CIP
 - Disaster Recovery
 - Unanticipated Major Failures

	FY14 (Actual)	FY15 (Estimate)	FY16 (Estimate)
Restricted – Bond Covenant	\$91.3M	\$32.2M	\$29.8M
Financial Policy Reserves	\$31.9M	\$32.9M	\$33.9M
Unrestricted	\$85.2M	\$28.0M	\$18.0M
Total Reserves	\$208.4M	\$93.1M	\$81.7M

Closing

LCU Financial Policies Ensure Fiscal Strength of Enterprise

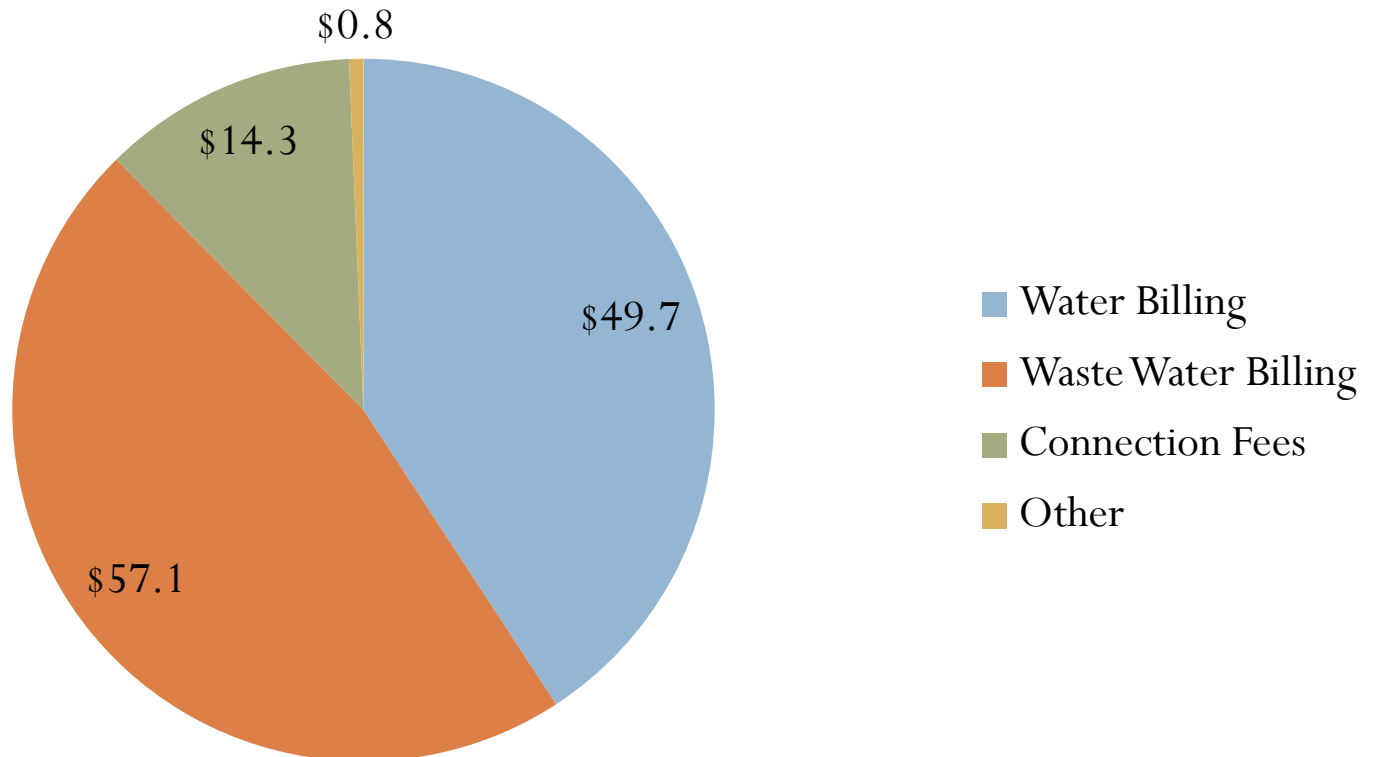
- Provides Framework for Financial Decisions using Published Indicators: Cash Reserves, Debt Capacity, and Capital Re-investment
- Ensures Operating and Long-Term Capital Needs are Met
- Financial Professional Services to Ensure Revenue Sufficiency and Reasonable Rates
- Engineer of Record to Ensure Maintenance of Existing Assets Per Bond Covenants
- Maintain Favorable Agency Ratings for Favorable Future Borrowing
- Maintain Minimum Operating and Capital Reserves

Backup Slides

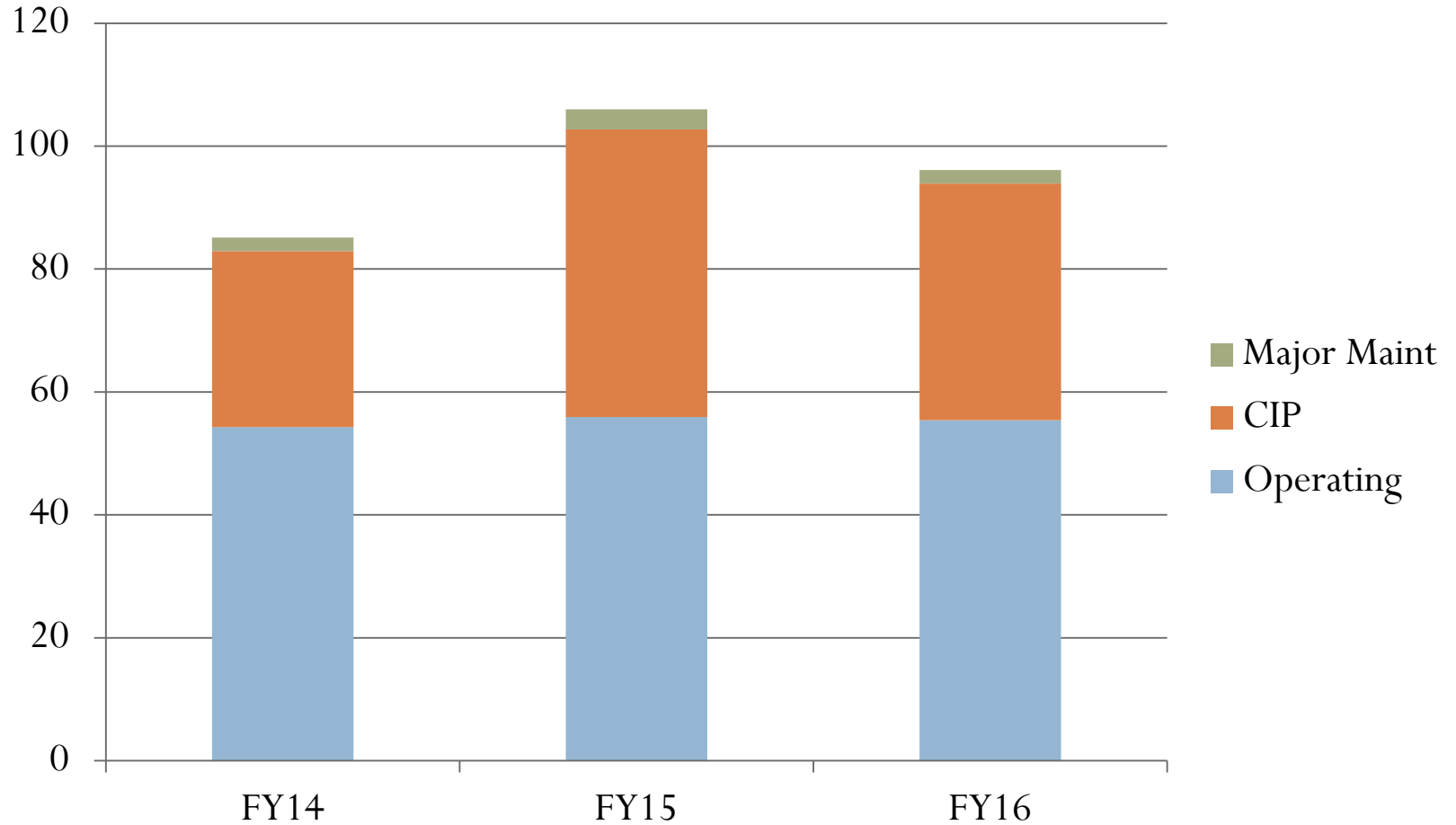
Revenue Sources

(Actual FY15)

Total FY15 Revenues of \$121.9M



Operating and Capital Expenditures (Adopted Budget)

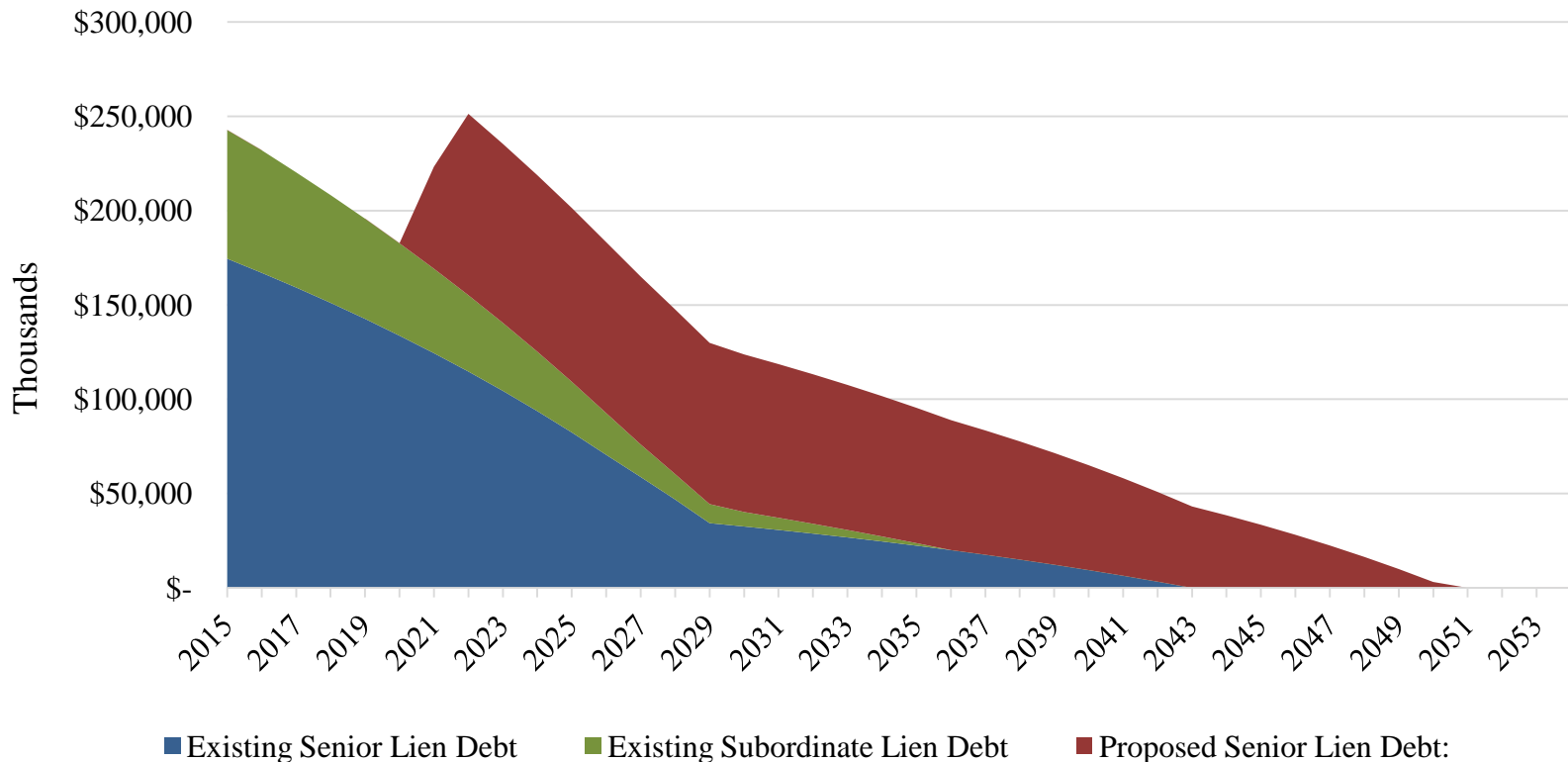


Existing Annual Debt Service \$21M

Total Current Debt of \$240M

Outstanding and Proposed debt service beginning 2015

EXISTING & PROPOSED DEBT OUTSTANDING - ENDING BALANCE



Snap Shot of LCU Enterprise Fund

