



UTILITY QUARTERLY FINANCIAL UPDATE

October 15th, 2024



CHARLOTTE COUNTY
FLORIDA

Agenda

- FY24 Comparison to Model
- Review of Bond-Related Capital Tiering Process
- Review of Raftelis' June Rate Model Update
- Rate Model Exercise & Results

FY24 Projection Comparison to Model

*As of 8/31/2024

Revenue	FY24 Raftelis	FY24 Proj	Variance
Utility Rate Revenues	96,561,471	98,728,677	2,167,206
Other Operating Revenues	4,325,479	6,857,169	2,531,690
Non-Operating Revenues	8,863,985	17,462,072	8,598,087
Total Revenue	109,750,935	123,047,919	13,296,984
Expenditures			
Operating	77,574,763	70,581,111	(6,993,652)
Debt Service	18,250,352	20,053,846	1,803,494
Capital:	15,180,770	4,333,150	(10,847,620)
Equipment	3,319,460	1,711,153	(1,608,307)
Rate Subsidized Projects	5,413,345	1,386,797	(4,026,548)
R&R	6,447,965	1,235,200	(5,212,765)
Internal Loans	1,348,410	1,551,625	203,215
Total Expenditures	112,354,295	96,519,732	(15,834,563)
Annual Surplus (Deficiency) - \$	(2,603,361)	26,528,187	29,131,548

FY24 Projection Notes

- Encumbered Expenses (\$11.3M)
 - \$3.3M Professional/Contractual Services
 - \$3.4M Equipment
 - \$4.6M Capital Projects to 4031
- Contract Services FY24 Budget
 - \$4.8M in services not utilized

Review of Bond-Related Capital Tiering Process



Bond-Related Regulatory Disclosure Requirements

- Consulting Engineer (Jones Edmunds) conducted a System-wide Assessment
 - Required for Bond Issue
 - Included review of all known/vetted projects and newly identified capital initiatives
- Provides complete transparency about CCU's condition as an enterprise
 - Consequentially relevant to identify all known strengths and risks of the system
 - Required for rating analysts, underwriters, bond investors and Federal regulators

Project Tiering Process

- The Consulting Engineer provided a comprehensive review of all CCU capital infrastructure and planned development
 - Included revised estimates of existing projects
 - Identified \$1.5bn in new projects not already included in CNA
- CCU staff prioritized projects into 5 Tiers in consultation with Jones Edmunds
- The June rate model only included Tier 1 projects

TIER 1	1	Regulatory, public safety, end of useful life, active CIP & CMP
	1	PW/FDOT-related (CIPs) OR vetted by CCU but not yet in CIP
TIER 2	2	Likely necessary projects in preliminary study but not vetted by CCU/Admin
TIER 3	3	Not yet determined to be necessary
TIER 4	4	Identified projects not vetted and/or outside the "CIP Window"
TIER 5	5	In closeout, removed from CIP or Sales Tax repository

Raftelis Rate Model Review

- Tier 1 Projects (next 5-7 years)
 - Approximately \$1 billion in capital infrastructure
 - Included WRF expansions of East Port, Burnt Store, West Port, and Rotonda
- Peace River Projects
 - Phase 2B – Regional Integrated Loop
 - Commitment of additional 3.0 MGD
- Recommendation of 7% annually over the next 5 years
 - Provided for all planned Tier 1 capital
 - Included proposed increase of connection fees
 - Met 3 required targets:
 - 120 days cash on hand target for the projection period
 - 150% Senior Lien Debt Service Coverage
 - Net Positive Cash Flow in FY29
- Reconciled Raftelis' Feasibility Study with Jones Edmunds System-wide Assessment disclosure

Rate Model Exercise at current rates

Assumptions

- Targeting available free cash flows after isolating CCU commitments through FY29
- Indexed Rate Adjustments Only
 - User rates to increase by 3.24% in FY25 (FPSC Index), then 2.5% annually in future years
- Only Committed Projects included in the Baseline – Approx. \$186m
 - Some of the Larger Projects Included:
 - East Port WRF Expansion
 - Babcock Feasibility
 - SCADA
 - Developer Capacity Reimbursements
 - Peace River Projects:
 - Phase 2B – Regional Integrated Loop
 - Commitment of additional 3.0 MGD

Exclusions for Exercise

- Total uncommitted dollars of CCU capital planning over 20 years is **\$3B**
 - \$481M Babcock Ranch Water Supply
 - \$100M+ Burnt Store WRF Expansion
 - \$67M Rotonda WRF Expansion
 - \$40M PW Relocation Allocations
 - ***\$1.5B NEW CIP-identified projects***
 - \$222M West Port WRF Expansion
 - \$86M Approved CMP (20 years)
 - \$45M Lake View Midway S2S (R&R portion)
 - \$350M ancillary CIP project estimates
 - ***\$110M NEW CMP-identified projects***

Targets for Exercise

- Target ample reserves to maintain a positive risk profile for debt and resiliency purposes
 - Minimum of 120 days cash on hand for Operations & Maintenance (4031)
 - Minimum of \$6M in the Renewal & Replacement fund (4034)
 - Minimum of \$5M in the Wastewater Connection Fee fund (4032)
 - Minimum of \$5M in the Water Connection Fee fund (4042)
- 150% Senior Lien Debt Service Coverage

Results of Exercise

- Funding Sources
 - \$30M from annual CMP spending over five years (\$6m annually)
 - \$120M FY25 bond issuance (\$8m annual debt service)
 - \$105M available from reserves over the next five years
 - Reserve balances in excess of minimum targets
 - To be used as needed
 - Reserve Balances are cumulative and include restricted funds
 - 4032 – Wastewater Connection Fee Fund
 - 4042 – Water Connection Fee Fund

Recommended Uses

- \$12M for Burnt Store WRF (capacity increase and project re-evaluation)
 - \$10M to re-rate existing plant to 1.0MGD/perform required maintenance
 - \$2M for feasibility study to identify alternative options
- \$50M for Rotonda WRF infrastructure
 - Funded for design by FY27
 - Construction anticipated by FY29 to meet AWT guidelines
- \$150M for West Port WRF infrastructure
 - Currently in design
 - Construction anticipated by FY29 at the latest due to capacity concerns
- \$30M for pay-go R&R / CMP projects (\$6m annually)

Two-Year Budget Process

- Capital Timeline

Month	Task
June	CIP meeting - discussion of scope, timing, changes to CNA, and impacts to other departments
July-September	Depts review and rank projects within 6-yr CIP and identify project cost changes
September	CIP meeting to review ranking and potential scope changes with Administration
October-November	Departments enter project costs for new projects and additional funding requested for existing projects
November	Departments coordinate with sponsor department on operating impacts and timing on when project will go "in service"
December	CIP Review Committee validates and prioritizes submitted projects based on county needs, strategic focus areas, and available funding resources, and recommend ranking and allocation of resources to the Board for final approval
February	CNA Workshop with Board