

# Toho Water Authority

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## Capital Improvement Plan (CIP) Submittal

**FY2023-2027**



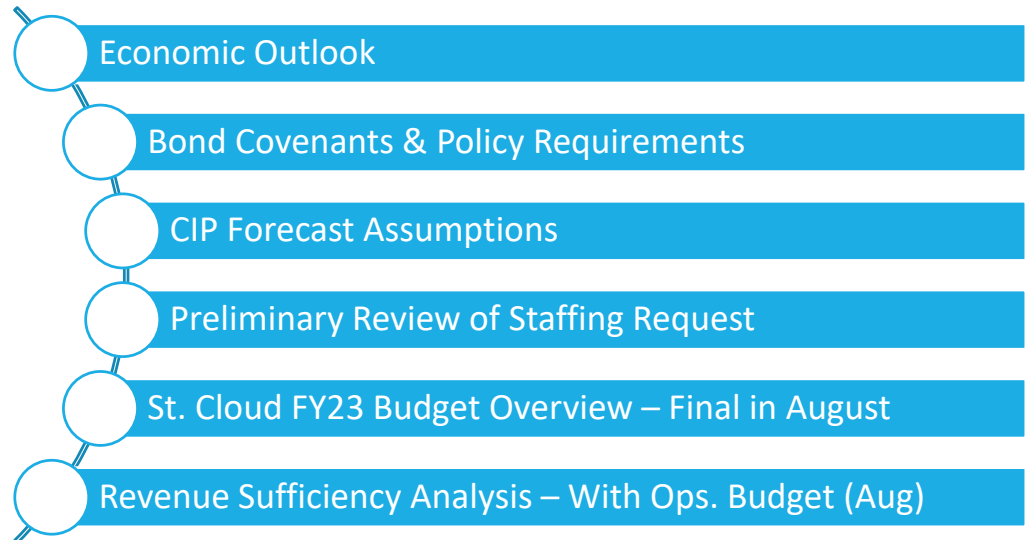
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# AGENDA

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Toho is responsible for the efficient expenditure of monies received from ratepayers. The Capital Improvement Plan is designed to assist in that function and is developed each year to project what the organization's capital needs will be and how such expenditures will be funded over the next five (5) years.

The Capital Improvement Plan is a listing of capital improvements, together with cost estimates and the proposed method of funding. It doesn't commit Toho to certain expenditures over the next five (5) years.



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# Board Action Items

- ☐ Advise and discuss modifications / revisions to the CIP Submittal
  - ☐ Assumptions
  - ☐ Major Projects Priorities
- ☐ Review of Preliminary FY2023 New Personnel Forecast
- ☐ St. Cloud Transition
  - ☐ FY23 Capital Budget
  - ☐ Vacation Accrual Program

# Capital Improvement Plan Update

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ECONOMIC OUTLOOK



## ...State & Regional

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth
- Florida's population growth is expected to annually average 1.4% from 2021 through 2026.
- Osceola County is projected to grow by an annual average amount of 2.9% between 2021 & 2026.

	Census 2010	Estimates 2021	Projections		
			2025	2030	2035
Florida	18,801,332	21,898,945	23,164,000	24,471,100	25,520,800
Osceola County	268,685	406,460	463,500	525,500	575,000

Ranking by Population % Change				
		Population		
Rank by County	% Change	2021	2010	
	FLORIDA	16.5%	21,898,945	18,801,332
1	Osceola	51.3%	406,460	268,685
2	St. Johns	50.2%	285,533	190,039
3	Sumter	44.1%	134,593	93,420
4	Walton	41.6%	77,941	55,043
5	Lake	34.7%	400,142	297,047
6	Manatee	27.4%	411,209	322,833
7	Orange	27.2%	1,457,940	1,145,956
8	Nassau	26.9%	93,012	73,314
9	Santa Rosa	26.8%	191,911	151,372
10	Lee	26.5%	782,579	618,754

Ranking by Population # Change				
		Population		
Rank by County	Change	2021	2010	
	FLORIDA	3,097,613	21,898,945	18,801,332
1	Orange	311,984	1,457,940	1,145,956
2	Hillsborough	261,148	1,490,374	1,229,226
3	Miami-Dade	235,482	2,731,939	2,496,457
4	Broward	207,309	1,955,375	1,748,066
5	Palm Beach	182,361	1,502,495	1,320,134
6	Lee	163,825	782,579	618,754
7	Duval	152,546	1,016,809	864,263
8	Polk	146,270	748,365	602,095
9	Osceola	137,775	406,460	268,685
10	Pasco	111,194	575,891	464,697



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Source: Bureau of Economic and Business Research (BEBR)  
Florida Population Studies | Volume 54, Bulletin 187, January 2021

# Economic Overview

## POSITIVE TRENDS

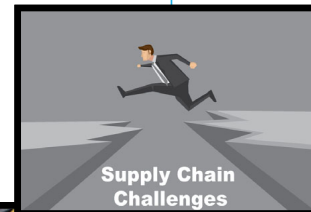
- The State and Regional economy continues to thrive due to declining unemployment rates, strong job growth, and the return of international visitors
- OIA sees increase in international travel numbers for the first time since pandemic began
- Unemployment rate:
  - Florida stands at 3.2% below the national rate
  - Locally, Osceola County is at 3.3%

## CHALLENGES

- The National economy remains disrupted due to Covid-19 and supply chain bottlenecks
- Inflationary Risks
- Drastic increases in gas prices
- Uncertain economic response to Fed. Policy actions

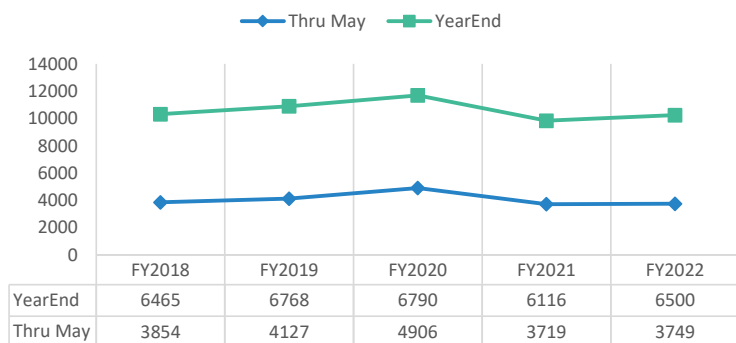


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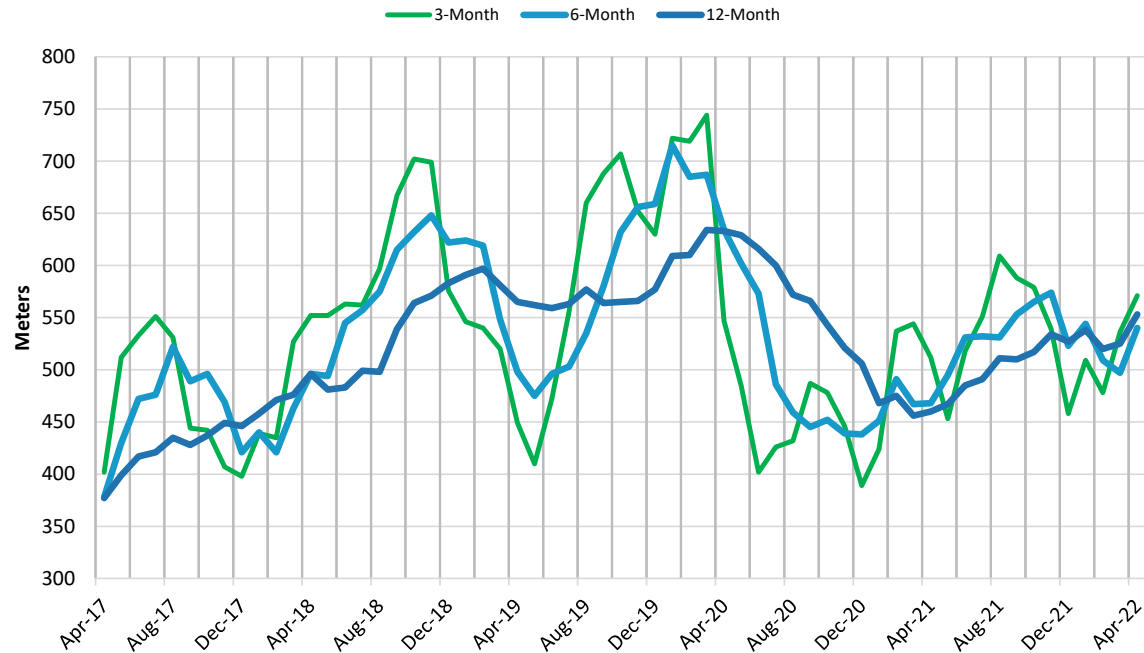
# Meter Growth Trends

## YEAR OVER YEAR METER SET TRENDS



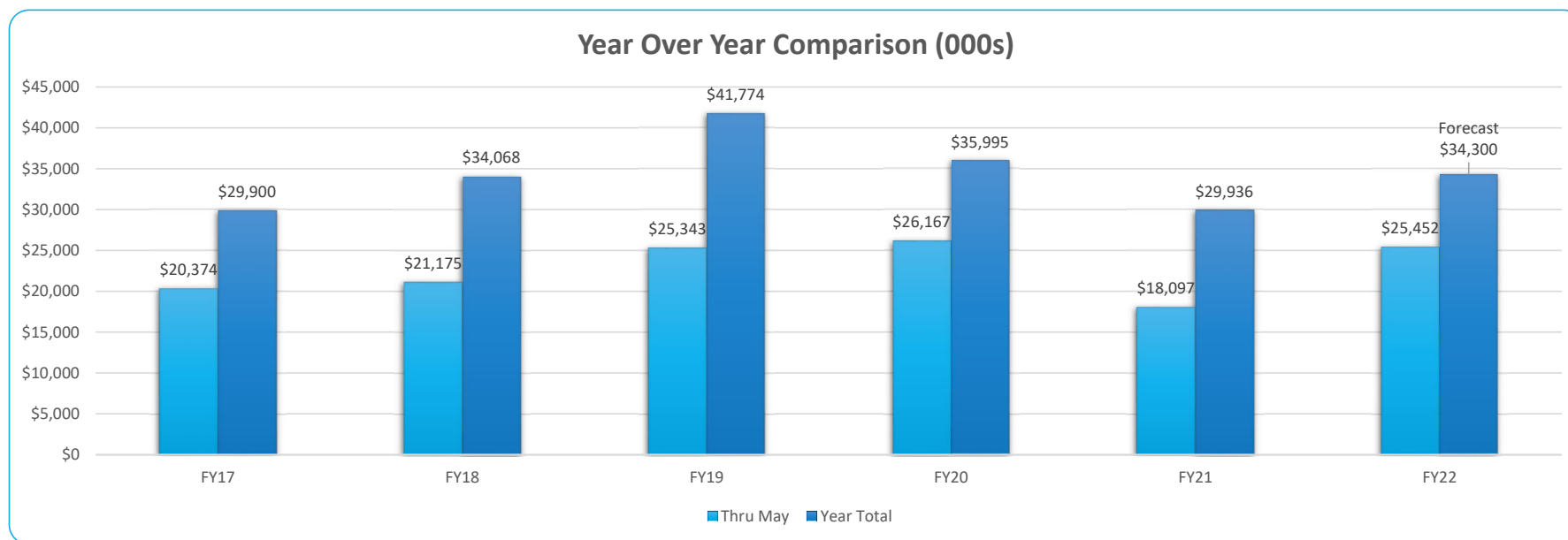
*FY22 Year End forecast based on prior 4Y average*

## 3-, 6-, & 12-Month Rolling Average Meter Set Comparison



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## System Development Charges Revenue Trends



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# Capital Improvement Plan Update

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## BUDGET ASSUMPTIONS

## Key Revenue Growth Assumptions

- The five year growth projection is expected to average 3.1%
- Water conservation programs will continue to depress the average per capita water consumption
- Higher growth rate for reclaimed water customers (8.1%)
- Rate sufficiency analysis to validate assumption

Key Revenue Assumptions					
	2023	2024	2025	2026	2027
<b>Billed Services Growth:</b>					
Water, Wastewater & Irrigation	3.1%	3.1%	3.1%	3.1%	3.1%
Reclaimed Water	8.1%	8.1%	8.1%	8.1%	8.1%
Rate Adjustment *	4.0%	4.0%	4.0%	4.0%	4.0%
Overall Operating Revenue Growth	7.5%	7.3%	7.3%	7.4%	7.4%

Future rate adjustments subject to change based on information from master plan updates, rate consultant study, etc.



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## Key Operating Cost Escalation Factors

- Overall five year average rate of expenses is 6.1%
- Pace remains consistent at growth plus inflation

Key Operating Cost Escalation Factors					
	2023	2024	2025	2026	2027
Salary and Wages	6.0%	5.0%	5.0%	5.0%	5.0%
Health Insurance	10.0%	10.0%	10.0%	10.0%	10.0%
Repair & Maintenance	6.0%	6.0%	6.0%	6.0%	6.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
Petroleum Supplies	5.0%	5.0%	5.0%	5.0%	5.0%
Chemical	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Overall Operating Expense Growth</b>	<b>6.8%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>5.9%</b>	<b>5.9%</b>

*\*FY2023 0.5% additional salary adjustment added to accommodate the compensation survey results*



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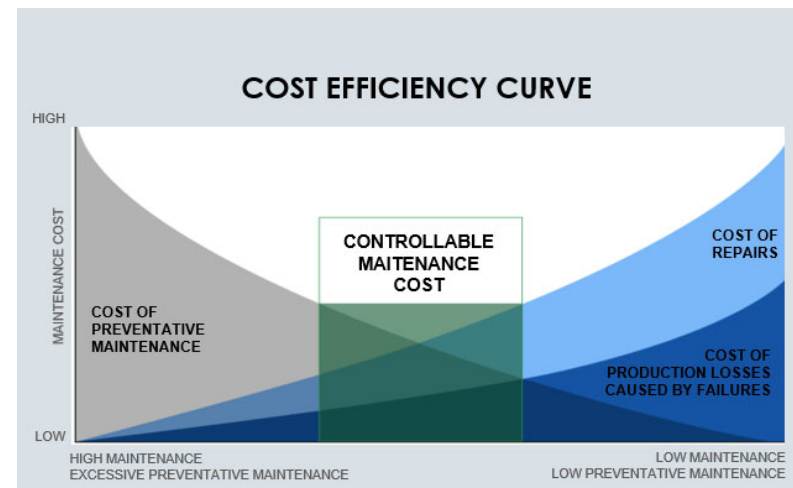
## Operating Margin Relationships

Expense Item	If Cost	Operating Margin	Capital Labor & Material Cost May	Service Level Could	Cost in Future Years Could
Maintenance & Repairs Items	Decrease	Increases	Increase	Decrease	Increase
Maintenance & Repairs Items	Increase	Decreases	Decrease	Increase	Decrease

- Maintenance & Repair Inverse Operating Margin Relationship
  - Cost go down – Margin goes up
  - Cost go down – Capital goes up
  - Cost go down – Service Level Could Decrease
- Future year's cost could increase
  - "Pay me now or Pay me Later"
  - Overall net dollar increase



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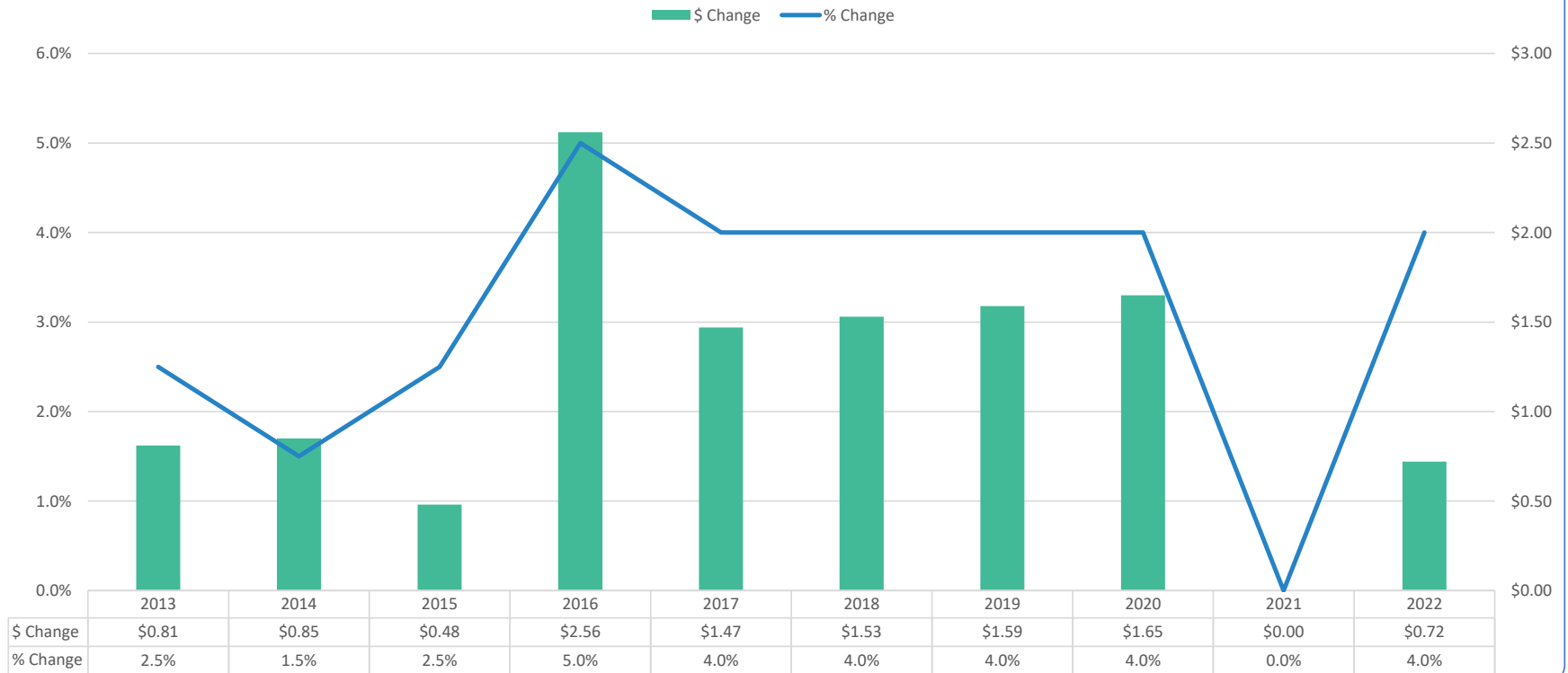
# Capital Improvement Plan Update

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PROPOSED RATE ADJUSTMENTS



## Historical Water & Wastewater Residential Rate % Adjustments



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\*Prior to 2013, Toho systems were allocated a certain percentage. Subsequently, rate adjustments were equalized.

FY22 reflects removal of the \$1/mo cross connection control fee.  
Added as \$3/mo fee to all irrigation and reuse accounts

# Summary of Bill Changes “Typical” Residential Customer

Example Combined Bills for Residential Customers						
	Current	2023	2024	2025	2026	2027
Water and Wastewater @ 4k gallons	<b>\$44.60</b>	\$46.38	\$48.21	\$50.14	\$52.14	54.22
Change		\$1.78	\$1.83	\$1.93	\$2.00	\$2.08
Water and Wastewater @ 4k gallons, Reclaimed Water @ 5k gallons	<b>\$62.27</b>	\$65.93	\$69.72	\$72.39	\$75.19	\$78.02
Change		\$3.66	\$3.79	\$2.67	\$2.80	\$2.83
Water and Wastewater @ 4k gallons, Potable Irrigation @ 5k gallons	<b>\$72.04</b>	\$74.82	\$77.66	\$80.66	\$83.74	\$86.96
Change		\$2.78	\$2.84	\$3.00	\$3.08	\$3.22

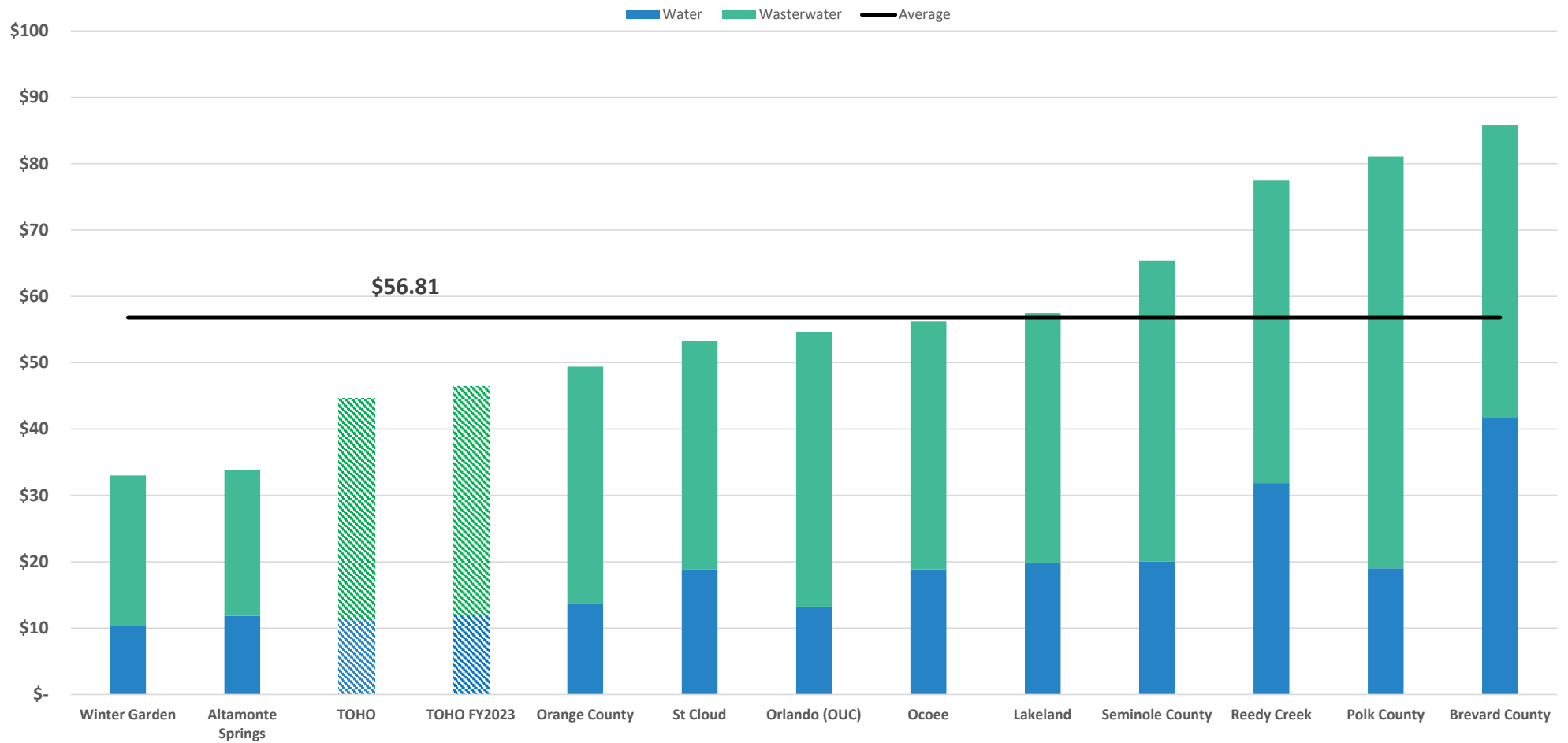


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*Rate adjustment assumption: 4% Adjustments FY2023 through FY2027*

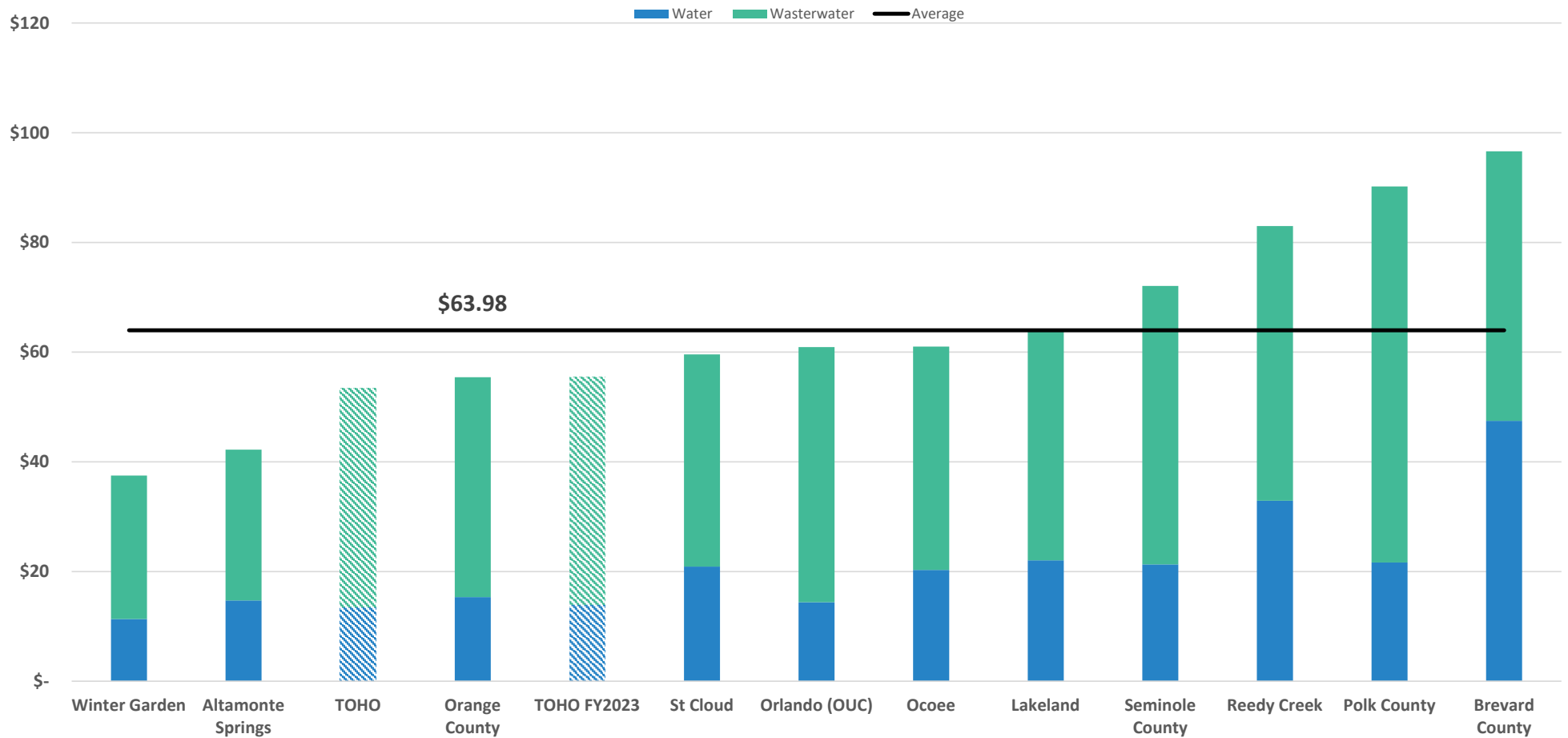
*Irrigation and reclaimed water totals include \$3/mo cross connection control fee*

## FY2022 Combined Bill Comparison: Residential 3/4" Meter & Monthly Usage of 4 kgal





## FY2022 Combined Bill Comparison: Residential 3/4" Meter & Monthly Usage of 5 kgal



## Underlying Assumptions

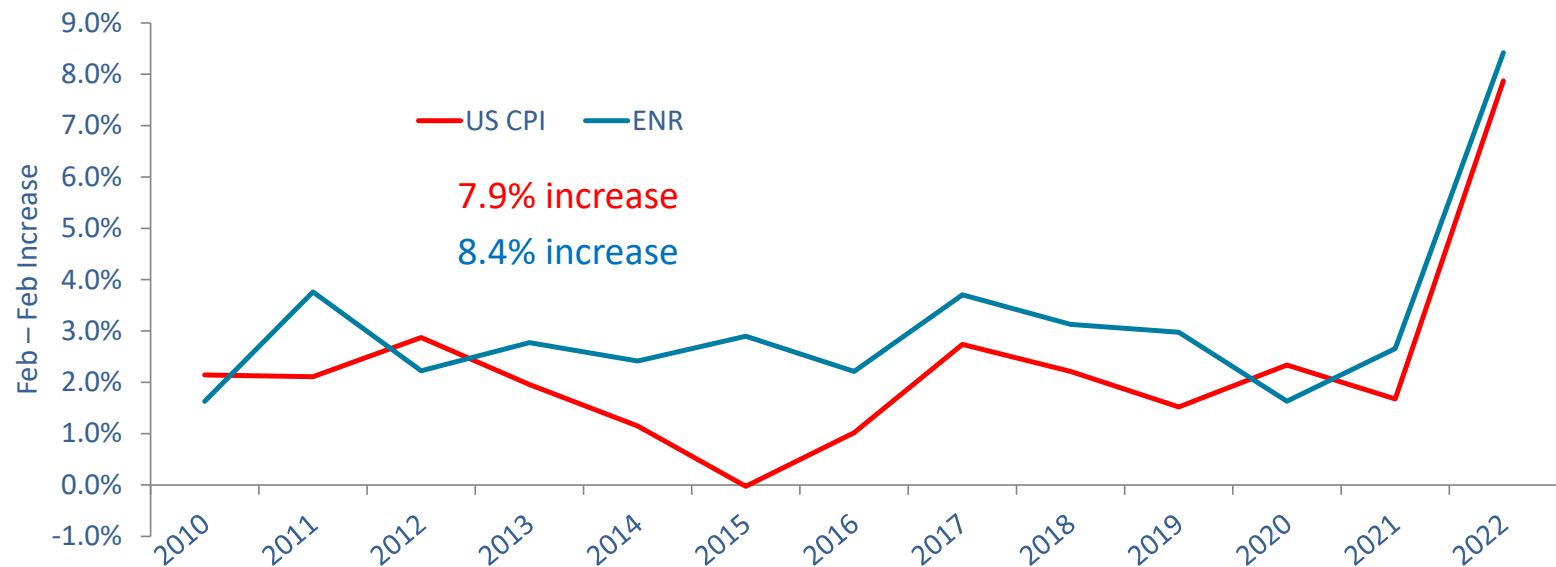
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1. A rate adjustment of 4% was approved by the Board for FY23 and FY24
2. Subsequently, FY25 through FY27 are shown as flat at 4%, however, potentially higher increases may be necessary if inflation is sustained and pace of development continues or increases
3. Annual adjustments are necessary to offset inflation and provide revenue sufficient to cover:
  - a) Operating and Capital expenditures
  - b) Satisfy debt obligations
  - c) Fund required transfers
  - d) Meet financial policy thresholds



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## Current Inflation Trends



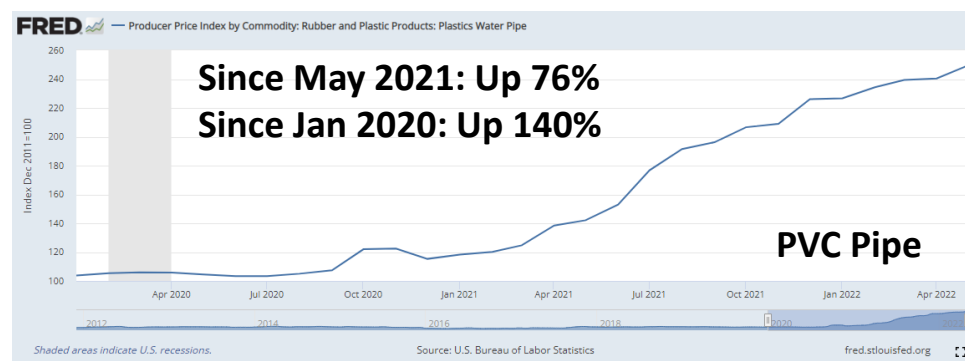
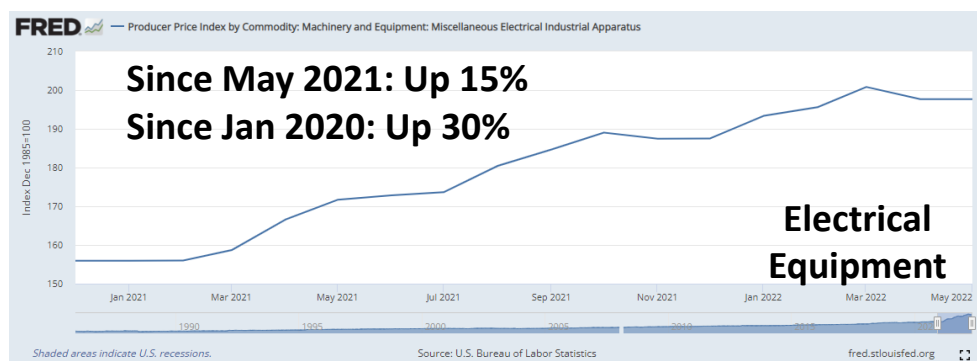
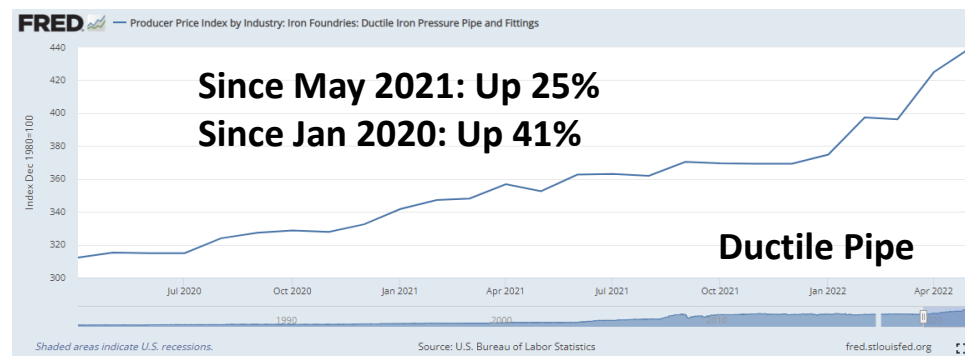
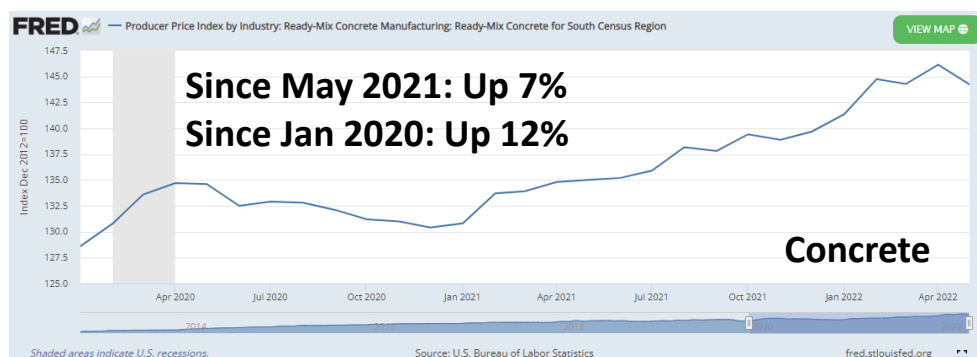
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**Data provided by Stantec Consultants**

US CPI Source: United States Bureau of Labor Statistics, U.S. Consumer Price Index

ENR Source: Engineering News Record, Construction Cost Index

# Water / Wastewater Construction Materials Trends



## FY2023 Florida Rate Increases (larger agencies)

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- St. Pete - 5% in FY 23 – 7.5% outlook for FY 24 – 26
- OCU - 3%, Plus Commercial Rate Adder (additional 1% in revenue)
- Pinellas County 9.5% increase on sewer (5.5% overall w/s combined)
- Fort Lauderdale - 8.6% water, 7.0% sewer
- Hillsborough County = Was CPI; Now 4% per year through 2025



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*Data provided by Stantec Consultants*

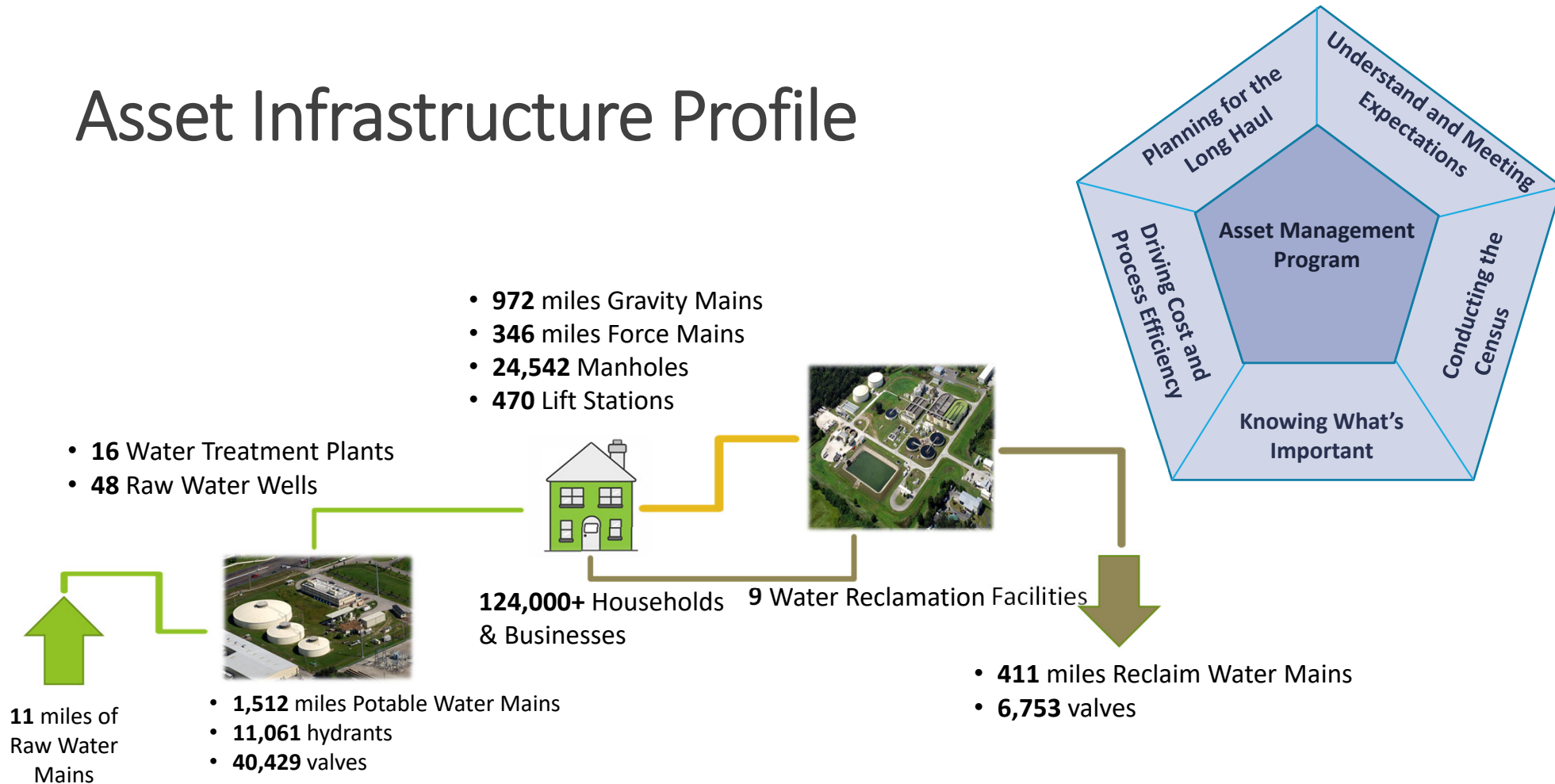
# Capital Improvement Plan Update

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PROPOSED CAPITAL IMPROVEMENT PLAN



# Asset Infrastructure Profile



# Key Drivers/Significant Implications

- ❑ Regulatory
  - ❑ Basin Management Action Plans driving AWT
- ❑ Growth
- ❑ County Road Program Expansion
- ❑ Inflationary Factors
  - ❑ General inflation
  - ❑ Supply chain impacts amid growth
  - ❑ Localized construction capacity
- ❑ Maintain quality of service



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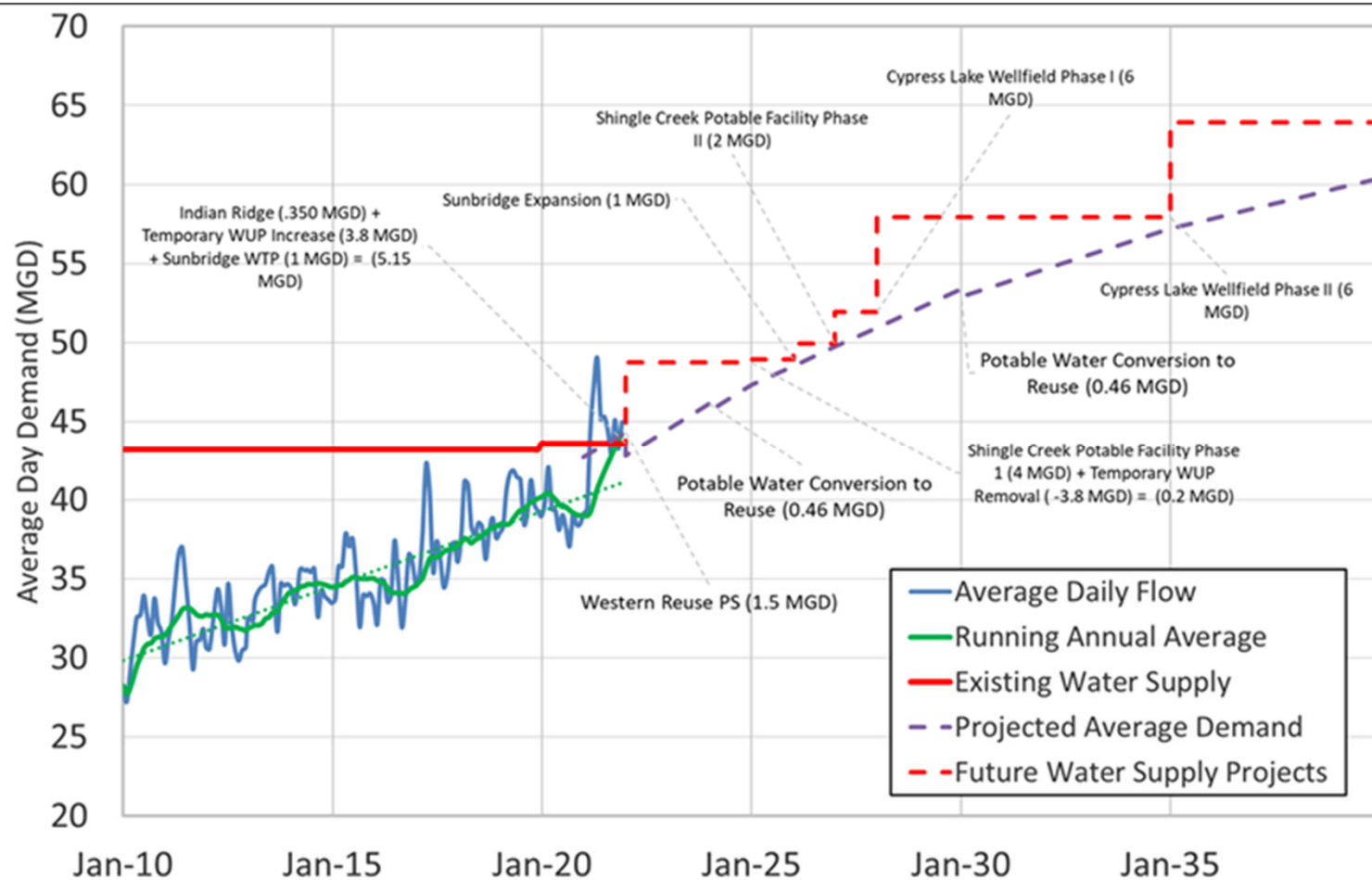
# Increased Capital Needs/Activity

<u>Water Supply</u>	<u>Plant Reinvestment/Expansion</u>	<u>Road Projects</u>
<ul style="list-style-type: none"><li>❖ <b>Major Projects</b><ul style="list-style-type: none"><li>❖ Shingle Creek / 160 acre WTF</li><li>❖ Toho Reservoir Facilities</li><li>❖ Sunbridge WTF Expansion / CL Conversion</li><li>❖ Harmony WTF</li><li>❖ Poinciana Blvd - Crescent Lakes</li><li>❖ Cypress Lake</li></ul></li></ul>	<ul style="list-style-type: none"><li>❖ <b>Significant WRF Expansions and Regulatory Upgrades</b><ul style="list-style-type: none"><li>❖ South Bermuda</li><li>❖ Sandhill</li><li>❖ Sunbridge</li></ul></li></ul>	<ul style="list-style-type: none"><li>❖ 30" WM Extension – Simpson to Fortune</li><li>❖ Marigold Ave/Cypress Pkwy Improvements</li><li>❖ Simpson Rd Ph 2,3,4</li></ul>
<b>Potential cost increases of \$200M +/- depending on level of project expansion and timing</b>		



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## Water Demand Projections Versus Water Supply Options

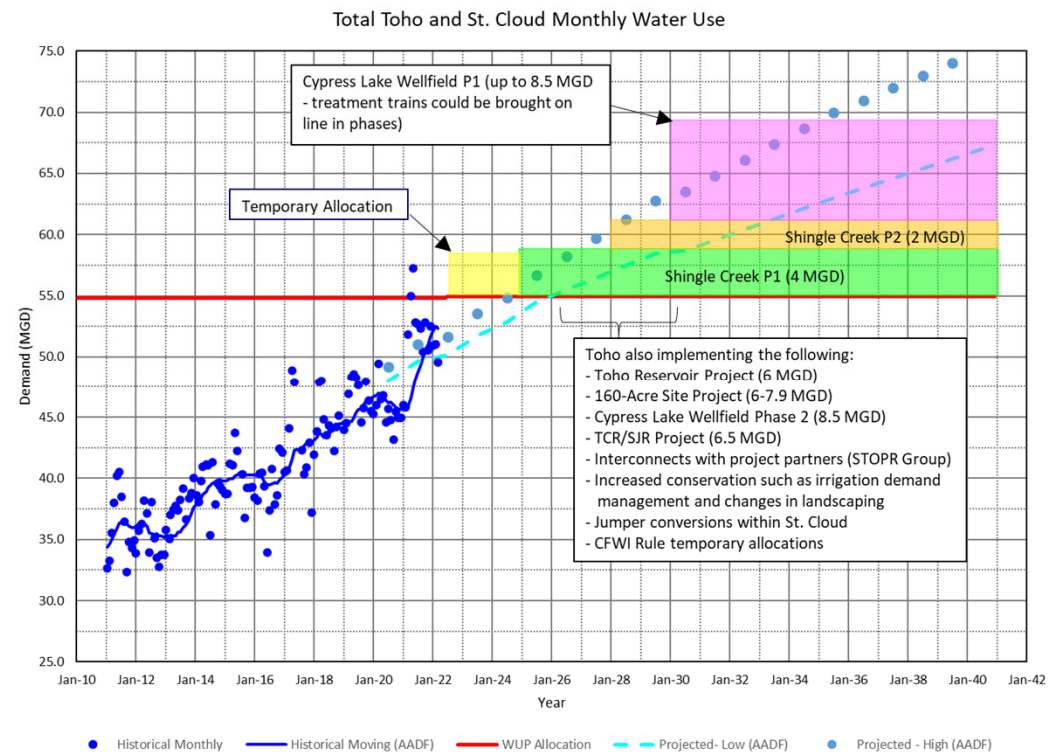


# Toho & St. Cloud Water Supply Integration Plan

- Toho's integration with St Cloud benefits both utilities by improving combined average day flow flexibility while aiding in St Cloud's Maximum Day constraints



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# Toho Capital Outlay and Fleet FY23-27

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## Characteristics

- Necessary operational items to maintain and improve service levels
- Annual recurring maintenance and replacement components
- Vehicles scheduled to be replaced or purchased within the fiscal year

Capital Outlay Items  
**\$63.8 Million**

(includes replacement meters, service parts, machines, materials, and various equipment)

New and Replacement Fleet  
Vehicles

**\$14.8 Million**

(replacement schedule criteria based on age, mileage, and costs of maintenance)



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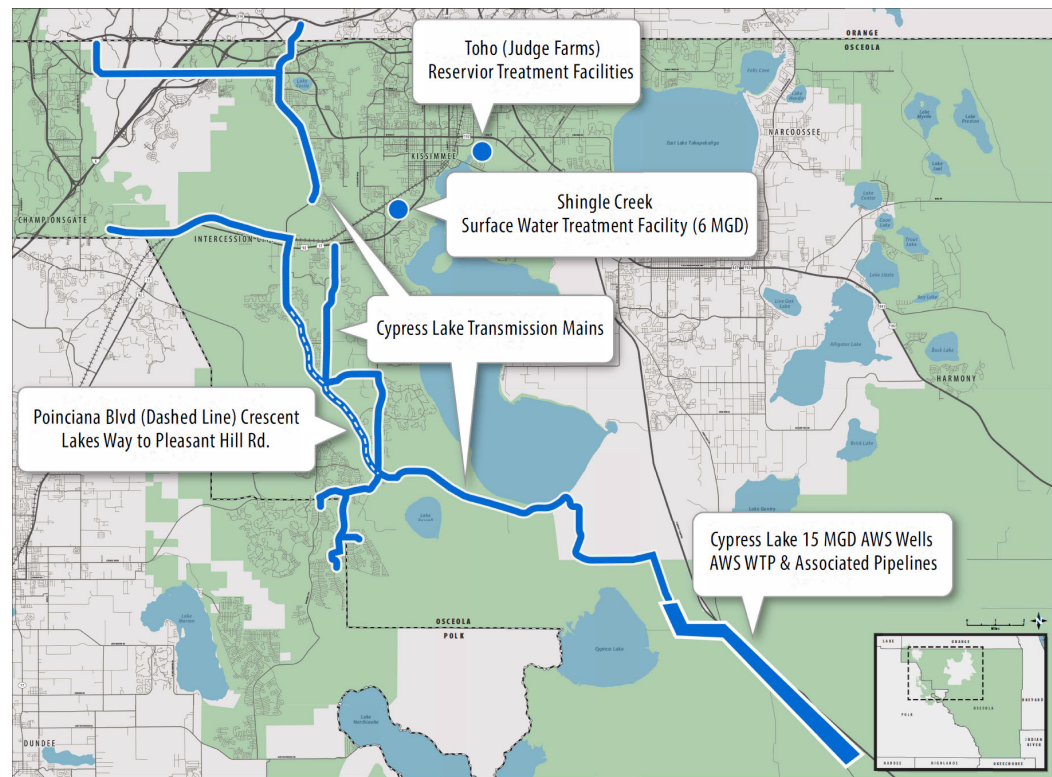
## Water Supply Major Projects

The top 5 projects listed in this category represent an estimated \$260 million + out of a total potential water supply investment of \$360 million + over the remainder of this year and the upcoming 5-year planning horizon.

Potential phasing options and cost optimization reviews are underway to optimize these investments.



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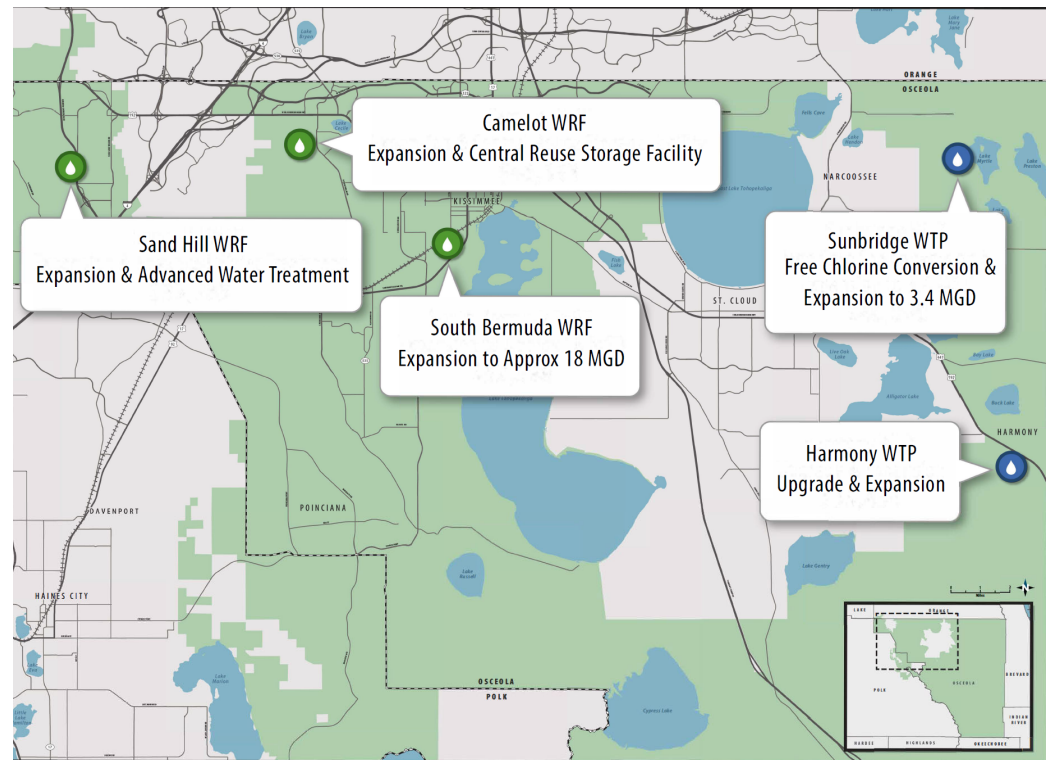
## Plant Reinvestment Major Projects

Plant reinvestments are being driven by a combination of growth and strengthening regulations including the basin management action plans which require increased nutrient removal from wastewater treatment facilities. This category represents a potential investment of \$260 million +/- over the remainder of this year and the upcoming 5-year planning horizon.

Potential phasing options and cost optimization reviews are underway to optimize these investments.



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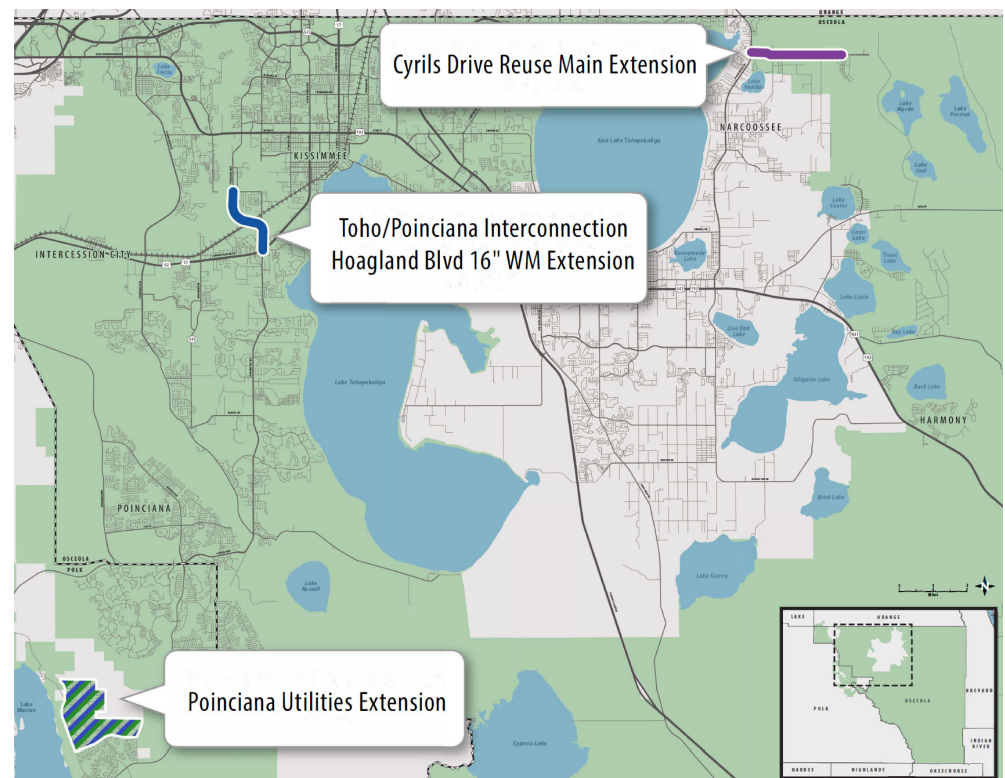
## Line Improvements & Extensions

### Major Projects

A total of \$60 + million is currently forecasted to be invested during the remainder of this year and the 5-year planning horizon in Line Improvements & Extensions projects.

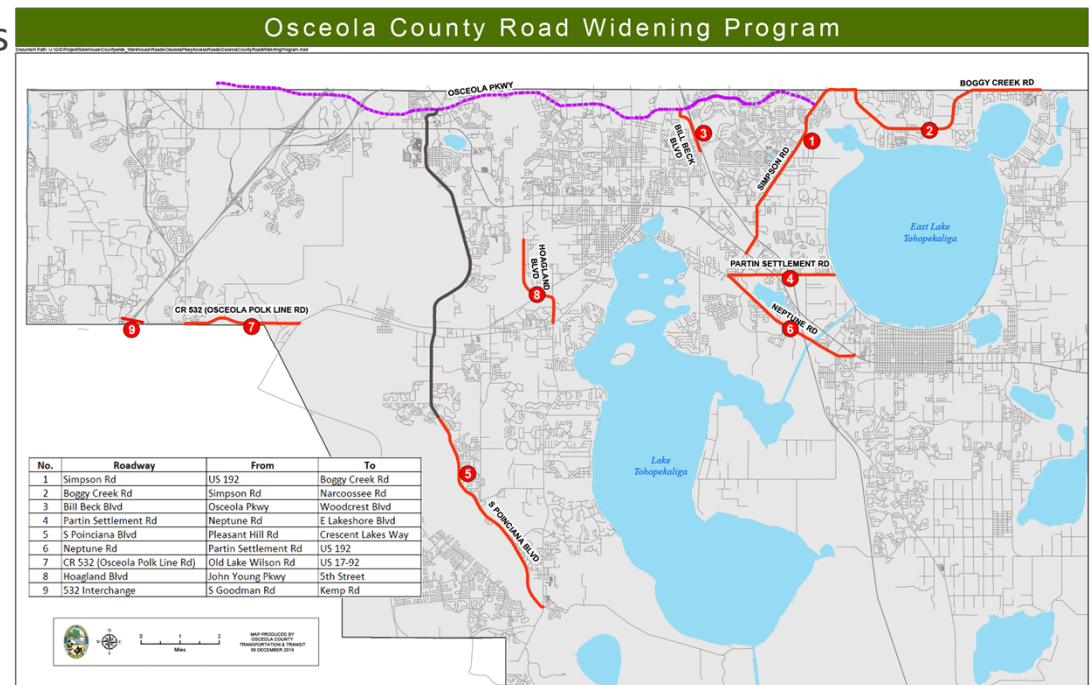


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# Osceola County – “Improve Roads Now”

- Sold bonds for road capital investments for \$210 million dollars
  - Access to State & Federal grants of \$67 million
  - Collected \$35.6 million in mobility fees dedicated to road improvements
- County faces \$1.1 billion backlog of road infrastructure projects
- Priority is to relieve congestion, reduce accidents, and make it cost feasible



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## Road Projects

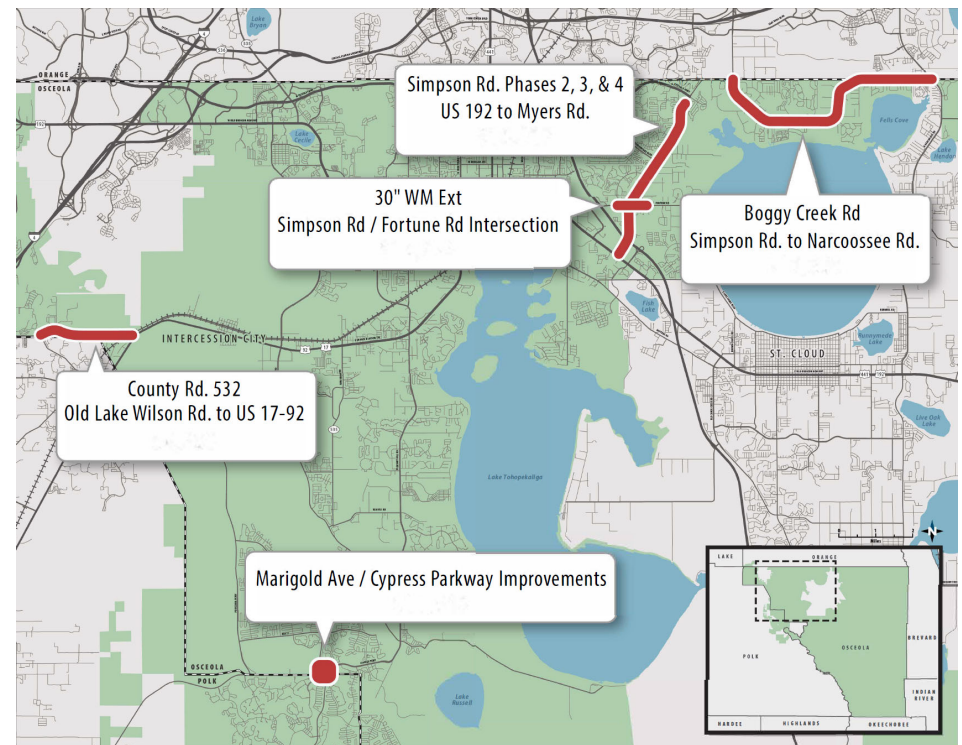
### Major Projects

A total of \$75 + million is currently forecasted to be invested in Road projects for the remainder of this year and the upcoming 5-year planning horizon.

Capital road request has increase as state, county, & city projects have accelerated their plans and are forecast to be initiated within the Capital Improvement Plan window. However, construction logistics and supply chain disruptions threaten project schedules. Toho project managers are reviewing the latest project schedules for possible adjustments to this plan.



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# Capital Improvement Plan Update

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PROPOSED STAFFING ADDITIONS FOR FY2022



## Staffing Levels and Forecast FY22 – FY23 (FTEs)

This is a preliminary review of the staffing level adjustments requested by department for the upcoming budget year.

Departments	2022	2023	Total
Operations	194.0	15.0	209.0
Assets & Infrastructure	54.0	7.0	61.0
Stakeholder Services	130.0	4.0	134.0
Business Services	22.0	2.0	24.0
Administration	2.0	0.0	2.0
Communications	3.0	0.0	3.0
Human Resources	15.0	4.0	19.0
Office of the General Counsel	3.0	2.0	5.0
Total	423.0	34.0	457.0



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# Staffing Positions Under Review for FY2023 (FTEs)

- Total of 34.0 additional FTEs for FY2023
- Certain Engineering and Operations positions will be capitalized based on specific funded capital projects
- Various positions are intended to offset cost of existing contracts and professional services

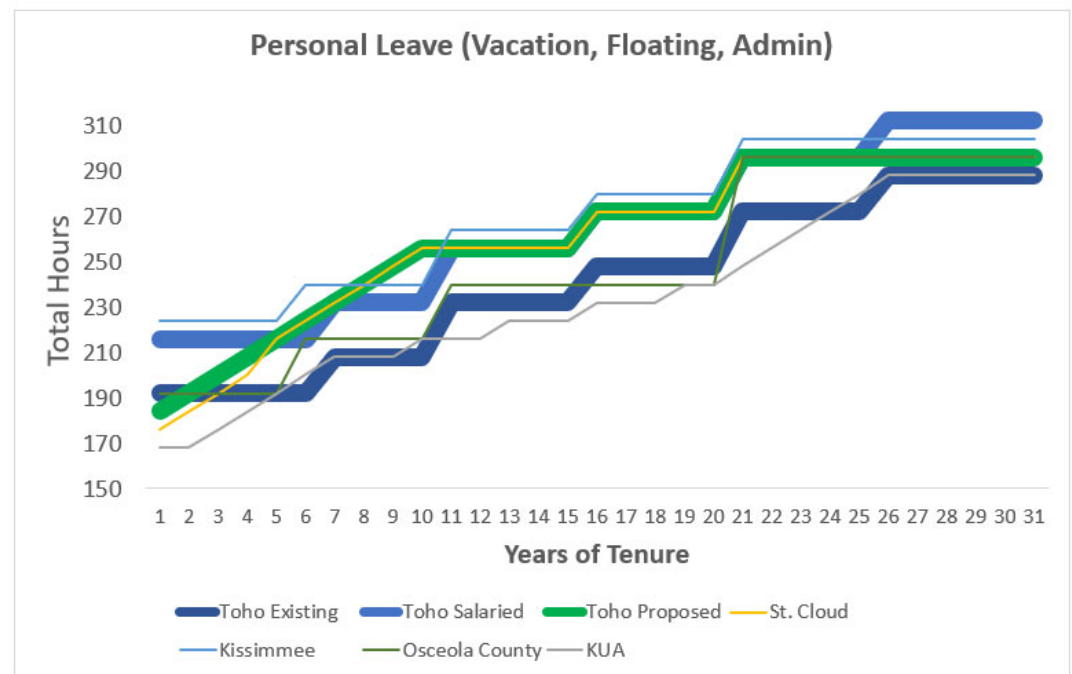
Department   Division	Position Title	FTE
Business Services	Accounting Technician I	1.0
Business Services	Senior Procurement Analyst	1.0
Engineering Services	Building Inspector	1.0
Engineering Services	Construction Inspector I	3.0
Engineering Services	Construction Inspector II	1.0
Engineering Services	Permit Coordinator	2.0
Environmental Services   Laboratory	Senior Chemist	1.0
Human Resources	Human Resources Specialist	1.0
Human Resources	Intern (6 - Part time)	3.0
Information Technology	GIS Technician III	1.0
Information Technology	IT Support Specialist II	1.0
Information Technology	Sr. Software Developer (System Admin)	1.0
Office of the General Counsel	Paralegal	1.0
Office of the General Counsel	Staff Attorney	1.0
Operations   Field Services	Utility Worker - Hydrant Repair	1.0
Operations   Field Services	Utility Worker	4.0
Operations   Field Services	Utility Worker - CCTV	4.0
Operations   Field Services	Utility Worker- Sewer Cleaning	2.0
Operations   Maintenance	Facility Maintenance Technician II	1.0
Operations   Maintenance	Systems Mechanics Lift Stations	2.0
Operations   WRF	ActiFlo Drinking Water/Wastewater Operator-B	1.0



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# Vacation Program Shift

- Adjustments to various personal leave policies
  - Adopt St. Cloud accrual rates (slight differences Year 1 to 3)
  - Add Juneteenth holiday
  - Reduce floating holidays from 3 to 1
  - Eliminate separate salaried admin. Leave
  - St. Cloud hourly staff – neutral
  - Toho hourly staff – benefit 8 to 32 hours
  - Targeted adjustments to address negative impacts
    - Toho salaried staff 0-2 & 25+ years
    - St. Cloud salaried staff
  - Increase vacation cash out requirement to 120 hours



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# Capital Improvement Plan Update

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FY23 BUDGET – ST. CLOUD TRANSITION

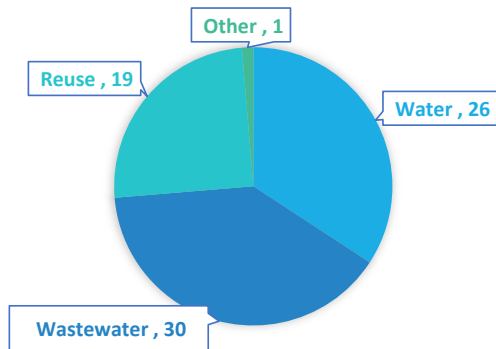


# St. Cloud FY23 Capital Budget Overview

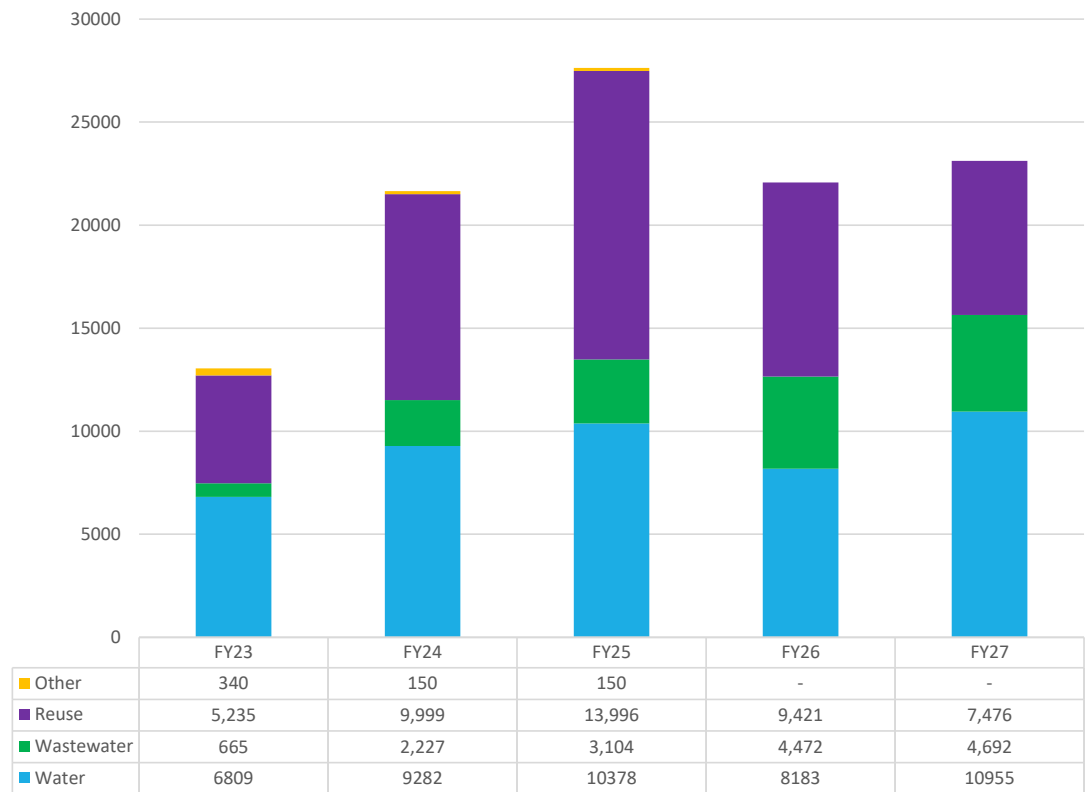
## Characteristics

- Have significant cost or value
- Along with infrastructure, improvements, and expansions/extensions, plan includes equipment installations and replacements, and repairs
- Constitute a considerable amount of the overall total five-year CIP

FY23-27 # OF PROJECTS



St. Cloud Proposed FY23-27 Capital Budget (000s)



# Next Steps

## Strategic Plan

- Board Approved
- COMPLETE

## Capital Improvement Plan

### Workshop #1

- Preliminary Overview

## Capital Improvement Plan Workshop #2

- August 10 Board Meeting
- Financial Planning

## Operating Budget Workshop

- August 17
- Consolidate St. Cloud FY23 Budget

## Adopt Budget and Rate Resolutions

- September 2022



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# Questions



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# Toho Water Authority

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## Capital Improvement Plan (CIP) Submittal

**FY2023-2027**



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# Toho Water Authority

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## Operating Budget Submittal

**FY2023 Workshop**



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# AGENDA

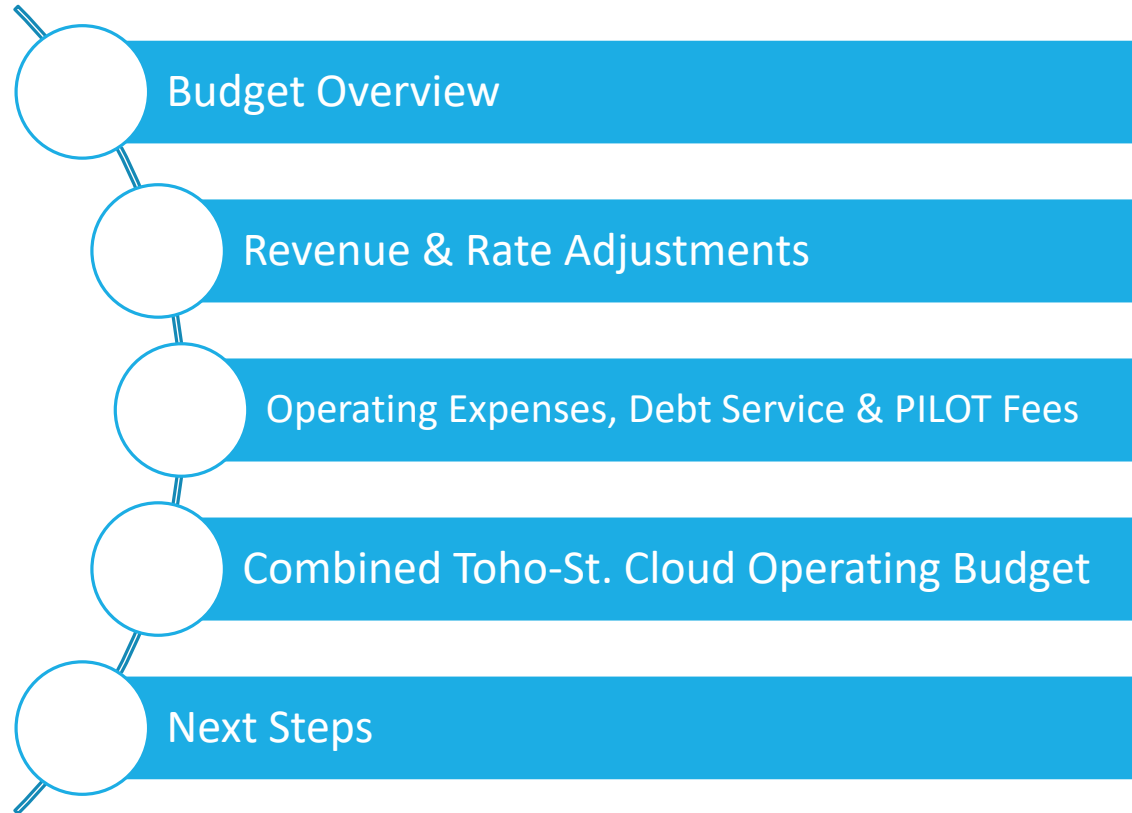
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The Operating Budget process begins in February when department managers prepare budget documents to submit their preliminary requests to division directors. The managers use a zero-based budgeting method in which each budgeted expense line item is justified by an explanation. These requests take into account routine operating costs, personnel changes, and previously unidentified issues.

Major capital purchases and projects as well as new personnel requests are identified and presented to the Board during the capital budget workshop and are reintroduced in the proposed Annual Operating Budget for consideration by the Board.



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## Board Action Items

Review and advise of changes and/or revisions

- ☐ Revenue Projections / Approach
- ☐ Personnel Budget
- ☐ Operating & Maintenance Budget
- ☐ Sponsorship Allocation

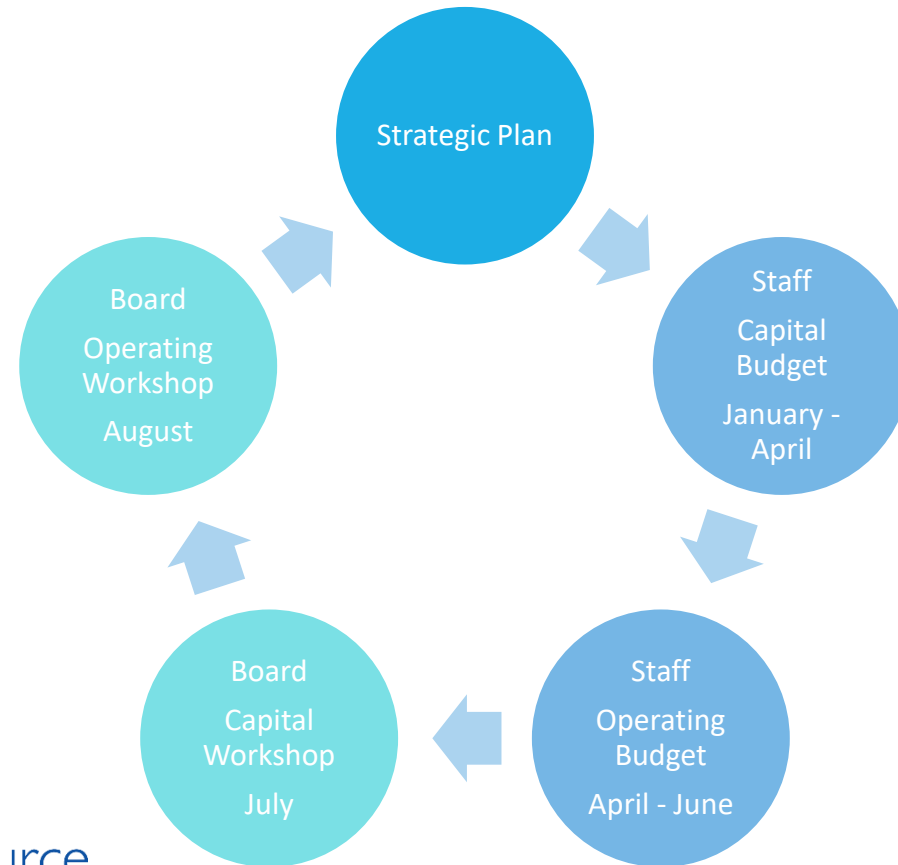
Subsequent to action items, will incorporate changes into the budget resolution for adoption at next Board meeting September 14, 2022

## Budget Overview (Toho Only)

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# Budget Process

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# Key Financial Policies – Reserves & Transfers

Required Reserves	2022	2023	Policy
Minimum Operating	\$ 8.1M	\$ 8.8M	4 weeks of budgeted O&M, debt service, PILOT expenses
Minimum Capital	15.8M	17.2M	15% of budgeted O&M, debt service, PILOT expenses
Renewal & Replacement	3.5M	3.6M	Annually adjusted by the ENR Construction Cost Index
<b>Total Policy Reserves</b>	<b>\$27.4M</b>	<b>\$29.6M</b>	

Required Transfers	2022	2023	Policy
Payment in Lieu of Taxes	\$12.0M	\$13.4M	12% of Toho I rate & rent revenue
Renewal & Replacement	17.4M	18.2M	Average five-year depreciated asset value divided by the average useful life of the fixed assets
<b>Total Required Transfers</b>	<b>\$29.4M</b>	<b>\$31.6M</b>	



# 2023 Annual Budget Summary

	<u>Request</u>
Operating Revenue	\$ 162,936
Personnel and Operating Expenses	<u>81,831</u>
<b>Net available for debt service</b>	<b>81,105</b>
<b>Debt Service</b>	<b>17,660</b>
<i>Debt Service Coverage (4.04x in 2022 Budget)</i>	4.51x
<b>PILOT (Payments in Lieu of Taxes) Fees</b>	<b>13,412</b>
(COK \$9.1M/County \$4.3M)	
<b>Renewal &amp; Replacement Transfer</b>	<b>18,181</b>
<i>Debt Service Coverage, after required transfers</i>	2.72x
<i>(2.12x in 2022 Budget)</i>	
<b>Net Revenues after Debt Service &amp; Transfers</b>	<u><b>\$ 31,852</b></u>

## Revenue & Rate Adjustments (Toho Only)

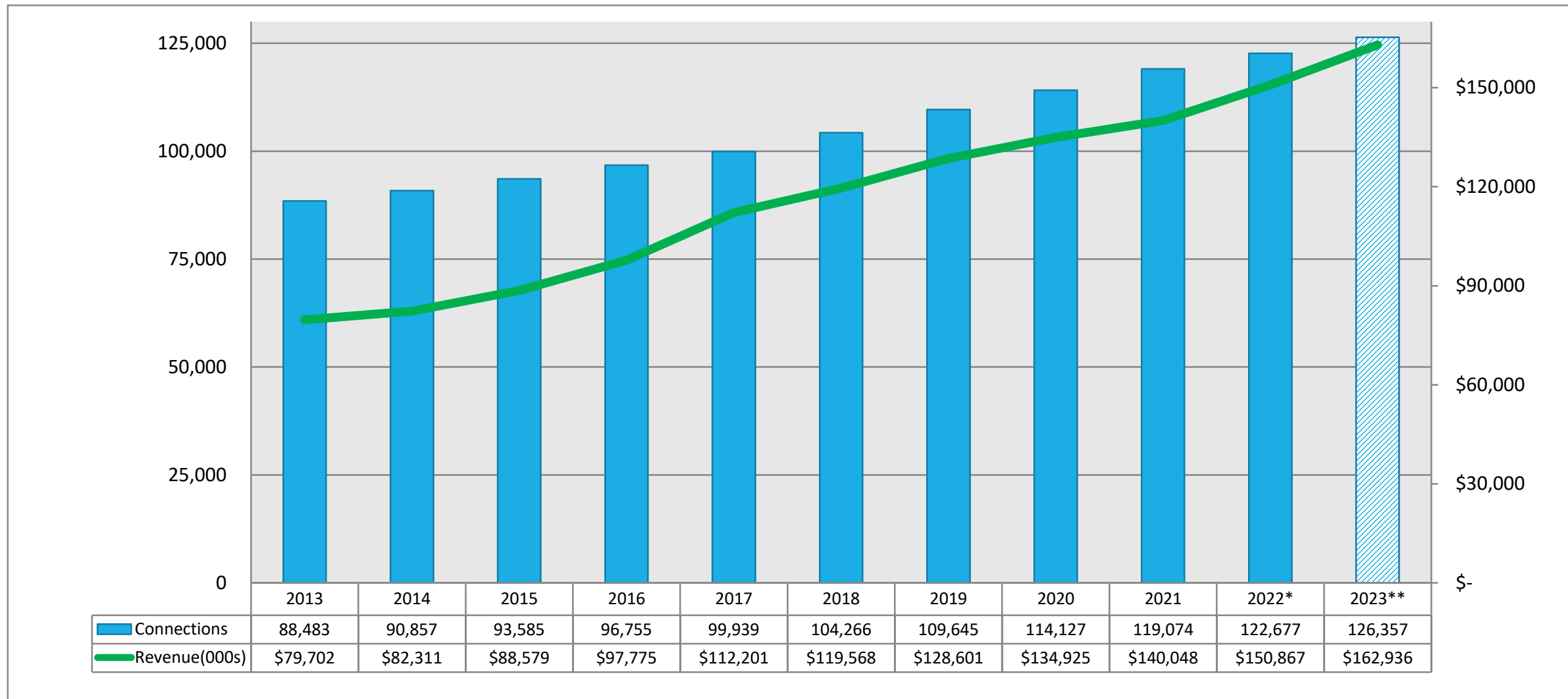
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# Rate Adjustments – Historical & Projected

	2021	2022	2023	2024	2025	2026	2027
One rate over 4 years	0.0%	4.0%	4.0%	4.0% Planned	4.0% to 5.0% Est.	4.0% to 5.0% Est.	4.0% to 5.0% Est.

- Water, Irrigation, Wastewater, Reclaimed Water
  - No increase in FY2021
  - 4% across the board rate adjustment approved through FY24
  - Inflationary drivers could impact FY24 and beyond
- Irrigation rates
  - Reclaimed water currently 65% for potable irrigation
  - 70% in FY2024; subject to adjustment beyond
- Other fees
  - Consider adjustment of miscellaneous fees in FY 2023 (not adjusted since 2012)

# 10-Year Customer & Revenue Growth

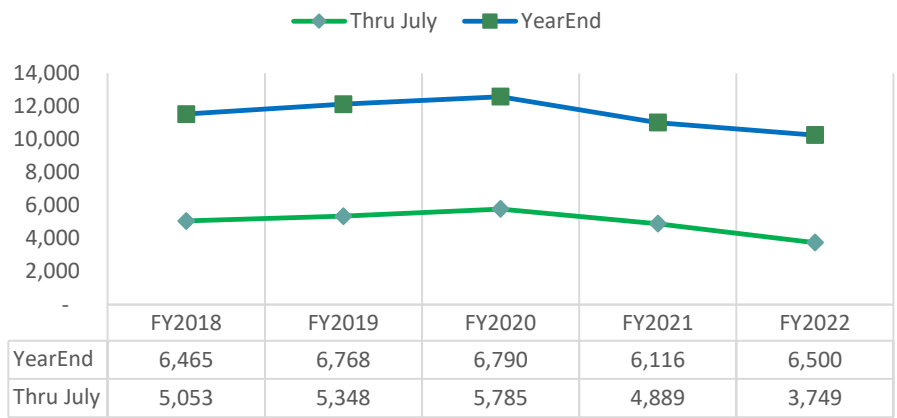


*\*Connection count is through July in FY22; revenues assume straight line projection*

*\*\*FY23 connections reflect 3% increase from FY22 projection; revenues based on FY23 budget request*

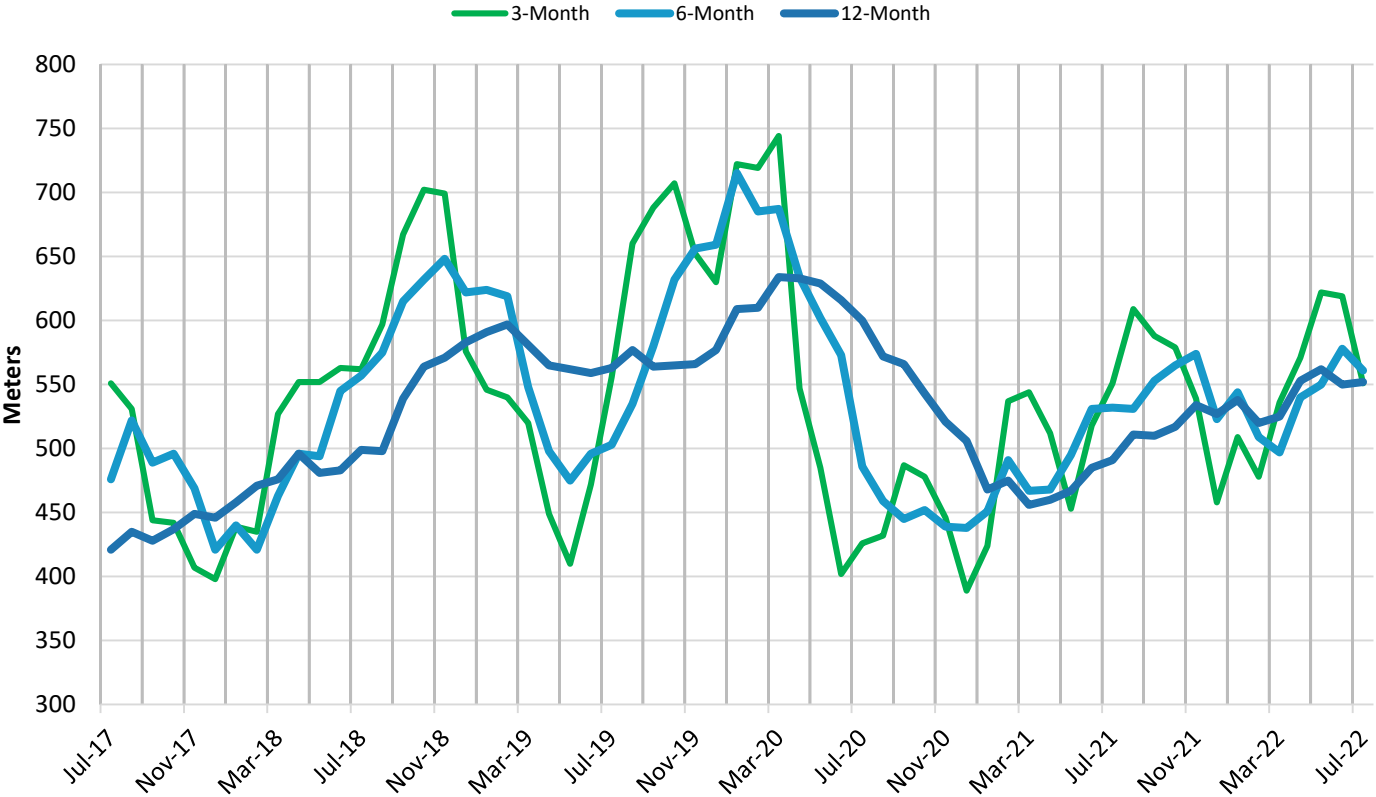
# Meter Growth Trends

## YEAR OVER YEAR METER SET TRENDS



*FY22 Year End forecast based on prior 4Y average*

## 3-, 6-, & 12-Month Rolling Average Meter Set Comparison



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# Toho Operating Revenues – 4% Rate Adjustment

☐ Toho Total Request:  
\$163M

☐ Up by \$11.8M or 7.8%  
from FY22 Estimate

☐ Up by \$13.5M or 9.0%  
from FY22 Budget

☐ Drivers:

☐ Implementation of 3-  
year rate plan

☐ Expected continued  
growth

Water Sales

Wastewater Sales

Reclaimed Water Sales

Other Operating Revenues

Tap Fees

Miscellaneous Revenues

Investment Income

**Total**

2023 Request	2022 Estimate			2022 Budget		
	Total	\$ Change	% Change	Total	\$ Change	% Change
43,662	40,950	2,712	6.6%	41,125	2,537	6.2%
91,030	83,675	7,355	8.8%	81,938	9,092	11.1%
17,015	16,083	932	5.8%	16,443	572	3.5%
4,506	4,005	501	12.5%	3,342	1,164	34.8%
3,121	3,020	101	3.3%	2,800	321	11.5%
1,502	1,867	(365)	-19.6%	1,816	(314)	-17.3%
2,100	1,577	523	33.2%	2,000	100	5.0%
<b>162,936</b>	<b>151,177</b>	<b>11,759</b>	<b>7.8%</b>	<b>149,464</b>	<b>13,472</b>	<b>9.0%</b>

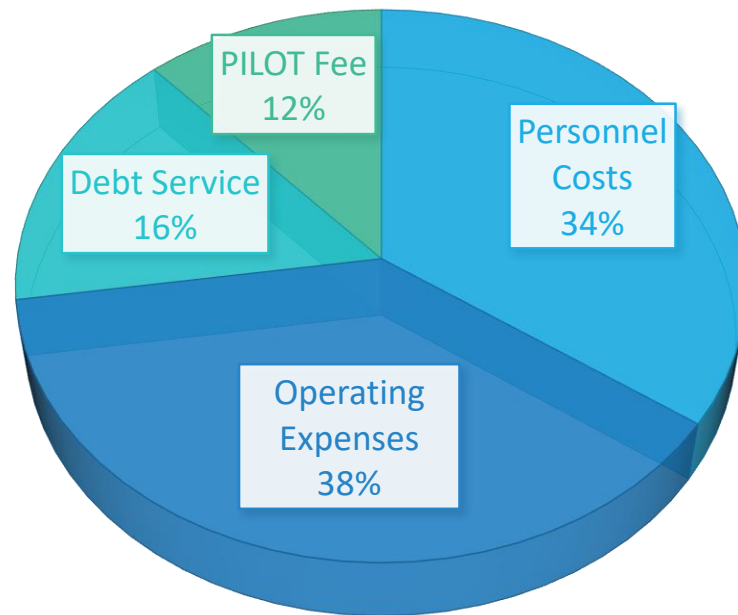


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# Operating Expenses, Debt Service & PILOT Fee (Toho Only)

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# Projected 2023 Revenue Requirement



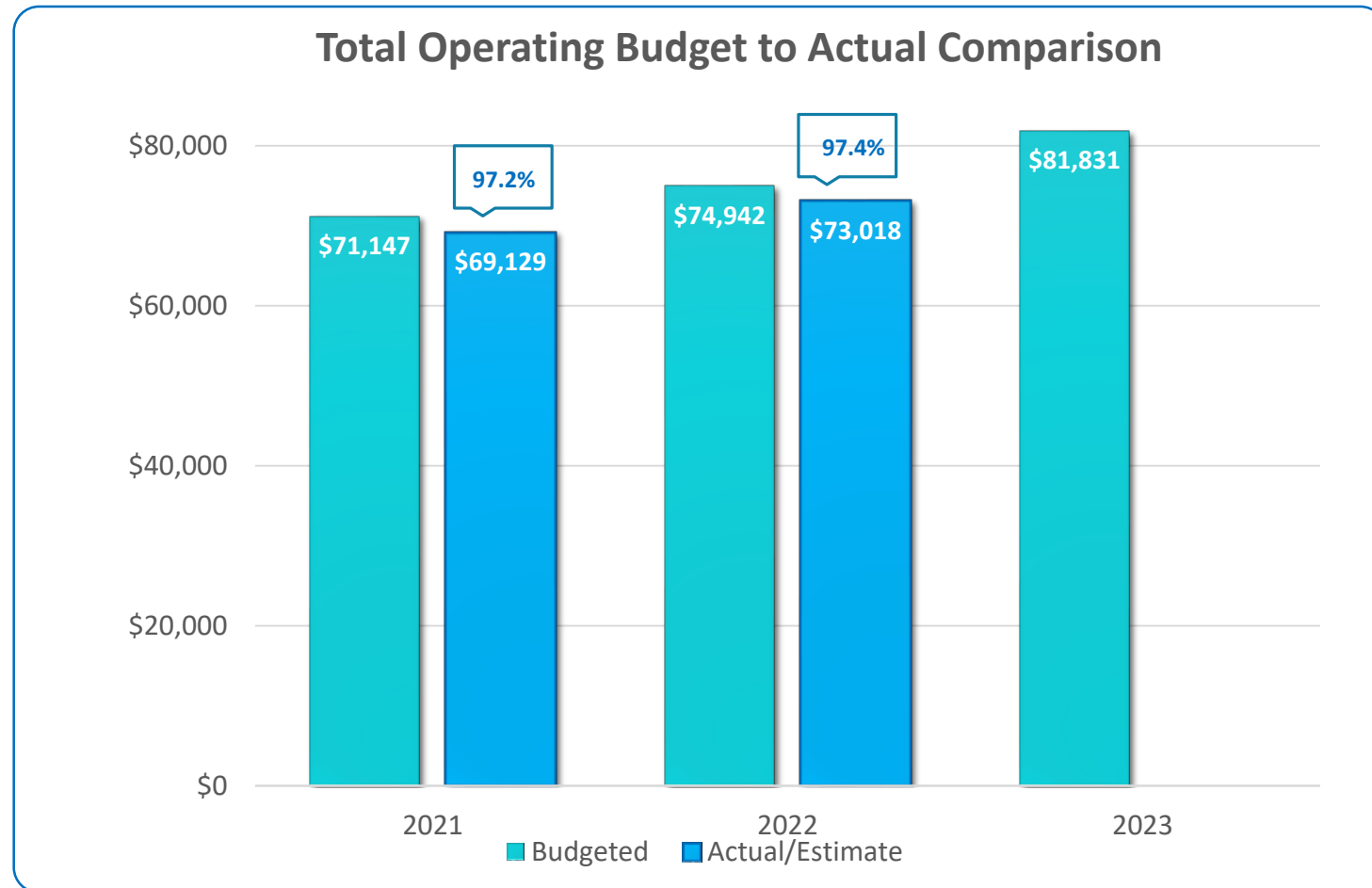
Personnel Costs	\$38,232
Operating Expenses	43,599
<b>Total Expenses</b>	<b>\$81,831</b>
<b>Debt Service</b>	<b>17,660</b>
<b>PILOT Fee</b>	<b>13,412</b>



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# Operating Expense Comparison to Budget



# Operating Margin Historical Trend & Forecast

- ☐ Over the last 5-years
  - ☐ Budgeted operating margin averaged 50.5%
  - ☐ Actual operating margin averaged 51.5%
- ☐ Fiscal Year 2023 operating margin is forecast to budgeted at 47.4%

<b><i>Budgeted (in 000's)</i></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross Operating Revenues	\$120,363	\$129,532	\$129,532	\$138,721	\$149,494	\$162,936
Operating Expenses	60,718	62,784	62,784	68,157	74,942	81,831
Net Revenues	<b>\$59,645</b>	<b>\$66,748</b>	<b>\$66,748</b>	<b>\$70,564</b>	<b>\$74,552</b>	<b>\$81,105</b>
<b>Operating Margin</b>	<b>49.6%</b>	<b>51.5%</b>	<b>51.5%</b>	<b>50.9%</b>	<b>49.9%</b>	<b>49.8%</b>

<b><i>Actuals (in 000's)</i></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022*</b>
Gross Operating Revenues	\$112,113	\$132,277	\$134,935	\$142,735	\$156,822
Operating Expenses	56,359	61,625	66,861	69,129	74,959
Net Revenues	<b>\$55,754</b>	<b>\$70,652</b>	<b>\$68,074</b>	<b>\$73,606</b>	<b>\$81,863</b>
<b>Operating Margin</b>	<b>49.7%</b>	<b>53.4%</b>	<b>50.4%</b>	<b>51.6%</b>	<b>52.2%</b>

*\*Estimate*



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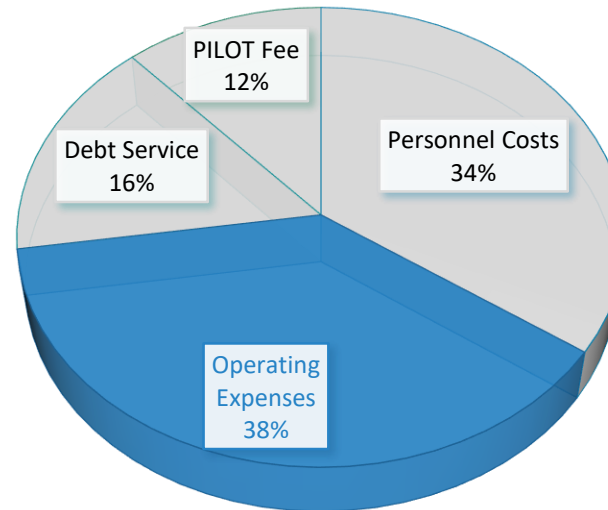
(in thousands)

**2023  
Request**

**\$43,599**

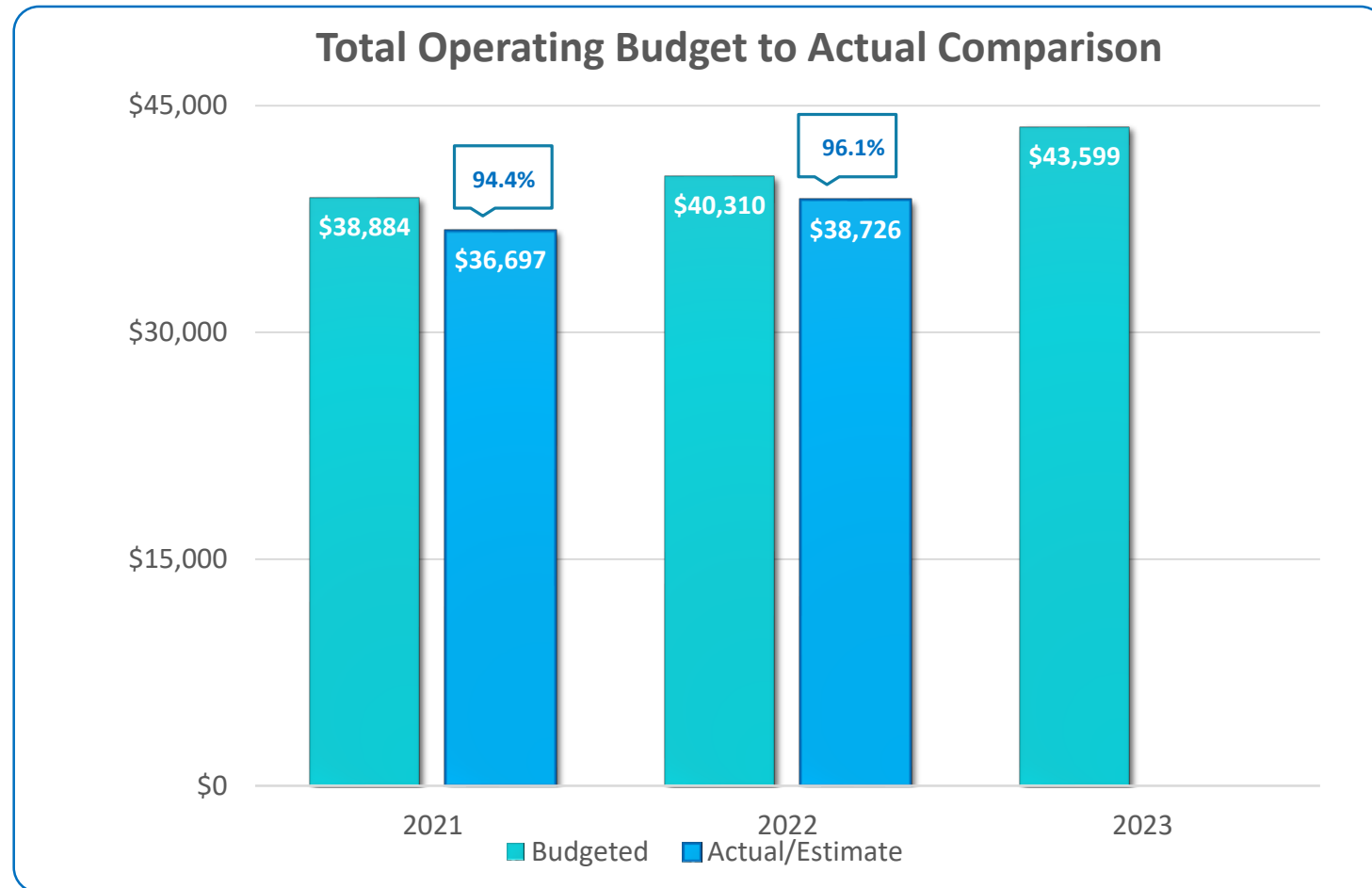
## Proposed Non Personnel Operating Budget

# Non-Personnel Operating Budget



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# Operating and Maintenance Comparison to Budget



# Toho Operating Expenses – Request to Estimate/Budget

☐ Expenses projected to be:

☐ Up \$4.9M or 12.6% over FY22 Estimate

☐ Up \$3.3M or 8.2% over FY22 Budget

Contracted Services  
Other Maintenance  
Utilities  
Other Operating Costs  
Other Supplies  
Chemicals  
Auto Maintenance  
Gas & Oil  
Travel & Training

**Total**

Toho FY23 Request	2022 Estimate			2022 Budget		
	Total	% Δ	\$ Δ	Total	% Δ	\$ Δ
11,128	9,744	1,384	14.2%	10,781	347	3.2%
8,484	8,042	442	5.5%	8,473	11	0.1%
8,552	7,818	734	9.4%	7,198	1,354	18.8%
6,292	5,786	506	8.7%	6,006	286	4.8%
3,176	2,669	507	19.0%	2,943	233	7.9%
3,523	2,387	1,136	47.6%	2,400	1,123	46.8%
1,018	1,055	(37)	-3.5%	1,239	(221)	-17.8%
850	832	18	2.2%	700	150	21.4%
576	393	183	46.6%	570	6	1.1%
43,599	38,726	4,873	12.6%	40,310	3,289	8.2%



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# Toho Operating Expenses – Contract Services

## ☐ Expenses projected to be:

☐ Up \$347k or 3.2% over FY22 Budget

### ☐ Key Drivers:

- ☐ Ongoing asset management planning
- ☐ Inflationary factors
- ☐ Vendor price increases for various services such as testing, processing and disposal of biosolids
- ☐ Cross connection backflow services

	Toho FY23 Request	2022 Estimate			2022 Budget		
		Total	% Δ	\$ Δ	Total	% Δ	\$ Δ
Contracted Services	11,128	9,744	1,384	14.2%	10,781	347	3.2%
Other Maintenance	8,484	8,042	442	5.5%	8,473	11	0.1%
Utilities	8,552	7,818	734	9.4%	7,198	1,354	18.8%
Other Operating Costs	6,292	5,786	506	8.7%	6,006	286	4.8%
Other Supplies	3,176	2,669	507	19.0%	2,943	233	7.9%
Chemicals	3,523	2,387	1,136	47.6%	2,400	1,123	46.8%
Auto Maintenance	1,018	1,055	(37)	-3.5%	1,239	(221)	-17.8%
Gas & Oil	850	832	18	2.2%	700	150	21.4%
Travel & Training	576	393	183	46.6%	570	6	1.1%
<b>Total</b>	<b>43,599</b>	<b>38,726</b>	<b>4,873</b>	<b>12.6%</b>	<b>40,310</b>	<b>3,289</b>	<b>8.2%</b>



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# Toho Operating Expenses – Other Maintenance

## ☐ Expenses projected to be:

- ☐ Up slightly by \$1k or 0.1% over FY22 Budget
- ☐ Up by \$442k or 5.5% over FY22 Estimate
- ☐ Key Drivers:
  - ☐ Inflationary factors
  - ☐ Chemical supplies for valve repairs budgeted separately
  - ☐ Various reductions to Corrective Maintenance based on FY22 usage

	Toho FY23 Request	2022 Estimate			2022 Budget		
		Total	% Δ	\$ Δ	Total	% Δ	\$ Δ
Contracted Services	11,128	9,744	1,384	14.2%	10,781	347	3.2%
Other Maintenance	8,484	8,042	442	5.5%	8,473	11	0.1%
Utilities	8,552	7,818	734	9.4%	7,198	1,354	18.8%
Other Operating Costs	6,292	5,786	506	8.7%	6,006	286	4.8%
Other Supplies	3,176	2,669	507	19.0%	2,943	233	7.9%
Chemicals	3,523	2,387	1,136	47.6%	2,400	1,123	46.8%
Auto Maintenance	1,018	1,055	(37)	-3.5%	1,239	(221)	-17.8%
Gas & Oil	850	832	18	2.2%	700	150	21.4%
Travel & Training	576	393	183	46.6%	570	6	1.1%
<b>Total</b>	<b>43,599</b>	<b>38,726</b>	<b>4,873</b>	<b>12.6%</b>	<b>40,310</b>	<b>3,289</b>	<b>8.2%</b>



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# Toho Operating Expenses – Other Operating Costs & Supplies

## ☐ Expenses projected to be:

☐ Up by \$519k or 5.8% over FY22 Budget

☐ Up by \$1.0M or 12% over FY22 Estimate

### ☐ Key Drivers:

☐ Increased efforts in customer education & outreach and promotional events & sponsorships

☐ Software expenses increased based on renewal schedule

☐ Increases to equipment and MOT rentals

	Toho FY23 Request	2022 Estimate			2022 Budget		
		Total	% Δ	\$ Δ	Total	% Δ	\$ Δ
Contracted Services	11,128	9,744	1,384	14.2%	10,781	347	3.2%
Other Maintenance	8,484	8,042	442	5.5%	8,473	11	0.1%
Utilities	8,552	7,818	734	9.4%	7,198	1,354	18.8%
Other Operating Costs	6,292	5,786	506	8.7%	6,006	286	4.8%
Other Supplies	3,176	2,669	507	19.0%	2,943	233	7.9%
Chemicals	3,523	2,387	1,136	47.6%	2,400	1,123	46.8%
Auto Maintenance	1,018	1,055	(37)	-3.5%	1,239	(221)	-17.8%
Gas & Oil	850	832	18	2.2%	700	150	21.4%
Travel & Training	576	393	183	46.6%	570	6	1.1%
<b>Total</b>	<b>43,599</b>	<b>38,726</b>	<b>4,873</b>	<b>12.6%</b>	<b>40,310</b>	<b>3,289</b>	<b>8.2%</b>



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## Toho Operating Expenses – Utilities, Chemicals, Auto Maintenance, Gas & Oil

### ☐ Expenses projected to be:

- ☐ Up by \$2.4M or 20.9% over FY22 Budget
- ☐ Up by \$1.9M or 15.3% over FY22 Estimate
- ☐ Key Drivers:
  - ☐ Inflationary increases over current spend
  - ☐ Compliance drivers associated with TTHM compliance

	Toho FY23 Request	2022 Estimate			2022 Budget		
		Total	% Δ	\$ Δ	Total	% Δ	\$ Δ
Contracted Services	11,128	9,744	1,384	14.2%	10,781	347	3.2%
Other Maintenance	8,484	8,042	442	5.5%	8,473	11	0.1%
Utilities	8,552	7,818	734	9.4%	7,198	1,354	18.8%
Other Operating Costs	6,292	5,786	506	8.7%	6,006	286	4.8%
Other Supplies	3,176	2,669	507	19.0%	2,943	233	7.9%
Chemicals	3,523	2,387	1,136	47.6%	2,400	1,123	46.8%
Auto Maintenance	1,018	1,055	(37)	-3.5%	1,239	(221)	-17.8%
Gas & Oil	850	832	18	2.2%	700	150	21.4%
Travel & Training	576	393	183	46.6%	570	6	1.1%
<b>Total</b>	<b>43,599</b>	<b>38,726</b>	<b>4,873</b>	<b>12.6%</b>	<b>40,310</b>	<b>3,289</b>	<b>8.2%</b>



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# Toho Operating Expenses – Travel and Training

## ☐ Expenses projected to be:

☐ Up by \$6k or 1.1% over FY22 Budget

☐ Up by \$183k or 46.6% over FY22 Estimate

### ☐ Key Drivers:

☐ FY23 Estimated travel and training anticipated to be closer to FY22 Budget

☐ Continued increase of post-COVID travel and training

☐ Development of leadership/supervisory development program

	Toho FY23 Request	2022 Estimate			2022 Budget		
		Total	% Δ	\$ Δ	Total	% Δ	\$ Δ
Contracted Services	11,128	9,744	1,384	14.2%	10,781	347	3.2%
Other Maintenance	8,484	8,042	442	5.5%	8,473	11	0.1%
Utilities	8,552	7,818	734	9.4%	7,198	1,354	18.8%
Other Operating Costs	6,292	5,786	506	8.7%	6,006	286	4.8%
Other Supplies	3,176	2,669	507	19.0%	2,943	233	7.9%
Chemicals	3,523	2,387	1,136	47.6%	2,400	1,123	46.8%
Auto Maintenance	1,018	1,055	(37)	-3.5%	1,239	(221)	-17.8%
Gas & Oil	850	832	18	2.2%	700	150	21.4%
Travel & Training	576	393	183	46.6%	570	6	1.1%
<b>Total</b>	<b>43,599</b>	<b>38,726</b>	<b>4,873</b>	<b>12.6%</b>	<b>40,310</b>	<b>3,289</b>	<b>8.2%</b>



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# Community Support Budget Update FY22 Sponsorships

## Promotional Events & Sponsorships FY23 Request = \$188,400

- ☐ FY22 Budget \$124k
- ☐ \$1/per water account
- ☐ Increase due to St. Cloud Integration Environmental/Conservation Education efforts

## Toho Assistance Program (TAP) FY23 Budget Request = \$150,000

- ☐ FY23 Budget \$150,000
- ☐ Actual through 8/15 - \$56.4k
- ☐ \$150,000 Budgeted in FY22
  - ☐ \$50K in matching funds

### Promotional Events & Sponsorships

Fiscal Year	Sponsorship Budget	Actual YTD*
2022	\$124k	\$116.5k
2023	\$188k	

### Toho Assistance Program (TAP)

Fiscal Year	Original Budget	Adjusted Budget	Actual/ Estimate
2022	\$50k	\$150k	\$99.9k
2023	\$150k	\$150k	



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\*Through August 11, 2022

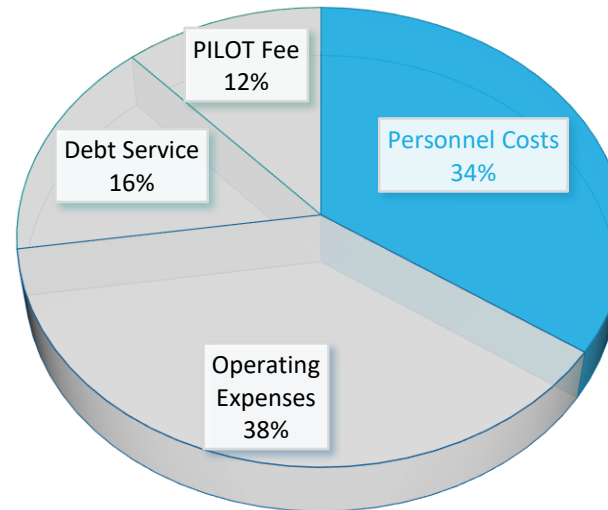
(in thousands)

**2023  
Request**

**\$38,232**

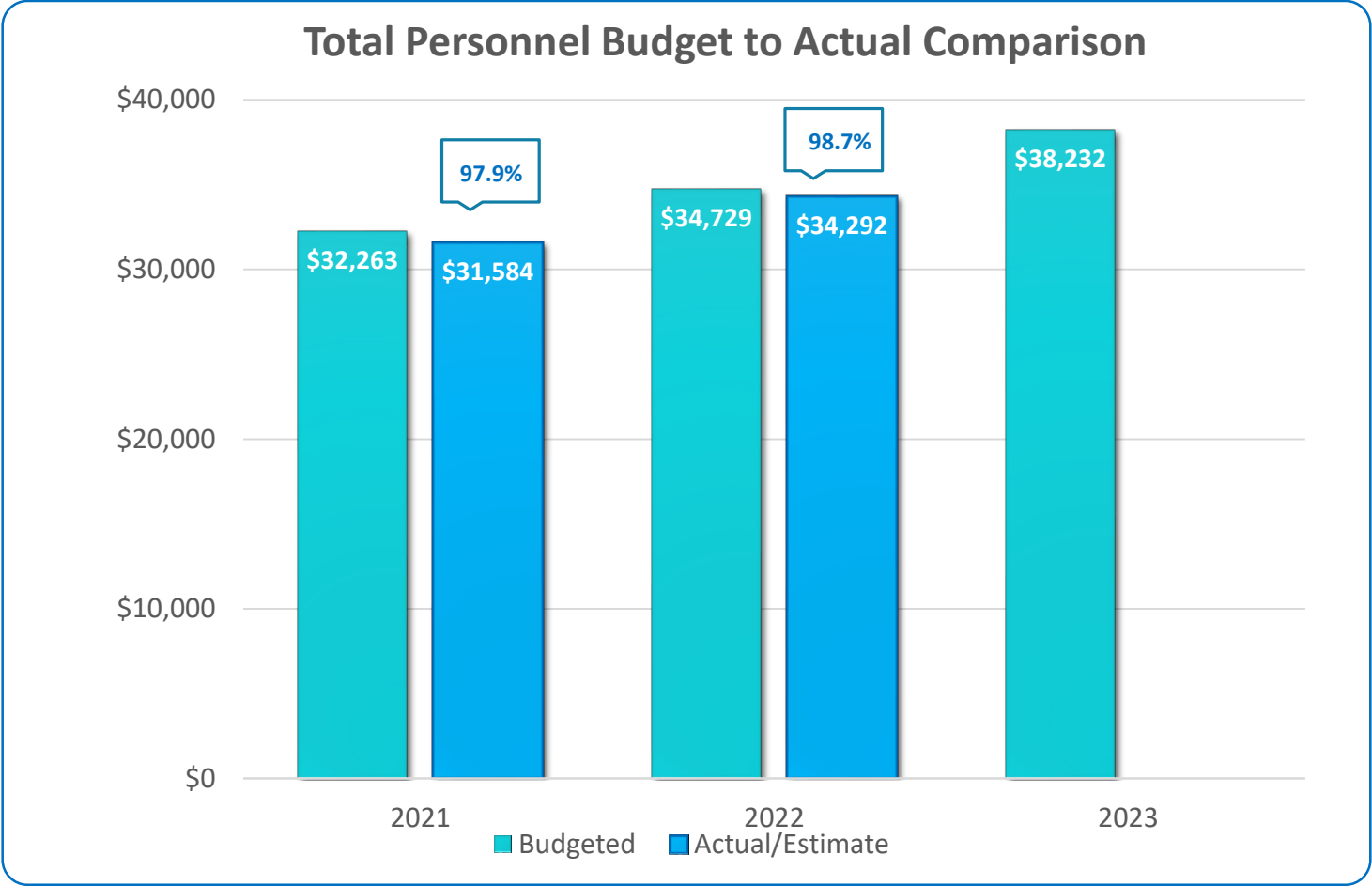
## Proposed Personnel Operating Budget

# Personnel Operating Budget



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# Toho Personnel Operating Expense Comparison to Budget



# Personnel Overview- Adjustments

## ☐ Budget Adjusted Proposal - Personnel Expenses

- ☐ Revised proposed new positions = 32.5 including interns & PT Staff Attorney
  - ☐ Reduction of Paralegal from Capital workshop
- ☐ New positions assumed to take 4 months to fill (average)
- ☐ Assumed vacancy rate of 7% at \$45k salary
- ☐ OT cost increase by 3.5% or \$57k of FY22 Budget mainly due to staffing adjustments to Business Services and Stakeholder Services.
- ☐ Pay Adjustment Provision
  - ☐ COLA/Merit – 4.0%
  - ☐ Other Miscellaneous Adjustments - 0.5%

## ☐ Hard to Fill and High-Turnover Positions

- ☐ Seeing increased turnover of newly licensed positions
- ☐ Continued recruiting challenges in certain positions (engineers)
- ☐ Targeted review of these positions
- ☐ Budget strategy – include allowance? return mid-year for adjustment?

# Toho Personnel Costs

## ☐ Personnel Cost projected to be:

- ☐ Up by 11.5% or \$3.9M over FY22 Estimate
- ☐ Up by 10.3% or \$3.6M over FY22 Budget

## ☐ Key Drivers:

- ☐ New Positions
- ☐ Merit & Across the Board adjustments

Salaries and Wages - Regular Pay  
 Salaries and Wages - Other Pay  
 Salaries and Wages - Overtime Pay  
 Subtotal - Salaries and Wages

FICA  
 Retirement Contributions  
 Life and Health Insurance  
 Workers' Compensation  
 Unemployment Compensation  
 Subtotal - Fringe Benefits

**Total**

2023 Request	2022 Estimate			2022 Budget		
	Total	\$ Change	% Change	Total	\$ Change	% Change
24,338	21,629	4,159	19.2%	21,725	4,063	18.7%
677	846	(169)	-20.0%	815	(138)	-16.9%
1,684	1,635	49	3.0%	1,627	57	3.5%
26,699	24,110	4,039	16.8%	24,167	3,982	16.5%
2,042	1,776	339	19.1%	1,786	329	18.4%
2,840	2,739	101	3.7%	2,793	47	1.7%
6,479	5,566	913	16.4%	5,678	801	14.1%
172	101	71	70.3%	233	(61)	-26.2%
0	0	0	0.0%	0	0	0.0%
11,533	10,182	1,424	14.0%	10,490	1,116	10.6%
<b>38,232</b>	<b>34,292</b>	<b>3,940</b>	<b>11.5%</b>	<b>34,657</b>	<b>3,575</b>	<b>10.3%</b>



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# Total Authority Positions FY2020-FY2023

## - SIGNIFICANT CHANGES -

### ☐ Organizational structural change

#### ☐ Stakeholder Services

- ☐ Information Technology
- ☐ Customer Service
- ☐ Organizational Development
- ☐ Environmental Services

#### ☐ Vacancy Allowance

- ☐ Applied to current vacant & new positions
- ☐ Assumed between four to six months of vacant status

Departments	2022	2023	Total
Operations	194.0	15.0	209.0
Assets & Infrastructure	54.0	7.0	61.0
Stakeholder Services	130.0	4.0	134.0
Business Services	22.0	2.0	24.0
Administration	2.0	0.0	2.0
Communications	3.0	0.0	3.0
Human Resources	15.0	4.0	19.0
Office of the General Counsel	3.0	0.5	0.5
Total	423.0	32.5	455.5



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# Requested Personnel Additions – FY23

	<b>Request</b>
Toho Request New Positions	1,448,811
Less Capitalized Labor	(194,642)
Less Partial New Position Budget Impact	(418,390)
<b>Net New Position Budget Impact</b>	<b>835,779</b>

New Postions Requested	Department   Division	Budget Impact
Accounting Technician I	Business Services	35,353
Senior Procurement Analyst	Business Services	60,464
Building Inspector	Engineering Services	40,925
Construction Inspector I (3)	Engineering Services	142,128
Construction Inspector II	Engineering Services	52,232
Permit Coordinator (2)	Engineering Services	45,120
Senior Chemist	Environmental Services   Laboratory	52,232
Human Resources Specialist	Human Resources	45,120
Intern (6 - Part time)	Human Resources	101,007
GIS Technician III	Information Technology	57,585
IT Support Specialist II	Information Technology	66,440
Sr. Software Developer (System Admin)	Information Technology	89,037
Staff Attorney	Office of the General Counsel	96,000
Utility Worker - CCTV (4)	Operations   Field Services	141,411
Utility Worker - Hydrant Repair	Operations   Field Services	35,353
Utility Worker (4)	Operations   Field Services	141,411
Utility Worker- Sewer Cleaning (2)	Operations   Field Services	70,705
Facility Maintenance Technician II	Operations   Maintenance	42,971
Systems Mechanics Lift Stations (2)	Operations   Maintenance	85,941
ActiFlo Drinking Water/Wastewater Operator-B	Operations   WRF	47,376
<b>Total Budget Impact</b>		<b>1,448,811</b>

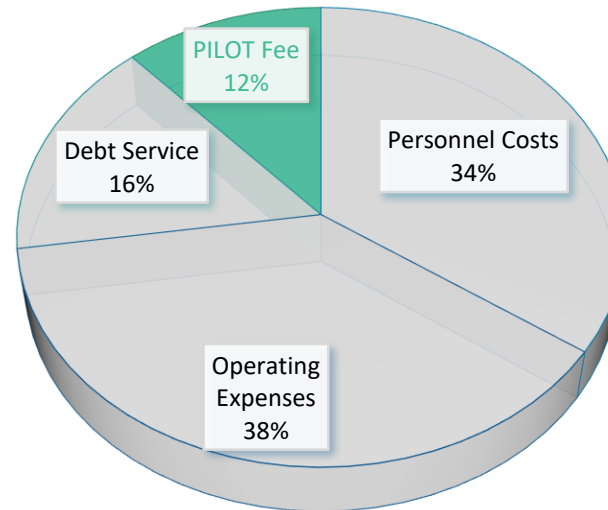
(in thousands)

**2023  
Request**

**\$13,412**

## PILOT Fees

# PILOT Fees



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# Payment in Lieu of Taxes (PILOT) Historical & Forecast

	2018	2019	2020	2021	2022	2023
PILOT Budget	\$10,046	\$10,865	\$11,546	\$11,273	\$12,034	\$13,412
PILOT Actual/Estimate	9,990	10,800	10,851	11,574	12,310	
Variance	\$56	\$65	\$560	(\$301)	(\$276)	

- Over the 5-Year period from 2019-2023 (Including 2022 Estimate) the average annual variance from budget to actual/estimate is \$21k
- PILOT for FY23 is forecasted to be \$13.4M



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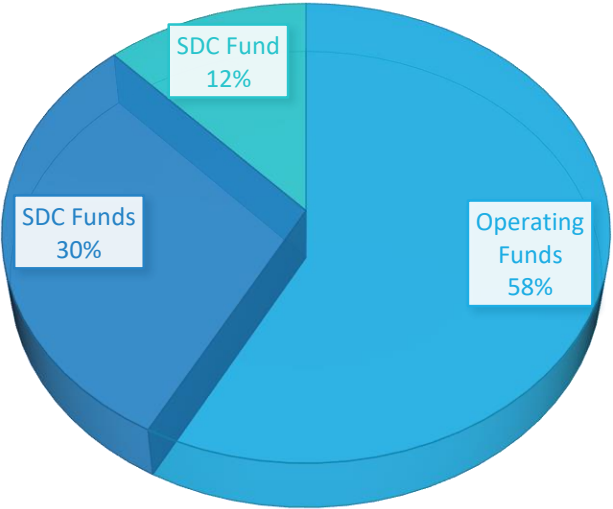
(in thousands)

2023  
Request

\$115,213

**Total Operating Capital**  
Includes St. Cloud FY23 Capital Requests

# Capital



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# Capital Outlay and Capital Project Request

(In thousands)				
Budgeted Operating Capital	Water SDC	Wastewater SDC	Capitalized Labor	<b>Total Request</b>
\$112,182	\$58,505	\$23,062	\$3,031	<b>\$193,748</b>

It is assumed that the Authority will experience a 80% expenditure rate on budgeted Capital Outlay for Fiscal Year 2023.

Capitalized labor includes Field Services, Lift Station rehab crew, Capital Inspectors, and Engineers.



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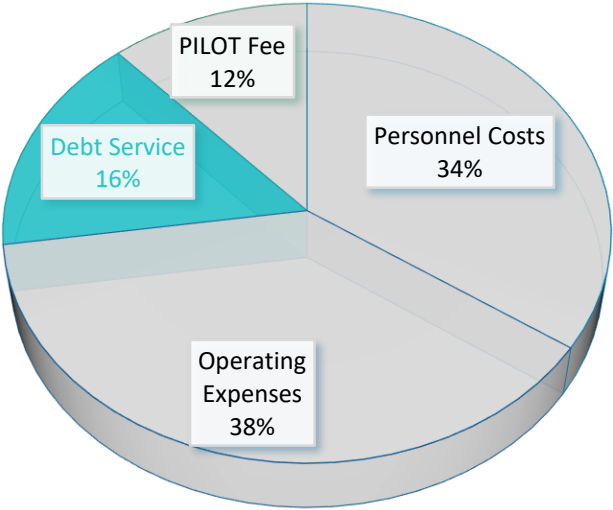
(in thousands)

2023  
Request

\$17,660

Debt Service

Debt Service



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# Outstanding Debt

## Current Authority Outstanding Debt

(In thousands)

Revenue Bonds & Notes (in 000's)	Amount Issued	Current Outstanding	Interest	Structure	Purpose of Issue
Series 2009 Note	\$16,000	\$8,615	3.63%	Fixed	Admin Building & Construction
Series 2010 Note	10,000	924	3.77%	Fixed	Capital Improvements
Series 2011A Bond	93,495	630	3.00%-5.75%	Fixed	Refund Bonds (Series 2007)
Series 2016 Bond	173,605	169,185	2.00%-5.00%	Fixed	Refund portion 2011A & 2012 Capital Improvements
Series 2020	38,160	38,160	1.00%-4.00%	Fixed	Short-term funding for WIFIA designated projects – matures 2025
Series 2021 Note	14,305	14,305	1.08%	Fixed	Refund Bonds (Series 2003 A&B)
<b>Total</b>		<b>\$231,819</b>			

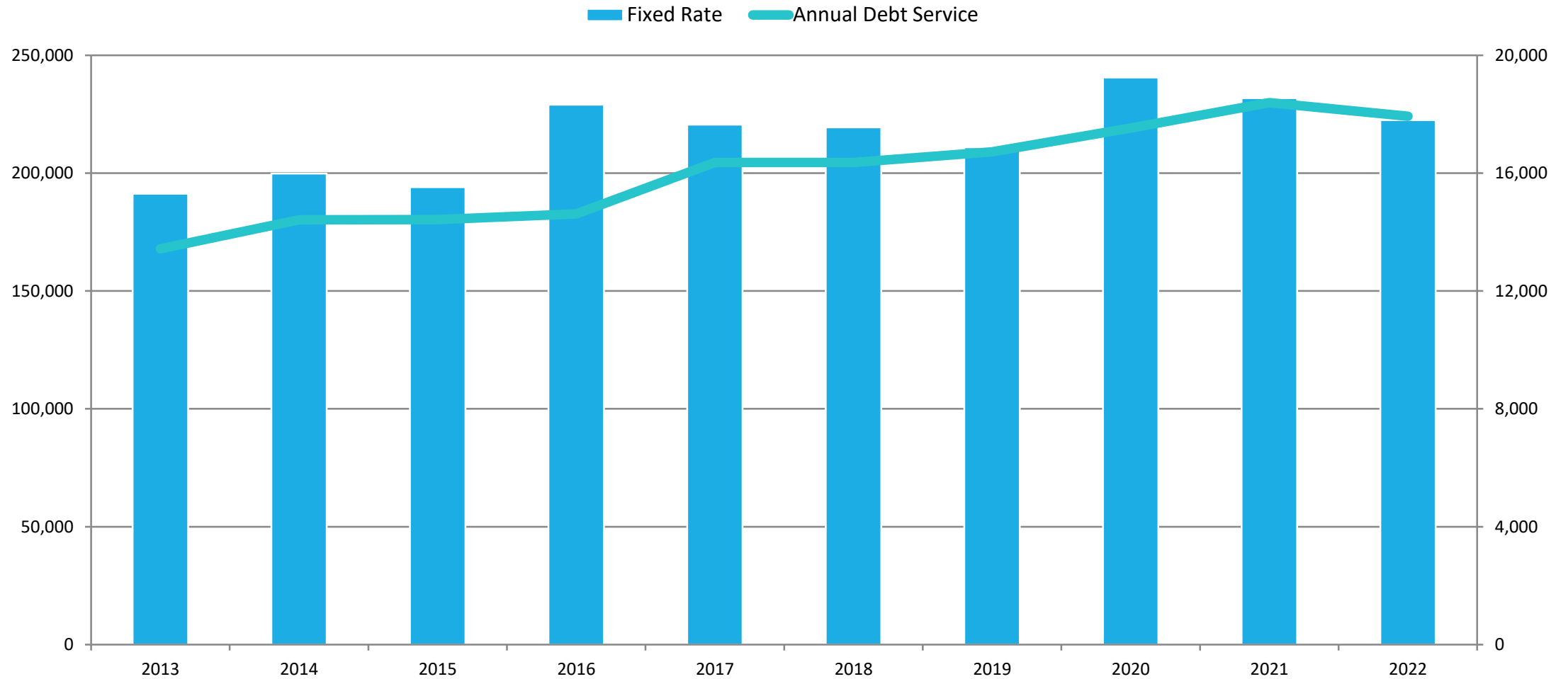


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# Debt – \$232M | Annual Debt Service – \$17.9M

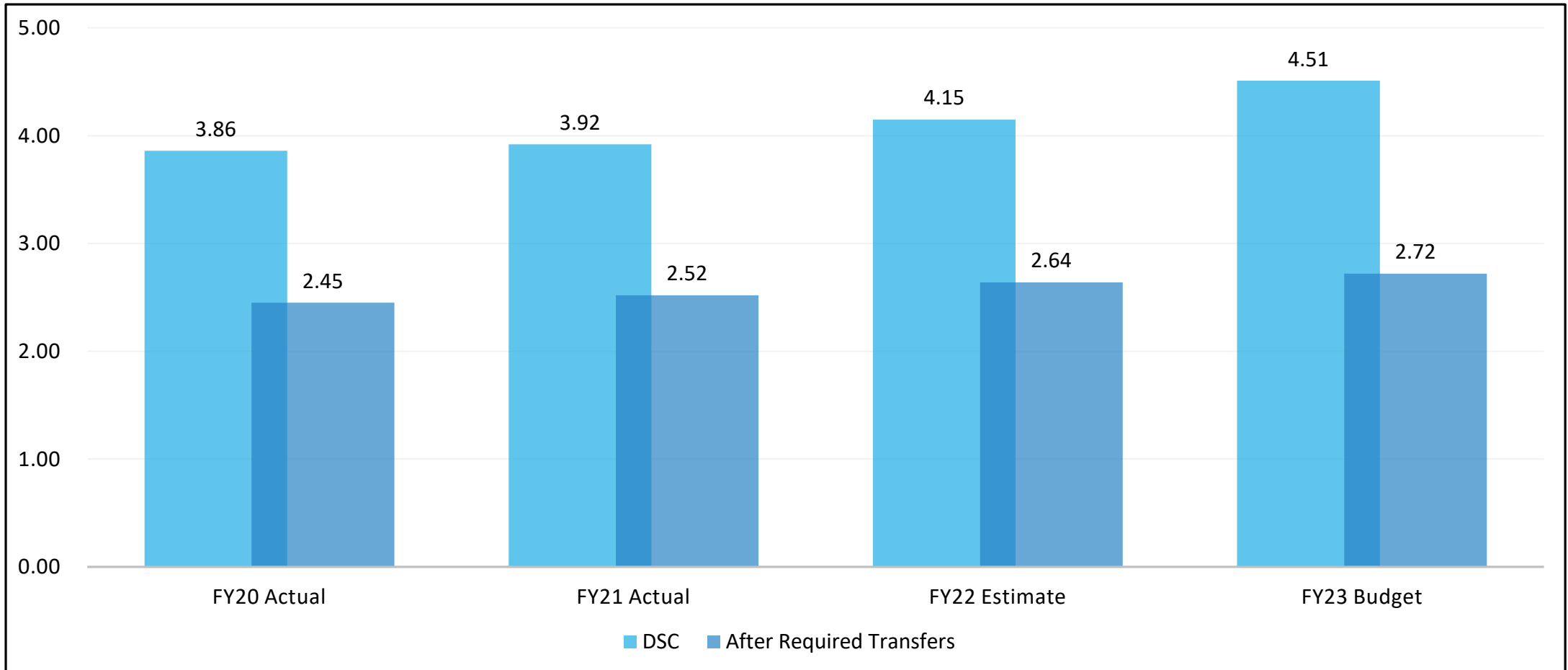
## Historical Outstanding Debt

(In 000s)





# Debt Service Coverage – Historical & Projected Update



# Combined Toho-St. Cloud Operating Budget

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# Toho & St. Cloud Combined Revenue Summary – 2023 Request

	Toho	St Cloud	Combined
	2023 Request	2023 Request	2023 Request
Water Sales	43,662	10,413	54,075
Wastewater Sales	91,030	16,322	107,352
Reclaimed Water Sales	17,015	2,247	19,262
Other Operating Revenues	4,506	630	5,136
Tap Fees	3,121	2,223	5,344
Miscellaneous Revenues	1,502	730	2,232
Investment Income	2,100		2,100
<b>Total</b>	<b>162,936</b>	<b>32,565</b>	<b>195,501</b>

# St. Cloud Operating Expenses – Request to Estimate/Budget

- ☐ Expenses projected to be:
  - ☐ Up \$827k or 7.4% over FY22 Budget
  - ☐ Personnel Budget \$7.5M - No new positions
  - ☐ Total Operating Expense \$19.5M

	STC FY23 Request	FY22 Budget		
		Total	\$ Δ	% Δ
Contracted Services	3,325	3,578	(253)	-7.1%
Other Maintenance	1,384	1,614	(230)	-14.3%
Utilities	1,846	1,422	424	29.8%
Other Operating Costs	828	674	154	22.8%
Other Supplies	1,677	1,364	313	22.9%
Chemicals	2,101	1,906	195	10.2%
Auto Maintenance	304	268	36	13.4%
Gas & Oil	409	226	183	81.0%
Travel & Training	135	130	5	3.8%
<b>Total</b>	<b>12,009</b>	<b>11,182</b>	<b>827</b>	<b>7.4%</b>



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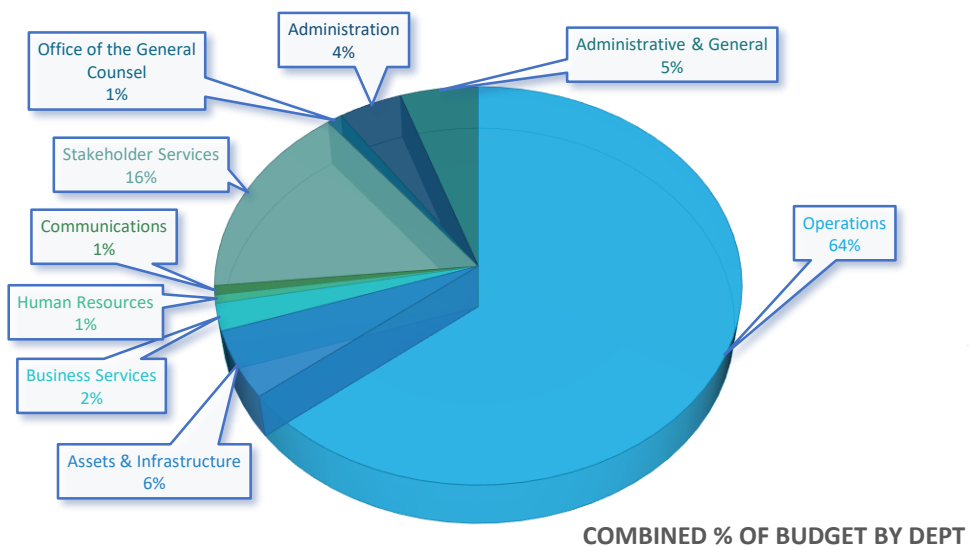
# Combined Operating Expenses by Department

Total FY23 Operating Budget request \$55.6M

Toho = \$43.6M

St. Cloud = \$12.0M

64% of total combined budget attributed to Operations followed by Stakeholder Services at 16%



- Operations
- Assets & Infrastructure
- Business Services
- Human Resources
- Communications
- Stakeholder Services
- Office of the General Counsel
- Administration
- Administrative & General

Operating Budget		
Toho	STC	Combined
27,447	8,337	35,785
3,049	0	3,049
1,221	0	1,221
367	0	367
396	20	416
7,725	1,169	8,894
505	55	560
447	1,945	2,392
2,441	483	2,925
43,599	12,010	55,609

# Toho & St. Cloud Combined Personnel Costs Summary – 2023 Request

	Toho	St. Cloud	Combined
	2023 Request	2023 Request	2023 Request
Salaries and Wages - Regular Pay	24,338	4,597	28,935
Salaries and Wages - Other Pay	677	18	695
Salaries and Wages - Overtime Pay	1,684	246	1,930
Subtotal - Salaries and Wages	26,699	4,861	31,560
FICA	2,042	371	2,413
Retirement Contributions	2,840	799	3,639
Life and Health Insurance	6,479	1,229	7,708
Workers' Compensation	172	101	273
Unemployment Compensation	0	19	19
Subtotal - Fringe Benefits	11,533	2,519	14,052
<b>Total</b>	<b>38,232</b>	<b>7,380</b>	<b>45,612</b>

# Combined 2023 Annual Budget Summary

	<u>Request</u>
Operating Revenue	\$ 195,501
Personnel and Operating Expenses	<u>101,221</u>
<b>Net available for debt service</b>	<b>94,280</b>
<b>Debt Service</b>	<b>18,560</b>
<i>Debt Service Coverage</i>	<i>5.08x</i>
<b>PILOT (Payments in Lieu of Taxes) Fees</b>	<b>16,892</b>
(COK \$9.1M/County \$4.3M/St. Cloud \$3.5M)	
<b>Renewal &amp; Replacement Transfer</b>	<b>22,481<sup>*</sup></b>
<i>*includes \$4.3M for St. Cloud</i>	
<i>Debt Service Coverage, after required transfers</i>	<i>2.96x</i>
<b>Net Revenues after Debt Service &amp; Transfers</b>	<u><b>\$ 36,347</b></u>

# Closing

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# Operating Budget Priorities and Risks

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- Ongoing economic uncertainty
  - Implications of potential recession and growth slowdown
  - Inflation uncertainty
- Integration of St. Cloud
- Ongoing delivery of asset and master planning efforts
- Evolving legislative and regulatory pressures and associated cost impacts
  - CFWI water supply limitations and conservation requirements
  - Biosolids rule
  - Water quality rule (focus on asset management and SSOs)
  - Basin management action plans



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# Next Steps

## Strategic Plan

- Board Approved
- **COMPLETE**

## Capital Improvement Plan

### Workshop #1

- Preliminary Overview
- **COMPLETE**

## Capital Improvement Plan

### Workshop #2

- August 10 Board Meeting
- Financial Planning
- **COMPLETE**

## Operating Budget Workshop

- August 17
- Consolidate St. Cloud FY23 Budget
- **COMPLETE**

## Adopt Budget and Rate Resolutions

- September 2022

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# Questions



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