

STRATEGIC PLANNING, FY 2012 BUDGET DEVELOPMENT (CONTINUED)



Key Issues to be addressed



- **Quick Review of Recommended FY12 budget development, policy direction from March**
- **Look in more detail at two of those policy directives:**
 - **Use of Reserves**
 - **Operations and Maintenance Capital**
- **Proposal for an additional Strategic Statement**

Review of Policy Direction from March...



For those who were paying less than the closest of attention!

Previous Policy Discussions Review



- Level of activity associated with Planning Implementation Reports (PIRs)
- Mandated vs. Non-mandated
- Level of Internal Support
- **Revenues and Reserves**
- **Operations and Maintenance Capital**

Restoration Planning

- **Continue PIRs that fall in the following two categories:**
 - **I.) PIRs that:**
 - **Are substantially complete, and**
 - **The District has limited responsibilities for the remaining work, and**
 - **The projects are anticipated to be in a foreseeable Water Resources Development Act (WRDA Bill);**
 - **(Broward WPAs, C-43 Reservoir, Biscayne Bay Coastal Wetlands, and C-111 Spreader Canal Project)**

Restoration Planning

- 2.) PIRs that:
 - **Provide significant cost share crediting benefits by recognizing previous District expenditures**
 - **e.g. Loxahatchee River Watershed Restoration**



Mandated vs Non-Mandated

- **Proposed working definition of “mandate”:**
 - **Federal regulation**
 - **Court order**
 - **Florida statute**
 - **Existing permit requirement**
 - **Existing contractual requirement**
- **Proposed working definition for “non-mandated”:**
 - **Not required by the above, or**
 - **Performed to a level above that minimally required by the above**

Mandated vs. Non-Mandated

- **Recommended General Policy Direction:**
 - **Review all non-mandated functions**
 - **Review mandates as they**
 - **May be aged or no longer relevant**
 - **May be established at a quality or frequency that is beyond what may be acceptable today**
 - **May be a function that is outside the core mission of the agency**

Corporate Resources / Internal Support



- Recommended General Policy Direction:

**Given good metrics;
Internal Support should
roughly shrink or grow
commensurate with
the size of the
organization.**

Use of Reserves



Revenues and Reserves



- For a two year period use of certain one time revenues such as reserves or fund balances may be appropriate
- It may also be appropriate to look more aggressively at certain revenue budgets vs actual such as interest earning.

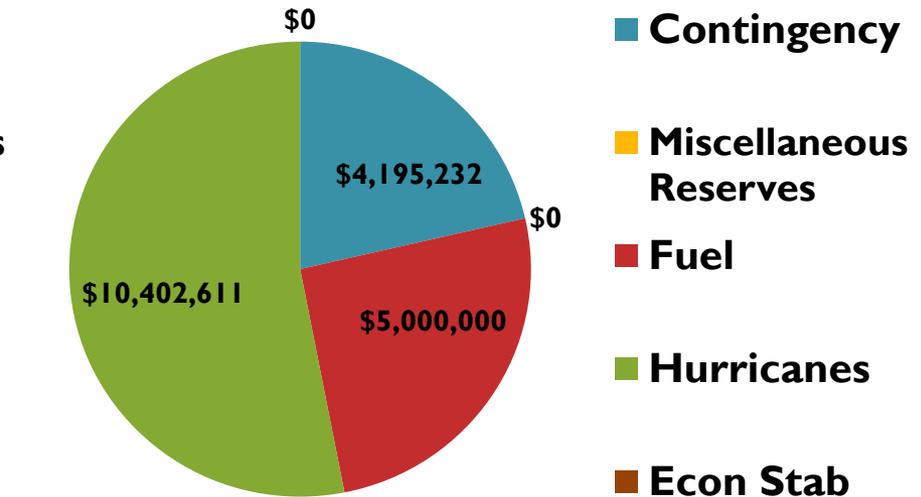
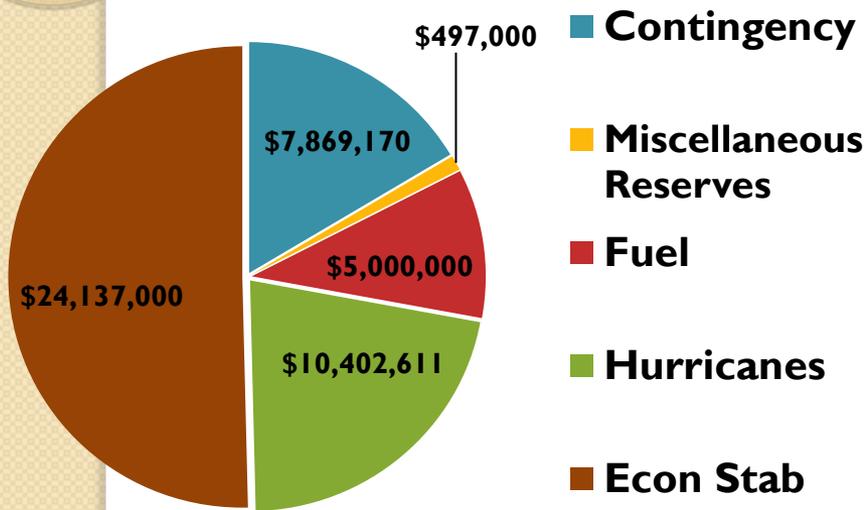
FY11 Budgeted Reserves (not to be used)

Budgeted Reserves	Fund	FY 11 Budget	Service Level Impact
Fuel/STA O&M Reserves	Okeechobee Basin	\$2,000,000	To address fluctuations in fuel prices and for pumping operations during peak summer rains or tropical storm events.
	STA O&M Fund	\$3,000,000	
	\$5,000,000		
Hurricane Reserves	Okeechobee Basin	\$10,000,000	For storm cleanup and emergency structure repair
	Big Cypress Basin	\$402,611	
	Total	\$10,402,611	

FY11 Budgeted Reserves (recommended for use)

Budgeted Reserves	Fund	FY 11 Budget	Service Level Impact
Capital Projects Reserves	Okeechobee Basin Capital Fund (402000)	\$28,384,766	For future capital projects
	EFA Capital Projects Fund (406000)	\$78,160,047	For future capital projects
Contingency Reserves	General Fund	\$3,177,892	District policy establishes a contingency reserve, at 1% of budgeted revenue within each ad valorem tax-supported fund; Potential to reduce by \$4.2M (based on FY 11 revenue).
	Okeechobee Basin	\$4,349,226	
	Big Cypress Basin	\$342,052	
	Total	\$7,869,170	
Economic Stabilization Reserve		\$24,000,000	

Operating Reserve Comparison of Reserves FY11 to FY12



Total Ad Valorem budget = \$420,532,958
Res = \$48M or 11.4% of revenues

Total Ad Valorem Budget = \$320,776,469
Res = \$20M or 6% of revenues

Reserve and Fund Balance Guidance/Practices

- **State of Florida** – (as per F.S. 215.32) budget stabilization reserve of between 5% and 10% of general revenue.
 - **Government Finance Officers Association (GFOA)** – recommended practice of 5% - 15% of general fund revenues to address unexpected events.
 - **No less than two months of operating expenditures or operating revenues. (1)**
- (1) Two Months of operating expenses for the anticipated FY 12 budget would amount to \pm \$55 - \$60M and would equal roughly 16% of annual operating expenses.

Additional Factors in Establishing the Appropriate Level of Reserves & Fund Balances

- **GFOA recommends that other factors such as the nature of the agency's business, the likelihood of unplanned expenses etc. be considered.**
- **South Florida weather extremes:**
 - **Flooding;**
 - **Hurricanes;**
 - **Drought conditions;**
 - **Tropical Storm/rainfall events;**

Proposed Reserve for Contingencies Policy

- **Rather than a series of dedicated reserves (e.g. hurricane, fuel, STA operations, etc.) it is proposed that the District move to a single reserve for contingency policy.**
- **Work with the Audit and Finance Committee to develop a policy for full board consideration that includes:**
 - **the appropriate percentage of the operating budget that should be established for the reserve.**
 - **Rules and processes for replenishment of any reserve funds used in any given year.**

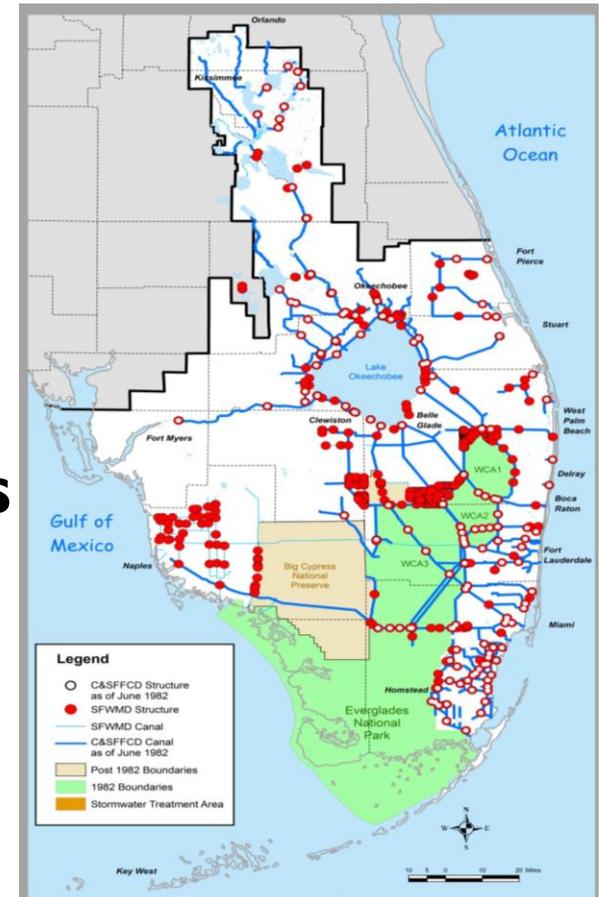
Operations and Maintenance Capital



Current Infrastructure

Current Infrastructure

- 2,669 miles of canals/levees/berms
- 611 major control structures
 - 61 pump stations
 - 494 gated structures
 - 7 navigation locks
 - 49 weirs
- 673 minor control structures

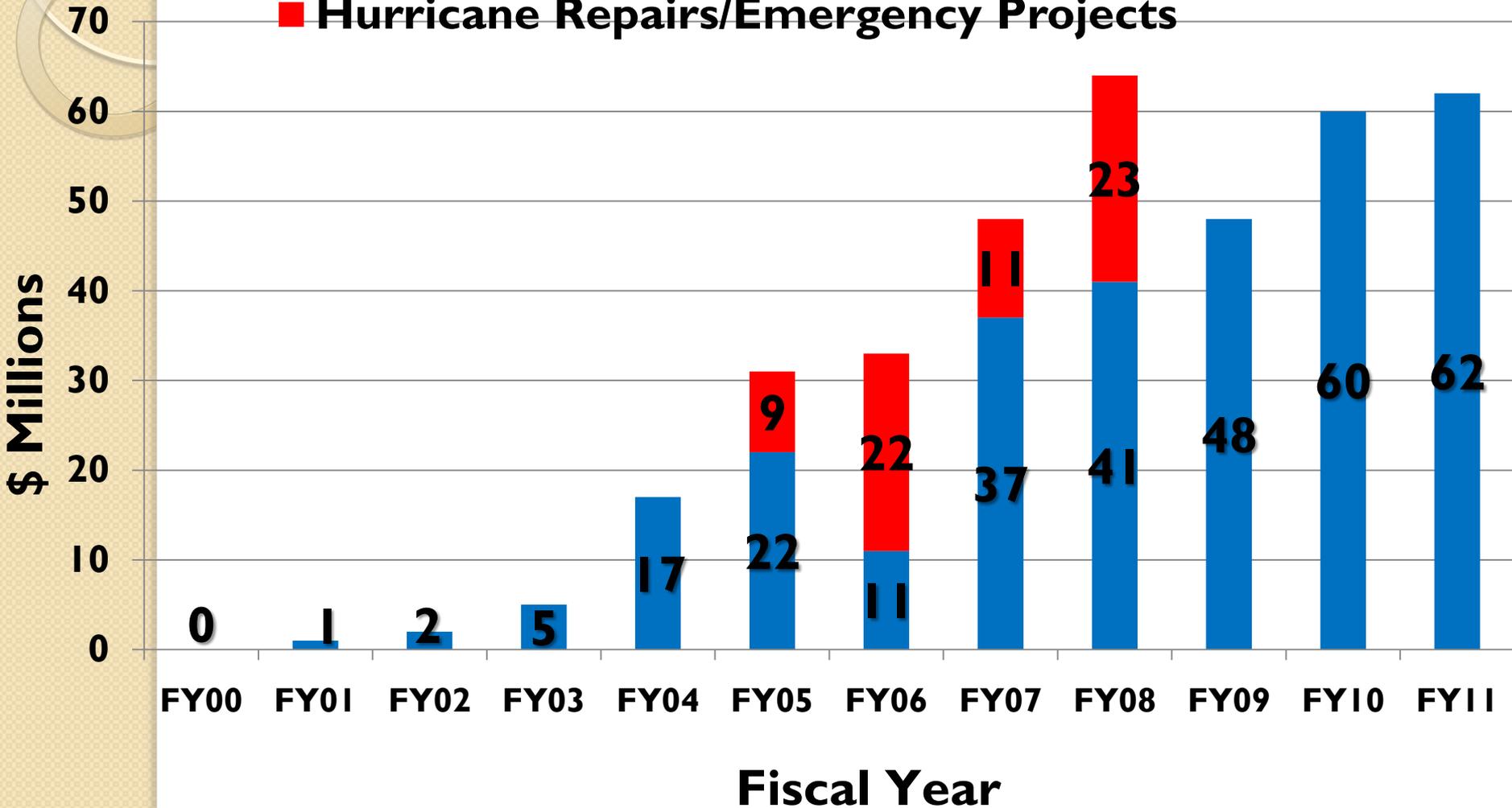


Capital Projects - History

- **Since 1950 the C&SF system resources were focused primarily on maintenance of capital infrastructure**
- **Capital Projects History Phases**
 - **Emergency response only: until 2000**
 - **Proactive approach – Inspection Program: 2000-2006**
 - **Predictive approach – Evaluation: Current**
- **No matter how good the plan, it is highly dependent on weather**
 - **Hurricane recovery or Drought management**

Capital Projects History

- Capital Repair Projects
- Hurricane Repairs/Emergency Projects



Goal – Replacement Value Backlog Reduction

- **At \$60M annually the estimated reduction in refurbishment backlog is 25% over 25 years**
- **Initial focus of plan was on most critical needs – structures, pumps, culverts**
- **Growth of capital budget over time allowed us to address the most critical structures first**
 - **Deferred less risky, larger levee and canal projects**
 - **Allowed development of staff capacity and project development to ensure execution**

The next 2 years...

- **Determined reasonable volume of deferrable work**
 - **Evaluation focused on no long-term increase in maintenance backlog**
 - **Assumed annual 2% inflation rate and 1.5% depreciation of assets**
 - **Analysis identified up to a 30% potential deferral, or \$20M annually over the next 2 years**
- **Reviewed the potential effects of 2 year \$20M reduction in funding for capital program**
 - **What effort would we defer?**
 - **Associated risk of specific project deferrals**

Managing Risk

- **Continue current inspection programs for all infrastructure**
- **Increased inspection for deferred work**
- **Ensure field stations preventive maintenance program focus on deferred assets**
- **Periodic updates to Governing Board with associated performance metrics**
- **Beyond 2 years, a \$20M reduction is not considered sustainable**
- **It is estimated that a continuation of this funding level is likely to result in increasing backlog volume over time**

Considerations

Projects proposed TO GO

- **On going Construction or Design Projects**
- **Assets in Critical Condition and/or Major District Liability**
- **Compliance with Federal and State Requirements**

Projects proposed for DEFERRAL

- **Projects with Limited District Liability**
- **Projects where Design/Construction did not start**
- **Projects with enhancements to existing infrastructure**

Projects Proposed TO GO – High/Moderate Risk

- **Ongoing Capital Maintenance Construction**
- **New Construction**
 - **Structure Replacement**
 - **Gate & Operator Replacement**
 - **Roof Repairs**
 - **Selected Canal Bank Repair & Restoration**
 - **East Coast Protective Levee**
 - **Selected Pump Station Trash Racks**
- **Inspection Program**
- **Operations Decision Support System**
- **Communications and Telemetry Component Replacement**

Projects Proposed for DEFERRAL – Moderate/Low Risk

- **Bridge Repairs**
- **North Shore Pump Station Retrofits**
- **Telemetry Tower Planning & Construction**
- **Corrosion Projects**
- **IT Shelters Replacement**
- **Vehicle Wash Facility (FTL)**
- **Canal Dredging**
- **Canal Bank Stabilization**
- **Building Replacements (OKEE)**

Projects proposed TO GO – East Coast Protective Levee



Projects proposed TO GO



S-197 Structure Replacement



**S-44 and G-57
Gate Operator Replacement**



Projects proposed TO GO



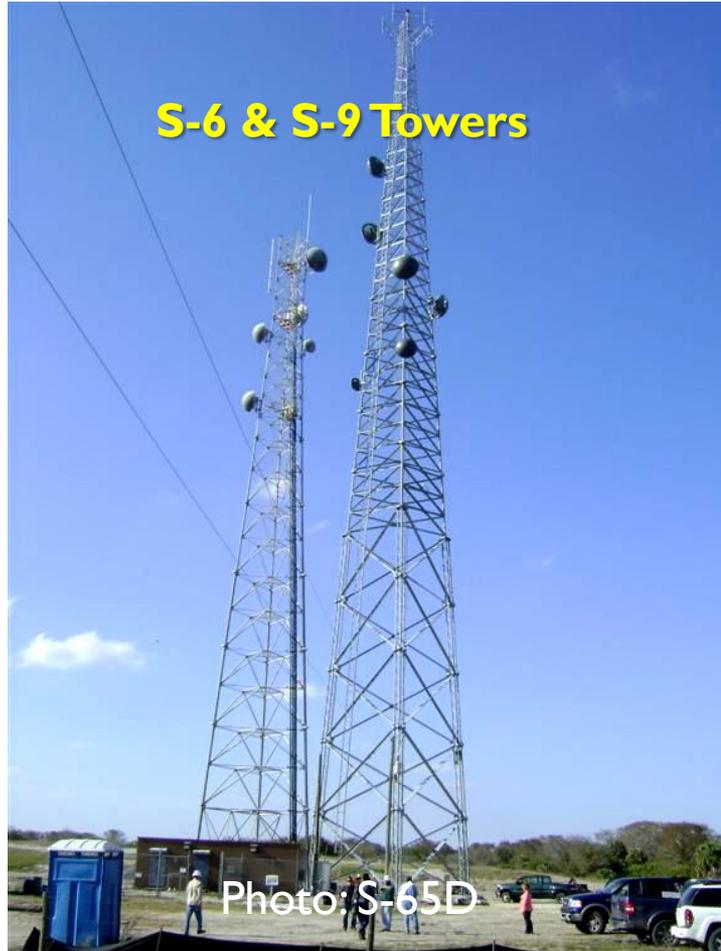
**S-150
Replacement & Automation**



**S-5A
Structure Hardening and Service Bridge Repair**



Projects proposed TO GO



Projects proposed to be deferred



Projects proposed to be deferred

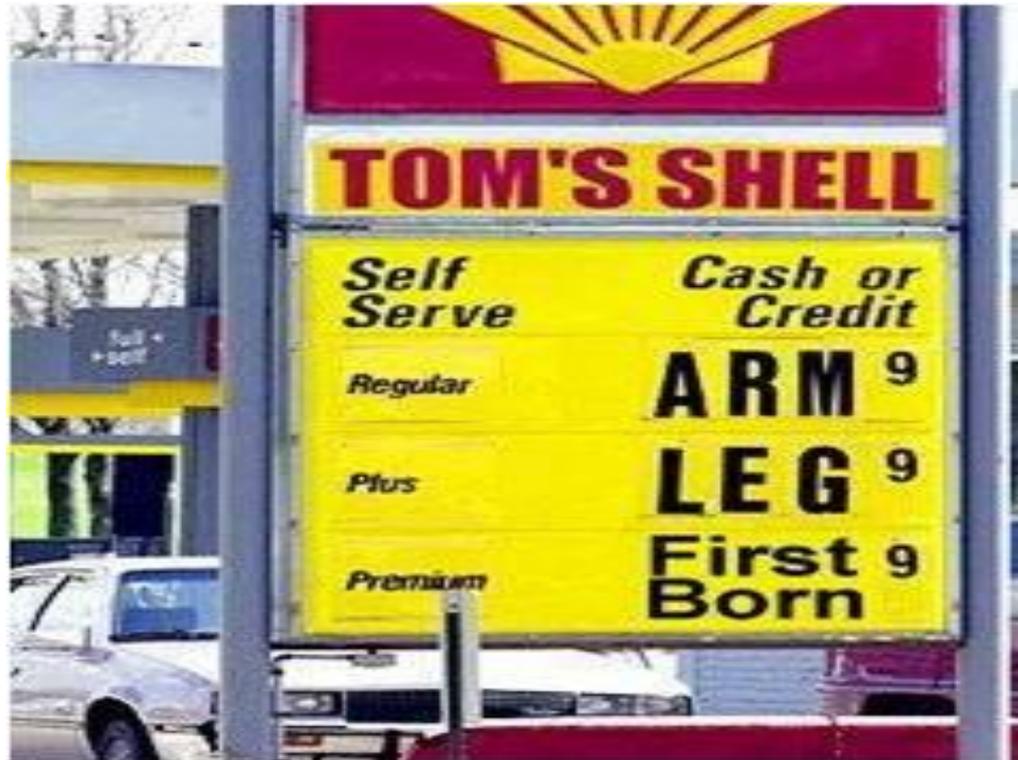


O&M Capital Summary

- **Over the next 2 years, Capital Projects Program Budget can be maintained at a \$40 Million level with limited implications to the long term Replacement Maintenance Backlog**
- **Risk will be managed through enhanced inspections and preventive maintenance for the deferred projects**

Finally...

- **A Recommended New Strategic Planning Statement**



In recognition of the economic conditions...

Existing Statements:

Restore the Northern and Southern Everglades

Refurbish, replace, improve and manage the regional water management system

Meet the current and future demands of water users and the environment

Retain and recruit a high-quality, diverse workforce by continuing to recognize the value of employees

Maximize the benefit of all tax dollars collected, by:

- **Streamlining operations**
- **Requiring effective project management**
- **Measuring performance to drive improvement**
- **Re-focusing on core functions**
- **Requiring agency accountability and transparency**
- **Streamlining regulations to ensure no job creation barriers exist**



Proposed projects TO GO (FY 12)

FY 12 Funded Projects	Risk
<i>Ongoing Construction</i>	High
<i>New Construction:</i>	
S-197 Replacement Construction	High
West Palm Beach FS Roof Replacement Construction	High
C-24 Canal Bank Repair Construction	High
East Coast Protective Levee Construction	High
C-4 Canal Bank Improvements Construction	High
Diesel Oxidation Catalyst Installation Construction	High
Inspection Programs	High
Project Culvert Field Station Replacements	Moderate
Critical Infrastructure Field Equipment Replacement	Moderate
Operations Decision Support System	Moderate
Ongoing Project Design	Moderate
Ongoing Project Planning	Moderate

Proposed projects TO GO (FY 13)

FY 13 Funded Projects	Risk
<i>Ongoing Construction</i>	High
<i>New Construction:</i>	
S-140 Trash Rakes/Gates/Operators	High
S-5A Hardening/Service Bridge	High
G-103 Replacement	High
S-150 Culvert & Gate Repl/Automation	High
East Coast Protective Levee	High
PC01/PC05/PC10 Replacements	Moderate
G251 Trash Rake Replacement	Moderate
G-119 Gate Replacement (M-D cost share)	Moderate
S-21 Corrosion Pilot Project	Moderate
Inspection Programs	High
Project Culvert Field Station Replacements	Moderate
Critical Infrastructure Field Equipment Replacement	Moderate
Operations Decision Support System	Moderate
Ongoing Project Design	Moderate
Ongoing Project Planning	Moderate

Proposed DEFERRALS (FY12)

FY 12 Deferrals	Risk
C-41A Canal Bank Stabilization/Dredging Segment 2	Low
G-251 Trash Rake Replacement	Moderate
FTL Vehicle Wash Facility	Low
Bridge Repairs	Low
Critical Infrastructure Field Equipment Replacement	Low
Operations Decision Support System	Moderate
IT Shelters	Moderate
C-24 Bank Stabilization (\$400K reduction)	N/A
C-20/21 Dredging	Moderate
S9 tower (planning)	Low
East Coast Protective Levee (\$1M reduction)	Low
Projects moving forward in FY11 (FY12 reduction)	N/A

Proposed DEFERRALS (FY13)

FY 13 Deferrals	Risk
North Shore Trash Rakes S131/133	Low
North Shore Trash Rakes S129/135	Low
North Shore Command/Control	Low
North Shore Automation	Low
G123 refurb/S34 gate operator & automation	Moderate
S6 tower construction	Moderate
Okeechobee FS Mech/Elec Shop Building	Low
Corrosion Projects	Moderate