

Town of Fort Myers Beach



To: Mayor, Vice-Mayor and Council members
From: Jack Green, Interim Town Manager
Date: October 21, 2009
Re: Public Works Services, Inc.

On June 15, 2009, the Annual Financial Report was presented to the Board of Directors. In that report, there is a section referred to as the MD&A (Management Discussion and Analysis). The MD&A is a very important section of the annual report. It contains useful information about the upcoming year and future goals.

Below is a portion of the MD&A from the 9/30/2008 audited financial statements.

The Town of Fort Myers Beach Public Works Services, Inc. water utility is facing serious financial difficulties in the very near future. As we move forward it will be important to examine all opportunities available to address the costs associated with capital replacement and normal operations. We can expect to face increases to the user rates we charge to our customers in order to become a healthy utility from an operations standpoint, and these increases will be significant.

As we move into the next few years we will have to take responsibility for major system renovations. The February 2008 Evaluation of Existing Water Distribution System prepared by Boyle Engineering Corporation identified nearly \$6,600,000 of needed improvements to the system. Although these improvements can and will be spread out over a number of years, the utility will need to borrow a significant amount of money spread out over a 20 year period.

In August of 2010 the utility will face repayment of approximately \$2,520,000 in current debt. We are currently out of compliance with the terms of that loan due to a number of economic situations in both revenue and expenses. In order to gain compliance it will be necessary to increase revenues in the coming months.

The MD&A clearly outlines the challenges facing the water utility in future years. Implementing a fair and equitable rate structure and repairing the system remain the highest priority for Public Works Services, Inc.